

U.S. POLICY TOWARD IRAN

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

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U.S. POLICY TOWARD IRAN

WEDNESDAY, MAY 15, 2013

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:02 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez (chairman of the committee) presiding.

Present: Senators Menendez, Cardin, Casey, Coons, Udall, Murphy, Kaine, Corker, Risch, Johnson, and McCain.

OPENING STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

The CHAIRMAN. Good morning. This hearing of the Senate Foreign Relations Committee will come to order. Today we are here to take a close look at and discuss United States policy toward Iran. Iran's provocative actions threaten not just regional stability, but pose an existential threat to our ally Israel and a threat to United States national security. Iran continues to export terrorist activity directly and through proxies like Hezbollah. It actively supports the Assad regime in Syria with fighters, arms, and petroleum, and its drive for nuclear weapons is unrelenting, placing Iran at the top of our list of national security concerns. In my view, it remains the paramount national security challenge we face, certainly in the Middle East, if not the world.

I called this hearing today because we are now at a crossroads in our Iran policy and the question today is what do we do next. The Obama administration, in concert with Congress, has pursued the dual-track approach of diplomacy and sanctions. Last week members of the committee met with Lady Ashton, who has led the diplomatic track with the P5+1 along with Under Secretary Sherman. The talks have been central in demonstrating to the world that it is Iran and not the United States that is acting in bad faith and it is Iran that, through its obstinance, has helped galvanize the international community to increase the pressure.

But the talks have failed to achieve their central objective, getting Iran to make concessions on the nuclear weapons program. It is clear to me that we cannot allow the Iranians to continue to drag their feet and buy time even as the centrifuges keep spinning.

A nuclear-armed Iran is not an option, which is why I have been fully dedicated to do everything we can to stop Iran from ever crossing that threshold and why I introduced Senate Resolution 65 with Senator Graham that makes clear that a nuclear Iran is not an option and that the United States has Israel's back.

In my view, it is necessary that we continue to apply pressure and that we must bring along the international community in our effort. Although Iran's crude oil exports have been cut in half from 2.5 million barrels per day in 2011 to approximately 1.25 million barrels per day now, Iran still had energy sector exports of exported \$83 billion in 2012, including \$60 billion in oil and another \$23 billion in natural gas, fuel oil, and condensates.

So while the sanctions are working, they are not enough and they are not working fast enough. At this moment we need to double down, I believe, on four fronts: First, we need to encourage further reductions in energy sector purchases from Iran, including purchases of petroleum, fuel oil, and condensates, and prevent Iran from engaging in trade in precious metals to circumvent the sanctions.

Second, we need to ensure that we have prohibited trade with Iran with respect to all dual-use items that can be used in Iran's nuclear program. That means adding, for example, additional industry sectors to the trade prohibition list.

Third, we need to ask the international community to ramp up the pressure and change Teheran's calculus. A nuclear Iran, after all, isn't only an American problem.

And fourth, the time may have also come to look more seriously at all options, and that would include increasing military pressure against Iran.

I believe there is still time for diplomacy to work, but increased military pressure could signal to the Supreme Leader that a nuclear program will undermine the security of his regime, not improve it. Fundamentally, the challenge remains a difficult one and we are walking a very fine line: How do we convince the Supreme Leader that his continued pursuit of nuclear weapons is threatening the very existence of his regime? How do we convince him that this is about his nuclear weapons program, not regime change?

To help us understand the current state of affairs and explore ways to meet this national security challenge, we are joined today by Wendy Sherman, the Under Secretary of State for Political Affairs, and David Cohen, the Under Secretary of Treasury for Terrorism and Financial Intelligence. I want to thank you both for making the effort to be here today. We had originally—after this hearing we were going to continue in a classified setting, but because of about 7 to 10 votes that are going to be held, we, No. 1, appreciate that everybody accommodated their schedules to starting a half-hour earlier, and we will be unable at this point to do that classified hearing. We look forward to scheduling that at a future date.

With that, let me turn to the distinguished ranking member, Senator Corker, for his comments.

**OPENING STATEMENT OF HON. BOB CORKER,
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. Thank you, Mr. Chairman, and thanks for calling this hearing.

Thanks to the two of you for being here. I know we have done this many times. I think you know we will be considering legisla-

tion a little bit later this year to deal potentially with additional sanctions and activities around Iran. One of the reasons is, in spite of the inflation, in spite of the issues that they are dealing with internally, there are still questions as to whether this is going to cause a behavior change with Iran, and so continued sanctions will be looked at—additional sanctions.

I guess at some point we are going to have to make a determination as to when sanctions are having no effect and we have to move to some other kind of activity, and I think that is what the chairman is referring to when he says that we may soon be at a crossroads. The question is, Will Iran ever negotiate away their nuclear program? I think that is certainly highly questionable.

So another question is, What does “yes” look like? I mean, if they were to negotiate with us on a nuclear program and we came to a good end there, how do we deal with Syria? How do we deal with the human rights piece? So I know that we will discuss that during this hearing. I appreciate you being here.

I know that we do not really expect any changes within the country between now and June because an election is under way, but certainly would like to understand what you think may happen after that. I know a great deal of that depends upon who is elected.

But thank you for being here today and I look forward to your testimony and the questions that come thereafter.

The CHAIRMAN. Thank you, Senator Corker.

With that, we welcome both of your testimonies, starting with Secretary Sherman. Your full statements will be included in the record and we ask you to synthesize that so we can get into a discussion.

Madam Secretary.

STATEMENT OF HON. WENDY SHERMAN, UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ms. SHERMAN. Thank you very much, Mr. Chairman, Ranking Member Corker, Senator Cardin, and other Senators who I am sure will join. Good morning and thank you for the invitation to testify along with my colleague about one of our top foreign policy and national security priorities, and that is, of course, 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’s 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 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 Nations, the Human Rights Council, the IAEA, and other multilateral organizations; wide-ranging sanctions; ensuring we have the appropriate force posture; leveraging bilateral relationships to raise a flag when

Iran seeks to open up a new embassy; and engaging the Iranian people through virtual diplomacy.

Every day, every Bureau in the Department of State, and I dare say in virtually every other Department in our Government, has their eye on Iran. We are making clear that Iran's international legitimacy and the end to 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 when two very important things are taking place. High Representative Ashton, with whom you met, as you mentioned, Mr. Chairman, last week, will be meeting with Dr. Saeed Jalili in Istanbul for dinner to press forward in the negotiation track and the IAEA will be meeting with Iran today in Vienna to further discuss the structured approach to meeting the concerns of the international community. In addition, today the United Nations General Assembly will be debating Syria, where Iran is a very key and clearly destructive player.

I would like to discuss a few specific details about the administration's policy toward Iran. Let me begin with Iran's nuclear program. From the start of his 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 and become a player on the global stage or continue down the path toward isolation and devastating results for its country.

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 option. The sanctions have hit the Iranian economy hard. Iran's crude exports have plummeted, costing Iran \$3-to-\$5 billion per month. The rial has depreciated more than 50 percent over the past few months and official inflation is 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 are not 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, today in Istanbul the EU's, Lady Ashton, and Iran's nuclear negotiator, Saeed Jalili, are meeting, and we hope that Iran shows signs they are prepared to finally take these talks seriously.

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, but ultimately the onus is on Iran.

Beyond Iran's nuclear ambitions, we are also concerned about the destabilizing influence Iran is casting across the entire Middle East and beyond—support to the Assad regime, their closest ally, 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

and the gulf, to defend against attacks from the very groups supported by Iran's leader.

I will be just one more moment.

I also 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 these Americans are safe and sound.

And of course, we are 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, bloggers facing endless intimidation, discrimination, and incarceration, desperate and vital voices, whether in a town square or on a Twitter feed, stifled and punished.

Over nearly 5,000 years, Persian civilization has given the world innovations in culture, art, medicine, and government. But today the historic greatness has been set far back. The limitless potential of Iran's people has been stifled. As President Obama said in his Nowruz message, all nations would benefit from the talents and creativity of the Iranian people, especially its youth. Every day that Iran is isolated from the international community is a day that we are not working together, building together, sharing history, and learning about each other.

Today the United States and Iranian national wrestling teams are facing off in Madison Square Garden, but, sadly, this show of healthy competition and good sportsmanship is a deep exception. Iranians are owed the rights, freedoms, and dignity we cherish here as the bedrocks of our Nation and that all people around the world deserve. So we are helping the Iranians break through the electric curtain, creating a virtual space for those voices that are suppressed and leveling sanctions to hold the individuals and organizations behind the repression accountable.

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 great 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, over 600 of them, eliminating literally 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. As I said, 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 the security of our allies and to global stability. I'm confident that we can continue to work together on this very critical challenge.

Thank you.

[The prepared statement of Ms. Sherman follows:]

PREPARED STATEMENT OF UNDER SECRETARY WENDY SHERMAN

Chairman Menendez, Ranking Member Corker, 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 multivector 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 choke-points 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 U.N. 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 U.N. 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 6 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 U.N. 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 U.N. 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 toward 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 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 signifi-

cant 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 Assad in Syria; its support for terrorist organizations like Hezbollah; 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)-Quds Force and the Ministry of Intelligence and Security (MOIS), the "Iran Threat Network" comprises an alliance of surrogates, proxies, and partners such as Hezbollah, HAMAS, and Iraqi Shia 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 Quds 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 bombmaking materials and makeshift grenades intended for use in attacks against Israeli targets.

In June 2012, Kenyan authorities arrested two Iranian members of the Quds 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 Hezbollah continues to be a key partner and substantial part of Iran's threat network. Iran provides hundreds of millions of dollars to Hezbollah annually and has long been Hezbollah's primary trainer and arms supplier. Hezbollah 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 Hezbollah activity worldwide, and have devoted a great deal of diplomatic effort over the past several years to raising awareness of Hezbollah 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 Hezbollah operative.

Thwarted attacks involving Iranians and Iranian proxies like Hezbollah 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 ASSAD

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 Assad regime. Today, Iran is training, arming, funding, aiding and abetting the Assad regime and its atrocious crackdown on its own people. It is coordinating its intervention in Syria with Hezbollah, which is itself engaged in training proregime militants who attack Syrian civilians, and in direct fighting on behalf of the Assad regime against the Syrian people. Iran and Hezbollah fighters are also directing the activities of Iraqi militia groups which have been enlisted to join in the Assad 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 counterterrorism 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-Yaghoob, 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 U.N. 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 U.N. 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 Assad 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.

The CHAIRMAN. Thank you.
Secretary Cohen.

**STATEMENT OF HON. DAVID S. COHEN, UNDER SECRETARY
FOR TERRORISM AND FINANCIAL INTELLIGENCE, U.S.
DEPARTMENT OF THE TREASURY, WASHINGTON, DC**

Mr. COHEN. Chairman Menendez, Ranking Member Corker, 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 my colleague Under Secretary Sherman has said, that is why this administration, from our first days in office, has pursued a dual-track strategy that offers Iran the opportunity for diplomatic engagement 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 continue 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 our 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 Iran 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 vessels 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. In the last few months, we have imposed sanctions on Babak Zanjani and Dimitris Cambis, along with their front companies, ships, and banks, for engineering elaborate schemes 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 or some 1.3 million barrels per day between January 2012 and early 2013, costing Iran between \$3 and \$5 billion per month. 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 20 years. The value of Iran's currency—the rial—has plummeted, losing over two-thirds of its value in the last 2 years.

We also see the impact of sanctions in less tangible, yet more significant, ways. During the negotiating sessions in Almaty, 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 the petrochemical sector. With our colleagues at State, we will maintain our robust outreach efforts with foreign governments and the private sector to explain our sanctions, to warn of the risks of doing business with Iran, and to encourage them to take complementary steps.

We will continue aggressively to implement and 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.

I am happy to answer any questions you may have.
[The prepared statement of Mr. Cohen follows:]

PREPARED STATEMENT OF UNDER SECRETARY DAVID S. COHEN

INTRODUCTION

Chairman Menendez, Ranking Member Corker, 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 twofold. 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 inter-agency 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 counterproliferation 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 counterterrorism 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 15 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 8 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-Quds Force (IRGC-QF). Iran continues to provide financial and military support to several terrorist organizations, including Lebanese Hezbollah, 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 Hezbollah (KH), which is backed by the IRGC-QF and whose training has been coordinated with Lebanese Hezbollah in Iran. KH is responsible for a rocket attack that killed two U.N. workers in Baghdad and for numerous other acts of violence in Iraq. Treasury also maintains vigilant watch over the activities of al-Qaeda 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-Qaeda, the latest in a series of actions exposing some half a dozen members of al-Qaeda operating in Iran, under an agreement between Iran and al-Qaeda.

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 Hezbollah's aid to the Assad regime. As we observed last year when we designated Hezbollah and its leadership for providing support to the Government of Syria under E.O. 13582, Iran has long provided Hezbollah with military, financial, and organizational assistance. Iran's IRGC-QF has led these efforts, working with Hezbollah 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 20 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 percent, 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

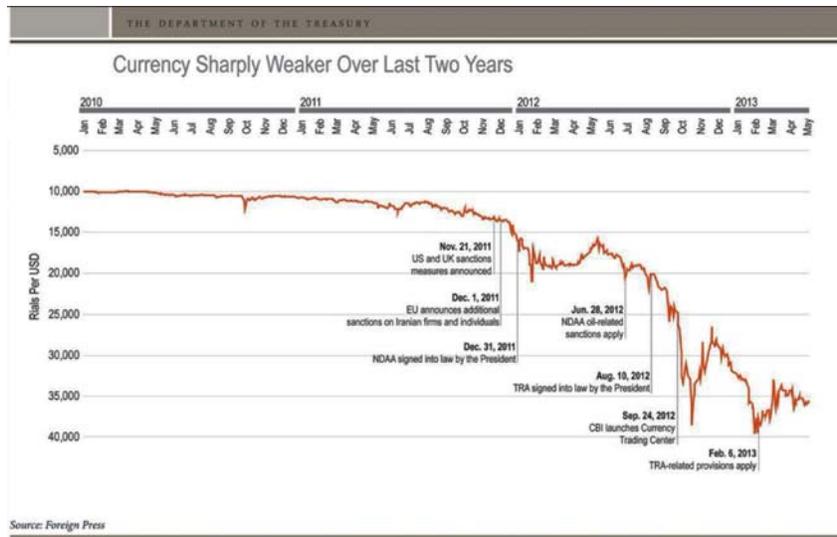
As Iran finds it increasingly difficult to earn revenue from petroleum sales and to conduct international financial transactions, Iran's economy has been severely weakened. Iran's own economic mismanagement has only exacerbated these effects.

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 20 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 9 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.) The open market value of the rial has lost over two-thirds of its value in the last 2 years.

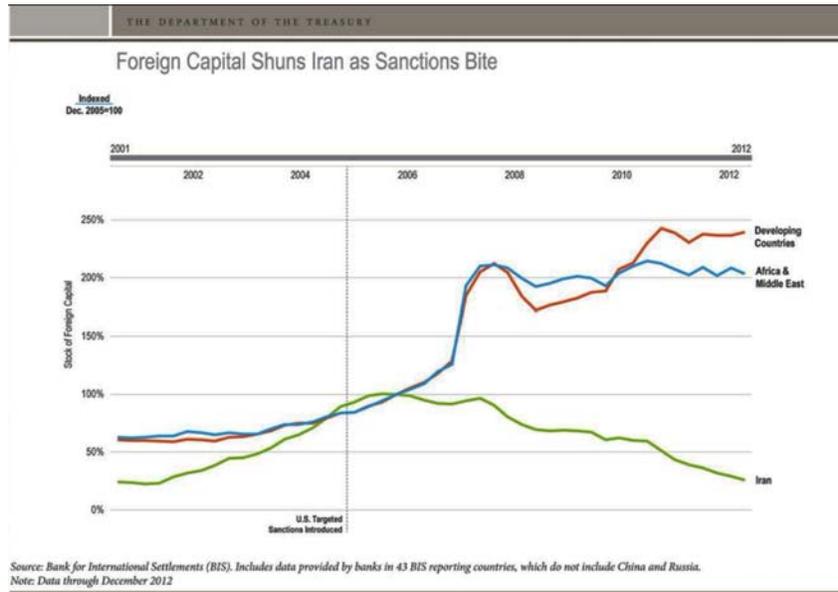


Faced with a rapidly depreciating rial, in September 2012 the Central Bank of Iran established a Currency Trading Center (CTC) to allocate foreign exchange for certain preferred imports at a preferential rate of about 24,000 rials to the dollar. Apparently faced with dwindling supplies of hard currency, 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 12-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 2-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 coun-

tries. (See Chart 2.) 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 longstanding 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 nonbank 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 institu-

tions 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.

The CHAIRMAN. Well, thank you both very much.

Let me start off with: Our challenge is that so far this has not changed Iran's calculus or, I should say, the Supreme Leader's calculus. So peaceful diplomacy tools are limited. Sanctions is one element of that. The question is, Is there anything more that we should be considering doing that would make it ever more clear that the consequences of continuing on a path to a nuclear weapons program is not sustainable for them and at the same time be able to keep the unity that we have of a coalition that we have built, which I personally think is very important?

In that regard, Madam Secretary, there is reputable reporting that oil markets are now predicted to be loose for the coming year because of Iraqi, Libyan, and other lines coming back on the market. It would seem that this is the time to press our allies to further reduce crude purchases from Iran. So what is your view, meaning the administration of course, with reference to seeking further reductions, which was envisioned in the legislation that was unanimously passed by the Congress, from countries that are still purchasing petroleum, have made some reductions, but which we have also given waivers to along the way because we have considered their reductions to be a significant amount? But at this point, with the market seeming to be well positioned to accept further cuts, what is the view of the administration in that regard?

Ms. SHERMAN. Thank you, Mr. Chairman. As you noted, when we began all of this, working with you, there were 20 countries who imported Iranian oil. We are now down to only six countries who continue to import any Iranian oil, and all of those six countries, which are China, India, Turkey, South Korea, Japan, and Taiwan, have made significant reductions in their importation of Iranian oil.

We are continuing, of course, to press them for further significant reductions, as is required under the law. One of the things that you mentioned is that we have worked very hard to keep the international coalition together and we have worked very hard to keep the P5+1 countries together in a unified force, because that unity, whether it is at the U.N. Security Council or the IAEA or in negotiations, allows us to enforce sanctions, keep the pressure on Iran, and shows that Iran cannot split off people and find allies and partners in the world for their destructive actions. So that coalition is very crucial.

So if we want reductions beyond what is in current legislation, we have to work very carefully with countries. I know that for many in Congress there is great concern about China, which is the

single largest consumer of Iranian oil. But China has made significant reductions. They are up for a further exception and we will be looking at the data that is coming in from April—it always is a lagging indicator—before making a judgment and notifying and consulting with Congress.

But I think it is important, using China as an example, to note that—I am going to read this because it is hard to keep it straight—“A given percentage reduction in China would be approximately equal to a volume reduction twice as large as the same percentage reduction from India, three times from South Korea, and four times from Turkey.” That is how much the volume matters, because China’s importation is so large.

So any reduction China makes has an outsized impact on Iran’s oil consumption. So we are pressing China. We have ongoing conversations. We expect them and we expect every other of the six importers to continue their significant reductions.

The CHAIRMAN. We will be looking forward to seeing where we are at with these other countries. And I recognize the volume question. However, I also recognize that, considering where the oil market is today, that it seems to me that we have the wherewithal to vigorously advocate with these countries for reductions because they can offset their purchases in a way that really would not domestically harm them. So I hope that we will do that as part of our effort here.

Let me turn to Secretary Cohen and ask about two different elements. We have, as a result of a law that we passed, new sanctions coming on line on July 1—you mentioned it in your remarks—with respect to transactions with certain Iranian economic sectors, like the shipping and shipbuilding sectors. First of all, I want to hear from you how you intend to vigorously enforce those sanctions.

Second, I would like to hear whether, because there is reporting that Iran is using its automotive sector particularly to produce dual-use items for its nuclear program, are you looking to add additional sectors by Executive order?

Then last, the administration issued an Executive order banning gold sales to the Government of Iran and that initiative, along with a ban on sales of other precious metals, was codified late last year by the Congress. Reporting estimates, however, show that Iran has received \$6 billion in gold since last summer, an amount equivalent to about 10 percent of Iran’s total 2012 oil exports of \$60 billion. This also represents about 6-to-10 percent of Iran’s estimated foreign exchange reserves.

The P5+1 process reportedly offered Iran relief from the ban on gold sales during the last rounds of talks. With the talks—I think generally viewed as not having succeeded; some may suggest failed, but their not having succeeded—will we now see robust enforcement of the ban on sales of precious metals to Iran?

Mr. COHEN. Mr. Chairman, let me take those questions in reverse order and address the gold issue first—

The CHAIRMAN. That is not to confuse me, is it? (Laughter.)

Mr. COHEN. No.

First with respect to gold, obviously you are correct that the Executive order adopted last summer authorizes the administration to impose sanctions on anyone who is selling gold to the Government

of Iran. Now, regardless of what may, or may not, have been offered in Almaty, we are actively enforcing that provision. We have been very clear with the countries that are exporting gold to Iran, principally Turkey and the UAE, on precisely what the law permits and what it forbids, and we are following the information very carefully.

I would note that there is also substantial reporting that there is a tremendous demand for gold among private Iranian citizens, which in some respects is an indication of the success of our sanctions. They are dumping their rials to buy gold as a way to try to preserve their wealth. That is, I think, an indication that they recognize that the value of their currency is declining. And as of July 1 when the provision in IFCA comes into effect, that activity will also be subject to sanction. As of July 1, the sale of gold to any person in Iran, whether it is the Government of Iran or a private citizen, is forbidden, and we have been very clear with the Governments of Turkey and the UAE and elsewhere, as well as the private sector, that are involved in the gold trade, that as of July 1 it all must stop, not just the trade to the government.

With respect to whether we are considering additional sectors to target through Executive order, one thing that we are very much committed to is enhancing sanctions pressure through a variety of means. The watchword that we are pursuing in how we are looking at enhanced sanctions is revenues, reserves, and the rial. That is what we are focused on, and that means we are looking at a variety of different means to go after Iranian revenues, to lock down their reserves, and to affect the value of the rial. And if that means additional sectors, we will consider that.

Finally—I know I am substantially over time—with respect to the implementation of IFCA on July 1, we are working very closely with our colleagues at State to put into place the mechanisms for the enforcement of that law, which targets the energy, shipping, shipbuilding sector, targets insurance, requires that gas sales, the revenue from gas sales, be treated the same way as the revenue from oil sales under the TRA, so that the gas sale revenue will also be locked down.

All of these provisions we are looking forward to implementing as of July 1. We have been out around the world explaining what this new provision, what IFCA provides, so that our partners around the world understand what the new rules will be and we will enforce that law vigorously.

The CHAIRMAN. I appreciate your answer.

Before I turn to Senator Corker, enforcement of sanctions is as important, if not even more important, than the sanctions themselves. Otherwise they are toothless tigers. So we will be looking forward to a continuing oversight as to how we are moving in the enforcement side.

I want to just correct the record. I had said “waivers” earlier; I meant “exceptions,” as it relates to some of the countries that we are dealing with.

Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

Again, thank you for your testimony. We have had a number of settings both publicly and privately where we have talked about

the sanctions. For what it is worth, I am impressed with what the sanctions have done thus far. I am very unimpressed with the behavior change that it is actually created. I am just curious. I know you have to be frustrated with that. You look at the results of what is happening and yet no behavior change.

What are some of the things that you talk about internally? If we continue down this road for the next 3 or 4 months, again with no behavior change, what are the additional sanctions, actions by the U.S. Government, that you discuss internally if this continues on the path that it is?

Ms. SHERMAN. Well, let me begin and then let David pick up. First of all, both to your point, Senator, and to the chairman's point as well, I should have mentioned that before Secretary Clinton left office she made a change in the State Department. She created a sanctions coordinator and that office is being held by Ambassador Dan Fried, with a small team that sits in the Deputy Secretary's office and also works with me and all of the regional bureaus, so that State has a stronger partner to work with Under Secretary Cohen in the enforcement of sanctions.

So I think that one of the things that you will see in the coming year, because Secretary Kerry has his eye very much focused on this, is that we increase our diplomacy even more to ensure that all of the sanctions authorities we have are fully enforced and that people understand the risks that they face by dealing with Iran. That is not only the sanctions enforcement, but that is when Iran comes and wants to open an embassy in their country, to make them understand that they are going to get the MOIS, the intelligence services, they are going to get the IRGC—Quds Force, the military arm of Iran, at the same time, and they are going to increase the destabilization in the region.

Senator CORKER. If you don't mind, I do not really want to talk about some of the processes. If you will, focus more on tangible things, our actions toward Iran, that you will be considering if we continue down this path for the next 4-to-6 months and there is no behavior change. I appreciate all of the procedural things.

Ms. SHERMAN. Sure, sure.

Senator CORKER. But I am not really that interested in that.

Ms. SHERMAN. We are looking at additional sanctions enforcement and more sanctions and more sectors.

Senator CORKER. What do those sanctions look like?

Ms. SHERMAN. I think that probably what we need to do is consult with you, with the pending legislation that is up here on the Hill. Many of the things—

Senator CORKER. Do you generally support the pending legislation?

Ms. SHERMAN [continuing]. Many of the things you are looking at are things that we support as well, and we are having ongoing, I think, staff-to-staff consultations in that regard. We are looking at additional Executive orders. We are looking at our military posture and making sure that we continue to send signals. We are looking at our actions in Syria, which is very crucial to Iran's position in the world, and how we can bring that violence to an end and help the opposition get the future they want in Syria.

So there are many vectors to this approach, Senator.

Senator CORKER. What kind of reserve does the Government of Iran have on hand for their internal use?

Mr. COHEN. Senator, I am going to push my button and then I am going to say I cannot answer that question in this setting. I know we are going to try and—

Senator CORKER. You cannot tell us? I mean, we talk all the time about the reserves that Syria has in public settings. You cannot tell us what kind of reserves Iran has in a public setting?

Mr. COHEN. I think it is better that we discuss this in the closed session. The one point I will make about Iran's reserves: Whatever the total amount is, we also know that their access to those reserves is substantially impaired. So the sanctions that we have in place, in particular—

Senator CORKER. So in a private setting you could probably tell us how much longer they can survive; is that correct?

Mr. COHEN. We can discuss the total amount of reserves, what we think they have access to, and how long we think those reserves will hold out, Senator.

Senator CORKER. One of the things that we are doing is place pressure on their currency. Obviously with their currency being devalued the way that it is it can facilitate exports, which many central bankers around the world are trying to do. What impact are we having on the other sectors such as the manufacturing sectors? Are we actually enhancing Iran's ability to export around the world because of the depreciating rial?

Mr. COHEN. The depreciating rial does have the effect of making Iran's exports somewhat more attractive. However, we also have a range of sanctions focused on exports from Iran, including exports of petrochemicals from Iran, that work against whatever—

Senator CORKER. How much of an offset is it creating whereby the other parts of their domestic economy are flourishing as a result of the policies, and how much is that offsetting the petrochemical component and petroleum component?

Mr. COHEN. Senator, our assessment is that the Iranian economy is not flourishing in any respect. Their GDP, as I mentioned earlier, is contracting anywhere from 5-to-8 percent in the last year, and it will contract again this coming year. Their ability to transact internationally, to receive payments for exports, is substantially impaired because of the whole raft of financial sanctions that are in place. So I think whatever collateral benefit there may be from a depreciating rial to the export of Iranian goods is more than offset by the other actions we have taken.

Senator CORKER. I do look forward to the classified setting and you talking more about the reserves.

Let me ask two additional questions. I know you do not want to mention names because we do not want to hurt candidates, if you will, in the Presidential races that are taking place. But is there any qualitative difference from your perspective in the candidates that we think will be seeking to lead Iran as it relates to this issue?

Ms. SHERMAN. I would say, Senator, that there are probably some candidates who would be perceived by us as more interested in looking at the nuclear negotiations in a more positive vein. How-

ever, the nuclear file is held by the Supreme Leader and no one else, and he is the final decisionmaker regarding the nuclear file.

We have seen today that conservative commentators are pushing very hard against Mashaei and Rafsanjani because they do not see either of those candidates as tough enough, and obviously Jalili is a candidate himself, who is the negotiator opposite us right now. So I think there is a lot to play out here. As I said, there are over 600 candidates. By the 23rd of May, the Guardian Council will winnow that down to just a handful, maybe four or five. There will be a lot of gaming that goes on. Some people speculate Rafsanjani might drop out in favor of Rouhani. But I think we do not know yet, and I think we do not know the impact. As you may recall, in 2009 everyone thought Ahmedinejad was going to be one kind of leader, and he has turned out to be quite another kind of leader.

I might add, Senator, just on your last question, as an interesting data point, the IMF projects that FDI—foreign direct investment—in Iran dropped to \$1.1 billion in 2012 from \$4.1 billion in 2011. So there has been a substantial decline in the economy.

Senator CORKER. Look. Again, the effect of the sanctions is pretty remarkable. It is just unremarkable as far as the behavior change. I know we are going to be looking at deeper sanctions. But I do appreciate the efforts that you are putting forth and for being here today.

Secretary Sherman, one of our goals and missions as we work with other countries is to ensure that we have the rule of law and that we rout out corruption; is that correct?

Ms. SHERMAN. Absolutely.

Senator CORKER. I have inquired recently of the administration regarding the fact that President Karzai in Afghanistan has continued to talk about the fact that we are delivering suitcases full of cash to him and he expects that to continue. I have asked about that and I have been told by the administration that in essence this is none of my business and it is not in my jurisdiction.

Now, I am the ranking member on Foreign Relations, which does not mean a lot, but based on what you just said, I guess that is in my jurisdiction. Let me just ask this question: Do you think that delivering cash to a government that has been around for many, many years and is democratically elected aids us in fighting corruption?

Ms. SHERMAN. Well, I would say, Senator, that I appreciate your concern. What we seek in Afghanistan is a stable government going forward. The United States has made a substantial investment in helping that country get to a place where—

Senator CORKER. Does delivering cash to a leader, an elected leader, does that help us rout out corruption in that country?

Ms. SHERMAN. I think, Senator, we of course want to rout out corruption every way we can. My sense is the particular instance that you are discussing is better discussed in a classified session.

Senator CORKER. Well, you know, if it has to be discussed in a classified setting then I cannot talk about it. And yet the President of Afghanistan is talking about it, and so it is in a public setting, and I expect a public response. So I thank you. I guess I will have to ask the President of Afghanistan what is happening with this cash.

But thank you so much.

The CHAIRMAN. Or maybe on your next golf outing.

Senator Cardin.

Senator CARDIN. Thank you, Mr. Chairman.

Let me thank both of our witnesses. It is very clear, United States policy in regards to Iran and I thank you both for being unequivocal in the manner in which you have presented this. Our strategies are clearly to isolate the Iranian regime as long as it continues to deny compliance with international obligations, and to strengthen that by increasing sanctions and isolation and enforcement, which I fully support.

At the same time, you will continue on the diplomatic side, if I understand, with the P5+1, but not to allow that to weaken or delay the isolation efforts. That is how I understand the administration's policy, which, I think, is totally consistent with the support that you have here in Congress.

So let me get to, I think, the chairman's point. There are two aspects to isolation. We can strengthen the sanctions, and Congress is looking at legislation today to give you additional tools. One thing that we have seen from the international community is they look to the United States to show how we can increase the pressure on Iran. We are the leader. We have many countries around the world that are very willing to work with the United States and to take our leadership, and that is why these resolutions that we consider and the sanctions legislation that we pass becomes particularly important, because it becomes the standard for what other countries are willing to do.

But then there is another group of countries that sort of say, well, you know, we are with you, but we have our own agenda. We got into somewhat of a discussion as to the countries that are still importing crude oil, are still doing business with Iran. I would hope that you could supply us some additional information as to what is reasonable for us to expect.

I chair the East Asia and Pacific Subcommittee and we will have conversations with the Chinese and the Japanese and the Koreans, and it would be, I think, important for us to know what we could further expect. I was very interested in your analysis on China, how important China is to Iran in regards to a market for its crude oil. It is not just the volume level, but under what conditions they are doing business with Iran, that we could seek stronger enforcement.

So if you could share that with us, so that we have a game plan of our expectations. With Japan and Korea, we are talking about close allies. It would seem to me that as we look at imposing new sanctions the first order of business is to enforce the current sanctions. I know they may be in compliance with the law, but we would like it to be—the intent of our sanctions is to isolate as much as possible the Iranian regime. So any information you could supply in that regard I think would be particularly helpful.

Then of course, it has been several years since the Security Council has acted in regards to Iran. What is the prognosis of getting help from Russia and China to pass a stronger message from the Security Council, which I think would have an incredible message on Iran?

Ms. SHERMAN. Thank you very much, Senator. I indeed met with my Japanese counterpart yesterday and we had a very vigorous discussion about further enforcement and reductions of oil. This has been very tough for Japan because one of the things that I have learned in not quite the 2 years I have been in this job is there are many versions of crude oil, there are many different ways that refineries can deal with crude oil. So making the mixes and matches that work with the supplies that are available is very complicated to achieve these reductions.

So I am very grateful for what Japan has done, and for what China has done as well. Indeed, China reduced its oil imports from Iran by 21 percent in 2012 compared to the previous year. They are doing that not just because of our unilateral sanctions, which they do not support—many countries do not support our unilateral sanctions, not just China—but because it is in their interest to reduce their risk and Iran is a risky place from which one should import oil.

We also believe, however, that we have to enforce our laws and that if that means penalizing entities in a country, including China, we will do so. On February 11, 2013, we announced the imposition of nonproliferation sanctions on four Chinese entities. On July 31, 2012, the Department of Treasury imposed sanctions under CISADA against the Bank of Kunlun, which David can talk about further, and Zhuhai Zhenrong as well. So we will do what we need to do—

Senator CARDIN. But can we get China to work with us with a new Security Council resolution, that perhaps then they will, since they are part of the development of these sanctions, we get compliance?

Ms. SHERMAN. I think that right now it probably would be difficult to get all of the members of the Security Council to move on a new resolution. What I think may change that calculus is not only our sanctions and the enforcement, but actually what is happening with the IAEA and what is happening with the IAEA today. They are meeting with Iran around a structured approach. I do not think they are going to get a positive response.

The Board of Governors will meet in early June. At some point, the Director General of the IAEA will have to return to the Security Council and say: I can go no further; there has been no response; you have to take further action. Whether that will happen this June or whether that will happen in September, I am not sure. But there will come a point at which all of the international community, all of the Security Council, will have to confront that the IAEA is not able to move forward in finding out the dimensions of Iran's nuclear program.

Senator CARDIN. I had a chance to meet with the Secretary General of the IAEA recently and I was very impressed that the information that they were sharing was very similar to the information that we had in the United States. So there is really no difference here about the assessment of where Iran is on the scale.

I think you are right, getting IAEA more actively engaged with the United Nations and the Security Council puts this at a level that, if we expect Iran to comply with its international obligations, the Security Council is going to have to take stronger measures.

Thank you, Mr. Chairman.
The CHAIRMAN. Thank you.
Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

Can either of you just kind of bring me up to speed a little bit in terms of the condition of the opposition forces there, especially after the 2009 uprising?

Ms. SHERMAN. Quite frankly and sadly, Senator, the Green Movement virtually is nonexistent as an organized force inside of Iran. The repression, the killings, the efforts to close down any possibility to organize, has really depressed that capability.

That said, I do not think any of us know what will happen in the runup to this election. We had not expected fully what the Green Movement did, and the Green Movement actually, quite frankly, was focused more on voter fraud than it was focused on regime change at the time of the 2009 election. So we are doing whatever we can in the runup to this election to encourage voices in Iran to press for the kind of freedom and fair election that the Iranian people deserve.

There are a variety of things, some of which we can talk about when we have our classified session, but in public we are not only using our virtual Embassy to share information, but we are helping to make sure that technology cannot be jammed, so that people have access to cell phones and computers so they know what is going on, so that they can use the tools that might be valuable to give them a possibility of a future and of a free and fair election.

We do not expect one, but we want to help the Iranian people to be able to speak with the voice that they should have.

Senator JOHNSON. Do we have any assessment of how many of those opposition leaders were killed, how many are jailed? Any kind of numerical assessment?

Ms. SHERMAN. I do not have those numbers off the top of my head, but I would be glad to try to see if we can get them for you.

[The State Department's written reply to Senator Johnson's question follows:]

The Iranian Government officially confirmed that 36 people were killed during the post-election protests in 2009, although many opposition figures and activists contend that more than 100 were killed in the weeks and months following the vote.

The Iranian Government also officially confirmed that at least 4,000 people were detained during the 2009 protests. Among those arrested were numerous student leaders and other figures within the Green Movement, many of whom remain in jail today.

It is difficult to determine the exact number of those killed or arrested in the post-2009 election period, given the lack of transparency by Iranian authorities, but certainly dozens died and thousands were jailed during this time. Hundreds of activists associated with the Green Movement or other civil society groups have since fled the country. Many activists report there currently are at least 500 political prisoners in Iran, including Green Movement leaders, Mir Hossein Mousavi, Mehdi Karoubi, and Karoubi's wife, Zahra Rahnavard, who remain under house arrest since February 2011 on unspecified charges.

Senator JOHNSON. Secretary Cohen, so we actually do have an assessment; you just do not have them off the top of your head? OK.

Mr. COHEN. If I could just add one thing to what Wendy said, one of the Executive orders that the President adopted this past year is known as the gravity Executive order. It focuses on gross

human rights abuses through the use of information technology both in Iran and in Syria. We have designated a number of entities in Iran, some in Syria as well, for the use of information technology in a way that restricts the free communication among the people in Iran.

We are obviously very interested to see what transpires in the course of this election and will be prepared to apply that authority if we see evidence that the use of information technology is affected by the regime in a way that it restricts the communications among the people during the election.

Senator JOHNSON. Do we have an assessment of how many fighters Iran has operating in Syria right now?

Ms. SHERMAN. We do not have an exact number. When you have the classified session, the intern intelligence community briefer can give you his assessment. There is no question, I believe, that the IRGC–Quds Force is present, is training militia, is providing a lot of dollars, has financed Hezbollah as a proxy force. We all heard Nasrallah’s speech last week in which he laid down the gauntlet that anyone who wants the destruction of Israel should join forces in the fight in Syria. We take this very, very seriously.

Senator JOHNSON. Logistically, how are those fighters, how is the material, getting to Syria from Iran?

Ms. SHERMAN. It is getting to Syria from Iran in many ways. I assume, Senator, that one of your questions regards overflights of Iraq on its way to Syria. We are very focused on interdicting not only those overflights and urging the Government of Iraq to inspect those flights.

Senator JOHNSON. How would we interdict those flights?

Ms. SHERMAN. We have pressed very hard for the Government of Iraq to inspect those flights and they have begun to do so. Is it effective as we want it to be? No.

Senator JOHNSON. If we had a status of forces agreement in Iraq, would we be interdicting them ourselves?

Ms. SHERMAN. I doubt that. There is now a sovereign government in Iraq.

Senator JOHNSON. So you do not think—there is no regret on the part of the administration that we did not negotiate a status of forces agreement, so we had a presence there in Iraq to be able to possibly affect this?

Ms. SHERMAN. I think, Senator, you remember that we had tried to negotiate a status of forces agreement. We said it was the only way and the only basis on which we could have a continuing presence in Iraq. The government did not want to do that. We are not going to put our military or our people at risk in that fashion.

But even so, this is a sovereign government. We can use the pressure and leverage that we have and we are to making sure that all of those planes are inspected.

Senator JOHNSON. That is all the questions I have. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Casey.

Senator CASEY. Thank you, Mr. Chairman.

Under Secretary Sherman and Under Secretary Cohen, we appreciate your testimony today and your public service on a set of really difficult issues.

I wanted to focus on two areas in the time that I have. One is Syria and second, similar to what Senator Johnson raised, the issue of human rights and Iran and steps that we have taken but, frankly, further steps that we can take. I noted in your testimony—and I know when you have comprehensive testimony you do not get to all of this in your opening remarks, but you did speak to this. Both of you did. Under Secretary Sherman, on page 8 you talked about, with regard to the human rights situation, “a culture of fear in Iran.” You say: “We’re committed to raising the cost of repression and helping Iranians break through the electronic curtain that the regime has put in place.”

You talked about sanctioning 30 Iranian individuals and entities for engaging in serious human rights abuses and censorship activities. Later you talk about the virtual Embassy in Teheran and the way we have brought technology to bear on opening up that country.

We know from what happened in 2009 a couple of things were evident to me at that time. No. 1 is, despite the brutal repression of that Green Movement and efforts like it, I do not think there is any question that what stirred in the hearts of Iranians at that time is enduring. It might be repressed, it might be dampened, but once that happens, I think, in the hearts of any people, I think it is very difficult to suppress it over time, even though here we are 4 years later and it still has not really flourished.

A couple of years ago, I guess it was back in 2009, a \$20 million effort was made in the so-called VOICE Act. Senator McCain and others were very active in that, led that effort. That \$20 million was a darn good expenditure when we consider the impact it can have on the people of Iran.

So I guess I would ask you—let me just add one quick editorial comment, then ask you a question about it. Members of Congress could do a lot more to speak to this. As much as it is important that we lead with a focus on Iran’s nuclear program, as much as it is important that we focus on other elements of our strategy, this part of our strategy, on human rights, we do not talk about enough. Candidly, the President does not talk about it enough. I think we have got to make it a central feature of our strategy, because if we do not talk about it it really is not enough of a strategy.

I would ask you, in addition to what you have already done, and you have highlighted that, for both witnesses: What more can we do, meaning the Congress and the administration, and what more do you have planned to not only put pressure on the regime as it relates to human rights, but also to do everything we can to open up that country by the use of technology and a more focused strategy?

Ms. SHERMAN. Thank you very much, Senator. Clearly, as we approach the election June 14 in Iran, making sure that we do everything we can so that the people of Iran have a way to make their voices heard is crucial. Some of those I can talk about here, some of those when we are in classified session. But we are trying to make sure that things, as I said earlier, cannot be jammed, that

people have cell phone access, that they have ways to talk to each other, communicate and organize to the extent that they want to. We do not take sides. We just want a free and fair and open election for the people of Iran.

We have also worked very actively in the Human Rights Council and will continue to do so. We led the efforts in 2011 to create the mandate for a U.N. Special Rapporteur for Iran. We think this is very important. We have increased the support for that over the years. We have issued our own Iran human rights report in our overall human rights report and tried to point out what is happening, again saying Iran is a country of particular concern.

We have pressed very hard in both public comments as well as through the Swiss, who represent us in Iran, to free the three American citizens, the two that are held in prison and Robert Levinson, for whom we do not know where he is, in every way we can, working with the FBI as well on Mr. Levinson, to raise these issues up and to make the world aware of the repressive actions of Iran.

I agree with you, Senator, there is not really enough we can do about the human rights abuses in Iran, and I quite agree with you that we all need to speak about them more, because it is that kind of repression that does not allow the people of Iran to speak their minds and ensure their future.

Senator CASEY. Under Secretary Cohen.

Mr. COHEN. Senator, I completely agree with Under Secretary Sherman's description of the importance of focusing on human rights abuses in Iran. For our part, working with the State Department, we have the authority to apply sanctions on human rights abusers in Iran and we have done so. Candidly, those sanctions are most important for exposing those who are involved in human rights abuses. These are not sanctions that we expect to freeze substantial amounts of money here in the United States, but they do shine an important light on human rights abusers in Iran, and we are going to continue to implement that and designate people for human rights abuses.

Earlier this year, following the passage of IFCA, we applied sanctions on the Islamic Republic of Iran Broadcasting Company and its leader, in part because of their distortion of the communications in Iran. But this is an area where we are as an administration very focused and quite intent on continuing to expose human rights abuses in Iran.

Senator CASEY. I think if we—and I know I am running out of time in about 30 seconds. But I like to think about it as kind of a three-part strategy. You could probably add another element to it. One is the obvious focus on the nuclear program. You outlined in your testimony the impact on GDP and their oil production, so we are seeing results there.

We talked about human rights and I think it has to be a second element of our strategy. But also just the daily threat that both Iran, Hezbollah, and all the terrorist organizations you have outlined in your testimony that they work with. They are the—as I like to say—the backer and banker of all the bad guys we can think of.

That brings me—and I know we are out of time, but I will just put this on the record—brings me to Syria, because if the Assad regime falls it is obviously a bad day for Iran, a bad day for Hezbollah, and undermines their ability to plot against us, as both of them do each and every day. I know our folks work very hard to confound those plots.

So we will talk more about the impact on Iran that our policy in Syria can have. Thank you very much.

The CHAIRMAN. Thank you.

Senator Risch has deferred to Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

If I could just follow up on Senator Corker's question, it is well known that we are delivering bundles of cash to President Karzai. It has been published. Would we object if other nations delivered bundles of cash to President Karzai?

Ms. SHERMAN. Senator, I think what we are focused on is how—

Senator MCCAIN. I would like you to answer the question.

Ms. SHERMAN. Well, Senator, it is a hard question to answer.

Senator MCCAIN. All right.

Ms. SHERMAN. We are, of course, concerned about what other governments do all over the world.

Senator MCCAIN. But it is OK for us to do it, but not for others?

Ms. SHERMAN. I think this is a discussion that is better had, as I said, in a classified session.

Senator MCCAIN. I think the American people need to know what is being done with their tax dollars. I think that—and they should know in open session. And the fact is that we have billions of dollars in aid programs that are open, transparent, subject to the scrutiny of this committee and the Congress of the United States, but somehow we cannot talk about the fact that bundles of cash—and I happen to be a strong supporter of President Karzai in many ways—but it is not OK for us to talk about bundles of cash that are being delivered to President Karzai, and we would not—none of us would know about it if it had not been, obviously, in the media.

So hard question to answer, but I think it should be answered. Would we object if other countries or other entities or other organizations were delivering bundles of cash to President Karzai?

Ms. SHERMAN. I hear your question, Senator. Thank you.

Senator MCCAIN. As the U.S. representative for the P5+1 talks, what progress has been made in advancing our goal of preventing Iran from achieving nuclear weapons since the negotiations resumed last year? I couched that question in the context that I note that in January 2009, according to the IAEA, the Iranians had 1,000 kilograms of uranium enriched to 3.5 percent; today they have more than 8,000 kilograms. And in January 2009 they had not enriched to 20 percent; and today they have almost 280 kilograms.

So I repeat the question: What progress has been made in these talks?

Ms. SHERMAN. Senator, I share, I think, your deep disappointment that we have not made more progress in the talks in the P5+1. The P5+1, all countries have stood united in putting what

we think is a very reasonable and balanced confidence-building measure proposal in front of Iran so that we could address their over 5-percent enriched uranium in the short term, to ultimately get to full compliance with the U.N. Security Council resolutions, which is our objective.

Iran has responded to that proposal by putting very little on the table and asking a lot in return. When Cathy Ashton has dinner with Jalili this evening, her message to him will be that we are united, that unless Iran is ready to have serious talks where they put substantial response on the table it will be very difficult to sustain the P5+1 negotiations.

Senator MCCAIN. At any time are we going to say enough is enough?

Ms. SHERMAN. I'm sure that time will come. As the President has said, he—

Senator MCCAIN. You are sure the time will come that enough is enough and we will take action in order to—

Ms. SHERMAN [continuing]. The President has said, as have leaders around the world, including the Prime Minister of Israel, that there is still time for diplomacy, but that time is not indefinite. We are in very close consultation with our partners and allies around the world on that clock, on that timetable, on our considerations, and the President means what he says when he says that we will not allow Iran to have a nuclear weapon.

Senator MCCAIN. On the overflights that were mentioned, I think we should be frank with the American people and the Congress. We are not stopping those overflights and we are not getting inspections, and those that are inspected are preplanned so that the inspection shows that there are no weapons being delivered from Iran to Syria. And the fact is we know, absolutely know, that roughly one flight a day is going into Damascus filled with arms and weapons for the use of Bashar Assad.

Again—and by the way, I vigorously dispute your depiction of events of why we did not leave a residual force behind, and I can tell you that Lindsey Graham, Joe Lieberman, and I were in the middle of that. In the words of the Chairman of the Joint Chiefs of Staff, the number of people we were going to leave behind, in the words of the Joint Chiefs of Staff, “cascaded down” to 3,500 and Malaki decided it was not worth it to continue that. We refused steadfastly to give them a number for a long period of time when we could have concluded an agreement, and we are paying a very, very heavy price for it as Iraq begins to unravel. But that is not the subject of this meeting.

When the President of the United States has a redline on use of chemical weapons in Syria and the evidence is pretty strong that they are using chemical weapons, and yet now the President says that the United Nations would have to substantiate that usage, when the United Nations cannot get into Syria, there is a certain lack of credibility there if we are going to rely on the United Nations to corroborate whether Bashar Assad has used chemical weapons when the United Nations cannot get into Syria to find it out.

Ms. SHERMAN. Senator, we are continuing our own efforts. We are not just relying on the United Nations. That certainly would

be one avenue. But we are relying on our own avenues to substantiate the intelligence community's assessment, which was made public, that they believe, with varying levels of confidence, that at least on two occasions small quantities of chemical weapons were used by the regime.

We take this extremely seriously, as we do the Scud launches, as we do the destruction of that country, as we do the 82,000 deaths and the millions of people who have been displaced or become refugees.

Senator MCCAIN. None of which were the redline articulated by the President of the United States.

Do you believe that the Iranians have continued to dramatically increase their assistance to Bashar Assad, say in the last year?

Ms. SHERMAN. I would have to look more carefully, but I would suspect that they have.

Senator MCCAIN. I thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Kaine.

Senator Kaine. Thank you to the witnesses. The committee—I think we are all together on the national mission to block Iran from getting a nuclear weapon, and we have to have military options on the table to do that because it would be too destabilizing in the region. But we do all want to prefer the point that the Prime Minister of Israel made, which is if there is still a window for diplomacy or sanctions, nonmilitary options, to work, we need to give them our best.

I am wondering a little bit. If you look at the history of when sanctions work and how or when nations have voluntarily turned away from the development of mass destruction weapons, nuclear weapons, you can derive some lessons from it. It strikes me that if we are pursuing the diplomatic, the nonmilitary option, to look at it in a clear-eyed way, to use your phrase, Secretary Sherman, Iran is not likely to back away from a nuclear program because the United States sanctions were so successful that we were forced to do it. Backing away for that kind of reason would mean a complete loss of internal political legitimacy.

So they have to have a reason to back away from a nuclear program other than, OK, the United States beat us. If it is a game of arm-wrestling, they are not going to admit that they lost. They have to have a reason to back away that can maintain some political legitimacy within their political context.

As you are engaging in the diplomatic effort surrounding this, how creative are you being about not just we will let up on the sanctions, but other things that would enable internal face-saving, essentially, because I think that is part of any negotiation. Do not completely paint your opponent into a corner from which they have nothing to do but aggressively come out fighting.

Ms. SHERMAN. Well, thank you for your question, Senator. Actually, I think that the dual-track approach provides that way out for Iran should the Supreme Leader decide to take it, because he could say if he accepted the terms of our confidence-building measure that he has begun—although the sanctions relief we put on the table is not significant, it is meaningful, he could say to his people

that he has started back down the road for economic possibility for his country, after facing a devastating economy, which is devastated, quite frankly, not only by our sanctions, but by extraordinary economic mismanagement by President Ahmedinejad. It is not just our sanctions that have undermined Iran's economy.

I think if we look back at the history of Iran and the Iran-Iraq war, it was at the point at which the then-Supreme Leader, not the same one as today, believed that he might lose control of his country when he thought that the devastation was too great for him to hold on that he, in fact, ended things and came to a settlement.

So it is our belief, and the intelligence community supports this and can talk about more in closed session, that increased pressure is part of the solution here; that this is a culture of resistance, but at some point they will and can make the strategic decision to truly deal on their nuclear weapons. I think we can give them an avenue out, but they have to decide to take it and, sadly, I do not think they have yet made that choice.

Senator Kaine. How do you interpret the Supreme Leader's comment that nuclear weapons are contrary to the religion? Is that just happy talk? Is it PR? Is it an effort to open up a little window for discussion? What is your best interpretation of those comments?

Ms. Sherman. It is indeed so that a fatwa has standing until the Supreme Leader might issue another fatwa which would have another standing. So it is meaningful, but it is not sufficient to ensure that, in fact, they are not going to move to a nuclear weapon.

Senator Kaine. Do you interpret it as just complete PR or do you actually view it as some statement that is possibly meant to create some space for dialogue?

Ms. Sherman. I think it has some meaning in Iranian culture. I think the Supreme Leader believes that he is conveying a message to us. But at the end of the day the only thing that matters is concrete results, not just words.

Senator Kaine. One of the next results or bits of evidence we will see is who the Guardian Council clears to be Presidential candidates first, and then what happens in the elections. You probably will not see any major change in direction until after the elections, but you will be able to derive some maybe feel for the situation from seeing who the Guardian Council clears as Presidential candidates, is that not the case?

Ms. Sherman. I think it will give us some indications, but, as I said earlier, the nuclear file is held by the Supreme Leader and the Supreme Leader only.

Senator Kaine. But the Supreme Leader would have a significant hand as well, if I am right, with the Guardian Council's approving of Presidential candidates.

Ms. Sherman. Absolutely. He will have a significant hand. And the other thing I will say is, depending upon what happens in the Presidential election and their domestic economy means that he will have to make some calculations about how at risk his domestic economy is and what that means for the nuclear negotiation.

Senator Kaine. I want to switch to Syria for a minute. The chairman has a resolution that I think the committee is going to be wrestling with next week dealing with Syria. So here is a question and probably the only right answer is "It depends." But in looking

at what we might want to do vis-a-vis Syria, the effect of actions in Syria on Iran is obviously a significant factor we ought to consider. So if the Assad government were to fall, that could mean a number of different things, but play that forward in terms of an Assad government falling in terms of some likely consequences in Iran, either generally or as it pertains to the specific question of the Iranian nuclear program?

Ms. SHERMAN. I would urge you to put that question to the briefer when you have the classified session for the intelligence community assessment. But I would say that clearly Syria matters enormously to Iran. We are obviously most concerned about their nuclear program because Iran with a nuclear weapon would increase their ability to create regional instability and hegemony in the world. Their efforts in Syria are really more about gaining a strategic foothold regionally and projecting their power and their influence.

So to lose in Syria is to lose their position with Hezbollah to some extent, to lose their position with their ally Assad. Whether that would increase their resistance on the nuclear file in the short run or create an opening I think remains to be seen.

But we all have to understand that what Iran is trying to do is not just about a deterrence of a nuclear weapon. It is about projecting power and getting a foothold from Persia to the Arabian Peninsula.

Senator KAINE. Thank you.

Thank you, Mr. Chair.

The CHAIRMAN. Thank you.

Senator Risch.

Senator RISCH. Thank you, Mr. Chairman.

First of all, I think Senator Kaine makes an excellent point and that is that we can turn the screw as tight as we want, but that probably is not going to do the job. It is going to be some kind of an internal situation where their administration feels they are losing a handle. The only place I would part ways with you is for us providing the door. I do not know that we can provide the door. I think if they make the decision that they are not going to proceed with this, they will find their own door. They are much better at finding a door than we are. Nonetheless, we need to give them every opportunity to do that.

This is what troubles me. I do not know how many hearings I have been to on this here, in the Intelligence Committee, in other committees, and we talk and we talk and we talk, and it is always the same. Nothing changes. This has been going on for years. The longer we talk, as Senator McCain pointed out, the larger the stockpile they get of the materials they need to construct a weapon.

Every one of us had—not all of us, but I suppose most of us in our class when we were little kids—had that kid that just misbehaved. And every day the teacher warned him, and the teacher warned him over and over and over, but nothing ever changed. He was always a problem and it just continued. And then all of a sudden they decided to do something about it. Well, then there was this huge shock by everybody involved: Well, how come they are expelling him, or how come they are doing this, or how come they are doing that?

My fear is that is where we are headed here. I mean, it astounds me, but I do not believe that the leadership in Iran believes that somebody is going to pull the trigger on them. I really do not believe it, because it is gone on so long. They get up every morning, they enrich, they enrich all night long, they enrich all day long. The sun goes down, the sun comes up, and every day is the same.

But I believe somebody is going to pull the trigger on them, and then we are all going to be sitting here wringing our hands.

What can we do to change this dynamic? I am just, I am tired of it. I am exasperated with it. And I guarantee you someone else in the world feels the same way about this and it is going to end and it is not going to end happy.

So give me your thoughts on that?

Ms. SHERMAN. Senator, I think all of us share your frustration and share your concern. I will say this. In the time that I have been doing the P5+1 negotiations and, as Under Secretary Cohen mentioned in his testimony, there is some slight movement. Whether that is going to amount to a hill of beans I do not know yet. But by that I mean, in this last session that we had in Almaty there was a lot of direct conversation all about their nuclear program in a way it had not before.

The Iranians did put something on the table. It was just too small. They have taken steps to convert some of their enriched uranium into oxide so that now they have, according to the IAEA, about 167 kilograms of above 5 percent, near 20 percent, enriched uranium that has been converted, so that they stay below the infamous line that the Prime Minister of Israel drew at the U.N. Security Council. So they are trying to, in essence, respond in their own way to the international community's concerns.

It is not what we want as a response, but it shows they are paying attention. As the Under Secretary mentioned, in this last Almaty session they raised for the first time wanting sanctions relief. They talked about specific sanctions relief they wanted. So clearly now they are willing to say, yes, the sanctions matter. They do want to see an end to them.

So these are very slight, very, very slight cracks. As I said, I do not know whether they will amount to a hill of beans.

While that is happening, we are not stopping with the sanctions alone nor the negotiations alone. Whether it is our military force posture or things that we can discuss in a classified session, we are using every vector we possibly can to put pressure on what Iran is doing and to stop them from doing it.

Senator RISCH. I appreciate that, but again what you just described is exactly what has happened before. They give you just enough to slow you down, just enough. You said, well, they talked about wanting sanctions off. They do not need to talk about wanting sanctions off. All they have got to do is do and then the sanctions will come off.

Ms. SHERMAN. Quite agree. The onus is on them. Quite agree.

Senator RISCH. And you talk about now, well, they have got this stockpile now of 20 percent. I remember when the redline was going over 5 percent. I mean, everybody in this room remembers that: By golly, they better not go over 5 percent. It is like the little

kid in the classroom: By golly, you better not throw another spitball. But somehow he does, and life goes on.

So it is discouraging. At some point in time it is just going to end, and everybody is going to be wringing their hands and saying, how did this happen? You know, if you keep doing the same thing you are going to keep getting the same results, and that is exactly what has been happening here for years and years.

Mr. Cohen, I would like your thoughts in the short time we have left.

Mr. COHEN. Well, Senator, I think one thing that has changed in the last several years is the intensity and the effect of the sanctions, and in particular the financial sanctions. I want to return to a point that I made earlier, which is the impact of a provision that went into effect earlier this year which, as we have talked a lot this morning about Iran selling less oil, we have also now put into place through legislation and through actions that we have taken a mechanism that makes it very difficult for Iran to get access to the revenue that it is earning from its dwindling oil sales.

So even as its sales are going down, it is now being stressed in a much more significant way because it cannot get access to those revenues in a way that the Iranian Government wants. That is different. It is different than what we had in place last year. It is certainly different from what we had in place several years ago.

We are looking for additional mechanisms, working with Congress, working through our own authorities, to continue to increase the pressure on their access to revenues, their access to their reserves. That is all designed to put pressure in particular on the value of the rial. One thing that we have seen in the course of the last year is when the rial depreciates and depreciates rapidly that begins to create a dynamic in Iran that has an effect. It has an effect on the elites and their perception of how the country is behaving.

I think we have an opportunity through increased pressure, particularly on the reserves, on revenue, on the rial, to create a dynamic that creates the incentive for the negotiations that Under Secretary Sherman is engaged in to potentially work. No one knows whether ultimately they will succeed. But I do think this dual-track strategy creates the environment in which there is some potential for a diplomatic resolution.

Senator RISCH. Mr. Cohen, I hope you are right. But unfortunately, these are the same things we heard when we originally put the sanctions on. They are the same things we heard when we ramped up the sanctions the first time. They are the same things we heard when we ramped up the sanctions the second time.

I mean, there is no doubt that we are making life somewhat inconvenient for them. But for crying out loud, over this long period of time, if we cannot do it with those sanctions they obviously are not getting the job done to the point that we want to see the job done.

With that, my time is up. Thank you very much, Mr. Chairman.
The CHAIRMAN. Senator Coons.

Senator COONS. Thank you, Chairman Menendez. I just want to start by thanking you, Mr. Chairman, for your tireless, unrelenting, and focused leadership in this body on ensuring that we are

working in partnership to impose on the Iranian regime the strongest, most sustained sanctions regime possible. That is to Senator Corker and to my other colleagues as well, those who are new to the committee and those who have served in previous Congresses.

I am encouraged to hear, Under Secretary Sherman, in your written testimony that you are determined to face one of the greatest global challenges the United States and our allies face in Iran. In their support for terrorism, in their support for the murderous Assad regime, and in their demonstrated efforts to achieve a nuclear weapons capability. That you are determined to use, and I quote, "all elements of American power" to prevent them from achieving those objectives.

I share that goal. I share the frustration expressed by my colleague from Idaho that this seems to go on and on and on and, while diplomacy is the preferred outcome, I am distressed by what seems to be endless cycles of negotiations. So in my view we need to be unrelenting in imposing tougher and tougher sanctions and in being willing to use force in order to prevent the acquisition of a nuclear weapons capability by Iran.

Let me move, if I might, to Africa. I am the subcommittee chair. We have seen both in recent arrests in Kenya and in a variety of efforts, that the Iranians are trying to use their oil, their resources, in a so-called "charm offensive" across the continent. They are seeking diplomatic allies and they are seeking economic allies.

What are we doing to ensure that our allies, that our potential partners in Africa, are not enmeshed in their efforts? And what more could we be doing to engage our allies on the African Continent in our efforts insisting on the toughest sanctions possible?

Ms. SHERMAN. Thank you, Senator. We very much share your concern about what Iran is doing around the world to create destabilizing activities and to, in fact, through proxies like Hezbollah really commit terrorist acts. As you mentioned, Kenya has just rolled up a potential cell in their country. Other countries have as well. Every one of our ambassadors is aware of and made aware of any activity by Iran in their country.

We try to go into countries where Iran is trying to establish a foothold and tell them what to expect and what will be coming at them. So we are very vigorous, all of our embassies are in this regard.

I know that you must be concerned, for instance, that Iranian President Ahmedinejad visited Niger in April. That was the first time an Iranian President had gone to Niger. We were very concerned about this. Everyone here is well aware of uranium because Niger is the world's fourth-largest producer of uranium, a source of uranium for France. And we are glad to say at least that President Issoufou confirmed that this was not discussed with Iran and that they were both members of the Nuclear Nonproliferation Treaty and it wouldn't be appropriate.

However, we are going to stay on top of this both in normal channels and intelligence channels to make sure that there is no development of a relationship that would increase the risks that we all face, that you and Senator Risch and everyone on this panel has discussed regarding Iran's ambitions in the world. So we are very focused on this.

Senator COONS. Thank you, and I look forward to hearing from you and from our chair for other opportunities for us to continue to strengthen and enforce sanctions. I frankly think that we are only going to see progress in this relationship if sanctions multilaterally are sustained and imposed in a broader and tougher way.

Let me ask just one other question if I might. You reference in your written testimony three Americans. I wanted to particularly raise Amir Hekmati, an American veteran, a United States marine who served in Afghanistan, had never previously traveled to Iran and has now been in prison several years without representation, mostly in solitary confinement. I understand his father was diagnosed with terminal brain cancer. I recognize that United States-Iranian relations are in many ways at their lowest ebb in recent years. What, if any, prospects do we have for securing the release of Amir Hekmati, and what else might we do?

Ms. SHERMAN. As I mentioned earlier, we are concerned about Amir Hekmati, Saeed Abedini, and of course Robert Levinson. Hekmati, as you know, was sentenced to death before having that sentence mercifully remanded. We are very concerned about him. We have on multiple occasions asked the Swiss, who are our protecting power in Iran, to ask for consular access, to ask after his welfare. They have done that. They have not been allowed to have consular access because Mr. Hekmati is a dual national citizen and they do not recognize dual nationalities.

We remain very troubled by reports about his health condition. We understand that he was held in solitary confinement, endured a hunger strike. So we will continue to pursue through diplomatic engagement every way we can that Mr. Hekmati is returned safely to his family.

For each of these families, we have someone in Consular Affairs who stays in touch with families on a regular basis. We look for things that we can do in any format. Of course, in the case of Mr. Levinson we work very closely with the FBI. We just do everything we possibly can.

Senator COONS. Thank you.

I want to thank you both for your service and for your relentless focus on this most significant security threat. Not just regionally to many of our allies, but I think to our Nation directly as well.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. I want to add my thanks to Senator Coons and others on this committee for your laser-like focus on preventing Iran from obtaining a nuclear weapon, and I want to thank our guests here today for what I think has been a very statesmanlike focus on this problem, and appreciate their continued willingness to leave military options on the table as a last resort.

I also want to thank my colleagues for turning some of this focus to Iran's role in Syria. Having just returned from the region, one of the things that I came back disturbed by was the impressions given to some people visiting the region about a very optimistic assessment about what would happen with respect to Iran's role in the region should Assad fall. I know you talked a little bit about that earlier, but I think we are deeply naive if we believe that the

Iranians are going to walk away after Assad's fall and I think we should educate our decisions as policymakers as we think about what level of military participation we are going to have in the region. I came back convinced that we could potentially find ourselves simply arming one side of a long-term civil war there.

I wanted to ask you both about your assessment of the specific status of the nuclear program. I think Senator McCain talked a little bit about this, but it has been our government's assessment that Iran has not made a decision yet to develop a nuclear weapon. I guess my questions are multiple.

I would like to ask you what you believe are the circumstances that would prompt the regime to make a decision to obtain a weapon? What would be the short-term likely outcome of that decision, and then an assessment of how long it would take them to obtain a weapon once they have made that decision? If you could speak to your general assessment of the status of their internal decisionmaking processes and then timetables if they were to make a different decision than we believe they have made today?

Ms. SHERMAN. Thank you, Senator. As the President and others have noted, we currently assess that it would take Iran a minimum period of approximately 1 year if it made a decision today to acquire a nuclear weapon, and we assess that they have not yet made that decision and it would be made by the Supreme Leader.

That effort to acquire a nuclear weapon would involve both reduction of a sufficient amount of highly enriched uranium for one nuclear weapon and the completion of various weaponization activities needed to fashion a working nuclear device that could be fitted into a ballistic missile. When you have your classified briefing, the briefer can go into more detail about what those clocks might look like.

Right now, as I said earlier, we believe they have about 167 kilograms of near 20 percent. They have converted a great deal of their 20 percent into oxide. This is based on a report from the IAEA. We are very concerned—and again, you can get this in a classified briefing, how quickly they, in fact, could break out to get to highly enriched uranium, which they would need to build a nuclear weapon.

So we are very concerned about this timetable. As the President said, there is time for diplomacy, but it is not indefinite.

Senator MURPHY. So then if you could speak to what we know today about the internal politics that will drive this ultimate decision. Obviously, that is directly connected to our discussion about sanctions. As you mentioned earlier at least once, they have clearly made a decision to stay on one side of this line. What are the things that will change that decision, and amongst those what are the things that may be outside of our control that relate to the internal political dynamics of an upcoming election and a very fluid political situation on the ground within Iran?

Ms. SHERMAN. Senator, I wish I knew for certain the answer to all of those questions. If I did I might be able to know the best route to get there. So I can give you our assessments, and again I think the briefer will give you the intelligence community's deeper assessment.

But I do not think the Supreme Leader has made the strategic decision to, in fact, deal on their nuclear program. I believe it is all part of a broader projection of power and assertion of Iranian authority and point of view, not only in Iran but in the region and ultimately in the world.

I think that we do believe that the imposition of sanctions and the pain that is being put on the Iranian regime is having an effect, perhaps not yet enough of an effect to change the calculus of the Supreme Leader, but on its way potentially to doing so. I think we do have to say a thank-you to the European Union for the enormous action they have taken to intensify and follow the lead of the United States, but also what they were able to do with the swift procedure that is used to deal with financial banking has helped enormously as well.

Senator MURPHY. But I guess I am asking you a different question. I am not asking a question of what prompts them to make a decision to drop their weapons program. I am talking about what prompts a decision to actually move forward with the weapons program. My question is in part, What are the things that may be outside of our control? What are the developments in the region that could occur that would change their calculus to move forward?

Ms. SHERMAN. I think that we do not know the answer to all of that question, but I certainly think that the fall of the Assad regime will have an profound impact. It will either make them feel more or less secure. I think that you are quite right that they will look for a way to maintain a presence even after Assad falls, because Assad will most decidedly fall at some point in this process, and they will look for a way to recover because they need that position in the region.

I think there are other actions that could be taken and other agreements made. If there is an agreement between Israel and the Palestinian Authority for peace in the Middle East, it may change the calculus of many players in the world. Where we are in Afghanistan, what happens to DPRK's program is watched by Iran.

So there are any number of factors that I think probably affect their calculus. But at the end of the day, my own experience is that this is ultimately about regime survival and survival of the choices they have made about how their country is governed, ones that we find extraordinarily repressive to their people, and it will be that regime survival that will affect their calculus.

Senator MURPHY. Thank you, Mr. Chairman.

The CHAIRMAN. Very briefly, as we have a few minutes left before the vote closes, Senator Risch.

Senator RISCH. Thank you very much.

Ms. Sherman, one of my constituents is one of the three people that are in Iran that are being held. He has been sentenced to 8 years in prison. The prison conditions there, as you know, are absolutely deplorable. He has just been put in solitary confinement for some time, was released. His health is questionable.

First of all let me say I understand the frustration in dealing with this. It is very difficult to explain to people back home in Idaho. He is a pastor there. His only crime is preaching the Christian religion and for that he has received 8 years in these awful conditions.

I want to underscore for you that people really want to see this brought to an end. Now, having said that, I understand because of the relationship between the two countries it is almost impossible to deal with this, particularly when we are dealing through back channels and through third parties. But on behalf of Idahoans, I want to communicate to you how incredibly important this is to us, and we want to enlist you, as I know you have done, to make every effort you possibly can to secure his freedom.

Ms. SHERMAN. Senator, we will absolutely do so. As you say, Mr. Abedini was spearheading the construction of an orphanage in 2009 when he was detained and thrown into prison. Just as recently as March 22, Secretary Kerry issued a written statement expressing his concern over reports that Mr. Abedini had suffered physical and psychological abuse in prison, that Iran continues to refuse consular access by Swiss authorities, who is the United States protecting power in Iran, and calling for his immediate release.

The Swiss have been terrific. They have gone back constantly to ask for consular access, because we do assess that when we keep asking we at least put a spotlight on the treatment that is being given to prisoners and hopefully lessen the horrible situation under which they are held. But we will not stop for Mr. Abedini, for Robert Levinson, for Mr. Hekmati, until they can be returned to their families.

Senator RISCH. I appreciate that, and I agree completely that by spotlighting this that does a tremendous amount of good in the world court of public opinion. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Just one or two final questions and then a final comment. One is, I assume that when we go into closed session on the questions about the money given to Karzai that you will be able to say how long that has been going? I understand it's been going since the Bush administration.

Ms. SHERMAN. I think that indeed the briefer will be able to do so, and I will ensure that he can.

The CHAIRMAN. Thank you.

Second, observations made by Senator Kaine with reference to the council's selection of Presidential candidates. At the end of the day, you have consistently made an observation that it is the Supreme Leader who holds the nuclear folder. In that regard, would not it be safe to say that, regardless of who they allow to run, that that is unlikely to shape the results of the Supreme Leader's thinking in this regard?

Ms. SHERMAN. Yes. The one thing I would say, Mr. Chairman, is that depending upon how the elections go and what that does to the domestic environment and the domestic economy, it will either open or close more space for the Supreme Leader in his decision-making. It will be another data point for his decisionmaking. But at the end of the day it is him and him alone.

The CHAIRMAN. In that regard, you mentioned regime change, regime survival. Is it not really one of our challenges here, much as I may not care and I do not care for this regime, however, is not one of our challenges here convincing the Supreme Leader that

this is a legitimate effort, a global effort, about their nuclear weapons program and not about regime change?

Ms. SHERMAN. Correct. What we say, and I should have said it more explicitly at the start, we are about changing the behavior of the regime, not the regime. I agree with you, I find the regime odious and certainly not a place I would want to live and raise my family. But nonetheless, this is the choice of the Iranian people and was the choice of the revolution way back when some 30-some odd years ago.

This is about changing the regime's behavior around their nuclear program, meeting their international obligations, responding to the concerns of the international community, the Universal Declaration of Human Rights, and how we expect governments to treat their people, and not to be a state sponsor of terrorism.

The CHAIRMAN. Then finally, I appreciate and I think there are many who share Senator Risch's frustrations. I am sure the administration shares to some degree those frustrations. But is it not important if the final option, if all peaceful diplomacy tools ultimately yield no result, the result we want to see, which is deterring Iran from its nuclear program and its nuclear weapons program, and if we have exhausted every possible sanction that we could levy, and we come to that point in which the clock has ticked to its final moment, is it not important to have exhausted all of those efforts before we get to that final moment in terms of what may have to be a military option, in which then the international community will come to the conclusion that we have done everything we could through peaceful diplomacy options?

Ms. SHERMAN. I could not have said it better, Senator. Exactly.

The CHAIRMAN. You can continue on.

So let me ask—let me just make this final observation. I look forward to working with the administration to the extent that we can, and I think we can, about some additional efforts here to give tools that might continue to perfect our sanctions regime in a way that creates further challenges for the regime and gets the Supreme Leader to think in a different way, while at the same time preserving the coalition that we have, which I think is incredibly important in terms of sending a global message to Iran.

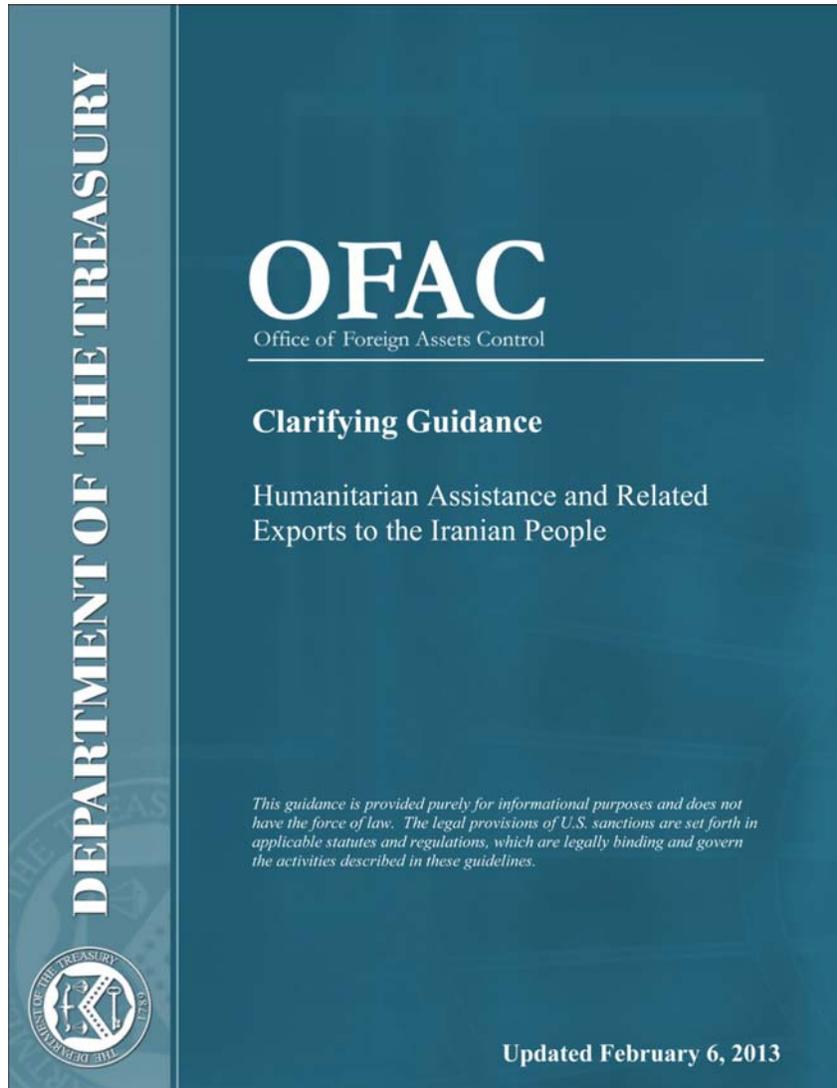
With that, you have the thanks of the committee for your service and your testimony. The record will remain open until the close of business on Friday.

This hearing is adjourned.

[Whereupon, at 10:49 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

OFAC PUBLICATION SUBMITTED BY DAVID COHEN AS AN ATTACHMENT TO HIS
PREPARED STATEMENT



The image shows the cover of a document from the Department of the Treasury, Office of Foreign Assets Control (OFAC). The cover has a dark teal background. On the left side, there is a vertical banner with the text "DEPARTMENT OF THE TREASURY" in white, uppercase letters. Below this banner is the official seal of the Department of the Treasury. In the center-right area, the acronym "OFAC" is prominently displayed in large, white, serif font. Below "OFAC" is the full name "Office of Foreign Assets Control" in a smaller, white, sans-serif font. A horizontal white line separates this header from the main title. The main title, "Clarifying Guidance", is written in a bold, white, sans-serif font. Below it, the subtitle "Humanitarian Assistance and Related Exports to the Iranian People" is written in a regular, white, sans-serif font. At the bottom of the cover, there is a disclaimer in a small, white, italicized font: "This guidance is provided purely 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." In the bottom right corner, the text "Updated February 6, 2013" is written in a white, sans-serif font.

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 purely 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

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-

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.

- **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 nongovernmental 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

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.