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PERSPECTIVES ON THE STRATEGIC NECESSITY OF IRAN SANCTIONS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING THE ROLE AND IMPACT THAT ECONOMIC SANCTIONS HAVE HAD ON IRAN'S ILLEGAL NUCLEAR PROGRAM

JANUARY 27, 2015

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PERSPECTIVES ON THE STRATEGIC NECESSITY OF IRAN SANCTIONS

TUESDAY, JANUARY 27, 2015

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:01 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Richard Shelby, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The Committee will come to order. We will not have demonstrations in the Committee. We would have to clear the room if there are demonstrations in the Committee.

First this morning, I would like to welcome the new Members to the Senate Banking Committee: Senator Tim Scott, Senator Ben Sasse, Senator Tom Cotton, Senator Mike Rounds, and Senator Joe Donnelly. I look forward to working with them and also my distinguished colleague, the Ranking Member, Senator Brown from Ohio.

I hope that this is the first of many meetings of the Banking Committee. If history is any guide, it will be. While we may express differences in opinion from time to time, I expect that we can reach common ground on several issues this Congress.

We will begin today's hearing with an opening statement by me and the Ranking Member. I will then turn to our Members for any brief remarks that they may have before we hear from our witnesses.

Members will be recognized by the Chair in order of seniority for those present at the gavel and in order of arrival thereafter. Each Member will be allotted 5 minutes for as many rounds as time permits.

As soon as a quorum is present—and we are getting close to it—I will pause briefly to approve—we hope to approve the Committee's budget, the Committee's rules, jurisdiction, and Subcommittee membership. But today we will hear from our witnesses on the role that economic sanctions have had on Iran's illegal nuclear program.

Iran has long been a serious threat to U.S. national security interests. It is the world's foremost sponsor of terrorism; it supports radical regimes; it destabilizes its neighbors; and it continues to pose a threat to our ally, Israel.

Further evidence of Iran as a destabilizing force in the region is the recent ousting of the Government of Yemen. Many reports credit Iran as a major backer of the rebels in that uprising.

Since the mid-1980s, Iran has been pursuing capabilities that would enable it to build nuclear weapons. As as a result, the United States has led efforts to impose strong and progressively more stringent sanctions against Iran under both Democrat and Republican administrations.

Over the past few decades, a bipartisan consensus has emerged that tough sanctions are essential in order to persuade Iran to moderate its reckless behavior. Consequently, sanctions have succeeded where diplomatic efforts have repeatedly failed to bring Iran to the negotiating table.

After many rounds of talks, it is not at all clear that the existing sanctions regime will produce a viable nuclear deal that will protect U.S. national security interests. I think it is worth repeating that, without the pressure of tough sanctions, Iran would not have been engaged in any talks in the first place.

Our common goal now, I believe, is to ensure that these talks produce an acceptable outcome and that Iran's leaders understand that such an outcome is in their best interest as well. So far, it is not clear to me that they believe this. One indication is that the Iranian regime continues to insist on a deal that would keep its nuclear capability largely intact. Such a result would be dangerous because it would allow Iran to remain within reach of producing nuclear weapons.

I am also concerned that the weakening of sanctions or even the perception of this may be insufficient to keep Iran at the table. The Administration has argued that Iran, a country with a history of defiance and deception, will negotiate a mutually acceptable agreement without the certainty that harsh sanctions will take effect if it does not. I respectfully disagree with the Administration on this.

I believe that the repercussions of Iran's failure to reach an agreement by midyear should be clearly defined by statute. The President and other officials have said that Congress should not interfere, that a deal is close, that the situation is delicate, and that an attempt to legislate any additional sanctions may give Iran an excuse to walk away from the negotiating table.

It has been my experience that if a party is negotiating in good faith and with the intent to reach an agreement, they will seek common ground, but not an excuse to walk away. If Iran is looking for a way out, I believe that they never intended to ever reach an agreement in the first place. The fact that the current negotiation has already been extended twice is further evidence of their recalcitrance.

There is now a growing bipartisan consensus that not only does Congress have a role to play in ensuring that Iran does not back away, but it also has a responsibility in this regard. It is clear that sanctions brought Iran to the negotiating table, and the threat of future sanctions represents Iran's only incentive to successfully conclude an agreement. I look forward to hearing the perspectives of our witnesses today on this critical issue.

And now I turn to the Ranking Member of the Committee, Senator Brown.

Senator BROWN. Mr. Chairman, could I ask if we are going to do the Committee business now? Should we do that now?

Chairman SHELBY. Do you want to go ahead and do it?

Senator BROWN. Sure.

Chairman SHELBY. We have a quorum?

Senator BROWN. We have a quorum.

Chairman SHELBY. We will do it. It is a good idea. Thank you.

Senator BROWN. OK. Thank you.

[Whereupon, at 10:07 a.m., the Committee proceeded to other business and reconvened at 10:09 a.m.]

Chairman SHELBY. Senator Brown.

STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman. I appreciate your willingness to delay this hearing from last week and the markup also by a week from the original notice dates. Historically, even in a Senate where bipartisanship might be lacking, this Committee has operated with bipartisan comity, particularly on the issue of sanctions. We have proceeded with regular order, carefully assessed policy options in the past, and usually taken months to craft tough, targeted sanctions, focusing their effect on Iran's leaders while minimizing harm and unintended consequences for our Nation and for our allies.

But in a departure from past practice, this hearing originally was not noticed in a timely way under the rules of the Senate. I appreciate the willingness of Deputy Secretary Blinken and Treasury Under Secretary Cohen to testify today. They were originally given too little notice, and I hope we can avoid that in the future.

Notwithstanding the Senate rules that guarantee witnesses chosen by the minority as a matter of right, our initial request to seat Administration witnesses was refused. In fact, the Administration is generally not considered to be minority witnesses. They should not be. All of us should want to hear from those at the center of these negotiations regardless of who sits in the Oval Office.

Since we have a number of new Members, it is important to note that this Committee has not heard directly from the Administration on Iran since December 2013. Former Chairman Johnson withheld action on further negotiations while nuclear negotiations were ongoing—for further legislation while nuclear negotiations were ongoing and arranged periodic classified briefings for all of us instead.

People have different views on these issues. The process should involve not just an oversight hearing like today's, but also a set of hearings on the legislation that we will mark up as well.

If this Committee is serious about oversight and serious about policymaking, we should delay a markup until we get a full sense of the likely consequences of this very important action. We should consider the implications of other legislative proposals which may come before other relevant committees, like those being developed by Senator Feinstein, by, jointly, Senators Paul and Boxer; by our distinguished colleague on this Committee, Senator Corker; and their relationship to new sanctions legislation. Some might be helpful, some might not be helpful. Instead, it looks like this sanctions bill will be hustled through this Committee with no actual legislative hearings, even though Members likely have questions about its provisions and, frankly, are uncertain about what congressional action might mean for the negotiations.

The President said new sanctions legislation would dramatically undermine the negotiations and our relations with negotiating partners and erode international support for multilateral sanctions. He said he will veto the bill. Our negotiating partners have expressed strong opposition.

Mr. Chairman, I ask consent that statements by the President Obama and Prime Minister Cameron and the recent Washington Post op-ed from the EU foreign ministers and the EU high representatives, I ask unanimous consent that those be placed in the record, Mr. Chairman.

Chairman SHELBY. Without objection.

Senator BROWN. Thank you, Mr. Chairman.

The Committee should hear all arguments on all sides. They should probe them. We should test them against our own knowledge and experience on these issues. If Congress acts to force the President's hand in the next few months by overriding his veto, and if doing so contributes to the collapse of negotiations and our heading down the path toward a military confrontation, Congress, beginning with each one of us, will be held responsible.

This Committee bears an unusually grave and historic responsibility to assess the full consequences of acting now. We should be especially careful to ensure a thorough process. We have the time to do so since no new sanctions would be applied for 6 months. In the meantime, existing sanctions will continue to bite, and to bite hard.

I have supported the search for a diplomatic solution. Some predicted that JPOA would unravel the sanctions regime. It has not. Others worried Iran would not comply or would benefit unduly from sanctions relief or from new trade deals. None of that, as our two Administration witnesses will affirm today, none of that has proven true.

There have been situations where we and Iran disagreed about whether certain things were allowed under the JPOA. They were litigated and they were resolved by Iran ceasing that activity.

I am not naive about the likelihood of a deal with Iran. I know that the President has set those odds roughly at 50–50. But I think we must allow the President to test these proposals.

I urge the Chairman to step back and adopt the process usually used in this Committee under Chairmen of both parties, undertake additional hearings, delay a markup and further action to see if a nuclear deal can, in fact, be reached by the deadline. Ultimately, while some of us might differ on tactic, it is clear we share the same goal: to ensure that Iran does not achieve a nuclear weapon, to do that diplomatically, if possible, while recognizing that other alternatives remain on the table.

A longer, more orderly process will ensure that we are fully informed of the potential consequences of our actions so that no one looks back with regret that we rushed another critical national security decision through Congress without fully understanding its implications. Mr. Chairman, history is an unkind judge of policymakers who make that mistake.

Thank you.

Chairman SHELBY. Senator Menendez.

STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. Well, thank you, Mr. Chairman. For years, Congress has played a significant role in authorizing nuclear sanctions on Iran, and I am proud to have taken the lead role in what has been a bipartisan effort to pass a series of sanctions that more than anything else has been responsible for Iran's decision to enter negotiations on its nuclear program.

Now, the legislation that Senator Kirk and I have drafted would signal to the Iranian regime that there will be more consequences if they choose not to reach a final deal. This morning, however, many of my Democratic colleagues and I have sent a letter to the President telling him that we will not support passage of the Kirk-Menendez on the Senate floor until after March 24th and only if there is no political framework agreement because, as the letter states, we remain hopeful that diplomacy will succeed in reversing Iran's ability to develop a nuclear weapon capability in accordance with the timeline that the P5+1 and Iran negotiating teams have set for themselves, which is March 24, 2015, for a political framework agreement.

But we also say in this letter that we remain deeply skeptical that Iran is committed to making the concessions required to demonstrate to the world that its nuclear program is exclusively peaceful by March 24th.

The fact is that negotiators are now in their 18th month of talking, and senior Administration officials continue to forecast the chance of reaching an agreement at less than 50–50. In the interim, Iran has breached the Joint Plan of Action at least once and made a mockery of it a second time by trying to illicitly procure parts for the Arak reactor in violation of U.N. Security Council resolutions. Iran is procrastinating because the longer the negotiations last, the further the P5+1 moves in their direction.

We have slowly shifted positions during the last 18 months after dismantling Iran's nuclear infrastructure—the Arak reactor, the Fordow enrichment facility, Iran's 19,000 centrifuges—to allow Iran to keep all those elements in some form while we settle for alarm bells that will tell us only when it is too late, when Iran has breached. And without prospective sanctions that are ready to be implemented, our only option may very well be what some of my friends are worried about: either a military one or accepting Iran as a nuclear weapons state. Neither are desirable.

At the same time, Iran has stonewalled the IAEA's access to key sites where weaponization activities took place. They are looking for and seem likely to get an agreement that kicks this most serious issue down the road, to be addressed at a later date, after a deal is signed.

I cannot begin to understand how we would build an inspection and verification regime or how long the agreement must last until we know how far they have come toward building a nuclear weapon.

Finally, I want to make a few points clear about the substance of the Kirk-Menendez bill. As drafted, it would not violate the Joint Plan of Action. The Joint Plan of Action limits the imposition of new sanctions during the talks, and our bill would not impose sanc-

tions until 1 month after the final deadline runs out at the end of June.

We also provide the President with additional flexibility through monthly waivers if he believes that they may be on the verge of a deal and it is in the national security interest to do so. Only after 2 years of failed negotiations would the legislation trigger additional sanctions. In my view, we need Iran to understand that there are consequences if they fail to reach a comprehensive agreement, and the consequences are closing loopholes in existing sanctions and expanding sectoral sanctions.

At the end of the day, Iran must make up its mind about what is more important: its nuclear weapons program or the welfare of its people. Until now, Iran has not been motivated to make such a decision. In my view, a strong, bipartisan bill that outlines the consequences of failure could be the motivator that Iranian leaders need to make the hard decisions.

And, Mr. Chairman, I would just say, as someone who voted against the war in Iraq when many of my colleagues who now seem to be doves voted for it—which was a monumental mistake, in my view—and as someone who has worked hard to create the opportunity so that we do not have the only option of being a military attack or accepting a nuclear-armed Iran, what I do not want to see and what I will not submit to is having the aspirations that we had in North Korea, which ended up not turning into the aspirations we desired, but turning into North Korea being a nuclear weapons state, for which we are paying enormously today. And that is a test of history and judgment that those who supported that at that time I think will come to regret as well, should come to regret as well. And that is why I for one do not want to see it happen a second time.

Chairman SHELBY. Senator Corker.

STATEMENT OF SENATOR BOB CORKER

Senator CORKER. Thank you, Mr. Chairman, and I look forward to your leadership and Senator Brown's, and I am one Senator who would say that I am perfectly happy with the two of you only giving opening comments. And while I love listening to my colleagues, I like listening to witnesses more.

I will say that, on the other hand, I appreciate what Senator Menendez has just said, and I want to thank him and Senator Kirk for their outstanding leadership on sanctions. There is no question that our Nation and the P5 together would not be where we are today had the two of you not led in putting in place a sanctions regime that most of us here have been involved in. I want to thank you for that. And so there is no question to me that we would not be at the table today had that not occurred.

I, too, want to welcome the new Members. I have found this to be one of the most outstanding committees in the U.S. Senate, and I want to welcome everyone here.

I will say to Mr. Donnelly, when I first got here, I, too, sat in the cameraman's lap.

[Laughter.]

Senator CORKER. And I will say that I think my service during that time was better than it is today. So he is a nice guy, and I know you will get to know him well.

[Laughter.]

Senator CORKER. So thank you.

I think that some of the things that Senator Menendez has laid out really do bear tremendous scrutiny, and I know we are going to have some classified briefings to get into more depth. I know that David Cohen has done a very good job in putting in place the regime we have. But the fact, if you just looked at the practical needs for a country like Iran, with one nuclear reactor—and this is where we began. What are the practical needs of a country like this? Most scientists would say maximum 500 centrifuges. Maximum.

So here we are, we are negotiating at a point we all know that is way beyond that. What is the purpose of a country like Iran having more than 500 centrifuges? Why would they be putting their citizens through the havoc that they are putting them through at this point?

We are not focused heavily enough, in my opinion, on the research and development. We keep talking about Arrow 1's and Arrow 2's, and people make fun of the little bomb, if you will, that Bibi Netanyahu showed at the United Nations, talking about the 20 percent, because we are shipping much or reducing it to nonusable materials. But the fact is they have Arrow 6's and above that can go from 0 to 90 percent passing the 20 percent market like that. And yet we are not focused on that in the appropriate way.

Again, I would just associate myself with the comments of Senator Menendez. The previous military dimensions of what Iran has done is incredibly important for us to know prior to any agreement being reached. We need to know what their scientists were able to develop prior to 2003.

Now, Mr. Chairman, I will say this: We have done best when we were united. This is an issue that I know the Chairman has to feel this way. I will wait until Schumer finishes his phone call.

This issue is an issue that we need to address in a bipartisan way. The last thing we need to do is pass a bill out of the U.S. Senate that is not veto-proof. So I want to say to my colleagues on both sides of the aisle, I think we are all searching for the right way for the Senate and for Congress to weigh in. And, again, I appreciate the efforts of my colleagues.

The President just left India. One of my first votes here was on the 123 Agreement with India that was done under President Bush. We have voted as a Congress on twenty-seven 123 Agreements, which is a civil agreement with another country relative to nuclear weapons or civil nuclear activity. And yet the Administration is telling us today that they do not want us to weigh in on this agreement.

So, Mr. Chairman, in closing, I hope that we will find a bipartisan way for this Congress to responsibly weigh in in a manner that assures that if there is a deal with Iran, it is a deal that will stand the test of time; that it is a deal that will ensure that not in the near future will they achieve nuclear capabilities.

Thank you for the time.

Chairman SHELBY. Thank you.

Senator Tester.

STATEMENT OF SENATOR JON TESTER

Senator TESTER. Thank you, Mr. Chairman, and I look forward to your leadership as well as Ranking Member Brown's leadership on this Committee. And I want to welcome the new Members, also. This is a very, very good Committee.

I think we are in an interesting situation with the Chair and Vice Chair not only this Committee but of Foreign Affairs on this Committee. I think it allows us to glean some information that may be very, very handy while we talk about how we are going to deal with Iran into the future.

I would just say this: You know, Iran has been a bad actor. That is not breaking news. We all know that. But the bottom line for me is that if we have an opportunity to make them more predictable in the Middle East without nuclear weapons, I think that is a risk that we need to take. Knowing full well that they have not acted appropriately in the past, I think we ought to give them the opportunity to act appropriately. In the meantime, verify, verify, verify. And I think that is critically important as we move forward in these negotiations.

I also want to thank Senator Menendez for his leadership. I want to thank him for his statement today. I think that what I heard you say is let the negotiation process work through the 24th of March and then come back and get the Administration in here and either say enough is enough or, if successes are happening, move forward.

So I would just say that I want to thank the Chairman, Ranking Member Brown. It is a little new regime now that I have not been accustomed to, nor anybody else that was elected since 2006. But by the same token, I think there is an opportunity here to work in a bipartisan way to move things forward in a way that works for this country and for the world.

And so, with that, thank you, Mr. Chairman.

Chairman SHELBY. Senator Toomey.

STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman. I appreciate your having this hearing today. I think it is extremely important. I appreciate the Administration witnesses.

We all do agree, as Senator Tester mentioned, that Iran is certainly among, if not the most dangerous regime in the world. The question is: What should we do about it?

I am going to suggest three things that I want to hear more about and three things that I recommend, Mr. Chairman.

First, I think we do need to pass a sanction bill that should be at least as strong as the Nuclear Weapon Free Iran Act of 2014, the Kirk-Menendez bill.

I also think we should make it clear to the President that he should seek to preclude any uranium enrichment capability by Iran in a final agreement that is reached.

And I think that any such agreement negotiated between the Administration and the Iranians should be put to Congress for a vote before it becomes operational, and let me touch briefly on why.

First of all, I think additional sanctions are necessary. The whole purpose of sanctions is to raise the cost of acquiring nuclear weapons to an unacceptably high level for the Iranian regime. The whole point is to make the cost exceed the perceived benefit. It seems to me that sanctions were making some progress in that direction. They certainly were having a huge adverse impact on the Iranian economy. Arguably, the sanctions brought Iran to the negotiating table, but then we recently eased those sanctions, in my view, without commensurate concessions from the Iranians. And now Iran has allowed the second deadline to pass without an agreement. Their nuclear program continues. Their economy has begun to recover. So, in my view, prospective, tough, conditional sanctions should be implemented if Iran for the third time chooses to obfuscate and delay rather than to reach an agreement, and Iran should know now that that is what is coming.

Second, the American people will not be saved from a nuclear Iran if Iran retains the capacity to continue to enrich uranium. If all Iran wanted was the ability to generate electricity, they do not need any enrichment capability for that. The fact is you can buy enriched uranium. The Iranians have a contract with Russia to do exactly that. There are 18 countries around the world that have peaceful nuclear energy programs without any active enrichment capability. They purchase their uranium.

Frankly, the only reason I can think of that Iran would insist on retaining enrichment capability in an agreement is if it wants to retain the ability to eventually produce weapons-grade uranium. And let us remember, any meaningful enrichment capability can quickly be adapted to a weapons-grade capability. So I think American security depends significantly on ending uranium enrichment capability.

Finally, Mr. Chairman, congressional approval of any agreement is going to make the agreement more durable. The Obama administration—if an agreement is reached, it is going to happen with only 18 months left in this Administration. Our national security interest in preventing Iran from having nuclear weapons will extend far beyond the remainder of this Administration's term. So Congress should vote on the agreement, just as the Senate would ratify any important treaty, and the Iranian people need to know that they are negotiating with the American people and have the broad support of Congress rather than just the President.

So I think Congress should act now; pass a strong sanctions bill that would go into effect prospectively and conditionally; make it clear to the President that he should seek to completely eliminate Iran's enrichment capability; and require that any agreement negotiated come before Congress.

And let me just close with this, Mr. Chairman. I understand the Obama administration has threatened to veto any bill that would do what I have just described, even calling for prospective and conditional tightening of sanctions. The President argued in the State of the Union that new sanctions passed by this Congress at this moment in time will all but guarantee that diplomacy fails.

Well, there is a problem with this analysis, in my view, and that is, if the Iranians are serious about a deal, they would not walk away from the negotiations over conditional, prospective sanctions that they have the power to avoid and that do not violate the JPOA. In fact, they would be motivated, not deterred, by conditional sanctions.

And I think we have to ask ourselves, if they are serious about reaching an agreement, why aren't they a little bit concerned about driving us away from the negotiating table? But rather than showing good faith and any kind of restraint, instead Iran has violated the Joint Plan of Action, and they are now rampaging through the Middle East; continuing their indirect control of Lebanon; propping up Assad while he massacres several hundred thousand of his own people; exerting ever more power in Syria and Iraq; and last week, through proxies, overthrowing a government that was supportive and cooperative with the United States in Yemen.

So, Mr. Chairman, I think this is overdue. I am very grateful that you are having this hearing. I look forward to the testimony of both panels, and I think Congress needs to act.

Chairman SHELBY. Senator Merkley.

STATEMENT OF SENATOR JEFF MERKLEY

Senator MERKLEY. Thank you very much, Mr. Chairman, and I think everyone here on this panel has the goal of preventing Iran from having a nuclear weapon. Not only does it represent a direct threat, but it represents what could be the start of a nuclear arms race. We see so much in many international conflicts in the Middle East, the Shiite and the Sunni history and mistrust and enmity that drives so much of the conflict, and certainly a Shiite bomb might well drive a Sunni bomb, *et cetera.* The last thing we want is for Iran to have a nuclear weapon.

That is why we are here, to listen to your testimony and to gain insight. I certainly want to understand better how the actions by the Congress may strengthen the negotiating hand of the United States or damage it, certainly both directly and in terms of the strength of the collective alliance necessary to make a sanctions regime effective. Diplomacy is certainly an art. Those of you who have been deeply engaged certainly have insights to share with us, and I look forward to hearing them.

Chairman SHELBY. Senator Heller.

STATEMENT OF SENATOR DEAN HELLER

Senator HELLER. Mr. Chairman, thank you, and to the Ranking Member, for holding this hearing today. If I may add to what Senator Corker said to my friend across, Mr. Donnelly, as the latest Member on this Committee to have sat in your seat, get to know the cameraman well. There will be times he will feel like your only friend.

Senator DONNELLY. We are already going to a ball game.

[Laughter.]

Senator HELLER. Mr. Chairman, in assessing the nuclear agreement with Iran, my assessment is this: I cannot imagine a higher risk versus reward scenario than this agreement. Crippling sanctions brought Iran to the negotiating table in the first place, and

by suspending these sanctions, I am very concerned that the United States has deteriorated the leverage that congressional action has provided this Administration.

That is why today is so important. We need to understand what impact these sanctions are having on Iran and whether it is bringing them closer to producing a nuclear weapon. Furthermore, it has always been the policy of the United States through resolution after resolution, passed with unanimous, nearly unanimous support by Congress, that Iran should not have the ability to enrich uranium, even for peaceful purposes. Yet the interim agreement has effectively codified Iran's right to enrich uranium, all in the hopes that Iran will keep its promises to allow international inspections and cease enrichment activities.

A nuclear Iran is not in the best interest of the Middle East or Israel, and I am concerned that this deal has created security risks and uncertainty, not only for the United States but also for our regional allies.

I am glad this Committee is holding this hearing. I hope it will move forward with legislation that will hold Iran accountable as the negotiations continue and allow for proper congressional oversight.

And with that, Mr. Chairman, I thank you and look forward to hearing from our witnesses.

Chairman SHELBY. Thank you.

Senator Warren.

STATEMENT OF SENATOR ELIZABETH WARREN

Senator WARREN. Thank you, Mr. Chairman, and I am looking forward to working with you and with my good friend, the Ranking Member, Senator Brown.

You know, we all share a common goal, and that is to prevent Iran from developing nuclear weapons. At this moment, I believe our ongoing negotiations with Iran are our best hope for achieving that goal and should be our first priority, since undermining those negotiations risks escalation and risks the possibility of war.

I am looking forward to hearing from our witnesses today about whether the proposed new sanctions legislation will be helpful or harmful to that goal. And with that, I yield the rest of my time.

Chairman SHELBY. Senator Sasse.

STATEMENT OF SENATOR BEN SASSE

Senator SASSE. Thank you, Mr. Chairman. Thank you for the welcome. And, Ranking Member Brown, I look forward to working with and learning from you and all of my new colleagues. Mr. Chairman, thank you for your leadership in beginning with this important strategic issue, and in the interest of getting to our distinguished witnesses, I ask that my prepared remarks be made a part of the record.

Chairman SHELBY. Without objection, it is so ordered.

Senator SASSE. Thank you.

Chairman SHELBY. Senator Heitkamp.

STATEMENT OF SENATOR HEIDI HEITKAMP

Senator HEITKAMP. Thank you, Mr. Chairman, and I can assure Senator Corker and Senator Donnelly, the worst seat in the house is where now my friend Jerry Moran sits. Enjoy the backs of the heads of the witnesses and not being able to read their placards, because focusing is always a good thing over there.

But I only want to add one thought, and I think Senator Corker is really the only person who has talked about this. A divided Congress is not in the best interest of our national interest, especially when we are talking about something that is the most significant challenge that we have to our national security and the security of the world today. And so it is critically important that we listen. It is critically important that we pay attention to a path forward that can truly unite this country in a very critical common cause.

And so I look forward to the witnesses. I look forward to another 2 years of serving on this Committee. I will assure you, as someone who was new last year, this truly is one of the best Committees in the entire U.S. Senate, and I welcome all the new Members.

Chairman SHELBY. Thank you.

Senator Cotton?

STATEMENT OF SENATOR TOM COTTON

Senator COTTON. Well, I did not have a statement prepared, but since you called on me, I will thank you, Mr. Chairman, and the Ranking Member. I am looking forward to serving on the Committee.

I know that several Members—the Obama administration has expressed concern that any prospective, conditional sanctions could cause Iran to walk away from the table, could minimize the cooperation we have received. Iran, however, is responsible for killing and maiming hundreds if not thousands of our troops in Iraq and Afghanistan. As those who served there know, they remain the number one sponsor of state terrorism. According to the State Department, they continue to prop up the Assad regime. They control the Iraqi Shiite militias. And just in the last couple weeks, an Iranian-aligned Shiite militant group has taken over the capital of Yemen. An Iranian general has been discovered working with Hezbollah on the outskirts of the Golan Heights to strike Israel. Fortunately, he was discovered by an Israeli missile.

Iran has reached a defense pact with Russia, and Alberto Nisman, the prosecutor who is investigating the 1994 bombing of the Jewish community center in Buenos Aires, largely attributed to Iran and Hezbollah, has mysteriously turned up dead.

So I have to ask: Is this the cooperation that our forbearance has achieved us? Can America afford any more cooperation from Iran?

I yield back.

Chairman SHELBY. Thank you.

Senator Donnelly, you are not last today.

STATEMENT OF SENATOR JOE DONNELLY

Senator DONNELLY. Thank you, Mr. Chairman. It is an honor to be on this Committee. I appreciate your hard work and Ranking Member Brown's, and I want to thank Senator Corker and Senator Menendez for your leadership on this issue as well.

I am new to this Committee, but from my seat on the Armed Services Committee, I believe the prospect of a nuclear-armed Iran is one of the most serious threats to our national security interests. I am looking forward to working with my Republican colleague, Senator Sessions, to address this threat and other proliferation concerns as we lead the Strategic Forces Subcommittee this year. And I appreciate the seriousness with which we shall debate this issue in this Committee.

While there are honest differences in how to achieve our goals, I think it is important to recognize that there is a strong consensus about the importance of nuclear nonproliferation. The necessity of ending Iran's nuclear weapons program is at the top of that list.

The unanimity of support on this issue has fostered a strong, united effort bringing together not only our European partners but also Russia and China. We share a belief that not only is the threat of a nuclear-armed Iran too great to tolerate, but that Iran's nuclear program could set off an arms race in the Middle East.

Senator Corker and I heard that just last week when we were traveling over there. And that would deliver a severe blow to global nonproliferation efforts and making the world a more dangerous place.

There is also a strong consensus we should make every effort to decisively end Iran's nuclear weapons program through diplomatic means. While we often tout the strength of our military as the greatest fighting force the world has ever known, we were also the global leader in driving diplomatic solutions. Like many of my colleagues here today, I have spoken with leaders across the world and heard them say that they need our support, often saying if the United States does not lead the way, no one will.

As with our military, we have many tools in our diplomatic toolbox, from international aid to bilateral and multilateral agreements to sanctions. We are here today to examine those tools and we can best use them to solve one of the single greatest threats to U.S. and global security.

Through my years in Congress, I have long supported sanctions on Iran, and the benefit of hindsight has only reaffirmed my commitment to these sanctions. There is no question the strong international sanctions regime, built through legislation passed by Congress, brought Iran to the negotiating table. I pray these talks succeed.

It is for that reason that I support legislation to strengthen sanctions should the Iranians fail to reach an agreement by the deadline the White House has set. The legislation this Committee will mark up on Thursday supports that aim. It would impose new sanctions only if these talks fail.

By introducing this legislation now, we are sending a clear message that the time has come for Iran to stop playing games. However, while I strongly support this legislation, I also firmly believe we must give the P5+1 talks a chance to succeed. This effort is far too serious to become a political football and the consequences are far too great.

Some have expressed serious concerns about passing this legislation prior to the March 24th deadline in the talks. Our first panel today will undoubtedly reiterate the Administration's warnings on

what could happen if we act prematurely, and I take those concerns seriously. I cannot support any action that would needlessly undermine the chances for success in this endeavor.

As such, while I intend to cosponsor the legislation, I believe the Senate should wait until after the March 24th deadline in the talks to consider this bill on the floor. If after that deadline passes Iran fails to reach an agreement on a political framework that addresses the parameters of a comprehensive nuclear agreement, we should move this forward decisively. This deadline is a critical test of Iran's intentions. And while I am realistic about Tehran's willingness to play fair, I will give them until March 24th to prove themselves to us and to the world.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Rounds.

STATEMENT OF SENATOR MIKE ROUNDS

Senator ROUNDS. Thank you, Mr. Chairman and Ranking Member Brown. I look forward to participating in these hearings. I also look forward to hearing the testimony from our witnesses today. Therefore, I have an opening statement that I would like, with your permission, to have submitted for the record, and I will yield the rest of my time back.

Chairman SHELBY. Thank you. Without objection.

Chairman SHELBY. Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman, and I am at this point convinced that it is not the right time to pursue new sanctions legislation, and doing so could diminish our security, not enhance our security.

In the past, Congress has led the charge for more aggressive and expansive sanctions, indeed in front of many Administrations. And the Obama administration's aggressive implementation of the sanctions regime, together with the international coalition, the P5+1, have brought Iran to the negotiating table and led to the Joint Plan of Action. While it is not a long-term solution, we have seen tangible effects that the Joint Plan is having some effect.

Since its implementation in January 2014, the Iranians have taken steps to halt, and in some cases roll back, aspects of their nuclear program, particularly on three possible paths to a bomb: enough 20 percent enriched uranium for one bomb, the installation of next-generation centrifuges, combined with the growing stockpile of 3.5 percent enriched uranium, and fudging and advancing the plutonium track at the Arak reactor.

Moving forward with new, unilateral U.S. sanctions at this time risks undermining the negotiations and could jeopardize chances to secure additional gains through a comprehensive agreement. If negotiations are taken off the table, then the course of action before us will be even more challenging, of higher risk, and potentially without our international partners.

Moving forward with sanctions gives one of the most onerous and brutal regimes in the world the ability to walk away and attempt to avoid blame. Doing so could also drive a wedge between the

United States and our international allies, and this international coalition is as important as unilateral American sanctions.

Earlier this month, British Prime Minister David Cameron stated that further sanctions, in his words, "could fracture the international unity that there has been which has been so valuable in preventing a united front to Iran." This view has been echoed by top-level P5+1 officials, calling on Congress to give negotiations a chance and hold off on sanctions.

It makes little sense to decide now what we will do if negotiations are not successful. We should give these negotiations a chance and wait to see if a comprehensive agreement can be reached. With an agreement, Congress can make a thoughtful determination on the merits and act quickly and decisively to respond with a much higher probability of international support. Without an agreement, Congress must and will act. It is at that point, not now, that we should move decisively.

To be clear, given the nature of the Government of Iran, any agreement reached between the P5+1 and Iran must meet rigorous standards. But such a peaceful resolution to Iran's nuclear program will not be possible if we do not allow the negotiations to proceed to conclusion, and pursuing additional sanction legislation now would harm our best chance to achieve our objective of preventing a nuclear-armed Iran.

Thank you very much, Mr. Chairman.

Chairman SHELBY. Senator Scott.

STATEMENT OF SENATOR TIM SCOTT

Senator SCOTT. Thank you, Mr. Chairman, and I look forward to working with you and other Committee Members on this Committee. I think that we have heard so many opening comments today that I am going to submit mine for the record. I look forward to hearing the testimony from our witnesses.

Chairman SHELBY. Thank you.

Senator Crapo.

STATEMENT OF SENATOR MIKE CRAPO

Senator CRAPO. Thank you, Mr. Chairman. I, too, look forward to working with you and Ranking Member Brown on the Committee. As a number of Members have said, this is one of the most critical Committees in the Congress, and as you can see from the significance of today's issue, this Committee handles issues that are critical to our Nation, not only with regard to our national security but with regard to our economic strength, our growth of our economy, and protection of and development of jobs in this country.

So I welcome our new Members as well. This is an exciting Committee with a multitude of critical issues that we will need to work forward on. And I want to follow up on comments that Senator Corker and some of the others have made about the importance that we develop consensus in this Committee to move forward. This Committee has a record and a history of moving forward on the kinds of incredibly important issues that we deal with on a consensus basis, and it is my hope that we will be able to continue to develop that path forward. It is what will help us to bring solutions to this country.

I do also have a lot of the same concerns that have been expressed by others here that I will not reiterate at this point. There are a number of questions I have in addition to the issue of whether we should pursue sanctions legislation right now, and I am one who believes we should move forward decisively on new sanctions legislation now. But I also want to hear from the Administration about what the negotiations are yielding. I realize that not a lot can be discussed in a nonclassified environment with regard to that, but the fact is that the substance of the agreement that we are negotiating is as critical as the question of timing on new sanctions legislation. And because of that, I also want to raise the importance of the fact that whatever the new agreement is that is reached, if one is reached, it should be submitted to Congress for a vote and an approval in Congress. And I am very concerned about the fact that there is some indication that there will not be an opportunity for Congress to weigh in on this agreement once it is reached, if we are able to get to a point where an agreement is achieved.

So, Mr. Chairman, again, I will withhold any further comments until we get to another situation in which we have the ability to question and even in a confidential meeting ask stronger and different questions. But I thank you for having this hearing and look forward to the future hearings and actions we will take on this issue.

Chairman SHELBY. Senator Schumer.

STATEMENT OF SENATOR CHARLES E. SCHUMER

Senator SCHUMER. Thank you, Mr. Chairman. And first I want to congratulate you on Chairman and Senator Brown on Ranking Member. I look forward to working with you, Mr. Chairman, and certainly look forward to working with Sherrod under your leadership. I would just have the record show that Shelby, Brown, and Schumer are often in the gym at 7:30 a.m., and who knows what can happen when we are on those bikes huffing and puffing away.

As many know, I have been a long supporter of strong sanctions to prevent Iran from achieving their desired goal of obtaining nuclear weapons. The leaders of Iran would have continued expanding their nuclear weapon capability, but sanctions made them think twice about it. The bottom line is very simple. It is sanctions, tough sanctions, not the goodness of the hearts of the Iranian leaders, that brought Iran to the negotiating table.

We in Congress passed important legislation that put strong pressure on Iran. Senator Menendez and Senator Kirk deserve tremendous recognition for leading the charge, as they are doing now.

Sanctions work best when they are multilateral, and getting the P5+1 and other countries like India and South Korea to be part of the sanctions regime helped make the sanctions all the more effective. And in this regard, I want to give a shout-out to President Obama and his Administration and the gentlemen at this table. All of you deserve tremendous recognition.

I have to say that critics of the President do not give him enough credit that he deserves for effectively lining up the nations behind the sanctions regime which brought them to the table in the first place.

Having said that, I believe the only way Iran will voluntarily stop their march to nuclear weapons is if they know tougher and tougher sanctions will be enacted if they fail to come to a strong agreement that prohibits them from obtaining nuclear weapons. That is why I support the Kirk-Menendez legislation, a bill that would increase sanctions on Iran if they are unwilling to come to a deal by the Administration's extension deadline of June 30th. It is almost irrefutable logic that if sanctions brought Iran to the table, additional and tougher sanctions are more likely to cause the Iranians to give in, and give in more quickly, to reach a final deal that will prevent Iran from becoming a nuclear threshold state.

There are a hierarchy of outcomes here. The worst possible outcome the world, the United States, and Israel face is a nuclear Iran. That would be devastating. Make no mistake about it. A nuclear Iran will lead to a nuclear arms race in the Middle East, the most volatile region in the world. The chance of an actual nuclear war occurring—and that would poison the whole globe, even if it occurred in one portion of the globe—is much greater, unfortunately, if Iran has a nuclear weapon.

But once we all agree that a nuclear Iran is unacceptable, I think everyone agrees it would be better to come to that result with a strong negotiated agreement rather than by America or Israel, or both, having to take military action. So if you had to rank the hierarchies of solutions in order of desirability, the worst, a nuclear Iran; next, having to use the military option; the best, a negotiated agreement that is strong and tough enough and prevents Iran from being a nuclear threshold state.

The President has said that he needs a little more time to come to this conclusion. Mr. Blinken in his testimony states the Administration's goal is to conclude the major elements of a deal by March.

Since a strong, negotiated agreement is the best solution, a solution that I hope we can come to, I, along with a group of my colleagues, many of whom are sponsors of the original Menendez-Kirk legislation, are releasing a letter that states we will not vote for the bill on the floor of the Senate until then. If by March 24th the Iranians have not come to an agreement, the letter states we will vote for the bill on the floor of the Senate at that time.

Barring significant changes to the bill, I intend to vote for Kirk-Menendez in the Committee on Thursday so that a bill can be ready to go if the Iranians are incapable of demonstrating their real seriousness by March 24th.

And let me just say one word about a proposed settlement, which I know Senator Corker—even though I was on the phone, I still heard what you had to say.

[Laughter.]

Senator CORKER. I enjoyed listening to your conversation while I was——

Senator SCHUMER. About a proposed settlement. There are numerous vital elements of a successful negotiated agreement, but one of the most important, the agreement must contain stronger language that allows inspections anywhere, anytime, unannounced. This is the only way to ensure that Iran complies with the agreement since I and most of us have little faith in the Iranian leadership.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Moran?

Senator MORAN. Mr. Chairman, thank you very much. I will forgo an opening statement and yield back my time.

Chairman SHELBY. Thank you.

On our first panel today, the witnesses are the Honorable Antony Blinken, Deputy Secretary of State, United States Department of State; and the Honorable David Cohen, Under Secretary for Terrorism and Financial Intelligence, United States Department of the Treasury.

Gentlemen, we welcome you both. Mr. Blinken, both your written and oral testimony will be made part of the record. You may proceed as you wish, Mr. Secretary.

STATEMENT OF ANTONY BLINKEN, DEPUTY SECRETARY OF STATE, DEPARTMENT OF STATE

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

Chairman Shelby, Ranking Member Brown, and Members of the Committee, it is very good to be with you today to discuss where we are with our negotiations with Iran to verifiably ensure that its nuclear program will be for exclusively peaceful purposes going forward.

Our core goals for these negotiations are clear and they are consistent: Any agreement must effectively cutoff the four pathways Iran could take to obtain enough fissile material for a nuclear weapon—two uranium pathways through its activities at Natanz and Fordow; a plutonium pathway, through the Arak heavy water reactor; and a potential covert pathway. Any agreement must require stringent access, monitoring, and transparency measures to maximize the international community's ability to detect quickly any attempt by Iran to break out overtly or covertly from an agreement. Any agreement must give us confidence that, should Iran choose to break its commitments, it would take at least 1 year for it to produce enough fissile material to make a bomb. And any agreement must deal with the PMD issue, missiles capable of mating a nuclear weapon to a missile, and R&D.

In exchange, the international community would provide Iran with phased sanctions relief tied to verifiable actions on its part. Such relief would be structured so that sanctions could be quickly reimposed if Iran were to violate its commitments.

As we speak, negotiations continue among the P5+1 and Iran. They have been substantive; they have been serious. We have made progress on some of the key issues that separate us, but real gaps remain.

Overall, however, we assess that we still have a credible chance of reaching a deal that is in the best interest of the United States as well as that of our allies and partners around the world. Our goal is to conclude the major elements of the deal by the end of March and then to complete the technical details by June.

We believe we are negotiating from a position of strength. In the past, Iran could use the cover of talks to buy time and advance its programs. Thanks to the interim agreement we reached, the so-called Joint Plan of Action, or JPOA, Iran's program was frozen in

many respects, rolled back in some, and international inspectors were given unique access to learn more about the program during the pendency of the interim agreement. Before the JPOA, Iran had about 200 kilograms of 20 percent enriched uranium in a form that could be quickly enriched to weapons-grade levels. It produced much of that material at the Fordow facility, buried deep underground. Today Iran has no 20 percent enriched uranium. Zero. None. It has diluted or converted every ounce, suspended all uranium enrichment above 5 percent, and removed the connections at Fordow that allowed them to produce 20 percent enriched uranium in the first place.

Before the JPOA, Iran was making progress on the Arak reactor, which, if it had become operational, and together with a reprocessing facility, would have provided Iran with a plutonium path to a nuclear weapon. Once fueled, the Arak facility would be challenging to deal with militarily. Today Arak is frozen in place. No new components, no testing, no fuel.

Before the JPOA, Iran had installed roughly 19,000 centrifuges, the vast bulk at the Natanz facility. Today 9,000 of those centrifuges are not operational. Iran has installed no new centrifuges, including next-generation models, and Iran's stockpile of 4 percent low-enriched uranium is capped at pre-JPOA levels.

And before the JPOA, inspectors had limited access to Iran's nuclear facilities. Today the JPOA has enabled inspectors' daily access to its enrichment facilities and a far deeper understanding of its program—its centrifuge production, its mines, its mills, and other facilities important to the program. And the IAEA has repeatedly reported that Iran has lived up to its commitments under the interim agreement.

Just as we asked Iran to uphold its commitments under the interim agreement, we have lived up to our commitments to provide it with limited relief. But as my colleague will make clear, that relief is dwarfed by the vast amounts denied to Iran under the existing sanctions regime, which remains in force. Indeed, under JPOA and throughout its existence, sanctions pressure on Iran has increased, not decreased.

This Committee is now considering legislation to impose additional sanctions on Iran should negotiations fail. And I know, the Administration knows that the intent of this legislation is to further increase pressure on Iran and, in so doing, to strengthen the hand of our negotiators to reach a comprehensive resolution. So while we appreciate the intent of this effort, it is our considered judgment and strongly held view that new sanctions at this time are unnecessary and, far from enhancing the prospects for negotiations, risk fatally undermining our diplomacy, making a deal less likely, and unraveling the sanctions regime so many in this body have worked so hard to establish.

The new sanctions are unnecessary because, as I noted a moment ago and Under Secretary Cohen will elaborate on, Iran already is under acute pressure from the application of the existing sanctions regime. In recent months, that pressure has only grown stronger with the dramatic drop in oil prices. Should Iran refuse a reasonable agreement or cheat on its current commitments under the interim agreement, the Senate could impose additional sanctions in

a matter of hours, matching or going beyond what the House has already passed. The Administration would strongly support such action. Iran is well aware that an even sharper Sword of Damocles hangs over its head. It needs no further motivation.

So new sanctions are not necessary, in our judgment, but they pose a real risk. They pose a risk, as we have talked about before, that Iran could use them as an excuse to walk away, citing a violation of the interim agreement. Even if the sanctions and trigger legislation are not a technical violation, they could be perceived as such and used by Iran as an excuse both to walk away or indeed to divide our partners from us.

The trigger legislation is what is on the table right now before us. I appreciate very much the comments that Senator Menendez made a short while ago about a letter that he sent the Administration, which I have not had a chance to read. I heard Senator Schumer describe it as well. But we appreciate the recognition that our negotiators could use some additional time and space to pursue the diplomatic option in the absence of this legislation being passed.

Let me just very quickly cite the concerns that we have even with trigger legislation, were it to be passed during these negotiations.

First, as I noted, this could give Iran an excuse to walk away from the negotiating table, violate the interim agreement, and pursue its nuclear program full tilt. Instead of keeping its uranium enrichment under 5 percent, as it has since the JPOA was signed, it could start enriching again at 20 percent or even higher. It could rebuild its stockpile of low-enriched uranium, going beyond pre-JPOA levels. It could stop the suspension of the work on the Arak reactor. And it could eliminate the access that inspectors have.

Second, even if it doesn't walk away or even if it promptly returns to the table, the process could, in fact, empower hardliners to press the negotiators to adopt much more stringent positions at the negotiations and make a conclusion of the negotiations much more difficult, if not impossible, using terms that we could not accept. We sometimes have a tendency to see Iran as a monolith, a country devoid of politics. In fact, the politics are intense. There are different camps, and in the event there was a dispute over whether new sanctions had been imposed by the United States, the hardliners could user that to press the negotiators to take positions that would make an agreement very, very difficult, if not impossible to reach.

Finally, as has been noted—and this is most important, because ultimately what Iran thinks is much less important than what our international partners think. Our international partners believe that the United States, if it is perceived as acting prematurely through additional nuclear-related sanctions legislation in the absence of a provocation or a violation by Iran, their willingness to enforce the existing sanctions regime, much less add additional sanctions in the event of the failure of the negotiations, that is likely to be diluted. Their support, as has been noted, is critical. Without it, the sanctions regime would dramatically atrophy.

Up until now, we have kept many of these countries on board, including countries for whom sanctions are clearly against their self-interest, their economic interest. We have kept them on board

because they believe we are serious about trying to conclude a diplomatic resolution of Iran's nuclear program. If they lose that conviction, the United States, not Iran, risks being isolated, the sanctions regime would collapse, and Iran could turn everything it turned off under the JPOA with no consequence. In other words, we would lose everything we have achieved over the last decade in turning the tables on Iran, isolating Iran not the United States.

We can debate whether any or all of these things would happen, but it is the judgment of those I believe are best placed to know—the diplomatic professionals and other negotiators who have been at the table with the Iranians, with our partners for months and indeed for years, that is their conclusion. They believe the risks are real, serious, and as I said at the outset, unnecessary. That is their best judgment. So why run these risks and jeopardize the prospects for a deal that will either come together or not in the next couple of months. Why not be patient, especially with the program frozen under the interim agreement? There is nothing to be gained and, in our judgment, lots to be lost by acting precipitously.

And, finally, as I noted, this is not just our view. This is the view of our closest partners. You heard Prime Minister Cameron a week ago. Some of you may have read the piece written by the foreign ministers of the United Kingdom, France, and Germany, and let me conclude with that. They wrote: "Introducing new hurdles at this critical stage of the negotiations, including through additional nuclear-related sanctions legislation on Iran, would jeopardize our efforts at a critical juncture. While many Iranians know how much they stand to gain by overcoming isolation and engaging with the world, there are also those in Tehran who oppose any nuclear deal. We should not give them new arguments. New sanctions at this moment might also fracture the international coalition that has made sanctions so effective so far. Rather than strengthening our negotiating position, new sanctions legislation at this point would set us back."

Thank you, Mr. Chairman.

Chairman SHELBY. Secretary Cohen.

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

Mr. COHEN. Good morning, Chairman Shelby, Ranking Member Brown, and distinguished Members of the Committee. Thank you for the invitation to appear before you today.

As this may be my last opportunity to appear before this Committee before I take on other duties, I want to begin by expressing my appreciation to you, Chairman Shelby, Ranking Member Brown, and to all Members of this Committee for the courtesy that you have shown me over the last several years.

There is no higher national security priority than ensuring Iran does not acquire a nuclear weapon, and President Obama has made clear that we will do everything in our power to prevent that from happening.

For us at Treasury, that has meant working within the Administration, with Congress, and with international partners to impose the most powerful sanctions in history. And in many respects, the

sanctions have worked exactly as designed. They have driven Iran to the negotiating table because Iran's leaders know that relief from sanctions can come only in exchange for taking steps that will guarantee that Iran cannot produce a nuclear weapon.

As we sit here today, no one knows whether the negotiations ultimately will yield a comprehensive deal. But we, like you, are dedicated to testing fully the diplomatic path. As we do so, Iran's economy remains subject to intense pressure from sanctions.

Under the Joint Plan of Action, which has been in effect for a little over a year now, Iran halted progress on its nuclear program, rolled it back in key respects, and allowed unprecedented inspections of its enrichment facilities. In exchange, Iran received limited and reversible relief from some nuclear-related sanctions.

Importantly, the JPOA left in place the full architecture of our financial, banking, oil, and trade sanctions, our terrorism and human rights sanctions, and our domestic embargo. This means that Iran is still cutoff from the international financial system. It is unable to export even half the oil it was exporting in 2012, and it is barred by sanctions from freely accessing most of its oil revenues and foreign reserves.

These sanctions are not just words on the books. We vigorously enforce them. Since the signing of the JPOA, we have designated nearly 100 Iran-related targets and imposed over $350 million in penalties for sanctions evasion. Put simply, Iran still is not open for business, and its economy remains in a deep hole. Let me cite just a few metrics.

In 2014 alone, our sanctions deprived Iran of over $40 billion in oil revenues. That is well over twice the total estimated value to Iran of the JPOA sanctions relief. Altogether, since 2012, our oil sanctions have cost Iran more than $200 billion in lost exports and oil proceeds it cannot access.

Iran's currency, the rial, has depreciated by 16 percent just since the signing of the JPOA and 56 percent since January 2012. And Iran's economy today is 15 to 20 percent smaller than it would have been had it remained on its pre-2012 growth trajectory.

Because of the scope and intensity of the sanctions Iran currently is subject to, and because of the economic pressure those sanctions continue to apply, Iran is negotiating with its back against the wall. Accordingly, we see no compelling reason to impose new sanctions now even on a delayed trigger. Indeed, we think new sanctions legislation is more likely to be counterproductive than helpful in the negotiations.

Today Iran's nuclear program is frozen in its economy, and thus, its negotiating team remain under enormous pressure because we have been able to hold together the international sanctions coalition. Enacting new sanctions now threatens to unravel this.

If Congress enacts new sanctions now and the negotiations ultimately prove unsuccessful, our international partners may blame us, not Iran, for the breakdown in the talks. If that happens, overall support for the sanctions regime would then decline, making it more difficult to maintain and more difficult to intensify sanctions pressure. And if a breakdown in talks led to the demise of the JPOA, we would lose the additional insight into Iran's nuclear pro-

gram and the restrictions on development that the JPOA has given us.

Make no mistake: This Administration understands and embraces the power of sanctions. Sanctions are a key component of many of our most important national security initiatives. We are not sanctions doubters. But neither do we believe that layering on additional sanctions is always the right move. Sanctions are one tool in our toolkit, alongside diplomacy, military action, and the myriad other ways that we project power.

If diplomacy does not succeed, the President said that he "will be the first one to come to Congress and say we need to tighten the screws." But in our view, now is the time to give diplomacy every chance to succeed, not to create a new sanctions tool.

Thank you, and I look forward to addressing your questions.

Chairman SHELBY. Thank you.

Secretary Blinken, many observers have questioned Iran's willingness to negotiate in good faith. Even President Obama assesses the chances of a final nuclear deal at about 50 percent. Do you foresee today any circumstances under which the Administration would once again extend the negotiations?

Mr. BLINKEN. Thank you, Mr. Chairman. As I noted, our goal and intent is to try and include the outlines of an agreement, the key elements, by the end of March and then to take the time to June, if we get there, to fill in the technical details. That is what we are focused on. That is what we are driving toward.

As I sit here today, I cannot absolutely rule out that we would look for additional time. For example, if we get to June and we have the core elements of a deal in place and we are working on the technical details and it turns out that we need a little bit more time to dot all the I's and cross all the T's, we may come and seek it.

Similarly, even in March, were we to get to a point where virtually all the elements of a deal had been worked out but we were short on one chapter, we might want a little bit more time in that initial period to do that. And I should remind you as well that the way this is structured, the actual deadline is June. We set ourselves the obligation of trying to reach the elements, the broad elements of a deal, by March.

So a long way of saying our focus and intent is getting the elements of a deal done by March and everything concluded by June, but I do not want to arbitrarily say today that we could not under any circumstances come back and seek a little bit more time. It really depends on exactly where we would be.

Chairman SHELBY. Would you concede that protracted negotiations are in Iran's favor, that is, if their goal, as we believe, is to obtain nuclear weapons?

Mr. BLINKEN. Actually, Mr. Chairman, I think what has happened over the life of the interim agreement is that this has worked very much in our favor. Again, in the past, we have had talks with Iran where it has been able to advance its program while it was talking. In this case, we have frozen the program in critical respects, we have rolled it back in some, and we have gotten more inspections access than we have ever had, and with very

limited relief, and as my colleague just laid out, that relief has been dwarfed by the sanctions pressure that remains on Iran.

So actually throughout this period, I think this has benefited us, not them.

Chairman SHELBY. But you just brought it up, and you said that you have effectively frozen the program. Nonetheless, Iran continues to produce low-enriched uranium and reportedly to work on more advanced centrifuges. We have seen this before. As President Rouhani has admitted, during the last so-called suspension of Iran's program, some 10 years ago, Iran established a technological foundation for rapid subsequent progress. What evidence do you have today that Iran is not once again using the cover of international negotiations—that is, protracted negotiations—to advance its nuclear program? Because we hear the opposite.

Mr. BLINKEN. Mr. Chairman, on the question of the stockpile, under the interim agreement its low-enriched uranium stockpile is capped at the level it reached before the agreement went into effect. So that stockpile has not grown, and indeed, the under 2 percent that it had, which it had a fairly vast quantity of, that also has been significantly diluted.

In terms of the research and development and advanced centrifuges, you are absolutely right that no doubt Iran is seeking in various ways to continue to perfect other centrifuges. But under the agreement, it cannot do the critical kind of testing that is necessary for it to actually make advances. It cannot run gas through new centrifuges. The R&D is capped at where it was before the agreement went into effect.

So are they tinkering with centrifuges and trying to build them someplace? Almost certainly. Are they able to do the kind of testing, running gas through them, that would materially advance them? Are they able to connect them together in a way that would demonstrate that they work? No.

Chairman SHELBY. But that is a little more than tinkering, what they are doing, I believe. According to the International Atomic Energy Agency, Iran produced more than 500 additional kilograms of low-enriched uranium—that is a 7-percent increase in its holdings—between September and November of this past year alone. That is a 7-percent increase in only 3 months.

Assuming that Iran continues its uranium production at this same pace and we reach no nuclear agreement, how much stronger will Iran's nuclear capabilities be at the end of the Obama administration, say 2 years hence, compared to when the President assumed office?

Mr. BLINKEN. Mr. Chairman, under the agreement, again, the low-enriched uranium stockpile is capped at a level at the end of the agreement that it was at before the agreement. Whether there are variations during the——

Chairman SHELBY. It might be capped. I am going to use that word pretty liberally there, that term. But they continue to pursue their goal, do they not, the best they can, anyway they can?

Mr. BLINKEN. As long as it is consistent with the agreement. If it is inconsistent with the agreement and indeed the IAEA continues to report on a regular basis that it has lived up to its obligations under the agreement, it has not done that.

Chairman SHELBY. OK. Secretary Cohen, I will get to you because time is limited here. Last August, your office at Treasury and the State Department designated additional Iranian Government entities, and I will quote, "for activities that have materially contributed to or posed a risk of materially contributing to weapons of mass destruction and for efforts to support the development of nuclear weapons." Doesn't that mean that the Iranian Government is still trying to develop nuclear weapons even as we speak?

Mr. COHEN. Well, Mr. Chairman, we did apply sanctions last August——

Chairman SHELBY. I know.

Mr. COHEN.——as we have applied sanctions throughout the course of this Joint Plan of Action period, and obviously before as well. We do so against those entities that we see are violating our sanctions or seeking to violate our sanctions.

There is no question that, as Deputy Secretary Blinken said, the Iranians remain interested in their nuclear program. These negotiations are designed to ensure going forward that Iran cannot produce a nuclear weapon. And in the meantime, we maintain our sanctions for the specific purpose of ensuring that we can disrupt every effort the Iranians may make to advance their program in the meantime.

Chairman SHELBY. Secretary Cohen, why should we, and you—of course, you are a big part of the Government—have any confidence in a negotiating partner such as Iran that continues to cheat, not just in terms of evading sanctions but by what a lot of us believe or have reason to know they continue to work on developing nuclear weapons?

Mr. COHEN. Well, Mr. Chairman, I think the short answer is none of us should have confidence that Iran is going to live up to its current obligations or its future obligations. That is why the emphasis that many Senators have made here on verification is something that we are also very interested in. Deputy Secretary Blinken can speak to this at greater length, but I think we understand that, today and going forward, verification is critical.

Chairman SHELBY. Secretary Blinken, this last here from me, I am concerned that Iran, which is designated by the State Department as the world's leading sponsor of terrorism for so many years, continues to derail negotiations based on its so-called right to develop nuclear technology. I can hope that the U.S. negotiators are resisting Iranian efforts to claim this "inalienable right" because it was gravely undermine the proliferation regime, which we fought so hard to maintain.

Mr. BLINKEN. We agree with you, Mr. Chairman.

Chairman SHELBY. Can you confirm that it is the United States' position, the State Department's position here, that Iran enjoys no such right under either Article 4 of the Nuclear Nonproliferation Treaty or under any other provision or principle of law?

Mr. BLINKEN. Yes, Mr. Chairman. We agree with you. It does not have a right to enrich.

Chairman SHELBY. OK. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Mr. Cohen, you spoke of the difficulty of holding together our coalition. Mr. Blinken, you mentioned the potential of fracturing

international unity and the challenge of keeping the other five nations on board.

Secretary Blinken, as you know, Prime Minister Cameron at the White House urged Congress not to move forward on new sanctions, including trigger sanctions taking effect later, now arguing it would undermine the P5+1 process. Talk through, if you would, especially as you emphasized, the sacrifice economically—I think something important to understand—that our five partners in this have sacrificed economically by being part of this coalition. Talk through what their views of this are, give examples how you think our allies might react in light of those comments.

Mr. BLINKEN. Thank you, Senator. I think we have heard them address this very clearly. You alluded to Prime Minister Cameron. I quoted from an op-ed piece that the foreign ministers of France, the United Kingdom, and Germany wrote together, making clear their concerns about additional sanctions at this time during the midst of these negotiations that are reaching a critical juncture.

The concern is that any such legislation, even trigger legislation, could be used and perceived as a violation, even if technically it is not, of the interim agreement and the obligation we undertook not to impose new sanctions while we were negotiating. That starts to sow doubt and confusion. It may send a message that we are not serious about reaching an agreement, and it is that seriousness that has helped hold this coalition together.

The reason so many countries have been with us, in no small measure thanks to the painstaking diplomacy that we have done to hold them with us, is because they believe we are serious about trying to reach a diplomatic resolution of this problem.

The moment they doubt that and lose faith in that, then the economic incentives many of them have not to abide by the sanctions regime may start to gain greater force, and they will say, "This is not going anywhere. We may as well start to cut deals. This is going to fall apart."

Now, maybe our core allies do not do that, although even some of our core allies I think would be very tempted. But keep in mind, one of the most important aspects of this—and Under Secretary Cohen can address this—are the oil sanctions and the fact that we have capped, and indeed reduced, the purchases of oil made by critical countries that are not part of the P5+1. They would like to buy more oil. Depending on where prices go, that can also be a big influence. They, too, will start to feel the pressure not to abide by the commitments they made and the pressure on Iran will be released.

The other aspect is this: You know, the idea that we under those conditions would be able to impose additional sanctions on Iran I think would be incredibly difficult. I am even more worried—and Under Secretary Cohen may want to address this—about our ability to sustain the existing regime if we wind up in a situation where there is a dispute among us about whether we violated our commitments or not under the agreement.

But the bottom line is this: If we thought it was necessary or indeed helpful to have it, to have these additional sanctions during the pendency of the negotiations, we would be the first to welcome it. But in our judgment, it does not give us anything that we do not already have. And so why run the risk, even if we cannot prove

this is what would happen, even if it is not 100 percent, there is a real risk, and the people who are closest to it believe that the risk is serious. Why do it when we do not need it?

Senator BROWN. So your concern, Secretary, is if we were to do sanctions now with a trigger, our allies, part evidenced by the op-ed by the three countries and the EU Commissioner, EU Minister, would—that we would have more difficulty holding them and I assume China and Russia together to keep the sanctions as effective as they have been in making progress during the JPOA?

Mr. BLINKEN. That is correct. I think the great strength of our position is the unity we have, that we forged with our partners in the P5 and indeed with other countries that are applying the sanctions regime. The strength of these sanctions goes in the first instance to what has been passed by Congress. That has been vitally important. But it is magnified exponentially by the fact that we have countries around the world who are implementing them. When that goes away, a lot of what we have achieved, a lot of what you have achieved in this room and in this body, will be diluted.

Senator BROWN. Mr. Cohen, the President expressed concern last week that if Congress acts, in his words, prematurely on sanctions, it would potentially hand Iran a PR victory. It could lead other countries now cooperating with us, along the lines of Mr. Blinken's comments, to reduce their commitment to international sanctions.

Based on your experience building these sanctions painstakingly over the years, how difficult would it be to maintain them under these circumstances with our allies, what we do and what they do?

Mr. COHEN. Senator, I think it would be difficult. I think there is a risk, as Secretary Blinken said, that we would lose some of the voluntary cooperation, and I would just cite one example here.

In 2011, the U.N. Security Council passed a resolution, 1929, that called on member states to exercise vigilance over Iran's banking activities, and there are several paragraphs in that resolution that did not demand anything from member states, but called on them to exercise vigilance.

We have used that language, and we have used the very real sense that we are serious about a diplomatic resolution to get countries around the world, not just within the P5+1 but others—in Asia, India, Turkey, others—to apply really serious vigilance regarding Iran's banking activities. That has had an enormous impact.

If these countries begin to think that we are not serious about a diplomatic resolution, they can, consistent with their obligations under the United Nations Security Council resolution, be less vigilant, less active in how they look at Iran banking activity. That will have an impact on the sanctions regime. That will have an impact on economic activity in Iran, and it will all be to our detriment.

Senator BROWN. And does that have a broader effect on our diplomatic efforts in the region and our standing in the world?

Mr. COHEN. I would think so. I think it would—and, again, Deputy Secretary Blinken can speak to this, but I think if our partners and others around the world begin to doubt that we are serious about a diplomatic resolution here, I think it redounds to our detriment in many respects.

Senator BROWN. Let me ask one more question. Thank you for your forbearance.

We have all talked about the role of Congress—certainly Senator Corker has sort of led the charge on that, and Senator Menendez has—on what we do with sanctions and what we do at the conclusion of the agreement, if there is an agreement that is acceptable. Talk to us about constructive things Congress can do in anticipation of an agreement to make sure that inspectors' verification, bolstering sanctions, investigations, all of those kinds of things where we play a role in enforcing, making sure this agreement is enforceable, that the inspections are what they need to be, as both Senator Schumer and Senator Menendez said. Either of you.

Mr. BLINKEN. Senator, first I would say that Congress has played a critical and indeed lead role getting us to where we are. It plays a critical and lead role now with the knowledge that Iran has that Congress can act with further sanctions if Iran walks away or reneges on its agreement. And, critically, Congress has to play a central role, if we get to an agreement, to make sure that Iran lives up to its commitments, because what we are thinking about doing should we reach an agreement is not to end sanctions immediately but to suspend them, and then test the proposition, test whether Iran meets a series of steps that it will have to agree to in the final agreement, and only at that point, over some significant period of time, would sanctions actually be lifted, which Congress would have to do since Congress imposed them. That is the most critical role, and I think it is really the enforcement regime that would be built into any final agreement with a snap-back provision so that suspended sanctions could be reimplemented very quickly should Iran renege on its commitments.

Now, as to other elements going forward, one of the things that we have been doing and we will continue to do is to be in very close contact with you in a classified setting about where we are on the details of these negotiations. But it is very difficult to isolate one particular element and say this is what we have to have on X, Y, or Z, because all of these pieces have to fit together. And so I think being able to describe the totality of where we are in a closed setting I think will help you see where we are trying to get to.

Senator BROWN. In closing, Mr. Chairman, so the Administration is committing to us that there will be a significant, important role of Congress throughout this process even if we—if we have an agreement as significant and important as you hope we get to.

Mr. BLINKEN. That is correct.

Senator BROWN. OK.

Chairman SHELBY. Senator Corker.

Senator CORKER. Well, I look forward to finding out more about that role during this questioning and answering.

One of the reasons I like coming to hearings like this is to read the tea leaves and see where people are, and it is evident with our strongest Democratic leader on sanctions saying that he is not willing to vote on his bill until after March 24th, that if we want to speak with one voice and show strength to Iran, it is likely that we are not going to vote on the Senate floor on sanctions until after March 24th.

Mr. Blinken, I would just ask you, do you have a problem with that?

Senator BLINKEN. Senator, I think that what I heard Senator Menendez say and then Senator Schumer say—not having seen the letter, I would not want to comment on it in detail, but on the basis of what I heard, I think it recognizes that our negotiators could use the time and space effectively, not having legislation pass before the end of March. I think the commitment to do that is something that we would see very favorably and would answer a big part of the problem that we had with the idea of the legislation, even trigger legislation, being passed now before the end of March.

Senator CORKER. And I think that, you know, you know we have concerns about the limited access that we have to what Iran is doing. The JPOA allowed them to continue research and development. We know that they, during these negotiations, pumped UF6 gas into an IR5 centrifuge. We know that. We caught them doing that.

I have heard our negotiators tell us that Zarif could pass a lie detector test—Zarif, their negotiator, could pass a lie detector test, that they were never involved in any previous military dimensions because of the way Iran works, things are separated. So that somehow gives our negotiators confidence, and what it does for us is give us great concerns.

Dr. Clawson's testimony is going to state in just a minute that they have already passed a budget with lower petroleum prices, and they are willing to live with that. So I know that we have inflicted some pain, but the fact is they are willing to live with that pain because this program is so important to them.

So we have concerns. As a matter of fact, as Joe Donnelly mentioned, we were in the Middle East last week, and the concerns are that Iran is here and the United States and its friends have been here, and during the negotiations most of the movement has been in the direction of Iran, and that is what everyone is concerned about.

Your boss, Secretary Kerry, has been before us and told us that this has to pass muster with Congress, a final deal. Sanctions is about pushing toward a deal, but we would like for it to pass muster. You just said in testimony here with Senator Brown just a minute ago that it should pass muster. And the way we pass muster around here is we vote. We do not sit around and shoot the breeze at lunch. We vote.

So what I have been pushing for—and I think numbers of people have alluded to it—and others have been pushing for is that if there is a final deal, we vote. Do you support that notion?

Mr. BLINKEN. Senator, as I mentioned earlier, we believe Congress will have to vote at the end of any deal to eliminate the sanctions that would be part of any——

Senator CORKER. OK. Let me—since we have had this round before in Foreign Relations, I am going to say to the other Members what they wish to do is suspend, suspend for a long time, like probably beyond the time the President is here. What that means is the whole regime falls apart. If you suspend for that long, it is over.

What we would like to do is vote. As Senator Kaine mentioned last week, if we are going to have to vote eventually on a final lift-

ing of negotiations—of sanctions, and since we know Iran is perfectly happy with the suspension because they know the whole regime will fall apart once you suspend it, would it not be better if we just voted on the front end so that we could say yes or no on the front end? I do not know why you would object to that if, in fact, we have to vote a year and a half from now, 2 years from now, anyway?

Mr. BLINKEN. Senator, I think there are a few issues at play. One is an issue, as we discussed last week in the Foreign Relations Committee, of the classic executive-legislative prerogatives. So any executive branch, Republican, Democrat, whoever is running it, will want to hold on to the prerogative of being able to negotiate nonlegally binding accords such as this one, as many Administrations have, and not have it voted up or down by Congress. That is one issue which we would have to address.

But substantively, to your point, because I think it is critical, you know, if Congress had been asked to vote on the interim agreement within a month or so of its conclusion, I suspect that many Members who today agree that that agreement has produced real results and has advanced our security might in the first instance, because of the criticism the agreement received, have voted it down, and then we would be in a materially worse off place.

So we think that, first, being able to test any agreement that we reach to make sure that Iran is meeting its commitments and doing so over an extended period of time before eliminating the final leverage, the critical leverage that comes with actually terminating sanctions, we think that would be a critical component built into the agreement. But I think Under Secretary Cohen can address the question that you raise, because it is an important question, about would the regime under suspension in effect fall apart.

Mr. COHEN. I think it is instructive to look at what happened to the sanctions regime during the Joint Plan of Action, where we suspended some sanctions and continued to enforce the sanctions that remained in place. That is essentially the same model that is being conceived if there were to be a comprehensive agreement here.

The sanctions did not fall apart. It did not deteriorate, the architecture did not collapse. And I think there are important reasons for that, most of which I would rather go into in closed session.

Senator CORKER. Let us do that because I am out of time.

Mr. COHEN. OK. But I think the critical point is with suspension of sanctions, with future termination, for all the reasons that Secretary Blinken said, it is important for the negotiations and for the deal. I think it is also important that this Committee not think that upon suspension the entire sanctions architecture collapses. That has not been our experience, and I think we have reason to believe that that will not happen.

Senator CORKER. I would just respectfully say in closing that if it is perceived by the world that we have reached a deal that this Administration and the P5+1 have agreed is satisfactory, you will not hold, the sanctions regime will not hold. It will be a totally different dynamic where all of a sudden Iran is no longer a rogue state but they have now reached a final agreement with the P5+1.

So I would respectfully say that we do need to vote on any final deal. We vote on civil deals. And I would say actually since it appears we may be voting on sanctions immediately after March 24th, maybe that is a place holder for Congress to even weigh in on whether they think, if a deal is reached, it is satisfactory or not. But I appreciate your testimony.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Well, thank you, Mr. Chairman.

Look, for 20 years, when I was in the House of Representatives, I had been working on the issue of Iran when people were not paying attention. And no one wants the President to succeed more on achieving an agreement than I do. However, it is not just any agreement. It has to be an agreement that significantly moves Iran in a different direction.

Now, Secretary Blinken, for the purposes of our colleagues here who do not sit on the Senate Foreign Relations Committee, last week under testimony you said, in response to my questions, that, look, this is no longer about dismantling Iran's nuclear infrastructure; this is about getting at best, or maybe better, a 1-year alarm bell. Is that a fair statement?

Mr. BLINKEN. Yes, Senator. The critical test is whether we reach an agreement that makes sure that it would take them at least 1 year to produce enough fissile material for one nuclear weapon.

Senator MENENDEZ. So we get an alarm bell, but we do not dismantle Iran's illicit nuclear infrastructure. And I say "illicit" not just by U.S. standards but by international standards of Security Council resolutions.

So let me just say, you spent a lot of time on perceptions, and last week I made a statement that I think was not taken in full context. The context is the more that I hear these arguments, the more concerned I am that we feed into the narrative there that Iran is the victim when Iran has original sin here by having an illicit nuclear program.

But let me talk to you about perceptions. You talked about—you spent all of your testimony talking about Iran's perceptions. Well, let me tell you what some of us perceive here in the United States of America.

Number one is you see that the Iranians have a way to cheat and technically they are not in the Joint Plan of Action. So they cheated, and we, the United States, complained to the U.N. Security Council about violations of Iran trying to buy technology—for what? For the Arak nuclear reactor.

They cheated when they fueled one of their centrifuges. They cheated when you, Mr. Cohen, last week in testimony said that, among the 100 times that you have sanctioned different entities, some of those times Iran was complicit with those who you sanctioned. So they are cheating in the midst of our negotiations.

Now, in addition to that—we talk about the Congress forbearing—well, right now in Tehran there is legislation pending to deploy centrifuges that can enrich uranium more efficiently than ever to increase the production of a form of nuclear fuel that is just shy—just shy—of bomb-grade material.

The Ayatollah has been talking about a resistance economy, and last week, the person whom we have got a lot of faith in, the Ira-

nian Foreign Minister, Zarif, said at the World Economic Forum that the global drop in the price of oil makes Iran less likely to agree to concessions on their nuclear program. Less likely to agree to concessions.

So I do not know about you, but all of that put together, and so much more, says to me my perception here in the United States of America is that your aspirations, which I share, but I have mine dosed in a lot of reality because I do not want another North Korea.

Now, what you are really telling us, when I hear your worries about what the Iranian perception is that, in fact, they are unlikely to make a deal, because if I, the Ayatollah, who is going to make this ultimate decision, think that a deal is good for me and my regime to stay in place, I am going to make it regardless of what the noise or the action is over here, especially action that would not take place until after June when you are supposed to have a deal fully consummated. Now, that is not going to stop me from making a deal that I otherwise want to make. It is just counterintuitive.

So, look, I think you need to be looking at what Iran is doing right now, and I will just close by saying, you know, Iran can cheat, but we do not worry about that in the context of, you know, unsettling the Joint Plan of Action because technically it is not within it. But it is great if you can cheat outside of the Joint Plan of Action and get away with it. I am sure if we heard from the Saudis, the Emiratis, the Israelis, and others that they would have a different view than the Ambassadors that you have mentioned. I know that we have heard many times before the Senate Foreign Relations Committee when I was a member and when I chaired it, and even most recently, that, in fact, the world will come to an end, do not have sanctions, you are just going to split our coalition, you are going to drive the Iranians. And now the Administration heralds it as the singular reason why, in fact, the Iranians are finally coming to a negotiation.

And just about every sanction that we have passed legislatively has needed 6 months to ultimately be invoked, and, of course, more time to feel a consequence. There have been one or two that were done more quickly, but overwhelmingly, they needed 6 months. So the time to implement any sanctions, assuming a deal does not work, is going to take a lead time of 6 months. Well, testimony before the Senate Foreign Relations Committee indicates that the Iranian ability to pass the nuclear threshold is well below the 6 months, so those sanctions are inconsequential. And that is why some of us feel that the prospective nature of something that would not affect a deal that the Ayatollah wants to make is a guarantee that if they do not make it, we do not have the only option being, my God, they are going to cross the threshold. We either have to have a military strike or accept a nuclear-armed Iran. And that is not a choice that we want to have.

Thank you.

Senator CORKER. [Presiding.] Senator Vitter.

Mr. BLINKEN. Could I just briefly address the Senator's comments?

Senator CORKER. Sure.

Mr. BLINKEN. Very quickly, because I think——

Senator MENENDEZ. Mr. Chairman, if he does, I want to be able to respond.

Mr. BLINKEN. I will be very brief, because I think you raise some important points, Senator.

First, in terms of what we are concerned about, we are most concerned about what our partners think, not what Iran thinks. That is what we are most focused on in terms of the possibility of additional legislation now.

In terms of what Iran thinks, though, here is what our assessment is. I mentioned earlier that we sometimes have a tendency, all of us, to look at Iran as if it is some kind of monolith devoid of politics, when, in fact, the politics are incredibly intense. There are different groups. There are different camps. There are lots of people who do not want an agreement under any terms. And there are some people who would like to try to get an agreement not because they like us, not because they want to be nice to the United States, but because they think it is in their self-interest. They think that everything that we have achieved in putting this enormous pressure on them is something that they need to move beyond if the country is going to progress. They are more pragmatic, even if they are not nice guys.

In thinking about how some of these things play in Iran, the reason we think about that at all is because we want to make sure that those who are in favor of trying pragmatically to reach an agreement that meets our needs and interests, that they are reinforced, and that those who are against an agreement under any circumstances are not reinforced. That is why this question also matters in terms of Iran, not because we care in a sense about what they think, but because we see how this evolves. We do not want the hands of the hard hardliners to be reinforced in this process, making a deal less likely.

In terms of cheating, you are absolutely right that, first of all, there have been instances where we believe they were violating the interim agreement. We took it to the mechanism that was put in place to litigate these things, and when that happened, Iran stopped what it was doing. For example, on the IR5s, there was a difference of opinion. We carried the day.

You are exactly right that outside of the interim agreement they are doing things in terms of procurement that we obviously oppose, which is exactly why during the agreement we have sanctioned more than 40 persons and entities who are trying to procure for the Iranian program. So we have been very vigilant about that.

Thank you.

Chairman SHELBY. [Presiding.] Senator Vitter?

Senator VITTER. Thank you, Mr. Chairman.

Mr. Secretary, Secretary Blinken, the State Department still considers Iran the world's leading state sponsor of terrorism, correct?

Mr. BLINKEN. If not the leading, certainly one of the leading.

Senator VITTER. I think it is the leading, according to the State Department. That has not changed throughout this process, has it?

Mr. BLINKEN. Right, correct.

Senator VITTER. You would not expect it to change even if there were positive results of this negotiation from your point of view, would you?

Mr. BLINKEN. I think that is unlikely.

Senator VITTER. Let me go back to one of Senator Menendez's main points. Right now the goal of the Administration in this negotiation has essentially been dumbed down to a year warning flag, not dismantling the capability, not taking that away, but a year warning flag. Is that fair to say?

Mr. BLINKEN. I would dispute the characterization of being "dumbed down." We have been——

Senator VITTER. At the start of this process, that was not the goal, was it?

Mr. BLINKEN. The goal was to do two things. The goal was to make sure that the pathways that Iran has to a bomb—a plutonium path, a uranium path, and a covert path—were effectively cutoff. And to do that—and we have been at this for quite a while—we determined that making sure under any agreement that it would take them at least 1 year to produce enough fissile material for one bomb would answer that need. And it is worth pointing out two things.

One, I think most experts believe that the idea that any country thinking about doing so would actually break out for one bomb's worth of material is pretty unlikely. They would tend to want to accumulate four or five bombs' worth. We have been very conservative about that, and that is very important.

Second, as you know, the fissile material is not the only piece of this. Actually having a weapon, weaponization, is critical, and then having the means to deliver it. The reason the fissile material piece is what we have been focused on is it is the most visible thing. It is the thing that we can see, that we can verify, and that is the best way to give us the assurance we need that Iran would not pose a threat with a nuclear program.

Senator VITTER. Mr. Secretary, in fact, at the very beginning of this process and this concept of negotiation, did the Administration talk about dismantling the capability, not having a year warning flag? In fact—take the words "dumbed down" out of it. In fact, has not that even aspirational goal moved enormously?

Mr. BLINKEN. Senator, we can discuss in a different setting some of the details of where we are. I think what is critical is all of these pieces have to fit together, and you cannot judge one of these elements in isolation. So, for example, at different stages of negotiations, we may have been looking to do one thing in a particular area. That may change as we do something else in another area. Let me give you a concrete example just to be illustrative without getting into any detail.

The question of the number of centrifuges that Iran might retain in an agreement is an important one because it goes to its ability to produce enough fissile material for a bomb in a certain period of time. But it is not the only element. The type of centrifuge, the configuration of the centrifuges, the stockpile—all of those things together——

Senator VITTER. I understand what——

Mr. BLINKEN. So that is why you have to—I think you have to——

Senator VITTER. My time is being eaten up, so let me expand and move on. Who on our side in terms of the U.S. Government is going

to make the judgment and the calculation about whether we have a year warning flag?

Mr. BLINKEN. We have extraordinary expertise in this Government—scientists, engineers who work for the intelligence community, who work for the Energy Department, who work for the State Department——

Senator VITTER. And I will be the first to acknowledge that extraordinary expertise, but let me just ask you: Has that type of extraordinary expertise, including in the intelligence community, ever been wrong about these sorts of timetables before?

Mr. BLINKEN. I imagine that there have been——

Senator VITTER. Well, you do not have to imagine. There is a historical record. Have they been wrong about these types of timetables before?

Mr. BLINKEN. I would say that one of the things that we have done with the time that we have had during these negotiations is to bear—at least in my judgment and my experience; I cannot speak to others' experience—in my experience, to bear down in an extraordinary way on the science and the technologies. But it is not just us. Our partners are critical parts of this, their scientists, their experts, not just the P5+1. We have an active, vigorous exchange with Israel, for example, their scientists, their intelligence community, all of us together.

Senator VITTER. Let me just give you my conclusion, which is that all of these folks are very smart and very capable, and yet given the technical issues involved and given the lack of information involved, it is not like we have full access to everything we want. Our intelligence community and others have been wildly wrong before in similar judgments. So I think that is the historical record. I just want to point that out.

A final question. There are recently foreign press reports about Iran's continuing effort to buy S–300 missiles from Russia, which are air defense missiles, and how that is—after it was essentially dead and in the deep freeze because of the sanctions regime, that effort is now fully underway again.

Where do you think that is? And is it not moving forward to some extent because Russia and others see this sanctions regime going away?

Mr. BLINKEN. Senator, this is something that we are extraordinarily vigilant about. We have seen over the past couple of years various reports of different kinds of deals, including the one you cited, including oil deals involving Russia. I think if anything is motivating Russia right now to be looking at some of these things—and I should say we have—to our knowledge, this has not gone forward, has not been finalized, is not happening as we speak. I think what is motivating them, if anything, is the difference that they have with us over Ukraine and the extraordinary pressure that we have imposed on them over their actions in Ukraine. I think they are looking for other places to do business and other places to show that they are unhappy with us. But we have not seen this before. I don't know. Under Secretary Cohen may have more on that.

Senator VITTER. Thank you. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Merkley.

Senator MERKLEY. Thank you, Mr. Chair.

Deputy Secretary Blinken, at what point do the extensions become counterproductive in that they essentially undermine any compulsion for the Iranian negotiators to reach an agreement?

Mr. BLINKEN. I would say that, to date at least, precisely because we were able with the interim agreement to freeze the program in key respects, to roll it back in some others, and to get these enhanced inspections and access, that it has manifestly been a good thing for our security and the security of our partners going forward. And in exchange, as you heard earlier, the limited amount of relief that they have secured has been dwarfed by the remaining—almost the totality of the sanctions regime.

So I think further extensions, were there to be any—and, again, that is not at all our focus, our intent. We are trying to drive this to a final agreement on the key elements by the end of March and then work on the technical details between the end of March and June. That is what we are focused on. I think it would—answering your question would depend entirely, or mostly at least, on the terms of any such extensions. If it got to the point where Iran was getting more and more in terms of relief under any kind of extension, I think you would have to answer the—you know, that question might be answered differently.

So it really depends on the details, but our focus now is not extending anything. It is trying to bring this to a conclusion and making a determination, if we are not able to do that, that this process will have to come to an end because Iran is not serious about reaching an agreement.

The $64,000 question is whether Iran can say yes to an agreement that protects our security interests and those of our partners. That is the answer we are still looking for.

Senator MERKLEY. Can you picture a scenario a few months from now in which the United States concludes that it has not made progress, it is not going to make progress, that it essentially ends the negotiations, and holds the coalition together?

Mr. BLINKEN. Yes, I can, and I think if during these negotiations it is demonstrated not just to us but to our partners who are negotiating and then our partners beyond the negotiations that Iran is simply unwilling or unable to make an agreement, then under those circumstances I believe that we will be in a position not only to sustain the existing sanctions regime, but to impose additional sanctions, including the sanctions being contemplated in Congress. But that is why it is so critical that we retain the high ground, that we do not create any excuses for the Iranians to divide and conquer, as they have done in the past, that we remain united as a group, as a coalition, that Iran remains the country isolated by the international community over its nuclear program, and that the United States does not get into a dispute with its partners over whether we have somehow violated our own commitments in terms of imposing new sanctions.

Senator MERKLEY. You noted that there are many different elements inside Iran, and one of those is the IRGC, and I believe that at least a portion of the IRGC has benefited by controlling smuggling during the sanctions regime. What degree does that situation

create a force within Iran that is influential in trying to block any deal from ever being completed?

Mr. COHEN. Senator, you are exactly right. I think the IRGC has tried to take advantage of the existing sanctions and their control over important aspects of the Iranian economy to benefit themselves. Frankly, that is one of the reasons why it would be beneficial to reach a comprehensive agreement with Iran, because it would ultimately impair the IRGC's stranglehold on certain aspects of the economy.

In terms of whether they are a blocking mechanism within Iran on reaching a deal, I would echo what Secretary Blinken said, which is there are politics in Iran, and I think our sense is the IRGC tends to be on the side of those who are less inclined toward a nuclear deal. But I think it is a complex question, and I think the last thing we want to do is to give fuel to the IRGC and their allies within Iran to undermine the prospects of reaching an ultimate arrangement here.

Senator MERKLEY. Thank you very much.

Chairman SHELBY. Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman.

Secretary Blinken, I think you have already addressed this somewhat, but I want to be very clear. So, objectively speaking, would the prospective, contingent, trigger-based sanctions of the type of the Kirk-Menendez legislation, would passage of that and the President signing it into law, would that be a violation of the JPOA?

Mr. BLINKEN. I think we would have to look very carefully at exactly how the final product was written and passed. So, for example, if a final product actually imposed additional sanctions, but then they were, in effect, suspended and then applied, that would be——

Senator TOOMEY. OK. I do not want to get too deep into hypotheticals that nobody has considered, right? I mean, what we are talking about is sanctions that would go into effect if and only if the Iranians choose to ensure there is no deal at that point in time. My understanding is that would not be a violation of the JPOA.

Mr. BLINKEN. Again, I do think it depends on exactly how it is written if you are talking about a technical—but, again, it is not the question—the question really goes to how would this be perceived, how would it be seen, would it cause divisions among us and our partners?

Senator TOOMEY. Let me address this, because this goes to the point that Senator Menendez was making, and I share his concerns very much, and maybe I can put it in a different way.

So if the United States were to take this measure, which objectively is not a violation of the JPOA, and the Iranians decide nevertheless they are going to walk away from the table, that would strongly suggest to some of us that they do not want an agreement and they are looking for an excuse.

And so one of the things that concerns me is what I perceive to be an apparent asymmetry in motivation here. We are supposed to avoid even offending Iranian sensibilities with legislation that is not even a violation of our agreement. Meanwhile, they blatantly

violate the agreement, and they continue their rampaged through the Middle East. They continue to support Hezbollah, prop up Assad, expand their footprint in Syria and Iraq, last weekend knock over a friendly government in Yemen, and we are not supposed to draw any inferences from their behavior, their willingness to defend us?

So my concern is when you look at their behavior, you look at this apparent asymmetry and motivation, and then you look at the fact that we have moved the goalpost toward them—you know, we started off talking about eliminating enrichment capability. Now we are talking about just enough so that there is a 1-year heads up. It makes some of us worry about what kind of deal we are going to end up with. And I think that is a big part of the concern.

Mr. BLINKEN. Senator, I think you are exactly right that there are some in Iran who do not want an agreement, and the last thing that we want to do in the course of these negotiations is to strengthen their hand and weaken the hand of those who are looking to get an agreement, again, not because they like us or want to be nice to us, but because they have determined it is in Iran's self-interest.

And so in the event there was a dispute over whether new sanctions had been imposed or not or we had violated our obligations under the interim agreement, those in Iran who do not want an agreement would say, "See, we told you. You cannot trust the United States. Walk away." Or, "See, we told you. You have to drive for harder terms at the table, terms that"——

Senator TOOMEY. I get all that, but——

Mr. BLINKEN. That is the danger.

Senator TOOMEY. Like any society, there are complexities, and there are competing interests, and there are differences of opinions. But in this one, unusually, the final power is concentrated in one individual who really at the end of the day probably gets to make this call.

Let me ask you another question if I could. I think if I remember correctly, you stated that it is your view and it is the view of the State Department that Iran has no right to enrich uranium. Isn't it also true that they have no need? Isn't it also true that if all they want is peaceful ability to generate electricity, they can purchase all the uranium that they need for that purpose?

Mr. BLINKEN. Yes. We have said to them repeatedly almost exactly that, which is, if you want to have a civil program, you can certainly purchase that on the market.

Senator TOOMEY. Right.

Mr. BLINKEN. You are right about that. Here is what they say—and I am not saying that they are right or that we have—just so you know what they claim. And, by the way, it is also highly suspicious that a country that is so bountiful in oil resources would want this type of nuclear program.

Senator TOOMEY. Absolutely.

Mr. BLINKEN. That certainly feeds our deep suspicion and lack of confidence. So I think you are right about that.

Here is what they say: They claim that they do want to have a civil nuclear energy program so that they can devote oil to ex-

ports—that is one argument that they make—and remain energy self-sufficient.

They also claim that they are preparing for post-carbon days.

And, finally, in terms of getting it from other countries, they claim that in the past, when they have done such arrangements, the commitments that other countries have made were not kept.

Those are the kinds of arguments we hear. But it is precisely because we are highly suspicious of their motivations, it is precisely because we know they had a program to weaponize at least until 2003, which we believe now ended then, it is precisely because of all of that that any agreement we reach has to give us the confident we need to make sure that, as a practical matter, it will be useful for peaceful purposes.

Senator TOOMEY. My time has run out, so I will stop. But it is precisely for those reasons that I think that it is vitally important that they not have the ability to enrich, the last point being that, as I know you are very well aware, the capability of enrichment, even at relatively low levels, is a short step from the capability to enrich to a weapons-grade level. And that is what I am concerned about.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

As I mentioned earlier, we are all committed to a common goal: prevent Iran from developing a nuclear weapon. Right now, I believe our ongoing negotiations with Iran are the best hope for achieving that goal, and they should be our first priority, since undermining those negotiations risks escalation and risks the possibility of war.

Now, Congress would gladly give our negotiators more leverage in these talks, but the President has repeatedly stated that if Iran violates the interim deal or if the talks fall apart, he will immediately call for new sanctions. And we know that would be ready to add more immediately.

So, Deputy Secretary Blinken, I just want to be clear on this point. If Congress passes another sanctions bill now during ongoing negotiations, will that give our negotiators any new leverage?

Mr. BLINKEN. In our judgment, no.

Senator WARREN. Thank you. I agree, and I just do not see the upside to passing a bill now. So let us talk about the downside.

Deputy Secretary, let us be clear on this one. Would passing a sanctions bill now strengthen or weaken hardliners inside the Iranian Government who are hoping to blow up the negotiations?

Mr. BLINKEN. We would be concerned that the passage of new sanctions now would reinforce the hand of hardliners and weaken the hand of more pragmatic elements who are trying to get to an agreement.

Senator WARREN. Thank you.

We also need to consider the impact of a sanctions bill on our international partners, as you have mentioned earlier. Two experts and former Treasury officials wrote in the New York Times that it was the cooperation of our partners all around the world "rather than the severity of American sanctions alone that delivered results" in the negotiations with Iran.

But just recently, the foreign ministers of France, Britain, Germany, and the European Union all wrote that the new American sanctions "might also fracture the international coalition that has made sanctions so effective so far."

So, Under Secretary, if Congress passed new sanctions legislation now, how would that affect the willingness of our international partners to hang together to enforce the current sanctions?

Mr. COHEN. Well, I think that what the foreign ministers said in that piece is a real concern, that their willingness to hang with us, to voluntarily work with us to impose sanctions, could be compromised. And it is a risk that is not worth taking since it does not provide us additional leverage at the negotiating table.

Senator WARREN. All right. And, last, if diplomacy fails, we will have to move to other options, because all of us agree that an Iran nuclear weapon is unacceptable. So let us talk about what happens if the negotiations fail.

If the United States had passed new sanctions legislation before that happened, would it be easier or harder for us to maintain an international coalition to work together to keep Iran from getting a nuclear weapon?

Mr. BLINKEN. In our judgment, it could well be harder. It would certainly run the risk of muddying the waters and creating confusion among the coalition, and, in effect, we would end up arguing amongst ourselves instead of keeping the focus on Iran.

Senator WARREN. All right. So thank you.

We have every reason to be skeptical about the Iranian Government, and I think that has been made clear today. But our number one goal is to prevent a nuclear-armed Iran. If new legislation gives us no extra leverage and it increases the risk that the negotiations will blow up and it makes it harder for us to hold together an international coalition to keep Iran from getting a nuclear weapon, then I just cannot support it.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Cotton—Senator Sasse. I am sorry.

Senator SASSE. Tom is taller, but he is also younger.

Chairman SHELBY. But you were first.

Senator SASSE. Thank you, Mr. Chairman.

Secretary Blinken, could you help us understand the evolution of the Administration's position on sanctions going back to 2011, please?

Mr. BLINKEN. Actually, I am happy to do that. I think Under Secretary Cohen could do that as well. If it is all right, maybe I will let him address that.

Senator SASSE. Sure.

Mr. COHEN. This Administration has been strongly supportive of sanctions going back to 2011 and, frankly, back to the beginning of this Administration. We have worked closely with Congress throughout. We have worked on our own to intensify the sanctions. I think it is actually important to set the record straight on this.

If you look at the legislation that has been enacted over this Administration, beginning with CISADA in 2011—this was the legislation that said to banks around the world you can do business with the United States or you can do business with Iran, but you

cannot do both. That was legislation that the Administration worked very closely with Congress in devising and enacting.

The oil provisions that required those who were purchasing oil from Iran to reduce significantly the amount of oil that they were purchasing or face being cutoff from the United States' financial system, again, we worked closely—after an initial version of that provision was adopted, we worked very closely with Members of this Committee and with leadership to include provisions in that legislation that would enhance our ability to hold together the international coalition.

And then, finally, I think what has been one of the most powerful sanctions that Congress legislated, which was the sanction that required when a country buys oil from Iran, that it goes into restricted accounts and can only be used for bilateral trade and that money cannot be moved around the world, that was a provision that this Administration came up with and provided to Congress to enact.

So we have been foursquare behind intensifying sanctions legislatively. We have adopted more than a dozen executive orders. We have imposed sanctions on dozens and dozens and dozens of individuals and entities who have been involved in sanctions violation. So the evolution of our sanctions pressure has been to intensify, intensify, intensify, to drive Iran to the negotiating table. That worked. It got them there because it had the effect on their economy.

What we are seeing now is that just because some is good does not mean that more is better. We got them to the negotiating table. They are there. They are negotiating in a substantive way. The idea right now is to see if we can close this deal and not to try and think we can force them to cry "Uncle" through additional sanctions.

Senator SASSE. But isn't it also the case, as Senator Menendez mentioned, there have been multiple times when the Administration has made an argument much akin to what we are hearing from you today. Subsequently, when the sky did not fall because of certain sanctions that the Administration did not request, you have later agreed that they were useful in driving the Iranians to the negotiating table.

Mr. COHEN. And I think what is critical to bear in mind is that what we have done is we have worked with Congress in these sanctions to ensure that as the sanctions are enacted and as they are applied, we do it in a way to hold together the international coalition. There is a risk that I think is one that this Congress has been attentive to, needs to be attentive to, that we fracture the international coalition. It is not worth it to pass a piece of legislation that on its face looks like it will intensify sanctions if, in fact, it fractures the coalition. And so we have worked very closely with Congress in devising the sanctions and then in implementing the sanctions to hold together the coalition.

Senator SASSE. And I have appreciated both of your testimony today about the reality of internal politics in Iran and the way that pragmatists may suffer in the face of these sanctions. I think you have made an argument there, but in the interest of time, I will not pursue the question I would like to ask about why our allies

would not also be able to see that conditional, prospective sanctions are being used apparently as an excuse rather than as a reality.

But just to pivot in my last minute, could you explain to the American people how—in your testimony, Secretary Blinken, at the beginning, you said that you want to see the Iranians limited to exclusively peaceful purposes. How do you reconcile that with the exchange you had with Senator Toomey?

Mr. BLINKEN. Thank you, Senator. This gets down to a fundamental question, which is, does any program that Iran has at the end of this—at the end of any agreement, does it allow it as a practical matter to break out to get enough material for a nuclear weapon or to try and develop it covertly? And what we are working to do in this Administration is to cutoff every single one of those pathways as a practical matter.

In absolute terms, if they are enriching, does that mean that they could not enrich enough to get a weapon? Well, they could start to do that. But provided you have the access and the monitoring and the transparency to see it and then provided you have the time to do something about it, either impose additional sanctions to stop them or, if necessary, take military action, then as a practical matter their program will have to be for peaceful purposes, because if they try to do otherwise, they will be stopped. That is the test. So any agreement has to pass exactly that test.

Senator SASSE. It just does not seem to be the same as a dismantling goal, which is where we began.

Mr. BLINKEN. Yes, so, you know, we talk about enrichment and why do they need to enrich, why should we allow them. There is no right to enrich. We have been very clear about that. But as a practical matter, should they be left with any enrichment? And the problem is this: They have mastered the fuel cycle, whether we like it or not. We cannot bomb that away. We cannot sanction that away. We cannot argue that away. They have that knowledge.

The real question is not whether they have any enrichment capacity. The real question is whether it is so limited, so constrained, so confined, so transparent, that as a practical matter they cannot develop enough fissile material for a bomb without us having the time to see it and to do something about it. That is the practical test.

Now, in an ideal world, would we want them to have zero enrichment? Sure. Is that something they will ever agree to? I think the answer is probably not. And, second, our partners are unlikely to stick around in terms of implementing the sanctions regime if that has to be the bottom-line test.

So we are focused on what is achievable in a way that materially answers our security concerns and those of our partners. That is what we are focused on.

Senator SASSE. Thanks for the time.

Chairman SHELBY. Thank you, Senator Sasse.

Senator Heitkamp?

Senator HEITKAMP. Thank you, Mr. Chairman.

I have kind of three areas, and I do not want to be too argumentative, so I just want maybe a yes and no in following up on Senator Corker's discussion with you. Just taking yourself out of this for just a moment and just looking at process, tell me what kind

of agreement you think is stronger and maybe more permanent, an agreement that is agreed to by the President of the United States with a divided Congress, or an agreement that has been approved by the President of the United States with the majority of Congress approving that agreement.

Mr. BLINKEN. The latter.

Senator HEITKAMP. Correct. You have spent a lot of time talking about the fragility or the internal politics of Iran, and I think I could make a pretty good argument that that tells me that the current sanctions need to be increased, because if you do not have a coalition around—if it is so fragile that simply a discussion or sanctions as Senator Menendez outlined, which would not take effect for a longer period of time, could, in fact, blow up the deal, then perhaps there is not enough political will within Iran to actually do a deal and a sustainable deal. And, so, my question is, as you are talking about this, what is the Iranian process for approval of an agreement?

Mr. BLINKEN. It is not entirely clear whether, for example, their Majlis, their parliament, whether it would, and in what fashion or at what point it might have a say. But, here is the bottom line, and this was alluded to earlier, I think, by Senator Toomey. The Supreme Leader remains the first among equals. At the end of the day, he is the critical person in terms of blessing or rejecting a deal. But, he is not alone and he is susceptible to different groups that are pressuring him in different ways, some folks who do not want an agreement under any circumstances, others who believe it is necessary in order to help get Iran out from under the burden of sanctions and to help the country progress.

There is a huge fight going on in Iran over exactly that. We see it every single day. Foreign Minister Zarif was called before their parliament because he took a walk with Secretary Kerry. So, there are folks who are trying desperately to make sure nothing happens, so——

Senator HEITKAMP. But to get back——

Mr. BLINKEN.——the point being that the process——

Senator HEITKAMP. I get what you are saying, Deputy Secretary, but would that not argue that this is extraordinarily difficult negotiations, because negotiations when people can exploit divisions on either side——

Mr. BLINKEN. Absolutely.

Senator HEITKAMP.——make it extraordinarily difficult——

Mr. BLINKEN. Absolutely.

Senator HEITKAMP.——and there has not been—you could argue there has not been enough economic pressure for the Ayatollah or for Iran writ large, not just the government and the government you are negotiating with, to basically make a firm commitment to resolving this issue in this process. And, I will just leave it up——

Mr. BLINKEN. I would say that they actually made a commitment—I am sorry, Senator—they have made an agreement under the interim agreement to take certain——

Senator HEITKAMP. Who made an agreement?

Mr. BLINKEN. The government of Iran.

Senator HEITKAMP. Yes.

Mr. BLINKEN. And, they made an agreement and they have kept to it. Now, on the—they have tried outside of the agreement, as has been alluded to, every single day to do all sorts of things to advance their program. We remain very vigilant. But, in terms of the agreement that they reached and they were able to reach as a government, the IEA has concluded on a regular basis that they have made good on those commitments.

So, while we come into this with tremendous skepticism and certainly no faith in their good faith, the test is whether the agreement is tight enough, strong enough, transparent enough that if they try to get around it in some fashion, we will know it, we will see it, we will do something about it, and their knowledge of that will hold them to the agreement.

Senator HEITKAMP. But, logically, the problem that at least I am having here is that it seems like we are talking about two different arguments. One is they are committed to this process, ready to go, and we could not possibly do anything here because it would upset that commitment. So, how strong is the commitment when we are looking at pretty modest, in my opinion, as we look forward, modest increases in sanctions?

And, so, I want to get with, with Secretary Cohen, I want to get to another point, which is the oil sanctions. Can you just tell me—and correct me if I am wrong—the oil sanctions are based on per barrel amounts and not dollar amounts, or is it the other way around?

Mr. COHEN. It is per barrel amounts, yes.

Senator HEITKAMP. It is per barrel amounts?

Mr. COHEN. Well——

Senator HEITKAMP. Be careful.

Mr. COHEN.——what we have—what the sanctions require is that importers significantly reduce the amount of oil they are importing from Iran. It is volume, not dollars.

Senator HEITKAMP. OK. That is an important point, because if it were dollars, obviously, in a low dollar environment, Iran would not only be happy to have a dollar commitment, because they could move into markets that they had not had already, or low dollar value of oil.

Can you explain to me your judgment on what low oil prices have done to the oil sanctions, and I will leave it at that because I am out of time.

Mr. COHEN. The drop in the price of oil, the 50 percent drop in about the last 6 months, has had a significant impact on Iran's budget process. They have—the way they budget is based on how much oil they are selling and what they think the value of that oil is. It is immediately brought into, by a formula into their budgeting process. They have been forced over the last several months to shrink their budget, restrict their spending, increase taxes, not allocate funds to their, essentially, their rainy day fund, because the drop in oil price has reduced the amount that they are able to have in their budget.

So, it has, in effect, imposed another sanction on the Iranians. We calculate it to be worth about $11 billion in lost revenue to Iran during the course of this 7-month period of the extension, from June—from November to June.

Senator HEITKAMP. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Cotton.

Senator COTTON. Mr. Blinken, 15 months ago, Secretary Kerry said that we could reach a deal with Iran in 3 to 6 months. What has happened?

Mr. BLINKEN. I think, Senator, what has happened is that we have had, as you know, these very intense negotiations, multiple rounds of negotiations. In the course of those negotiations—this is incredibly, as you know, incredibly complex, and what has happened in the course of those negotiations is that on a number of issues, Iran has actually moved and gotten closer to where they need to be in order for us to make an agreement. In other areas, we have not seen sufficient movement. Our judgment has been that this has progressed enough, that they have demonstrated enough seriousness of purpose to warrant continuing it. Meanwhile——

Senator COTTON. All right. So, what was——

Mr. BLINKEN.——the program was frozen.

Senator COTTON. Secretary Kerry obviously miscalculated when he said 15 months ago that we could reach a deal in 3 to 6 months. What was the main miscalculation?

Mr. BLINKEN. I do not think, Senator, there was a miscalculation. I think what we built in, as you know, to the interim agreement was the possibility of extending it, and the extension would be based on a determination that we made that we had made enough progress, we could see the possibility of getting to "yes," but we simply needed more time to do that and to test the proposition. That is exactly where we are now.

Senator COTTON. Do you expect that you will reach an agreement by March 24?

Mr. BLINKEN. I think the President said it was—how did he put it—less than 50–50.

Senator COTTON. If you do not reach an agreement by March 24, will you walk away from the negotiations?

Mr. BLINKEN. I think it depends entirely on exactly the details of where we are. So, as I said earlier, for example, if we conclude by March 24, the end of March, that we have not reached an agreement on the basic elements of a deal and that Iran is simply incapable or unwilling to get there, then, yes, I think we will have to conclude that this process needs to come to an end. If, on the other hand, we see that we have agreement on virtually all the elements but not every single one, then we may take some more time. And, indeed, remember, we have until June under the extension to see if we can get to yes. So, I think it really depends on the details.

Senator COTTON. I mean, what possible action or lack of action by Iran could at this point cause the U.S. Government to walk away from these negotiations?

Mr. BLINKEN. I think two things, Senator. First, if there were gross violations of the interim agreement, that would be a serious cause.

Second, if we come to the conclusion, based on these intensive ongoing negotiations—literally, as we sit here, they are ongoing—that they are simply not going to get to yes, that they cannot do it or they will not do it, that would cause us to say this process has come——

Senator COTTON. Was Iran's announcement that it is proceeding with two nuclear reactors a violation of the JPOA?

Mr. BLINKEN. No. These are—as you know, it has a light-water reactor at Bushehr. It is allowed to have light-water reactors, which are proliferation resistant. There is no violation under the interim agreement or under the U.N. Security Council resolution for doing that.

Senator COTTON. I mean, would you consider that a provocative, unhelpful act in the middle of sensitive negotiations?

Mr. BLINKEN. Oh, sure. I think these kinds of announcements, absolutely, are trying to——

Senator COTTON. Would you consider the proceedings against Jason Rezaian, the Washington Post reporter being held, an ongoing—or, during the middle of these ongoing negotiations, a provocative act?

Mr. BLINKEN. Absolutely. Senator, the Americans who are detained illegally, erroneously, wrongly by Iran need to be released irrespective of these negotiations——

Senator COTTON. Would you——

Mr. BLINKEN.——whether they succeed or fail, including Jason Rezaian.

Senator COTTON.——consider the presence of a senior IRGC general with Hezbollah in Quneitra Province on the edge of the Golan Heights a provocative act?

Mr. BLINKEN. Oh, absolutely. I mean, as you know and as others have said, Iran does things every single day in many parts of the region, and indeed beyond, that are highly objectionable to us and to most of our partners and that go to our security, which is exactly why, even as we have been working on this deal, we have been extraordinarily vigilant in cracking down on their efforts to procure for their weapons of mass destruction program, cracking down on their support for terrorism, building up the capacity of our allies and partners in the region to defend themselves against Iranian aggression. Absolutely.

Senator COTTON. So, why is it that Iran can initially undertake needlessly provocative acts toward the United States and our partners, yet we are supposed to just simply look the other way while this Congress, considering legislation that clearly would not violate the JPOA, is supposed to consider the delicate sensibilities of so-called moderates in Tehran?

Mr. BLINKEN. What we try to do, Senator, is, in effect, wall off the nuclear negotiations and try and see if we can reach an agreement, because if we do—if we do, and again, as you said earlier——

Senator COTTON. Well, I just——

Mr. BLINKEN. No, let me just emphasize this point, if I could. If we do, and if we, as a practical matter, eliminate their ability to develop a nuclear weapon, that is actually, over time, going to make it a little bit less likely that the kinds of provocative actions that you rightly cite, they continue to take, because they will not have the cover of that program to do it. So, we believe that even in these other areas, there is a chance that an agreement makes us better off than we are today——

Senator COTTON. Right——

Mr. BLINKEN.——but the point——

Senator COTTON. I know that we have tried to wall off the nuclear negotiations. Iran has not. Ayatollah Khamenei has not. Kasseem Zamani [phonetic] has not.

Mr. BLINKEN. We have not been sitting idly by. We continue to enforce vigorously the sanctions in all of these different areas, including the ones that are not part of the interim agreement. We continue to reinforce——

Senator COTTON. But, in the meantime, Iran now controls or has dominant influence in five capitals in the Middle East.

Mr. BLINKEN. So, I think, you know, I would be happy to have this discussion about where Iran is or where it is not, but here is the thing. The people who are engaged in trying to negotiate this agreement, who, again, are not friendly to us, it is not that they like us, it is just that they are more pragmatic about where Iran needs to go if it is going to have a successful future——

Senator COTTON. But why would they stop——

Mr. BLINKEN. Our goal is to——

Senator COTTON.——if they are getting everything in slow motion that they would like in an end deal anyway?

Mr. BLINKEN. Because they have, as we discussed, they have internal politics that are incredibly challenging. And, anything that we do that reinforces the hands of those who absolutely do not want to deal under any circumstances is going to weaken their hand and make it less likely that we get to an agreement that advances our own national security interests.

Senator COTTON. My time has expired, Mr. Chairman.

Chairman SHELBY. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman, and I thank the witnesses.

You know, I am hopeful we can get to a good deal, but the question is, what is a good deal for the United States? So, when we look at what is our goal in negotiation, is our goal the 1-year break-out time you mentioned, or is it the practical needs for Iran to have a domestic energy program.

Mr. BLINKEN. Thank you, Senator. The way we have thought about this consistently from the start is that Iran has basically four ways it can get to enough fissile material for a nuclear weapon. It can do that through a uranium enrichment program, which it has at Natanz and Fordow. Fordow is particularly challenging. That is the site that is buried, and that is where they were producing, before we stopped them, 20 percent. And, you will remember, for example, when Prime Minister Netanyahu came before the United Nations a couple years ago and he held up a picture of a bomb that was being filled to a red line.

Senator DONNELLY. Right.

Mr. BLINKEN. That was the 20 percent. We stopped that. We have eliminated that stockpile. Any agreement has to deal with that definitively.

You have to also deal with the pathway at Natanz, which is not 20 percent, but a larger and larger number of centrifuges and a bigger nuclear stockpile.

Senator DONNELLY. But, will——

Mr. BLINKEN. And, then, Iraq—excuse me, the plutonium process is another pathway, and the COBER [phonetic] is another. The test

of any deal is whether, as a practical matter, we have been able to cutoff those pathways and give ourselves enough time if they try and get back on them——

Senator DONNELLY. Well, let me get back to my definition of practical needs to run a domestic energy program. How many centrifuges do they need to do that?

Mr. BLINKEN. It depends entirely on the size of their domestic program. They could make an argument that if they wanted to have an expansive civil nuclear power program, which, again, we think they do not need——

Senator DONNELLY. Well, what is your view of how many centrifuges are needed to run a domestic energy program for Iran?

Mr. BLINKEN. It depends on the size of the program.

Senator DONNELLY. So, you are not going to give me an answer as to what you think?

Mr. BLINKEN. No. I think, again, what is critical is—the centrifuges are a critical component of their ability to enrich uranium in a certain period of time that would be a real problem for us, that would get below that 1-year threshold I talked about. But, the other elements that are critical are the types of centrifuges, the configuration of the centrifuges, the amount of the stockpile. You have to put all of those elements together——

Senator DONNELLY. No, I understand there are many elements to this.

Mr. BLINKEN.——and depending on that——

Senator DONNELLY. But, there is also is it a 1-year breakout or is it a domestic energy program, and when I was in the Middle East last week seeing some of our Arab friends, they said, look, the only thing that we want, we expect out of this, is just enough to meet practical needs. They did not talk about a 1-year breakout. They talked about practical needs. And, in their mind, they talked about a number of centrifuges in the hundreds. Is that the kind of parameters that we are talking about now?

Mr. BLINKEN. I would be happy, Senator, in a——

Senator DONNELLY. In a closed session? OK.

Mr. BLINKEN. Happy to do that.

Senator DONNELLY. Well, let me ask you, in addition to that, that around the edges, Iran—the reports are that they continue to keep moving forward and that as we look at this, as time goes on, month after month after month, they continue to keep working around the edges. And, you know, it has been asked by others here, also, by the end of June, we will have been at this a year and a half. We want to succeed and we want to succeed in a way that our partners and friends, not only the P5+1, but our friends in the Middle East look at and say, it makes sense. So, is that, as you look at it—and this is following up on Senator Merkley's question—the end of the line, or—and I know you keep saying, hey, if we find a couple things, we can keep going. Is there an end to this?

Mr. BLINKEN. Yes, I think there is an end to it. If we make a determination that they are, as I said, unwilling or unable to get to an agreement that meets the national security needs of the United States and our partners, then there is clearly going to be an end to the process. And, as I said, our goal is to see if we can reach an understanding on the basic elements of a deal by the end

of March. I think we will have a pretty good picture by then about whether they are actually able to get to "yes." That really is the big question. We have seen enough movement, enough progress, enough seriousness of purpose to warrant continuing, especially because the core pathways to a bomb have been—to enough fissile material for a bomb—have, in effect, been frozen under the interim agreement.

Senator DONNELLY. Let me ask one more question, because I am almost out of time, and it is this. Following up on Senator Cotton's comments in regards to Iranian soldiers in the Golan Heights, one action after another after another, and that is what is so concerning to our friends in the Middle East, is to see almost them being surrounded in this process. And, so, we see that throughout these negotiations. And yet, on the other side, we are told, look, if we talk about potential sanctions at some future point, they will be highly offended and walk away. These are grown-ups, as well. Why are we so afraid of—it seems to me if you want an excuse, you can find an excuse. If you want a deal, you can make a deal. And, we are still at the table plugging away, despite seeing one event after another. It seems to me what we are simply saying is we will basically do anything to not provide them with any excuse.

Mr. BLINKEN. I would say, Senator, just two things, very quickly. First of all—and I appreciate very much the trip that you took with some of your colleagues—the security of our partners is paramount to us, so that is exactly why, when Iran has been acting out and acting aggressively——

Senator DONNELLY. And, not to interrupt you——

Mr. BLINKEN. Please.

Senator DONNELLY.——but just to say, and they are extraordinarily concerned.

Mr. BLINKEN. Well, one of the things that we have done over the duration of this Administration is to significantly increase their own capacity to deal with aggression from Iran. One of the things that is, as you probably heard when you were there, that we have done is we have significantly, for example, enhanced ballistic missile defense cooperation, including through a Gulf-wide cooperative system. We have designated the Gulf Cooperation Council as eligible for foreign military sales. They can buy weapons as an entity. We have, as you know, significant weapons sales to them. And, of course, we have a sustained program of consultations, security dialogs, planning, exercises. All of that goes to reinforcing their security. But, at the end of the day, all of this comes down to, I think, the question, as compared to what?

Senator DONNELLY. Right.

Mr. BLINKEN. So, that is really what we have to—I think, the question we have to answer. Now, if we could sustain in perpetuity, under any circumstances, the most draconian sanctions regime that we have been able to implement, that is an important element. But, the question we have to ask ourselves is, can we sustain it, and what would go into sustaining it or not sustaining it? Is military action the best alternative if we cannot sustain it? That is another question. So, none of these things, and this agreement, if we are to reach it, you cannot see it in isolation. You have to ask your-

self, compared to what, and then you rightly have to ask, what is the substance of the agreement.

Senator DONNELLY. And, I know my time is up, Mr. Chairman. I just want to make one other comment, which is this, and I am sure you realize that if this agreement does not hit something close to practical needs, you may well have a regional arms race on your hands in the Middle East.

Mr. BLINKEN. You know, Senator, I think where we would certainly have an arms race is if Iran gets a nuclear weapon, which is exactly—one of the reasons we are fundamentally determined that that not happen. But, I have to say, I do not think anyone is going to emulate what Iran has done and say that, oh, if they are allowed, for example, to have some limited, very constrained enrichment, we should get it, too, because Iran has just gone through and continues to go through isolation, economic pressure, pariah status, and any agreement that we would reach with them would have to have such far-reaching and intrusive access, inspection, and monitoring that no other country is subject to or would be subject to that I certainly do not think it would set a model for anyone to spark an arms race.

Senator DONNELLY. Well, I simply pass on to you conversations that occur.

Mr. BLINKEN. I appreciate that. Thank you.

Chairman SHELBY. Thank you, Senator Donnelly.

A couple of observations here. It seems to me, and I hope I am wrong, that the Administration seems to be chasing this deal, in other words, wanting a deal perhaps more than Iran wants a deal. We do not know that. Perhaps you cannot answer that.

And, what begs the question around here, and we hear it all the time, is the Administration, is the Obama administration's policy at this point to slow down the ability of Iran to obtain nuclear weapons, or, on the other hand, is it to eliminate Iran's ability to have nuclear weapons? I think there are two different questions here. And, the phrase is batted around a lot by this Administration and others that it is unacceptable—whatever that means—for Iran to have nuclear weapons, yet they are headed down that road to build nuclear weapons, maybe slowly, as Senator Cotton says, or protracted, as I use the word.

But, I think we have to realize, for the most part, that whether or not Iran obtains nuclear weapons, and they were to be in a position to use them could be an existential question for our ally Israel.

So, we cannot answer all those questions today, but I appreciate the panel today. I hope that we are able to work together. But, I hope that you will not just chase a deal that we know from history is not smart. Thank you.

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

Chairman SHELBY. Thank you both.

Mr. BLINKEN. I just want to reassure you, we are not chasing any deals. In fact, if we had been chasing a deal, we could have taken a deal months ago. It is precisely because we have been very clear that no deal is far preferable to a bad deal, we are not going to take one. So, I just want to reassure you on that point.

Chairman SHELBY. I think if you get a bad deal, you are going to have a real volcanic eruption from the Congress, and I think the people at the State Department know that.

Mr. BLINKEN. Thank you, sir.

Chairman SHELBY. I hope so. Thank you.

I want to call up our second panel. They have been very patient today. On the second panel today's witnesses are Dr. Mark Dubowitz, Director, Center on Sanctions and Illicit Finance, Foundation for the Defense of Democracies, and Dr. Patrick Clawson, Director of Research, the Washington Institute for Near East Policy.

Gentlemen, you have been, as I said, very patient here today. You have heard a lot of this testimony. You have heard a lot of questions and other observations from me and other Members of the Senate Banking Committee. Your written testimony will be made part of this hearing record, which is very important, and I wish you would sum up what you want to say, although we have lost a lot of Members from the Committee, as quickly as possible. Make your points. Thank you.

Which one of you want to go first? Mr. Clawson? OK.

STATEMENT OF PATRICK CLAWSON, PH.D., DIRECTOR OF RESEARCH, WASHINGTON INSTITUTE FOR NEAR EAST STUDIES

Mr. CLAWSON. Thank you very much, Mr. Chairman. Thank you very much for submitting my statement in the record.

Over time, Iran adapts to any level of sanctions, and the Iranian authorities have repeatedly persuaded themselves that the United States is sanctioned out. There is nothing more we can do. And, so, continuously adopting new sanctions is the best way that sanctions can affect Iran's leaders to resolve a nuclear impasse.

As Senator Corker referred to, I explained in my statement that Iran's new budget shows that the authorities have decided that their Plan A is that there will not be a deal, and they have come up with a budget which fits that situation, and they have taken a lot of very tough measures. In the last few years, Iranian government employees have seen their real salaries reduced by more than 30 percent and the government proposes slashing it even more this next year.

But, they are preparing themselves to take steps that go much further than anything that the International Monetary Fund has proposed, that the Greeks take in their situation, and we know that the Greeks did not like it, but the Iranian leaders have decided that this is a political necessity for them. And, so, they are, in fact, going to take the steps that will adjust to a $40 per barrel oil, and I will outline what some of those are.

I mean, for instance, by reducing the value of their currency, the Rial, relative to the dollar, they will generate more local currency from each dollar of oil sold, and that would make a big difference. And, as we heard Under Secretary Cohen say, they can suspend their payments into the rainy day fund, the National Development Fund of Iran, and that will get them down pretty much to where they need for $40 a barrel oil——

Chairman SHELBY. Is time on their side?

Mr. CLAWSON. They think that we do not have any—there is nothing more that we can do, and so long as they think there is nothing more that we can do, they think that time, in fact, is going to be on their side. And, the genius of the Obama administration in its early years——

Chairman SHELBY. Is the question what we could do or what we will do?

Mr. CLAWSON. Fair enough. But, in the early years of the Obama administration, there were constantly additional measures being introduced all the time, and so we were able to persuade the Iranian leaders that if you think it is bad now, just wait. It is going to get worse and worse and worse. And, when we have been on this now more than a year where we have not really done that much more, the Iranian leaders think we have reached as far as we can go and that they have adjusted to what we have done, including they think that we conspired with the Saudis to reduce the price of oil. They think we have thrown everything we can at them. And, so, they do not think that we can do more.

And, under these circumstances, the Supreme Leader Ayatollah Khamenei, his attitude is he does not care that much about the suffering of the Iranian people anyway and he thinks it is not so bad if Iran is reducing its reliance on oil and going toward a resistance economy. So, we have got a real problem trying to impress him with our actions, and I think the only way we can do it is if we show that we can continue to make things worse for Iran.

And, so——

Chairman SHELBY. Is that how you really bring him to the table?

Mr. CLAWSON. We have to show that we can make things worse for them economically, politically, militarily, in a variety of ways. My colleague, Dennis Ross, had a piece yesterday saying we ought to be pressuring them politically on issues like those that Senator Cotton was raising about their presence on the Golan and about their activities in Syria and their activities in Iraq. We have to find various ways to press them. Here, today, we are talking about sanctions. There are other means to press them, too.

I think it is great, for instance, that the price of oil has declined. I think we should take credit for that, even if we do not deserve it. If I can get credit for the sun rising in the east, I will be happy to take it. So, I would like to be able to say to the Iranians, it is bad today. It is going to get worse tomorrow. That is the best way to impress them politically.

Chairman SHELBY. Thank you.

Mr. Dubowitz.

STATEMENT OF MARK DUBOWITZ, EXECUTIVE DIRECTOR, FOUNDATION FOR DEFENSE OF DEMOCRACIES

Mr. DUBOWITZ. Chairman Shelby, Ranking Member Brown, Members of the Committee, thank you very much for asking me to testify.

I first want to honor my good friend, Alberto Nisman, who courageously led a decade-long investigation of Iranian terror networks throughout Latin America and the United States and revealed how the Supreme Leader uses terrorism as an instrument of foreign policy. As we negotiate a comprehensive nuclear deal with Iran, we

would be remiss if we did not heed the lessons from Alberto's exhaustive work and ask questions about whether Tehran's negotiating tactics are simply aimed at expanding Iranian power.

The regime's use of terror in Iraq, Syria, Yemen, Lebanon, Gaza, Golan, and elsewhere has strengthened its regional dominance. Facing insufficient push-back from the Obama administration, this Iranian offensive has increased the Supreme Leader's nuclear negotiating leverage. Nuclear negotiations are entering the sixth year for the United States and the 12th year for the Europeans, yet Western leverage has diminished as the Administration has lowered its nuclear demands to accommodate Iranian red lines and provided a financial lifeline, which stabilized Iran's economy and reduced the regime's fears of an economic crisis, and that is the key point, reduce the regime's fears of economic collapse.

Now, as we heard, Congress has imposed many of the most impactful sanctions over the objections of the Administration. The White House raised many of the same arguments against those Congressional sanctions as we heard today. Let me briefly respond to their arguments against deadline-triggered sanctions.

First of all, the JPOA has not halted Iran's nuclear program. Glenn Kessler of the Washington Post actually gave the President "three Pinocchios" for his State of the Union Address where he made such a claim. Following a strategy pursued by then-chief nuclear negotiator Hassan Rouhani between 2003 and 2005, Tehran has masterfully suspended only reversible aspects of the program that it has not perfected while retaining the freedom to work on aspects it has not yet mastered. These include the military dimensions of Iran's program, the development of long-range ballistic missiles capable of carrying a nuclear warhead, the testing of advanced centrifuges, and the accumulation of more nuclear material easily reversible from oxide form. Again, those stockpiles are accumulating. It is not correct to say they are diminishing.

Number two, the JPOA does not prohibit passage of sanctions to be imposed after the expiration of the deadline in the agreement. We have heard testimony to that effect. The President's hands are not tied. He has got multiple 30-day waivers that he can use.

Number three, the Iranian threat to walk away from the negotiations if deadline-triggered sanctions are imposed is, in fact, counter-historical. Despite escalating sanctions, Iran has remained at or returned to the negotiating table over the past decade using talks to legitimize its nuclear weapons program and to avoid a U.S.-led financial and trade embargo. Indeed, if Tehran terminated the talks, such a move could trigger a complete embargo that could cripple its economy and put the regime's survival in question. This is something that Congress should contemplate. An Iranian walkaway would also raise questions about a future deal's durability. And, any acquiescence to this threat now would hand Iran effective veto power over the actions of American lawmakers or the next U.S. President.

Number four, we are a superpower, and as a superpower, the United States has escalation dominance through economic, military, cyber, and covert action means to respond to an Iranian attempt to restart and expand its nuclear program. Now, Iran knows this and has historically escalated its nuclear activities cautiously

and incrementally so as not to invite a military response or to trigger crippling sanctions.

Number five, the introduction of deadline-triggered sanctions may increase tensions in the P5+1, but it will not do material damage to the international coalition. Do we really believe that the international coalition is as fragile as Under Secretary Cohen and Deputy Secretary Blinken have suggested? The Administration did assess correctly that Moscow would not leave the P5+1 talks despite Ukraine-related sanctions. So, I ask you, would Vladimir Putin now leave the talks over deadline-triggered sanctions on Iran when he did not after Washington imposed sanctions on his own country? Russia, China, and the Europeans are concerned about a nuclear armed Iran, and they see the negotiations as a way to protect their own interests.

Number six, deadline-triggered sanctions will undercut, not empower, the hard-liners in Iran. Thanks to the JPOA, Iranian hard-liners no longer fear the collapse of their economy, and they have financially benefited from sanctions relief. They preserved essential elements of their military-nuclear program and the freedom to advance those parts that they have not mastered. They are on the march regionally. The goal of deadline-triggered sanctions is to convince these hard-liners that continued nuclear intransigence will be met with massive and escalating pressure.

Number seven, new sanctions are needed despite the fall in oil prices. Between 2010 and 2013, Iran experienced a sanctions-induced shock to its economy. It has lived for 2 years without full access to its overseas oil revenues. This, in fact, has blunted the impact of falling oil prices. It is the de-escalation of sanctions pressure that has enabled a modest economic recovery, projected to continue despite these lower oil prices.

And, finally, increased economic pressure on Iran will diminish the chances of war. As the Administration acknowledges, sanctions are the reason Iran is negotiating, but Iran today can advance its nuclear program in critical areas. It can build greater economic resiliency and extend its regional dominance. Without enhanced pressure now, a future U.S. President actually may be left with insufficient economic leverage to respond to Iranian nuclear intransigence and may be forced to resort to military action.

In conclusion, deadline-triggered sanctions strengthen U.S. negotiating leverage and actually may increase the likelihood of peaceful nuclear compromise.

Thank you for inviting me to testify.

Chairman SHELBY. I have a few questions, and I will try to be brief, but both of you are well into this subject.

Dr. Clawson, would you support new sanctions that would take effect only if no final nuclear agreement is reached, or what is your view here?

Mr. CLAWSON. My great concern is that the talks will be extended indefinitely and that——

Chairman SHELBY. Protracted talks sometimes lead nowhere, do they?

Mr. CLAWSON. Well, one of the subjects that we cover at my Institute is the Israeli-Palestinian talks, which are now entering more than 20 years, and some people might think they have not

been so productive in the recent years, but nobody wants to call them off. And, I, frankly, do not think anyone is going to want to call off the nuclear negotiations with Iran, so I suspect——

Chairman SHELBY. Is that a——

Mr. CLAWSON.——they will go on forever.

Chairman SHELBY.——these protracted talks, just on and on, kind of be a figment of our imagination?

Mr. CLAWSON. It is a feature of the Middle East.

Chairman SHELBY. OK. And, sometimes, maybe it is real, not just our imagination.

Dr. Clawson, you have spoken about Iran's adaptation to the existing sanctions regime, both of you have. If we are basing our negotiating leverage on existing sanctions, which are not as effective, as we all know, as they used to be, is it not likely that an acceptable agreement will be harder to reach unless we leverage new sanctions as an incentive? In other words, Iran has got to have a reason to stay at the table, no?

Mr. CLAWSON. Absolutely, sir. We need to find some way to get more leverage, and I listened to the distinguished administrative spokesmen earlier. They were saying, "We have got lots of leverage." Well, if we have got lots of leverage, why do we not have a deal?

Chairman SHELBY. Mm-hmm.

Mr. CLAWSON. And, I would think that the more leverage we have, the better deal we could get, and so we need to find more ways for leverage. If they do not think that sanctions are the right way to get leverage, I would be interested in hearing what proposals they have for how to get more leverage in these discussions.

Chairman SHELBY. Mr. Dubowitz, the bill this Committee is considering now would only impose additional sanctions if no deal is reached by the current deadline. Even then, the bill would still permit the President to use as many consecutive 30-day waivers as he likes to delay sanctions. That is my reading of the bill. Some argue that this is a problem because the waiver requires certification that Iran is not cheating on its obligations on the Joint Plan of Action.

My question: If the Obama administration thinks this certification is too onerous in the proposed bill, does that not mean it expects Iran to cheat? In other words, I would assume they would cheat. They have cheated in the past. If so, how can Congress have any confidence in a final agreement, I guess is my bottom line.

Mr. DUBOWITZ. So, Chairman Shelby, that is exactly right. I mean, Iran has been cheating on its nuclear program for decades. So, the assumption that Iran is going to stop cheating is, I think, in the area of fantasy. The problem is that when Iran cheats, they cheat incrementally. The sum total of their incremental cheating is always egregious, but they are very legalistic about how they interpret agreements. They exploit ambiguities and loopholes. And, they cheat incrementally, and they have done that through the life of the JPOA, and cheating with them becomes in the eye of the beholder.

And, it is often the case that when you negotiate an agreement, you become the biggest defender of the agreement that you negotiated and you do not want that agreement undercut, despite evi-

dence that suggests it is being violated, and I think we have seen evidence of that during the JPOA process.

I would say one more thing, and I just want to echo what Dr. Clawson said. I think the Administration's Plan B is to perpetually roll over the JPOA until the end of the Obama administration. I think that is one of the major reasons that they do not like the sanctions bill, because this sanctions bill says deadlines are deadlines, and I believe that the Administration assumes that if they do not get an agreement by June of this year, then they will make the argument and lay the predicate to continue rolling over the JPOA agreement. It is echoed by Administration officials, including the President, who say that JPOA has halted or frozen Iran's nuclear program.

Well, if that were true, then it would be a great agreement. The problem is, it is not true, and I think it is worth——

Chairman SHELBY. And we all know it, too, do we not?

Mr. DUBOWITZ. Well, again, I would—worth underscoring Glenn Kessler, of the Fact Checker blog at the Washington Post, gave it "three Pinocchios" because that is a grossly misleading statement for a program that continues to advance in areas that the Iranians have not mastered and perfected.

Chairman SHELBY. The U.S. nuclear cooperation agreements with friendly nations, like those under the Atomic Energy Act, require consultation periods of up to 90 continuous session days of Congress. Some argue that a period of even 30 continuous days for Congress to evaluate a nuclear deal with Iran is pretty long. If longer delays are routine for the nuclear cooperation agreements with friendly governments, should Congress ask for a much shorter period for a nuclear deal with a rogue proliferator like Iran? In other words, we are not dealing with the British or the French or some of our other allies. Looking at Iran's history, what are your thoughts here?

Mr. DUBOWITZ. Well, again, I was struck by Senator Corker's statement that Congress has played a role in 27 nuclear 123 Agreements, many of those with allies.

Chairman SHELBY. Mm-hmm.

Mr. DUBOWITZ. And, again, if Congress has played a role in nuclear agreements with allies, if we have had a 90-day period to consider these agreements on the Hill with respect to nuclear agreements, peaceful nuclear agreements with allies, I find it quite remarkable that there are some who are claiming that a nuclear agreement with a leading state sponsor of terrorism, that continues to—that has killed thousands of Americans, that has engaged in nuclear mendacity, and that is a repressive regime, that that agreement, A, should not get a fair hearing on the Hill, a vote, and B, that agreement should not at least sit for 30 legislative days so that Congress can actually do a serious consideration of the merits of that deal.

Chairman SHELBY. Who wants a deal here the most, us, the United States and our allies, or Iran, at the moment? What are your feelings, Dr. Clawson?

Mr. CLAWSON. We certainly have effectively persuaded the Iranian leaders that we want the deal more than they do, and that, as a result——

Chairman SHELBY. So, in a sense, we are chasing the deal, are we not?

Mr. CLAWSON. Sir, and that is one of the main reasons we are not catching the deal——

Chairman SHELBY. Mm-hmm.

Mr. CLAWSON.——is because the Iranian leaders keep thinking that they are going to get better and better terms from us, and so, therefore, I mean, why agree to something if you just wait another 6 months and get something additional? So, Iran's leaders—one of the biggest barriers to reaching a deal is that Iran's leaders think we want a deal so badly that all they have to do is wait and we will agree to more concessions.

Chairman SHELBY. Do you agree with that, sir?

Mr. DUBOWITZ. I do. I mean, the blizzard of economic statistics that you heard today, I think it actually obfuscates one major point, and that is that Iran a year and a half ago was on the verge of economic collapse as a result of the escalation of sanctions. As the result of a decision to de-escalate the sanctions, and to provide direct sanctions relief, the Iranian economy that was on its back is now on its knees, and is getting up to its feet. Now, it may be getting up to its feet more slowly as a result of the drop in oil prices, but the economy has stabilized. GDP is still projected to be positive. The inflation rate has dropped in half.

And, so, that is the real way to assess sanctions and sanctions relief: Is the Iranian economy on the verge of collapse today? It is not. The Supreme Leader has now a stabilizing economy with moderate, albeit fragile, growth. And, he and the hard-liners and the Revolutionary Guards are not feeling a threat to their economy and a threat to the survival of the regime. Without that kind of threat, why would they negotiate? Why would they compromise? And, as Patrick said, why would they agree to a deal now and give up the prospect of future concessions when they see a track record of the Administration lowering its nuclear demands as time goes on?

Chairman SHELBY. Senator Sasse.

Senator SASSE. Thank you, Mr. Chairman. Thank you both for being here.

You heard the Administration lay out their argument about internal Iranian politics and how alleged moderates or pragmatists would be weakened by the passage of even conditional prospective sanctions. You obviously disagree with that. Could you respond by explaining in a little more detail your view of internal Iranian politics.

Mr. CLAWSON. Well, Iran's Supreme Leader is quite a clever politician, and so the approach he has taken to these negotiations and to past nuclear agreements has been to say, "Well, I do not approve of them, I do not like them, but I am not going to stand in the way." And, that puts him in a position where, if the deal turns out to work out pretty well, he can claim credit. He did not stand in the way. But, on the other hand, if things do not work out well, he can say, "Well, I told you it was not going to work." And Khamenei, he has a long history of undercutting new Iranian presidents. The last three presidents, he has only allowed to have about 2 years before he started centralizing power into his own hands and stopped them with their own initiatives.

So, I, frankly, think it is going to be very hard for President Rouhani to be able to keep these negotiations going very much longer on his side after this summer, and he is going to feel the criticism from the Supreme Leader harder and harder. So, I wish the Obama administration luck in their strategy of playing out these talks for the next 2 years. I am not sure that is going to work. I do not think the Supreme Leader is going to cooperate. But, in many ways, what the Supreme Leader does is use these different factions as a way to help him be able to claim credit no matter what happens and to avoid blame no matter what happens.

Senator SASSE. So, to be a little too blunt, I share your pessimistic view, but I think what I heard, and I just want to make sure I hear it correctly, we are negotiating with a party that does not actually have the power to conclude any kind of deal that we would actually want.

Mr. CLAWSON. It is a clear way of negotiating, is to send forward somebody who clearly wants a deal, but you are not sure he is going to actually be able to implement it. And, indeed, Senator, it gets worse, because what Khomeini did the last time there was a nuclear deal—back in 2003—was, he let the deal go ahead, waited until Iran had gotten a lot of the benefits, the sanctions momentum had fallen apart, and then he walked away from the deal. So, Khamenei could allow the deal to go into effect, then wait 2 years and announce that the West has not delivered what it has promised and so Iran is going to tear it all up. And, it will be really hard for us to reconstruct the sanctions regime if we have dismantled it over that 2-year period.

Senator SASSE. Right. Mr. Dubowitz.

Mr. DUBOWITZ. Well, I agree with that, and I would go further. I mean, I think Mohammad Zarif, who is the chief nuclear negotiator and the Iranian Foreign Minister, has created a, almost a Zarif distortion field, where when you are in his field, you actually believe that Zarif represents the Iranian regime. And, Zarif is a very good negotiator. So, even if he is committed to a nuclear deal, he has used the threat of blackmail, because he is the one who has said, "I will walk away from the table," in order to handcuff us, in order for us to be in a position where we are not willing to ratchet up the pressure.

And, I would say that my assessment of the interfactional disputes within Iran, I would say that there are three camps. There is the Rouhani-Zarif camp, who may be pragmatic, who may want a nuclear weapon but have a different strategy to achieve it, a much more tactical, incremental strategy of creating the right political climate to get what they want. I think there are the hard-liners who do not want a nuclear deal under any circumstances.

And, then I think there is a middle group, who want a deal on their terms, on Iran's terms, and are prepared to wait to get those terms. And, I think that these deadline-triggered sanctions are designed to put pressure on that middle group, that middle group, and put them to a choice between compromise or economic collapse, and I think that is what we have to aim at. We have to stop talking about only two groups, the pragmatists and the hard-liners. There is a third group and they are hard-liners in the sense that they want a deal on Iranian terms, but they are also pragmatic in

the sense that if we are willing to precipitate an economic collapse that challenges their political survival, we may be able to break their nuclear will.

Senator SASSE. That was helpful. And, do you believe the Administration's view that our coalition is so fragile that regardless of what is actually happening in internal Iranian politics, they will be able to use it as an excuse and our allies will have also believed the U.S. precipitated this outcome?

Mr. DUBOWITZ. I am very concerned to hear that from the Administration, because if our coalition is so fragile right now, then I am very concerned about what our coalition will look like after a deal, when Iran starts cheating on an agreement and countries have already started going back into Iran and sinking billions of dollars into that economy, because at that point, we will be hearing the same argument. The Iranians have violated the agreement, but we cannot call them on that violation because the reality is we are not going to be able to meaningfully snap back the sanctions.

You heard from Deputy Secretary Blinken this notion that we will snap back sanctions. We can legally snap back sanctions very easily by reimposing them in law. But, practically speaking, once you have changed the market dynamic, once you have gotten companies more willing to go back into Iran, once domestic lobbies in European capitals and elsewhere are lobbying against snap-backs or against reimposing sanctions, that international coalition becomes much more difficult to keep together.

So, if it is really that fragile before an agreement, I am very concerned about what that coalition will look like after agreement. My sense is that it is not that fragile. The Europeans will hold with us. The Russians have held with us, despite imposing sanctions on their own country. And, the Chinese are there because they want—they do not want to see a nuclear armed Iran and they do not want to see the impact that will have on oil prices and on their energy dependent economy.

Senator SASSE. My time has expired. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Cotton.

Senator COTTON. During the first panel, I asked Deputy Secretary Blinken under what conditions the United States might walk away from the negotiations, be it in March or June, and he gave a rather abstract, high level answer. Can either of you envision circumstances in which the U.S. Government will walk away from these negotiations?

Mr. CLAWSON. In a word, no. I think the history of the Israeli-Palestinian negotiations illustrates what happens when these kinds of negotiations hit a brick wall, which is to say everybody says, well, that proves why we have to just climb harder to get over that wall.

And, by the way, sir, if, in fact, somebody walked away from the negotiations, arguably, that would be the basis for progress, because sometimes the best negotiations have happened when the negotiations have been suspended, because it is a lot easier, in fact, for the two sides to have those quiet side talks without the glare of international publicity and it is quiet side talks where the most progress has taken place.

Senator COTTON. Yes. We conduct diplomacy to protect our interests, not we have an interest in our diplomacy.

Mr. CLAWSON. Look, the—one of the interests that we have is, of course, appearing reasonable to the rest of the world. And, arguably, one of the reasons we would continue the diplomacy with Iran is not because we thought there was a snowball's chance in hell of reaching an agreement, but because we wanted to look reasonable to the rest of the world, and that would be a powerful argument made inside the Administration.

Senator COTTON. Mr. Dubowitz.

Mr. DUBOWITZ. Well, I think the Iranian negotiating strategy all along has been to turn the interim agreement into the final agreement. I think that that has been their strategy all along. I think it is a strategy that they employed between 2003 and 2005, which, again, is to make temporary concessions on reversible aspects of their program that they have perfected and mastered in exchange for time to work on those elements of the nuclear program that they have not mastered.

So, today, we believe they have not mastered the development of long-range ballistic missiles capable of carrying a warhead. We believe that they have not mastered the other military dimensions of the program. We believe they have not mastered the operation of advanced centrifuges capable of enriching uranium to weapons grade much more quickly, and, therefore, requiring smaller numbers, thereby facilitating a clandestine breakout. These are areas that we believe they have not mastered, which, by the way, happen to be the exact areas that are not adequately covered by the JPOA, or not even covered by the JPOA in some cases.

So, those are the elements of the program they continue to move along that are not covered by the JPOA. And, in return, they did not get small, direct, reversible sanctions relief. What they got was an economy that is no longer collapsing, that is now stabilizing, and is projected to grow. So, from Iran's perspective, they have walked out of this interim agreement getting exactly what they want. Now, if they can turn the interim agreement into the final agreement, then they have exactly what they want, because then they can get a bomb and a growing economy and regional dominance altogether.

Senator COTTON. So, hard to imagine our Government walking away. Another argument that we have heard is imposing even conditional prospective sanctions at some point in the future would be misperceived by Iran. Does Ayatollah Khamenei and his key counselors have such an unsophisticated understanding of American law that they cannot understand the difference between immediate and prospective conditional sanctions?

Mr. CLAWSON. Unfortunately, they have an extraordinarily poor understanding of American society and they have repeatedly miscalculated what we would do. And, so, I would assume ignorance on their part when it comes to American procedures and how the American system is working, I mean, these breathtakingly stupid statements that they will make on a regular basis and sincerely believe about American motivations and American actions.

Senator COTTON. Mr. Dubowitz.

Mr. DUBOWITZ. Again, it is hard to know exactly what they understand. I think Zarif and Rouhani understand the difference. They understand the difference between deadline-triggered sanctions and sanctions that we are going to drop on you right today. So, I think that it is an important distinction. It is important for our Administration to make it very clear to the Iranians and to our allies that this is not a violation of the JPOA. And, I think, again, it is important for our Administration to make it very clear that we have a strong and vibrant international coalition that can withstand prospective sanctions.

And, I think the Administration's arguments are helping Iran. I understand the temptation the Administration has to use these arguments because it disagrees with the approach that is taken by Congress. But, in making these arguments, these arguments run the risk of backfiring on the Administration, being used against the Administration by the Iranians today or at a later stage, and I think it is undercutting our negotiating leverage and it is making it less likely that we are going to see a comprehensive agreement.

Senator COTTON. Well——

Mr. CLAWSON. If I may add to that just very quickly, you saw that the Administration witnesses were much more quick to explain why the Iranians think the way they do than it is to put forward the American arguments as to why they are wrong.

Senator COTTON. Yes.

Mr. CLAWSON. And, so, what we have seen repeatedly is the Administration to say, "oh, the Iranians might think this," instead of saying, "the Iranians might wrongly think this." So, rather than "they incorrectly perceive this," they say, "the Iranians might think this."

Senator COTTON. Well, given that, would it be fair to say that perhaps the Administration opposes conditional prospective sanctions, not because they fear Iran does not want a deadline, but because they do not want a deadline?

Mr. CLAWSON. I think the Administration does not want a deadline.

Senator COTTON. Mr. Dubowitz.

Mr. DUBOWITZ. Absolutely. I mean, if your goal—if your Plan B—knowing what they know now, I think the Administration, if they were to take a really hard, honest look at these negotiations, has probably assessed that they are not going to get a full comprehensive agreement. So, if they are looking at a Plan B, I think their Plan B today is, well, at least we can just perpetually roll over the interim agreement, and we can do it for 2 years and then this will be the next Administration's problem. I think with that in mind, they do not want a piece of legislation with deadline-triggered sanctions, which in any way would block that rollover.

Now, again, the rollover—and, why do I think this? Because the President of the United States in his State of the Union Address said the interim agreement halted Iran's nuclear program. Well, if that is true, if it did halt the program, then we should all want a rollover of the interim agreement. But, if we—as I have said and others have said, this has not been a halted program. It has been a program that essentially has provided the Iranians with the opportunity to move down multiple pathways, particularly the mili-

tary nuclear pathways of the program that they have not mastered, in exchange for temporary reversible concessions on technical elements that they have mastered. Then, I think that we do not want the interim agreement to become the final agreement and I hope the Administration does not, either.

Senator COTTON. Thank you both for your time and efforts.

Chairman SHELBY. One last observation, perhaps a question. I know your time is valuable and it is getting late. March 24, you know, you have heard that date bandied around here, the Administration is saying to Congress, do not do anything until then. You will upset the negotiations and so forth. What is your judgment—and I am sure you do not know for sure—of the prospects for us reaching a strong agreement, a good one, with Iran, where they would forsake nuclear weapons, basically, by March 24?

Mr. CLAWSON. Iran is not going to forsake the pursuit of nuclear weapons capability.

Chairman SHELBY. Yes.

Mr. CLAWSON. They might agree to park it for a while——

Chairman SHELBY. OK.

Mr. CLAWSON.——and let it wait for a period of time. But, they are not going to forsake it. That is not going to happen.

Chairman SHELBY. It is just a slow walk, is it not?

Mr. CLAWSON. Well, if there is an agreement before March 24, then I suspect both sides will pretend it is a big agreement when, actually, it is going to be a very tiny one. And, so, we may pretend to reach an agreement, but we are not going to reach a real agreement.

Chairman SHELBY. Do you agree with that, Mr. Dubowitz?

Mr. DUBOWITZ. Well, I do agree with that assessment. I mean, I think the only way we get a deal by March 24, with the technical details to be worked out by June, is if the Administration continues to lower its nuclear demands. I think if the Administration does, we will see a deal. But, we have effectively gone from a previous position of dismantle and disclose, right, dismantle the program and disclose the possible military dimensions of Iran's program, to where we are today, which is disconnect, defer, and discuss.

Chairman SHELBY. So, if this Administration ultimately wants a deal more than Iran, it is not going to be a good deal.

Mr. DUBOWITZ. Well, I think, by definition. I mean, I hope that is not the case. I hope the Administration continues——

Chairman SHELBY. I do, too.

Mr. DUBOWITZ.——to hold the line. But, I feel the Administration—they deserve some credit. They have come up with lots of creative proposals to try and accommodate Ali Khamenei's red lines. But, the problem is that Ali Khamenei, he is keeping to his red lines. He is not moving those red lines. In fact, he is demanding that those red lines, in fact, be even brighter in escalating the capacity of the program. And, the Administration has tried to figure out a technical way to accommodate those red lines. But, again, at some point, we exhaust our creativity. We have to acknowledge that there is no zone of possible agreement with the Supreme Leader of Iran.

Mr. CLAWSON. Sir, it is even worse. So long as we keep saying that that is the only rug we want and it is a beautiful rug and it

is a magnificent rug and we have really got to have that rug, the more the price goes up.

Chairman SHELBY. And, they know we want that rug, right?

Mr. CLAWSON. We keep telling them they want that rug.

Mr. DUBOWITZ. Well, it is worse than that——

Mr. CLAWSON. The price goes up, and so we will not reach a deal.

Mr. DUBOWITZ. Right. It is worse than we tell them that we want the——

Chairman SHELBY. We had better stay out of the bazaar, had we not? Thank you very much.

Mr. CLAWSON. Thank you.

Mr. DUBOWITZ. Thank you.

Chairman SHELBY. The Committee is adjourned. [Whereupon, at 1:17 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR MARK KIRK

With Iran's nuclear threat continuing to grow with each passing day, I am grateful that the Senate Banking Committee today is holding a hearing to examine the effects of sanctions relief on Iran's economy, to assess the state of nuclear negotiations with Iran, and to hear views from the Administration and experts on the strategic necessity of additional Iran sanctions. Chairman Shelby, I thank you for your leadership, and for your willingness to prioritize this important issue.

Time is not on our side when it comes to stopping the clock on Iran's nuclear bomb. In April of last year, Secretary of State John Kerry warned the Senate that Iran is technically "two months" away from a nuclear breakout. Yet, on July 18, 2014, the Administration decided to extend nuclear negotiations for another 4 months. Moreover, on November 24, 2014, the Administration granted Iran's nuclear program yet another extension, this time for 7 months.

While the Administration has now set a deadline of June 30, 2015, for a final nuclear deal with Iran, it's far from certain that Iran will sign a comprehensive agreement before July, let alone agree to a "good deal" that can dismantle the Iranian terror state's nuclear bomb-making capabilities and can ensure that our children never witness an Iranian-sparked nuclear war in the Middle East.

What is clear, however, is that Iran's economy continues to benefit significantly from the interim nuclear deal's package of sanctions relief. On December 10, 2013, days after the Administration first announced the interim nuclear deal with Iran, Under Secretary of the Treasury for Terrorism and Financial Intelligence David S. Cohen wrote in the *Wall Street Journal* that "the relief package in this interim deal is economically insignificant to Iran." Cohen added: "Iran will be even deeper in the hole 6 months from now, when the deal expires, than it is today."

But more than 12 months after Under Secretary Cohen wrote those words, we see now that Iran is far from being "deeper in the hole." On December 24, 2014, Iranian President Hassan Rouhani bragged publicly that Iran's economy had benefited greatly from the interim deal's sanctions relief package. "The country's economic growth was minus 6.8 percent 2 years ago, but the statistics issued by the Central Bank last night showed a 4-percent positive growth during the 6 months of the current [Iranian] year," Rouhani said in a speech. "We have now finally managed to reduce the 40 percent inflation down to 17 percent."

Even if Rouhani is exaggerating Iran's 4-percent growth rate over the last 6 months, it's obvious that Iran's economy is growing rapidly. In fact, the International Monetary Fund (IMF) is projecting that Iran's economy will grow by 2.2 percent in 2015. In the United States, we would call a 2.2 percent growth rate a "recovery" and 4-percent growth over the last 6 months an "economic boom."

It is precisely because the interim deal's sanctions relief package is economically *significant* to Iran that we are no closer to a "good deal." It is obvious that, without the threat of significant pressure and significant consequences, Iranian Supreme Leader Ali Khamenei will not make any significant concessions to decisively end Iran's nuclear threat.

Mindful of President Obama's own admonition that "no deal is better than a bad deal" with Iran, Senator Bob Menendez and I are therefore working to introduce very soon bipartisan legislation that will lay down, as a Sense of Congress, parameters for what constitutes a "good deal" with Iran, impose a series of crippling sanctions measures if Iran fails to agree to a comprehensive agreement by June 30, 2015, and create the time and space for Congress to review any new agreement with Iran and ensure that we have a "good deal."

Even the President conceded in the 2014 State of the Union that sanctions laws passed by the U.S. Congress with bipartisan veto-proof majorities forced Iran back to the negotiating table. It's time for Congress to act once again.

I look forward to working with Senator Menendez, Chairman Shelby, and other Members of this Committee to build a bipartisan veto-proof majority to enact the Kirk-Menendez Iran legislation to decisively end Iran's nuclear threat once and for all.

PREPARED STATEMENT OF SENATOR BEN SASSE

Thank you, Mr. Chairman, for calling this hearing and making the Strategic Necessity of Iran Sanctions your first priority as Chairman.

I look forward to serving on this Committee and constructively addressing the many important issues within its jurisdiction.

I believe timing is absolutely critical on the issue of Iran Sanctions in particular and my hope is that today's hearing will be a good first step toward improving the

outlook for our ongoing negotiations with Iran and successfully pursing our interests in the region.

I commend Senators Kirk and Menendez for their leadership on this issue and was pleased to add my support to their legislation.

First, we must bear in mind that preventing Iran from developing a nuclear weapon is one of the many national security issues the United States faces when crafting policies on Iran.

The regime supports terrorism and terrorist groups throughout the Middle East, promotes sectarian violence where doing so serves its interests, and brutally represses its own people.

As my colleagues know, Iran was first placed on the list of state sponsors of terrorism 30 years ago last year and continues to provide training, weapons, and funding to terrorist groups throughout the Middle East.

Second, the regime's radical theocratic ideology targets Christians, Jews, Baha'i and other religious minorities and subjects them to torture and death because of their religious beliefs.

Deputy Secretary Blinken's submitted testimony appropriately mentions Saeed Abedina, an American pastor who remains in an Iranian prison, and there are many others who are similarly detained or missing.

According to the United State Commission on International Religious Freedom's Annual Report 2014, the Iranian regime has arrested 400 Christians since 2010. The Report further noted that as of February 2014, at least 40 Christians were imprisoned, detained, or awaiting trial in Iran because of their religious beliefs and practices.

I'm describing a regime that tortures and kills people because of their religion—inside its own borders—and if permitted, will systematically exercise the same intolerance—and worse—beyond them.

With respect to economic sanctions and their relationship to ongoing negotiations with Iran, I think the issue that faces us is rather straightforward, and I'm going to be blunt:

I'm deeply concerned that the U.S. leverage in the negotiations over Iran's nuclear weapons program is decreasing while the Iranian posture is growing stronger.

Worse still is the impression that with the passage of time, and with each succeeding extension and missed deadline, the United States grows more willing to accept an agreement with terms that are corrosive to U.S. interests.

Our job today, therefore—in this hearing, and moving forward with legislation—is to examine how Congress can change, for the better, the trajectory of the negotiations.

I support strong sanctions because sanctions—in the case of Iran—make diplomatic efforts effective, and Congress must do everything that it can to equip our negotiators with the tools necessary to maximize what is achievable through ongoing talks and forthcoming agreements.

Economic sanctions are never the only tool, but they can be a very powerful motivator, as the history of negotiations with the Iranians demonstrates.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR MIKE ROUNDS

Mr. Chairman, Ranking Member Brown, and distinguished Members of the panel. I welcome the opportunity to participate in this hearing.

The history of sanctions on Iran is long and complicated and one in which this Committee has participated for two decades. As Governor of South Dakota in 2010, I joined our Legislature's efforts toward this end when I signed a Divestment bill directing our State's pension fund to divest itself from companies doing business in Iran. Yet, for too many years, the United States has been alone in the effort to try and end Iran's nuclear program. Only recently has the wider international community embraced the idea of enacting economic sanctions against Iran to do the same. While we are negotiating with Iran, we must be clear: Iran cannot be allowed to obtain nuclear weapons. This is unacceptable.

In 2012 and 2013 however, the United States and our allies, the P5+1, offered Iran significant sanctions relief in exchange for Tehran's termination of limited specific nuclear-related activity and its commitment to transparency. After initially refusing to accept the offer, Iran accepted the November 2013 Joint Plan of Action. November 24, 2014, the P5+1 granted another 7-month extension of the current talks with Iran providing them with an additional access to $700 million a month in their sequestered oil revenues held in foreign accounts.

Iran came to these negotiations with the P5+1 in large measure because U.S.-led sanctions were beginning to cripple the Iranian economy. Yet sanctions relief given to Iran as a result of these negotiations has reduced the pressure on them to negotiate in good faith. We have been lenient with Iran in these negotiations. More must be done.

During the negotiations, Iran rejected the P5+1 offers and stuck to their hardline positions. "The centrifuges are spinning and will never stop," Iranian President Hassan Rouhani said on state television after the extension was announced in November 2014.

Iranian Foreign Minister Javad Zarif, the man with whom Secretary of State Kerry is negotiating said, "I'm confident that any final deal will have a serious and not a token Iranian enrichment program coupled with removal of sanctions."

Despite comments like this, some will advocate easing the pressure on Iran to give it room to negotiate. I disagree. Iran's history of negotiations with the allies shows that when you give them an inch, they take a mile. Any sign of weakness on our part emboldens Iran.

Iran will not negotiate in good faith until the United States and its allies make it clear through strong action that if they do not agree to suspend their program leading to nuclear weapons, punishing economic sanctions will be re-imposed. These sanctions should be prospective and come into effect only if Iran does not agree to a deal. Without renewed pressure, Iran is unlikely to modify its course. It will continue its efforts to circumvent sanctions, divide the international coalition and continue advancing its nuclear program.

Furthermore, the President should have the power to conclude this agreement with Iran provided that a majority of the Senate and a majority of the House concurs with the agreement.

I look forward to the work of this Committee on this and all the other issues that come before it and I am grateful for the opportunity to contribute.

Thank you Mr. Chairman.

PREPARED STATEMENT OF ANTONY BLINKEN

DEPUTY SECRETARY OF STATE, DEPARTMENT OF STATE

JANUARY 27, 2015

Good morning, Chairman Shelby, Ranking Member Brown and Senators. I appreciate the opportunity to discuss with you the status of negotiations related to Iran's nuclear program.

It is appropriate that we are gathered here today for what will be this Committee's first hearing this year and its first hearing under the new 114th Congress to discuss Iran's nuclear program. The challenge posed by Iran's nuclear program has long been one of our country's foremost national security priorities, and it has been a primary focus of both the Congress and the Administration. The international community shares our serious concerns about Iran's nuclear program. Together with our partners in the P5+1 and the EU we have been unified in pursuing a comprehensive solution that lays these concerns to rest—consistent with the President's firm commitment to prevent Iran from acquiring a nuclear weapon.

It was with that challenge in mind that Secretary Kerry and our lead negotiator Under Secretary Sherman traveled to Geneva earlier this month as part of our latest efforts to reach a long-term comprehensive plan of action with Iran that would verifiably ensure Iran's nuclear program will be exclusively peaceful going forward.

Today I plan to update you on our goals for and the status of the negotiations. There are, of course, some details that I will not be able to discuss in an unclassified setting—the negotiations are ongoing and cannot be conducted in public. But I will give you as much detail as I can in this setting because we all understand the vital role Congress and this Committee play in shaping U.S. policy toward Iran. We remain committed to continue—and when necessary, to expand—regular consultations. We all have the same goal—to make the world a safer place by resolving the international community's concerns with Iran's nuclear program.

We continue to believe that the best way to do that is to negotiate a comprehensive plan of action that, when implemented, will ensure that, as a practical matter, Iran cannot acquire a nuclear weapon and that Iran's nuclear program is exclusively peaceful.

Any comprehensive deal must effectively cutoff the four pathways Iran could take to obtain enough fissile material for a nuclear weapon: two uranium pathways, through its activities at Natanz and Fordow; a plutonium pathway, through the Arak heavy water reactor; and a potential covert pathway. It must include tight con-

straints and strict curbs on Iran's nuclear program. And finally, it must require robust monitoring and transparency measures to maximize the international community's ability to detect quickly any attempt by Iran to break out overtly or covertly.

In exchange, the international community would provide Iran with phased sanctions relief tied to verifiable actions on its part. Such relief would be structured to be easily reversed so that sanctions could be quickly re-imposed if Iran were to violate its commitments.

We never expected this to be an easy process, and so far those expectations have proved correct. It is also a process that cannot be rushed. After 35 years without diplomatic relations, and after more than 10 years of attempts to put a halt to Iran's proliferation of sensitive nuclear activities, we are now trying to see if we can work through a multitude of complicated issues in order for us and the international community to be assured of the exclusively peaceful nature of Iran's nuclear program.

Our goal is to conclude the major elements of the deal by the end of March and then to complete the technical details by June.

The most recent discussions were serious, useful, and businesslike. We have made progress on some issues but gaps remain on others. I, or our lead negotiator, Under Secretary of State Wendy Sherman, would be happy to provide further information in a classified setting.

Overall, however, we assess that we still have a credible chance of reaching a deal that is in the best interest of America's security, as well as the security of our allies. If Iran's leaders choose not to move forward, we will work with Congress to increase pressure. But while we remain engaged in these negotiations, it is important to demonstrate to our partners as well as to Iran that Washington is united in support of a comprehensive solution that would ensure that Iran does not acquire a nuclear weapon, and that its nuclear program is exclusively peaceful. I know this is a goal we all share.

The U.S. Congress has played a vital role in getting us to where we are today and will undoubtedly play an important role going forward. Sanctions were instrumental in bringing Iran to the table. But Iran's program continued until negotiations made the Joint Plan of Action (JPOA) possible. Sanctions did not stop the advance of Iran's nuclear program. Negotiations did, and it is in our interest not to deny ourselves the chance to achieve a long-term, comprehensive solution that would prevent Iran from acquiring a nuclear weapon.

Let me talk about that progress we have achieved so far.

Before the JPOA, despite an unprecedented sanctions regime, Iran's nuclear program was rushing toward larger enriched uranium stockpiles, greater enrichment capacity, the production of plutonium that could be used in a nuclear weapon, and ever shorter breakout time. Today, as the result of the constraints in the JPOA, Iran has halted progress on its nuclear program and it has rolled it back in key areas for the first time in a decade, and it has allowed us to have greater insight and visibility through more intrusive and more frequent inspections.

Before the JPOA, Iran had about 200 kilograms of 20 percent enriched uranium in a form that could be quickly enriched into a weapons-grade level. It produced much of that material at the Fordow facility, buried deep underground. Today, Iran has no such 20 percent enriched uranium—zero, none. It has diluted or converted every ounce, suspended all uranium enrichment above 5 percent and removed the connections among centrifuges at Fordow that allowed them to produce 20 percent enriched uranium.

Before the JPOA, Iran was making progress on the Arak reactor, which, if it had become operational, and together with a reprocessing facility, would have provided Iran with a plutonium path to a nuclear weapon. Once fueled, the Arak facility would be challenging to deal with militarily. Today, Arak is frozen in place.

Before the JPOA, Iran was enriching uranium with roughly 10,000 centrifuges and had another roughly 9,000 installed centrifuges ready to bring into operation. The JPOA froze Iran's enrichment capacity and those 9,000 additional centrifuges are still not operating.

Before the JPOA, inspectors had less frequent access to Iran's nuclear facilities. Today, the JPOA has enabled IAEA inspectors to have daily access to Iran's enrichment facilities and a far deeper understanding of Iran's nuclear program. They have been able to learn things about Iran's centrifuge production, uranium mines, and other facilities that are important to monitoring Iran's program going forward and to detecting any attempts to break out. And the IAEA has consistently reported that Iran has lived up to its commitments under the JPOA.

Just as we have asked Iran to uphold its commitments under the JPOA, we have lived up to our commitment of providing Iran with limited relief—about $14 to $15 billion from the start of the JPOA through this June. But that relief is dwarfed by the vast amounts denied to Iran under the existing sanctions regime. For example,

in 2014 alone, oil sanctions deprived Iran of more than $40 billion in oil revenue—well over twice the estimated value of the relief under the JPOA. And what oil revenues Iran is allowed to generate go into heavily restricted accounts that now encumber more than $100 billion dollars. Virtually the entire sanctions architecture remains in place. Indeed, throughout the existence of the JPOA, sanctions pressure on Iran has not decreased—it has increased.

Congress is now considering legislation to impose additional sanctions on Iran, to be triggered by the failure of negotiations. I know that the intent of this legislation is to further increase pressure on Iran and, in so doing, to strengthen the hand of our negotiators to reach a comprehensive settlement. While the Administration appreciates that intent, it is our considered judgment and strongly held view that new sanctions, at this time, are unnecessary and, far from enhancing the prospects for successful negotiations, risk fatally undermining our diplomacy and unraveling the sanctions regime so many in this body have worked so hard to establish.

New sanctions are unnecessary because, as I noted a moment ago, Iran already is under acute pressure from the application of the existing sanctions regime. In recent months, that pressure has only grown stronger with the dramatic drop in oil prices.

Should Iran refuse a reasonable deal or cheat on its current commitments under the JPOA, the Senate and House could impose additional measures in a matter of hours. The Administration would strongly support such action. Iran is well aware that an even sharper Sword of Damocles hangs over its head. It needs no further motivation.

So new sanctions are not necessary. And their passage now would put at risk the possibility of getting a final deal over the next several months. Let me explain why.

As part of the JPOA we also committed, within the bounds of our system, not to impose new nuclear-related sanctions while the JPOA is in effect. Absent a breach by Iran, any new sanctions enacted by Congress would be viewed by Iran and the international community as the United States breaking out of the understandings of the JPOA. This includes "trigger" legislation that would tie the actual implementation of new sanctions to the failure to reach a final arrangement. Even if such sanctions are not, arguably, a technical violation of the JPOA, we believe they would be perceived as such by Iran and many of our partners around the world. This could produce one of several serious unintended consequences that, far from enhancing America's security, would undermine it.

First, the passage of new sanctions could provoke Iran to walk away from the negotiating table, violate the JPOA and start moving its nuclear program forward again. Instead of keeping its uranium enrichment at under 5 percent, as it has since the JPOA was signed, Iran could start enriching again at 20 percent, or even higher. Instead of capping its stockpile of roughly 4 percent low enriched uranium at pre-JPOA levels, Iran could grow it rapidly. Instead of suspending substantive work on the Arak heavy water reactor, Iran could restart its efforts to bring this reactor on line. Instead of providing unprecedented access to international inspectors at its nuclear facilities, it could curtail/reduce IAEA access, inhibiting our ability to detect a breakout attempt. Instead of limiting work on advanced centrifuges, it could resume its efforts to increase and significantly improve its nuclear capabilities in a relatively short timeframe.

Second, even if Iran does not walk away or promptly returns to the table, its negotiators are likely to adopt more extreme positions in response, making a final deal even more difficult if not impossible to achieve.

Third, if our international partners believe that the United States has acted prematurely by adding new sanctions now in the absence of a provocation or a violation by Iran—as most countries surely would—their willingness to enforce the exiting sanctions regime or to add to it in the event negotiations fail will wane. Their support is crucial. Without it, the sanctions regime would be dramatically diluted. Up until now, we've kept other countries on board—despite it being against their economic interest—in large part because we've demonstrated we are serious about trying to reach a diplomatic solution. If they lose that conviction, the United States, not Iran, would be isolated, the sanctions regime would collapse and Iran could turn on everything it turned off under the JPOA without fear of effective, international sanctions pressure in response.

We can debate whether any or all of these things would happen. What I can tell you today is that those who are best placed to know—the diplomatic professionals who have been leading these negotiations and dealing directly with the Iranians and our international partners for the past several years—believe that the risks are real, serious and totally unnecessary. That is their best judgment. Why run those risks and jeopardize the prospects for a deal that will either come together—or not—over the next 2 months? Why not be patient for a few more months to fully test diplo-

macy? There is nothing to be gained—and everything to be lost—by acting precipitously.

That judgment is shared by our closest allies. Just 2 weeks ago, Prime Minister Cameron could not have been clearer: " . . . It is the opinion of the United Kingdom that further sanctions or further threat of sanctions at this point won't actually help to bring the talks to a successful conclusion and they could fracture the international unity . . . which has been so valuable in presenting a united front to Iran."

So we must continue to work together. We have briefed Congress extensively and frequently on Iran talks over the past year. We have had, and will continue to have, extensive discussions with Congress about the status of the P5+1 negotiations. We will continue to keep Congress fully informed about these negotiations through a combination of open hearings and closed briefings. I look forward to continuing that conversation with all of you and your colleagues today, and in the remaining months.

Before I finish, I want to emphasize that, even as we engage Iran on the nuclear issue and continue to apply pressure under the existing sanctions regime, we also continue to hold it accountable for its actions on other fronts. We continue to insist that Iran release Saeed Abedini, Amir Hekmati, and Jason Rezaian from detention so they can come home to their families. Likewise, we continue to call on Iran to work cooperatively with us so that we can find Robert Levinson and bring him home. This March will unfortunately mark 8 years since his disappearance on Iran's Kish Island. Secretary Kerry and Under Secretary Sherman have spoken to Iran about our concerns for the fate of these U.S. citizens as recently as last week, and will continue to do so until all of them are back home.

We also continue to raise our voice in support of the talented and brave Iranian people, and support their desire for greater respect for universal human rights and the rule of law. We have spoken up clearly and consistently against human rights violations in Iran and have called on the Iranian government to guarantee the rights and freedoms of its citizens. We have done this in reports requested by this legislative body, such as the Human Rights Report, through statements on individual cases where our voice can support those inside Iran, and via international organizations, such as our work to support the mandate of the U.N. Special Rapporteur on human rights in Iran. We have also used our Virtual Embassy Tehran online platform to promote freedom of expression and respect for human rights, and our programming to support the rights of average citizens in Iran. Regardless of the outcome of ongoing nuclear negotiations with Iran, we will not relax our efforts to hold Iran accountable for its human rights violations.

We will also continue to confront Iran's destabilizing activities, promotion of sectarian divisions, and support for nonstate actors and terrorists throughout the Middle East. Our positions on Palestinian terrorist groups, such as Hamas and the Palestinian Islamic Jihad, and Lebanese Hezbollah, for example, have in no way changed—and will not change. We have very clearly and consistently spoken out against these designated foreign terrorist organizations, as well as Iran's support for them. And we will continue to find ways to support those in the region who are working to counter the destabilizing actions of these groups—including building partner capacity—as we simultaneously reinforce the robust regional security architecture we've already built. Similarly, we have called out Iran for its support of the brutal regime of Bashar al-Asad in Syria. We hope that Iran soon recognizes that there is much more to be gained through constructive engagement in the region and promotion of inclusivity than through disruptive policies.

The challenges posed by Iran are numerous and complicated. We have confronted them, and will continue to do so. On the challenge of Iran's nuclear program, we face a historic opportunity to resolve this concern through clear eyed, principled and disciplined diplomacy. We do not yet know if diplomacy will be successful—as the President has stated the chances are probably less than 50–50—but it is of the utmost importance that we give it every opportunity to succeed.

Thank you.

PREPARED STATEMENT OF DAVID S. COHEN

UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE

DEPARTMENT OF THE TREASURY

JANUARY 27, 2015

Good morning. Chairman Shelby, Ranking Member Brown, and distinguished Members of the Committee: Thank you for the invitation to appear before you to discuss the state of sanctions on Iran, and whether our efforts to achieve a diplo-

matic solution to one of the most difficult and enduring national security problems that we face—Iran's nuclear program—would be advanced if Congress were to enact new sanctions legislation at this time.

I will focus my testimony today on the robust international sanctions regime that helped bring Iran to the negotiating table, the intense pressure that sanctions continue to place on the Iranian economy, and our continued vigorous enforcement of those sanctions over the course of the Joint Plan of Action (JPOA). And I will explain why new sanctions legislation now—even if implementation were delayed—would more likely hinder, rather than advance, the prospects for a diplomatic solution that verifiably prevents Iran from obtaining a nuclear weapon.

At the outset, let me reiterate that no issue is of greater concern or urgency to the United States, and no issue occupies more of the time and attention of my team at the Department of the Treasury, than ensuring that Iran does not acquire a nuclear weapon. Iran in possession of a nuclear weapon would directly threaten U.S. and international security, increase the risk of nuclear terrorism, undermine the global nonproliferation regime, and risk setting off an arms race in the Middle East. From the outset of his Administration, President Obama has made clear that we will do everything in our power to prevent Iran from obtaining a nuclear weapon.

For us at Treasury, that has meant working within the Administration, with Congress, and with partners around the world to impose the most effective set of financial and economic sanctions in history. The sanctions have impeded Iran's ability to acquire material for its nuclear program, isolated it from the international financial system, drastically slashed its oil exports, deprived it of access to a sizable portion of its oil revenues and foreign reserves, and severely constrained its overall economy.

In many respects, the global sanctions regime has achieved exactly what it was designed to do: encourage Iran to come to the negotiating table, not to posture, pontificate, and procrastinate, but to engage in serious diplomacy over its nuclear program. Iran is negotiating because it knows that relief from the sanctions can come only in exchange for taking concrete and verifiable steps that will guarantee that it cannot produce a nuclear weapon.

As this Committee knows, those negotiations are ongoing. They began when we negotiated the JPOA, which was reached on November 2013. In November 2014, the P5+1 and Iran decided to extend the talks for another 7 months. We agreed to the extension because our negotiators have made meaningful progress, and because it takes time to conduct the highly technical deliberations necessary to get a comprehensive solution that will cutoff each of Iran's possible pathways to a nuclear weapon.

We may ultimately reach a comprehensive solution; we may not. The President last week reiterated that the chances that we get a deal are probably less than 50 percent. But we, like you, are committed to testing fully the diplomatic path.

That is why we have continued to maintain throughout the JPOA period the intense financial and economic pressure that brought Iran to the table in the first place. And that is also why we must give our negotiators the time and space they need to pursue the possibility of a comprehensive solution, without undercutting their efforts, fracturing the coalition, or, with the best of intentions, sending mixed signals about the interest of the United States in a diplomatic resolution.

The International Sanctions Regime Remains Robust and Vigorously Enforced

When Iran and the P5+1 concluded the JPOA in November 2013, Iran committed to halt progress on its nuclear program, roll it back in important respects, and provide unprecedented access to and inspections of its enrichment facilities. In exchange, Iran received limited, targeted, and reversible relief from some nuclear-related sanctions.

Importantly, the JPOA left in place the full architecture of our financial, banking, oil, and trade sanctions; our sanctions focused on Iran's support for terrorism and its violation of human rights; and our own domestic embargo.

I'd like briefly to review the breadth of that sanctions architecture—painstakingly designed by the Administration, Congress, and our international partners over many years—because it provides an important backdrop to any discussion of imposing additional sanctions. First, Iran remains subject to sweeping sanctions by the United States and our allies on its financial and banking sectors:

- Iran continues to be almost completely isolated from the international financial system, with its most significant private and state-owned banks, including its central bank, subject to U.S. sanctions and cutoff from international payment messaging systems.

- Any foreign bank that transacts with designated Iranian banks—or with most other designated Iranian individuals or entities—can lose access to the U.S. financial system. That means losing the ability to facilitate transactions in the dollar, a death penalty for any international bank.
- It remains sanctionable to provide physical U.S. dollar banknotes to the Iranian government.

Second, our sanctions have targeted Iran's key economic engine, its energy sector:

- Our sanctions have drastically driven down Iran's oil exports. In 2012, Iran was exporting approximately 2.5 million barrels of oil a day to some 20 countries; today, it exports only around 1.1 million barrels, and only to six countries. Under the JPOA, moreover, Iran's six remaining oil customers may not exceed their current purchase levels.
- Additionally, payment for oil purchased from Iran by these six countries must be paid into accounts that can be used only to facilitate humanitarian transactions or bilateral trade between the importing country and Iran. With the exception of funds released under the JPOA, this Iranian oil revenue can neither be brought back to Iran nor transferred to third countries. And because the accounts into which Iran receives oil revenue already hold more funds than Iran spends on bilateral or humanitarian trade, the effective value of those oil sales to Iran is far less than 100 cents on the dollar.
- We also have broad authorities targeting the provision of goods and services to the Iranian energy sector or investment in that sector. Any entity that is itself part of Iran's energy sector is subject to sanctions.
- Because Iran cannot access Western technology and services, and because it has been forced to sharply cut its oil exports, we have also seen a significant decline in its production of oil. Independent experts report that Iran produced fewer than 2.8 million barrels a day in December, down from almost 3.6 million barrels a day in 2011.

Third, there are sanctions on other important sectors of the Iranian economy. We have broad tools that target Iran's petrochemical, insurance, ports, shipping, and shipbuilding sectors, as well as its trade in certain crucial metals and industrial materials.

Fourth, beyond these sector-focused sanctions, we have a range of other sanctions authorities that we use to intensify the pressure on the Iranian regime.

- It is sanctionable to act on behalf of the Government of Iran, as well as to provide the Government of Iran or the Iranian individuals and entities on OFAC's sanctions list with financial, material, or technological support.
- Under our counter-terrorism, counter-proliferation, human rights, and other Iran-related authorities, we have imposed sanctions on more than 700 Iran-related individuals and entities, almost 15 percent of which have been designated since the signing of the JPOA. And importantly, anyone who conducts business with these individuals or entities, or any other designated Iranian entity, is at risk of being targeted for sanctions.

Last but not least, broad limitations on U.S. trade with Iran remain in place, meaning that Iran continues to be shut out of the world's largest and most vibrant economy and remains unable to access the U.S. financial system.

These sanctions are not just words on the books—we vigorously enforce them. Over the course of the JPOA, we have repeatedly reaffirmed the point, in word and deed, that Iran is not open for business.

Since the signing of the JPOA, the United States has sanctioned nearly 100 individuals and entities that were helping Iran evade our sanctions, aiding Iranian nuclear and missile proliferation, supporting Iranian-sponsored terrorism, or carrying out Iran-related human rights abuses. Nine of those designations came less than a month ago, on December 30, including sanctions on six individuals and one entity that were working with the Iranian government to obtain U.S. dollars. We have also imposed more than $350 million in penalties on those who have violated the sanctions. These targeting and enforcement efforts will continue throughout the course of the JPOA extension.

We have also engaged extensively with foreign governments and companies to make clear the limited scope of the JPOA's sanctions relief and our continued vigilance against any breaches of our sanctions. These outreach efforts, while quieter than enforcement actions, are equally critical to our efforts to pressure Iran.

And as we sit here, members of my staff are poring over reams of financial intelligence searching for signs of sanctions evasion, working with banks and businesses

to help them better comply with sanctions, and engaging directly with foreign governments, foreign regulators, foreign businesses, and individuals around the world to make certain that they understand the consequences of violating our sanctions. And although I will depart the Treasury Department in a few weeks, everyone should rest assured that vigorous enforcement of our sanctions will continue unabated.

Through all of these efforts, we make it abundantly clear to Iran that its only hope for real relief from sanctions is to enter into a comprehensive arrangement that guarantees that it cannot produce a nuclear weapon.

The State of the Iranian Economy

In light of the extensive sanctions that remain firmly in place and are being vigorously enforced, it should come as no surprise that the Iranian economy remains in a deep hole.

When I testified before the Senate Foreign Relations Committee in July, I suggested three metrics by which to judge Iran's economic distress—its oil revenues, the value of its currency, and its foreign reserves. By all three measures, Iran continues to be worse off today than it was when it entered into the JPOA.

Revenues: The overall health of the Iranian economy and the Iranian government's balance sheet depend heavily on oil revenues, and our sanctions have cut deeply into those revenues. As I noted earlier, our sanctions have caused Iran's oil exports to drop almost 60 percent, from approximately 2.5 million barrels per day in 2012 to approximately 1.1 million today. Because of this dramatic decline in sales, in 2014 alone our oil sanctions deprived Iran of over $40 billion, which is well over twice the total estimated value to Iran of the limited sanctions relief in the JPOA—and that is money Iran can never recover, because it represents sales that were not made. Altogether, since 2012, our oil sanctions have denied Iran access to more than $200 billion in lost exports and funds it cannot freely use.

Furthermore, for the 7-month period of the JPOA extension, from December 2014 to June 2015, we estimate that Iran will be forced to endure another $15 billion in lost sales. Moreover, of the estimated $12 billion that Iran may continue to earn in oil revenue during this JPOA extension, our sanctions mean that Iran will only be able to access a limited amount of this revenue, since much of it will remain restricted in overseas accounts.

Meanwhile, the current sustained decline in oil prices is, in the words of Iranian officials, imposing an additional set of sanctions on Iran. Over the past year, the average price of a barrel of oil has dropped by more than 50 percent; it is trading today at slightly under $50 per barrel. If oil prices remain at current levels, Iran will lose an additional $11 billion in oil revenue from what it was expecting to take in during this most recent 7-month extension of the JPOA.

All of this is creating havoc with Iran's budget. For its current fiscal year (March 2014 to March 2015), Iran assumed that oil would sell for $100 per barrel. It has not, which has cut into its revenues for this year. And next year will be even bleaker.

In December, President Rouhani proposed a budget for the coming fiscal year that assumed oil would sell for $72 per barrel and that included proposals to cancel subsidies, raise taxes, reduce contributions to its sovereign wealth fund, and scrap projects. But that draft budget already has proved overly optimistic, and just last week, the Iranian Finance and Economy Minister revealed that Iran is revising downward its budget because it is now assuming a price of $40 per barrel. This will likely result in more spending cuts, fewer services, and higher taxes.

Rial: Iran's currency, the rial, has depreciated by about 56 percent since January 2012, including a decline of about 16 percent just since November 2013, when the JPOA was signed. This makes imported goods more expensive, disrupts plans for investment in Iran, causes the general inflation rate to rise, and hurts the Iranian economy by causing significant uncertainty about future prices.

Reserves: The vast majority of Iran's approximately $100 billion in foreign currency reserves remain inaccessible or restricted by sanctions. Iran can use most of this money only to pay for permissible bilateral trade between the six remaining oil importing countries and Iran, as well as for humanitarian purposes. Without hard currency reserves, Iran is limited in its ability to intervene in its currency market to stabilize the rial, and it also becomes more difficult to conduct foreign trade.

If you take a step back and look at Iran's broader economy, the picture is no less dismal. Despite some signs of an uptick in Iran's GDP, Iran's economy is performing far below its potential. Iran's GDP shrank by roughly 9 percent in the 2 years ending in March 2014, and its economy today is 15 to 20 percent smaller than what it would be had it remained on its pre-2012 growth trajectory. Moreover, at 17 percent, Iran's inflation rate is one of the highest in the world.

The dire predictions we heard that the limited sanctions relief in the JPOA would lead to a collapse of the sanctions regime and reduce pressure on Iran clearly have not materialized. The sanctions structure has held up just fine. We estimate that the total value to Iran of the JPOA sanctions relief, which comes largely from enabling Iran to access some of its own restricted oil revenues held overseas, will add up to approximately $14 to $15 billion by June 2015. This relief pales in comparison to the significant revenues that Iran has forgone as a result of sanctions, and it cannot make up for Iran's systemic economic weaknesses and imbalances.

Put simply, Iran's economy is significantly impaired, and it will remain that way as long as our sanctions are in place—and Iran's leaders know this. Thanks to cooperation on the international stage between the United States and its allies, and the joint work of Congress and this Administration, Iran is negotiating with its back against the wall. So long as we continue to maintain our current pressure on Iran—and we are committed to doing just that—its leaders have every incentive to come to a comprehensive solution and resolve this issue peacefully.

Additional Sanctions Legislation Now Is Unnecessary and Potentially Harmful

Because of the scope and intensity of the sanctions Iran currently is subject to, and because of the economic pressure those sanctions continue to apply, we believe that new sanctions are not needed at this time. To the contrary, new sanctions at this time—even with a delayed trigger—are more likely to undermine, rather than enhance, the chances of achieving a comprehensive solution, and are more likely to reduce, rather than increase, the chances of sustaining and increasing pressure on Iran if the negotiations fail.

In our efforts to prevent Iran from obtaining a nuclear weapon, sanctions were never an end in themselves. Sanctions alone were never going to stop Iran from installing centrifuges or enriching uranium. Instead, sanctions always were intended principally as a means to persuade Iran to negotiate in earnest.

And that has worked. We now have a situation in which Iran is engaged in a serious negotiation with the P5+1, while progress on its nuclear program is frozen, certain aspects of the program have been rolled back, and we have unprecedented insight into its nuclear activities. And, furthermore, its economy remains under enormous pressure, in large measure because we have been able to hold together the international coalition that has joined us in imposing crippling sanctions.

Enacting additional sanctions legislation at this point threatens to unravel this situation. In our judgment—a judgment that is shared by our international partners—new sanctions legislation now is substantially more likely to impede progress at the negotiating table than to induce Iran to offer additional concessions.

Moreover, if Congress enacts new sanctions now and the negotiations ultimately prove unsuccessful, our international partners may hold us, not Iran, responsible for the breakdown in the talks. While it is difficult to predict exactly what would then unfold, it is quite possible that some current members of the international sanctions coalition—whose companies are eager to resume business with Iran, but have been held off—would reevaluate their cooperation with us on pressuring Iran, making it more difficult to maintain existing pressure. If overall support for the sanctions regime declined, it also would make it more difficult to intensify sanctions pressure. Finally, if a breakdown in talks led to the demise of the JPOA, we would lose the additional insight into Iran's nuclear program and restrictions on development that the JPOA has given us.

In our view, these risks make new sanctions legislation inadvisable at this moment. But even putting aside the risks, we see no compelling reason to impose new sanctions now, considering the extent to which Iran already faces substantial financial and economic pressure.

This conclusion is reinforced, moreover, by the fact that this Congress and this Administration would move quickly to enact new sanctions if Iran were to walk away from the talks or if we concluded that a comprehensive deal was no longer within reach. As the President said just last Friday, "if Iran ends up ultimately not being able to say yes, if they cannot provide us the kind of assurances that would lead [us] to conclude that they are not obtaining a nuclear weapon, then we're going to have to explore other options," including new sanctions legislation. As has been the case with prior sanctions legislation, that legislation could go into effect in a matter of days. The Iranians know this, just as they know that the President has "consistently said [that] we leave all options on the table."

Make no mistake: This Administration understands and embraces the power of sanctions. Sanctions are a key component of many of our most important national security initiatives, from our efforts to prevent Iran from obtaining a nuclear weap-

on to our efforts to degrade and ultimately destroy the Islamic State in Iraq and Levant. We are not sanctions doubters.

But neither do we believe that layering on additional sanctions is always the right move. Sanctions are one tool in our toolkit, as is diplomacy, as is military action, as are the myriad other ways that we project U.S. power to advance our interests, protect our allies, and defend ourselves. If diplomacy does not succeed, as the President said, he "will be the first one to come to Congress and say we need to tighten the screws." But in our view, now is the time to give diplomacy every chance to succeed, not to create a new sanctions tool.

Conclusion

In closing, I want to assure this Committee that as we seek a comprehensive solution with Iran, the Treasury Department, like the rest of this Administration, is fully committed to maintaining intense financial and economic pressure on Iran. We have not, and we will not, let up one iota in our sanctions enforcement efforts, and we will continue to take action against anyone, anywhere, who violates or attempts to violate our sanctions.

Thank you.

PREPARED STATEMENT OF PATRICK CLAWSON, PH.D.

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JANUARY 27, 2015

Iran Adapts to Sanctions in the Absence of New Measures

Over time, Iran adapts to any level of sanctions. And Iranian authorities have repeatedly persuaded themselves that the United States is "sanctioned out," *i.e.,* that Washington cannot step up the pressure. Continuously adopting new measures is the best way sanctions can effectively move Iran's leaders to resolve the nuclear impasse.

Iran's Plan A is No Nuclear Deal

Iran's new budget shows that the authorities see no urgent need for relief from the current sanctions. They correctly feel that they have learned to live with those sanctions. The 2015/16 budget submitted to the Majlis by President Hassan Rouhani is based on 1.3 million barrels a day in oil exports, only slightly above the average level in 2014—a rise which is consistent with the Joint Plan of Action as interpreted by the Administration, in that Iran expects to increase its exports of oil condensates which the Administration does not consider to be crude oil. Iran's proposed 2015/16 budget also does not assume any sharp pickup in economic activity, such as some have forecast would occur in the aftermath of a nuclear deal.

Instead of assuming sanctions relief, the new budget proposes a range of painful measures to live with the existing situation, such as increased taxes and continuing erosion of both government salaries and the monthly payment to families introduced when subsidies were slashed in 2011. These will be painful measures, hitting hard at Iran's middle and lower classes. They would come on top of several years of impressive adjustments which go far beyond anything the International Monetary Fund has recommended to hard-hit countries like Greece. In effect, the 2015/16 budget continues the path of recent policy: do what is needed to reduce vulnerability to external pressure, even if that imposes great pain.

And the budget-balancing measures are not paper solutions like those favored by former president Mahmoud Ahmadinejad. Instead, the Rouhani government has been implementing real steps to improve tax collection and has announced plans to increase tax rates. It has also been getting tougher about those (mostly industrial firms) not paying the higher electricity and natural gas rates adopted in 2012. Another sign that the budget is a serious document is that rather than unrealistically underestimating spending, the government has left room for priority expenditure increases, which in this case means dramatically higher spending for the military and intelligence apparatus.

The budget made what seemed when it was proposed in early December the conservative assumption that the price of oil in April 2015 to March 2016 would average $72 per barrel oil. For 474 million barrels of oil exports (1.3 million barrels a day), that would generate $34 billion. When the price of oil declines, that hits Iran's budget hard. That is true irrespective of sanctions which complicate Iran's access to its oil export earnings. Those sanctions impact how Iran manages its foreign exchange, which is an entirely different manner from budget revenue. When the Na-

tional Iranian Oil Company (NIOC) sells oil abroad, it earns dollars which it then hands over to the Central Bank of Iran (CBI) in return for Iranian rials. The CBI faces the challenge of how to manage those dollars, that is, how to ensure that Iranians wishing to import goods have access to the dollars they need. Meanwhile, NIOC takes the rials provided by CBI and, as provided by law, deducts 14.5 percent for its expenses, and hands the rest to the government. The government, by law, deposits 20 percent of the total export earnings in the National Development Fund of Iran (NDFI), directs 2 percent to the provinces, and uses 63.5 percent for the budget. Under that formula, the budget's share of 1.3 million barrels a day at $72 a barrel is $21.7 billion.

Faced with the oil price decline, Iran is preparing to take additional measures. On January 15, Economic and Finance Minister Ali Tayeb Nia announced that a revised budget would be based on $40 per barrel oil—which is well below what the U.S. Department of Energy and most observers predict will be the average price in the period April 2015–March 2016. Iran has many alternatives available for adjusting to such a price level. Besides reducing expenditures and raising taxes, the two most obvious are:

Suspending payments into the NDFI. The NDFI is partly a rainy day fund, which was the explicit purpose of its predecessor, the now effectively defunct Oil Stabilization Fund (the NDFI is also partly a reserve fund for the post-oil future). If the government suspended payments into the NDFI, then in order to produce budget revenue of $21.7 billion, NIOC would have to sell only $26 billion in oil, which means an oil price of $55.

Depreciating the currency, which would generate more Iranian rials for each dollar of oil exports. The Rouhani government has kept the dollar/rial rate more or less constant. That is inappropriate given that Iran's high inflation rate drives up costs for Iranian producers. A constant exchange rate makes domestic products more expensive relative to imports and makes exporting less attractive. A better policy would be to let the rial depreciate in line with inflation. The budget assumes a very modest decline in the exchange rate to IR28,500 per dollar compared to IR26,500 now. At that level, the $21.7 billion in oil export revenue for the budget produces IR618 trillion.[1] If instead the exchange rate declined to reflect the inflation of the last 2 years, the rate would be at least IR40,000 per dollar. That would stimulate production in Iran, both for exports and to replace imports. It would also generate the IR618 trillion for the budget from $15.5 billion, which would be the equivalent of an oil price of $52 per barrel if the government continues payments into the NDFI or $39 if it suspends those payments. In the likely situation that the oil price were higher than $52 (or $39), then the government would have room to increase spending a bit to accommodate the higher prices post-depreciation.

In addition, the government could draw down the balance in the NDFI, though it is not clear how much remains in that account. Or it could simply borrow more at home (it claims the current budget is balanced, but that is by using creative accounting). Iran's government has much room to borrow. Iran's government debt is low. Rouhani's finance minister, in his complaints about what a terrible situation he inherited, has claimed that the government debt was run up to 25 percent of GDP, which is probably an exaggeration, but even if true is only a third of the U.S. level. Vast sums sit in the various public pension plans, all of which have been and could be again drawn on to fund government programs (usually off-budget programs). And if that is not enough, Tehran can rely on the banking system—almost all government-owned—to carry out what is in reality government spending loans, much as the Ahmadinejad administration did with the massive Mehr social housing program.

So Iran can finance its government despite sanctions and low oil prices. It can also generate the foreign exchange it needs to pay for imports, so long as it can access that foreign exchange. The last year for which we have solid numbers, thanks to the International Monetary Fund, is 2013/14. In that year, non-oil exports of goods and services generated $46 billion, when imports of goods and services were $73 billion. That left a gap of $27 billion, while Iran's foreign exchange reserves at the start of the year were $104 billion. With modest oil exports, Iran was able to increase its reserves in 2013/14. Iran's statistics for what is happening in 2014/15 show that non-oil exports are up, imports are down, and reserves are up—all of which fits well with what we know about how Iran's economy is performing. So Iran has less and less need for oil export earnings to pay for imports. And if Iran can export 474 million barrels of oil even at a price as low as $40 per barrel, that would

[1] Among the many complications in analyzing Iran's budget, the oil and gas revenue figure it shows is partly from sales at home. So not all of the projected IR711 trillion comes from oil exports.

produce $19 billion, which—if available for Iran to use—would probably be close to enough to fill the gap between imports and non-oil exports. Or looked at another way, Iran's reserves are enough to fill that gap for about 5 years even without any oil exports, if Iran has access to those reserves.

Of course, the foreign exchange problem Iran faces is that it has only limited access to its oil export proceeds and to its foreign exchange reserves, thanks to restrictions by the United States and its allies on Iran's access to international financial markets. Iran's excellent trade balance and substantial reserves show how the restrictions on its access to financial markets are the most effective pressure point on the Iranian economy. Those restrictions have remained effective only because new measures are continuously being taken—both enforcement steps aimed at new shadow entities and extension measures blocking channels Iran is using to evade restrictions on the usual paths for financial transactions. Iran has shown great creativity at evading financial restrictions. Standing still means falling behind: constantly taking new steps is the only way to keep up with Iran's latest evasions.

Resistance Economy?

Convincing Supreme Leader Ali Khamenei to pay attention to sanctions is not easy. He does not care much about the economic well-being of Iranians, especially when his closest supporters are doing well. That is part of the reason he has supported tough adjustment measures, despite the pain they inflict on the lower and middle classes. But he firmly believes that Iran would be better advised to adopt what he calls a "resistance economy."

Khamenei's call for a "resistance economy" is mostly nonsense but partly good advice. The nonsense is that Iran should, or can, cut itself off from the world economy. The pursuit of self-sufficiency has led into one dead-end after another. High barriers to imports has protected inefficient Iranian producers, raising prices for consumers and creating opportunities for corruption by those who can use political ties to get imported goods at a fraction of the price at which those goods are selling on the local market. Those who benefits from the barriers to imports form an important, politically well-connected group which are scared at the prospect of Iran opening up to the world. They fear that lessened political tensions with the West will mean a more open economy in which they will do poorly. Because of the political strength of this group, it is not easy to make sanctions painful enough to overcome hardline objections to resolving the nuclear impasse.

The good advice in Khamenei's call for a "resistance economy" is his call for Iran to rely less on oil income. Iran is richly endowed with many resources, not least its talented and increasingly well-educated work force. To a considerable extent, Iran used the last decade's oil windfall to expand its non-oil economy, including substantial export-oriented activities from iron mining to high-value fruit agriculture, petrochemicals, and light industry. Iran now has a better-rounded middle-income economy in which oil is important but by no means all-important, with oil's role dropping by the year. That is a sound economic policy for many reasons: it creates jobs, it makes the economy less vulnerable to oil price swings, it rewards productive economic activity instead of influence-peddling, and it makes Tehran less and less vulnerable to oil-centered economic sanctions. Of course, the transition has only gone part-way: government revenue and export earnings are still oil-intensive, and oil income still fuels breath-taking corruption. But the Islamic Republic looks more and more like the Shah's economy: a vibrant non-oil economy with oil providing the lubrication for a corrupt government bent on regional domination.

The "resistance economy" strategy—both the parts that hurts Iran's economic development and the parts that help it—reduces the impact sanctions have on the thinking of Iran's leaders. That fact should cause us to redouble our efforts, not to give up.

Ratchet Up the Pressure

Sanctions are more likely to have impact, both on Iran's economy and more importantly on its political leadership if they continuously get tougher. We need to convince Iran's leaders that the longer the nuclear impasse persists, the worse the pain will be.

Like many of us, Iran's leaders are naturally optimistic. Frequently, they have thought that the United States was "sanctioned out," that there were no new measures that Washington could apply on Tehran. The early Obama administration well understood how constant tightening of sanctions sent a clear message that the nuclear impasse would get costlier and costlier. Their approach was to use three simultaneous avenues for tightening sanctions:

First and foremost was tougher enforcement of the measures nominally in place. The Obama administration continued and intensified the Bush-era initiatives to vig-

orously pursue financial institutions which were ignoring U.S. sanctions regulations. The resulting billions of dollars in fines collected from banks has had a dramatic impact on the attitudes in the financial community, which have decided that transactions with Iran are not worth the risk.

In addition, the Obama team pushed hard for allies to step up their sanctions on Iran, helped by the outrageous rhetoric from the Ahmadinejad administration. The careful incorporation into the 2010 U.N. Security Council Resolution 1929, building on the 2008 Resolution 1803, of language about "exercising vigilance" about a range of Iranian activities provided a way to present the complementary measures by allies, especially the European Union (EU), as being within the framework of Security Council actions, something important for many of those allies. The quiet support from many other governments to U.S. restrictions on financial transactions strongly influenced financial institutions to fall in line with those restrictions rather than to complain about U.S. perceived extraterritorial action.

And new sanctions were adopted that built on and extended existing sanctions. Repeatedly, the Administration complained about new sanctions measures being considered by Congress only to proclaim, months after similar measures were enacted into law, that such steps had been important contributions to Iran's leaders' reconsideration of their previous stance.

We can debate the relative contribution of each of these approaches. In any case, the end result was to shock Iran's leaders at our ability to turn up the heat, as well as to feed popular discontent with a hardline nuclear stance perceived correctly as standing in the way of Iran taking advantage of the many opportunities that greater integration into the world economy offers it.

Our challenge now is to find a new mix of policies that will once again shock the Iranian leaders. A powerful assist to this end has come from an unexpected direction, namely, the ample supply conditions in world oil markets. To a person, Iranian leaders are convinced that the recent oil price decline has been a deliberate Saudi-American plot to harm the Islamic Republic. Saudi Oil Minister Naimi's several interviews proclaiming that oil prices may have to go much lower and stay there for a prolonged period, irrespective of the impact on Iran among others, is read as proof of the political motivations behind the price decline. Khamenei's extended January 24 remarks on how the oil price decline was an American-sponsored plot against the Islamic Republic drew his usual policy recommendation: "blows will be met with blows."

The historical analogy which resonates with the current generation of Iranian leaders is the 1986 price collapse (when the Dubai spot crude price fell from $27.53 per barrel in 1985 to $13.10 in 1986 and stayed at about that level for years). The resulting loss of revenue was a central element in Iran's decision that it could not afford to pursue the war with Iraq, which had to be abandoned with little show for 150,000 Iranian dead. Iranian leaders have always thought that the Saudi decision to step up oil production from 3.6 million barrels per day in 1985 to 5.2 million in 1986, which was the main reason for the price collapse, was aimed at the Islamic Republic, as part of the multifaceted Saudi effort to stave off Iran's battlefield successes against Iraq.

It is no secret that the Saudi leadership wants to see Iran pressed harder, both to resolve the nuclear impasse and to pull back from Iran's active role supporting Shia fighters in Syria, Iraq, and Yemen (and the Saudis would add, Bahrain). That fact and their reading of the 1980s history only contributes to the Iranian leaders' conviction that the Saudis are doing what they would do were they in the Saudis' shoes, namely, driving oil prices lower to press Iran. We may doubt that this is an accurate reading, but both in public and in discussion with Tehran, the U.S. Government should hint that low oil prices are part of Washington's plan. Since people in the Middle East are often ready to see the United States as all-powerful, we should find ways to make that work to our advantage. If we can get credit for the sun rising in the east, take it.

Just as the years of high oil income were a good time to shock Iran by showing the high price it paid for not being able to export much of its oil, now is a good time to shock Iran by showing that since the world economy does not need their oil, we are prepared to take tougher measures against Iran unless the nuclear impasse is resolved. The impact of the last rounds of sanctions has faded; a new round is needed to show that the United States is not "sanctioned out." My intent today is not to address what should be the character of that new round of sanctions; my role instead is to point out why it is needed.

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Congressional Testimony

Perspectives on the Strategic Necessity of Iran Sanctions

Mark Dubowitz
Executive Director
Foundation for Defense of Democracies

Hearing before the
Senate Committee on Banking, Housing, and Urban Affairs

Washington, DC
January 27, 2015

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Mark Dubowitz January 27, 2015

Chairman Shelby, Ranking Member Brown, members of the Committee, on behalf of the Foundation for Defense of Democracies (FDD), thank you for inviting me to testify today. I am honored to be testifying with Patrick Clawson whose work I greatly admire.

I will focus my testimony on the strategic necessity of deadline-triggered sanctions aimed at ensuring the success of the current negotiations. Specifically, I will explain how these measures can restore U.S. negotiating leverage. I also will respond to what appear to be the Obama administration's main arguments against these deadline-triggered sanctions.

EXECUTIVE SUMMARY

Deadline-triggered sanctions are a strategic necessity to make it clear to Iran the consequences of its unwillingness to reach a timely and acceptable nuclear compromise. To date, the Iranian government remains unwilling to come into compliance with its international obligations as the search for a comprehensive agreement between the West and Iran enters the sixth year for the United States, and the twelfth year for the Europeans. At the same time, as U.S. negotiating leverage has diminished, the Obama administration has lowered its nuclear demands to try to accommodate the red lines laid out by Iran's Supreme Leader.

The White House also has provided a financial lifeline to Iran in the form of sanctions relief. As a result, Iran's economy has stabilized and is on a modest recovery path after a deep, sanctions-induced recession in 2012 and 2013. This has reduced Iranian regime fears of another economic crisis and increased economic resilience against future pressure.

Congress imposed many of the most impactful sanctions over the objections of the Obama administration. Using arguments that the Obama administration is repeating today, administration officials expressed deep concerns that Central Bank of Iran, oil export, and SWIFT (Society for Worldwide Interbank Financial Telecommunication) sanctions, amongst others, would alienate U.S. allies, undermine the international effort to isolate Iran, and redound to Iran's benefit. For example, in the Obama administration's intense pushback against congressional sanctions targeting Iran's central bank and oil exports, then-Secretary of the Treasury Timothy Geithner wrote a letter expressing the administration's objections:

> I am writing to express the administration's strong opposition to this amendment because, in its current form, it threatens to undermine the effective, carefully phased, and sustainable approach we have taken to build strong international pressure against Iran … In addition, the amendment would potentially yield a net economic benefit to the Iranian regime.[1]

Obama administration officials now widely acknowledge the important role these congressional sanctions played in convincing Iran to come to the negotiating table. As those sanctions were aimed at changing the calculus of the Iranian regime regarding its commitment to retaining its nuclear program, and not just regarding the regime's willingness to negotiate, so too must

[1] Josh Rogin, "Menendez Livid at Obama Team's Push to Shelve Iran Sanctions Amendment," *Foreign Policy*, December 1, 2011. (http://foreignpolicy.com/2011/12/01/menendez-livid-at-obama-teams-push-to-shelve-iran-sanctions-amendment/)

deadline-triggered sanctions be part of the strategy to reverse the troubling dynamic of decreasing U.S. leverage and Iranian intransigence.

In its opposition to these new deadline-triggered sanctions, the Obama administration argues:

1. The Joint Plan of Action (JPOA) has "frozen" Iran's nuclear program, and the deadline-trigger sanctions could threaten this achievement.

The JPOA has not frozen Iran's program. Iran has suspended mostly those aspects of the program that no longer need significant advancement, while continuing to work on those elements of the program it has not yet mastered. This strategy follows the approach established by President Hassan Rouhani, dating back to his time as Iran's chief nuclear negotiator with the EU3 from 2003 to 2005. Rouhani described this strategy as one in which, "We [Iran] only agreed to suspend activities in those areas where we did not have technical problems."[2]

Iran has taken advantage of gaps and ambiguities in, and differences in interpretation regarding, the JPOA. It has engaged in mechanical testing of advanced centrifuges, accumulated greater stockpiles of low-enriched uranium in easily reversible oxide form, announced the construction of two new nuclear reactors, and continued to illicitly procure parts for its nuclear program. The JPOA also does not prevent Iran from moving forward on critical parts of its military nuclear infrastructure, including construction of the non-nuclear elements of its Arak heavy-water reactor, long-range ballistic missiles capable of carrying a nuclear warhead and, most critically, long-standing IAEA concerns about the possible military dimensions of Iran's program.

2. Deadline-triggered sanctions violate a U.S. commitment to "refrain from imposing new nuclear-related sanctions."

The JPOA does not prohibit the passage of sanctions to be imposed after the expiration of the deadline of the interim agreement. The deadline-triggered sanctions will be "imposed" if and only if no agreement is reached by the June 30, 2015 deadline. This deadline is not congressionally invented but rather a deadline agreed upon by the P5+1 and Iran. The bill also reportedly provides the President with unlimited 30-day waivers after the deadline to waive the imposition of new sanctions indefinitely.

The deadline-triggered sanctions wouldn't tie negotiators hands. They are reportedly linked to whether or not the P5+1 and Iran have reached a viable agreement by June 30, 2015, and the trigger is not reportedly related to the content of the agreement.

3. Iran will walk away from the negotiations if sanctions, including deadline-triggered measures, are imposed.

[2] Hassan Rouhani, "Beyond the Challenges Facing Iran and the IAEA Concerning the Nuclear Dossier," *Text of speech to the Supreme Cultural Revolution Council originally printed in Rahbord*, September 30, 2005, page 13. (http://lewis.armscontrolwonk.com/files/2012/08/Rahbord.pdf)

The Iranian threat to walk away from the negotiations is counter-historical. Despite multiple rounds of sanctions, Iran has remained at the negotiation table for over a decade, using talks to legitimize its nuclear weapons program and to avoid a full U.S.-led financial and trade embargo.

Iran has successfully used the JPOA period and previous negotiations to transform the debate from one of "Can Iran have a nuclear program?" to "How much of a nuclear program can Iran have?" While it is possible that Iranian negotiators might walk away temporarily from the talks, the history of the Iran talks suggests that they won't, and if they do, they are likely to return.

There is also a strong economic reason for Iran not to walk away from the negotiations. If Tehran terminated the talks, such a move would trigger a program of even more severe sanctions than currently contemplated, including a complete financial and trade embargo that could cripple its economy and put the regime's survival in question.

Finally, if negotiations break down upon the passage of sanctions triggered to the expiration of the JPOA deadline, this should raise questions about the durability of any future deal. Acquiescence to this threat now would hand Iran effective veto power over the future actions of American lawmakers or the next U.S. president and raise serious concerns about the ability of the United States to enforce any nuclear deal.

4. Tehran has "escalation dominance" through its ability to restart and expand its nuclear program.

Notwithstanding sanctions pressure, Iran has advanced its nuclear program, especially during the Ahmadinejad era. However, Iran has historically escalated its nuclear activities cautiously, so as not to invite a military response from the United States or Israel or to trigger crippling sanctions from the international community. Iranian nuclear escalation historically has involved incremental increases with the goal of avoiding egregious cheating that would precipitate a massive response.

Escalatory nuclear activities, where Iran moves to undetectable breakout through the rapid expansion of its enrichment capacity or blocks weapons inspectors from monitoring its declared facilities, would likely garner a negative international response. All the members of the P5+1 assess a nuclear-armed Iran as a threat to their own interests and are invested in the talks to stop Tehran from acquiring this capability. It is difficult to imagine that any member would support Iranian nuclear escalation in response to deadline-triggered sanctions.

The U.S., not Iran, retains "escalation dominance," and can accordingly leverage greater economic pressure on the Islamic Republic if it engages in escalatory nuclear activities. Washington also retains far greater escalation dominance through its military, cyber, and covert power if Iran foolishly escalated.

5. The introduction of deadline-triggered sanctions would isolate the United States from our international coalition.

The idea that new sanctions against Iran – triggered off a deadline to which the entire P5+1 has agreed – would isolate the U.S. from its P5+1 allies, is an argument in conflict with the Obama administration's position on Russia. The U.S. and EU have imposed tough sanctions on Moscow related to the crisis over Ukraine and Crimea. The Obama administration has argued that its dispute with Russia over Ukraine will remain separate from the talks with Iran and that Moscow will not leave the P5+1 talks over Ukraine-related sanctions.

So far, the administration's assessment is correct: Russia remains committed to the P5+1 talks. Why would President Putin leave the P5+1, or become even more supportive of Iran, over deadline-triggered sanctions on Iran when he didn't after Washington imposed sanctions on his own country?

If the coalition has held against Iran despite Ukraine-related sanctions on Russia, Moscow is likely to stay put as a member of the coalition in dealing with Iran. It, too, is concerned about a nuclear-armed Iran and sees the negotiations as a way to protect its own interests. China is part of the P5+1 for similar reasons.

If Russia and China are likely to remain part of the coalition, primarily because the talks help secure their own interests, it is highly improbable that France, Great Britain, and Germany would break rank.

6. New deadline-triggered sanctions will empower the hardliners in Iran.

The direct and indirect economic relief precipitated by the Obama administration's decision to de-escalate the sanctions pressure has stabilized the Iranian economy and strengthened the hardliners who no longer fear the collapse of their economy and the prospect of a severe, sanctions-induced depression. They also have preserved both the essential elements of their nuclear infrastructure under the JPOA and the ability to move ahead on those parts of their military-nuclear program they haven't mastered. They are further emboldened by Iran's growing regional dominance over Iraq, Syria, Lebanon, and Yemen. It is not surprising that these hardliners, including the Supreme Leader himself, may not be willing to compromise further.

As it stands now, given the political climate in Iran, a deal based what the West is prepared to offer is unlikely unless the pressure on Tehran is intensified or Washington and its partners are willing to make future concessions. The goal of deadline-triggered sanctions is to convince that those in Iran who are still resisting further compromise that the Iranian regime cannot survive economically without a deal, and thus tip the scales in favor of nuclear compromise.

7. New sanctions are not needed because the fall in the price of oil is inflicting sufficient damage on Iran's economy.

The rapid decline in the price of oil is not a substitute for deadline-triggered sanctions. Iran has lived for two years without full access to its overseas oil revenues. Iran experienced its own asymmetric oil shock between 2012 and 2013 when U.S. sanctions targeted Iranian oil exports, requiring countries to make significant reductions in Iranian oil purchases, while locking up Iran's oil profits through a little-understood provision of the Iran Threat Reduction Act (ITRA).

Today, in a strange twist of fate, these restrictions blunt the full impact of the drop in oil prices on Iran's economy. Iran's foreign revenues from energy products are captured in escrow accounts, mitigating the direct pass-through of declining oil revenue on the Iranian economy.

To be sure, the drop in the price of oil will still be a drag on Iran's economy and has an impact on Iranian investor and consumer sentiment. But the Islamic Republic has weathered sanctions. It can weather the declining price of oil, too. If economic leverage has any chance of convincing Iran of the need for nuclear compromise, it will take deadline-triggered sanctions to signal the consequences of the failure to reach a deal. If no deal is reached, it will take major sanctions escalation, not just falling oil prices, to once again reanimate the fear the regime felt in 2012 and 2013 when it narrowly escaped potential economic collapse.

8. Sanctions will make it more likely that the United States will have to use military force to stop Iran's military-nuclear program.

Supporters of deadline-triggered sanctions believe that increased economic pressure on Iran will prevent war. As the Obama administration has acknowledged, these economic sanctions, including the congressional measures passed over the administration's objections, are the reason that Iran is negotiating seriously today. They remain the most effective tool for convincing Iran of the necessity of nuclear compromise, for ensuring Iranian compliance with a comprehensive agreement, and for punishing Iranian non-compliance.

By contrast, continuous extensions of the JPOA will only serve to help Iran advance its nuclear program in critical areas, build greater economic resiliency, and extend its influence regionally. This may lead to a situation in the future in which the president has insufficient economic leverage to respond to Iranian nuclear mendacity. At that point, he or she will be faced with a painful choice between accepting an Iranian bomb and using military force to forestall that possibility. This will make war more, not less, likely.

By deploying deadline-triggered sanctions to lay out the concrete consequences of continued Iranian nuclear intransigence, Congress can and should strengthen U.S. negotiating leverage and increase the likelihood of a peaceful nuclear compromise. This is in America's interest.

INTRODUCTION

To date, the Iranian government remains unwilling to come into compliance with its international obligations. At the same time, as the Obama administration has lowered its nuclear demands, U.S. negotiating leverage has diminished. If anything, the administration has accommodated the red lines laid out by Iran's Supreme Leader, Ali Khamenei. Let me state clearly, the administration deserves credit for its attempt to find a compromise with Iran. I support the diplomatic process. However many of its specific overtures have only hardened Iranian nuclear intransigence, as the search for a comprehensive agreement between the West and Iran enters the sixth year for the United States, and the twelfth year for the Europeans.

The largest obstacle to a deal right now, after Iranian intransigence, is the Obama administration's assumption that it has sufficient leverage to conclude an acceptable final deal. After a successful period of escalating congressionally-mandated sanctions targeting the Iranian economy, passed over the objections of the Obama administration (which subsequently embraced them), the White House has provided a financial lifeline to Iran in the form of sanctions relief. After receiving what will be $12 billion in repatriated oil revenues by June 30, 2015, and many billions more in ancillary benefits, Iran's economy has stabilized and is on a modest recovery path. This comes after a severe sanctions-induced recession of 2012 and early 2013. The Iranian economy has undeniably benefited from both the direct and indirect economic relief provided as part of the November 24, 2013 Joint Plan of Action (JPOA), which is on its second extension to June 30, 2015. This has reduced Iranian regime fears of another economic crisis and increased economic resilience against future pressure.

The net result is that Western negotiating leverage has decreased. Only deadline-triggered sanctions can help Washington regain that leverage. These sanctions carry some risk but that risk can be mitigated. More importantly, the benefits outweigh the risks. Indeed, deadline-triggered sanctions are necessary to increase the pressure on Iran to reach a nuclear agreement that will verifiably prevent Iran from retaining a nuclear weapons capacity.

THE DIMINISHMENT IN U.S. NEGOTIATING LEVERAGE

A negotiated agreement is the preferred solution to peacefully preventing Iran from retaining a nuclear weapons capacity. A verifiable, comprehensive agreement would bring Iran into compliance with United Nations Security Council (UNSC) resolutions and International Atomic Energy Agency (IAEA) requirements. It is important to remember here that the goal of preventing Iran from achieving a nuclear weapons capability is not about Iranian capitulations to American demands, but rather about bringing Iran into compliance with international obligations.

An unfortunate dynamic has developed. The United States and its P5+1 negotiating partners continue to make concessions to try to accommodate Iranian Supreme Leader Ali Khamenei's red lines while Tehran escalates its nuclear demands.[3] As Senate Foreign Relations Committee Ranking Member Robert Menendez has stated, "For over one year, we remain trapped in the same fruitless, cyclical narrative which has us conceding our positions – transforming the Arak reactor rather than dismantling it; converting Fordow for some alternate use, rather than closing it; and disconnecting centrifuges, rather than destroying them. And – perhaps more significantly – Iran isn't budging on full access to questionable sites and the duration of the agreement."[4]

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[3] Behnam Ben Taleblu, "Khamenei's Ominous Nuclear Infographic," *FDD Policy Brief*, May 9, 2014; (http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-khameneis-ominous-nuclear-infographic/) Behnam Ben Taleblu, "Khamenei's Expanding Nuclear Redlines," *FDD Policy Brief*, October 10, 2014; (http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-khameneis-expanding-nuclear-redlines/) & Ali Alfoneh, "Khamenei's Speech After the JPOA Extension," *FDD Policy Brief*, December 3, 2014. (http://www.defenddemocracy.org/media-hit/ali-alfoneh-khameneis-speech-after-the-jpoa-extension/)

[4] Senator Robert Menendez, "Dismantling Iran's Nuclear Weapons Program: Next Steps To Achieve A Comprehensive Deal" *Senate Foreign Relations Committee*, December 3, 2014. (http://www.foreign.senate.gov/press/chair/release/chairman-menendezs-opening-remarks-at-hearing-on-dismantling-irans-nuclear-weapons-program-next-steps-to-achieve-a-comprehensive-deal)

Western negotiators also have reportedly given way on the long-standing international demand that Iran roll back its program to develop ballistic missiles capable of carrying nuclear weapons. *Reuters* reported in the spring that, "Iranian Foreign Minister Mohammad Javad Zarif merely laughed and ignored" U.S. negotiators when they sought to discuss Iran's missile program and the possibility military dimensions of Tehran's nuclear work.[5]

In July 2014, before the first JPOA extension, Khamenei significantly raised Iran's demands by stipulating that Iran needs twenty times the enrichment capacity that it currently has.[6] This demand underscored the wide gap between the P5+1 and Iran and further complicated efforts to impose reasonable limits on Iran's uranium enrichment program, which is required, under multiple U.N. Security Council resolutions, to be suspended. In January 2015, Ali Akbar Salehi, head of the Atomic Energy Organization of Iran (AEOI), reiterated Khamenei's statement and emphasized, "Now that Iran is at the apex of power and possesses the region's golden key, it will not climb down from its demands."[7]

The United States has not pushed back. Obama administration officials are on record committing to a deal that will "dismantle" "a lot" or "significant" portions of Iran's nuclear infrastructure.[8] But, based on press reporting and statements from administration officials, it now appears that the terms of a deal being negotiated in Geneva could fall far short of the dismantlement of "significant" portions or "a lot" of Iran's nuclear program.[9] P5+1 negotiators have put proposals on the table requiring that Iran disconnect the centrifuge piping at its enrichment facilities instead of dismantling its centrifuges entirely.[10] This is not an acceptable compromise. This scenario would position Iran to be able to easily resurrect its enrichment program in as little as a few weeks, simply by reconnecting the piping, or perhaps longer if excess centrifuges were removed and Iran could somehow be prevented from replacing them with fewer but more advanced

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[5] Louis Charbonneau & Parisa Hafezi, "Exclusive: Iran Pursues Ballistic Missile Work, Complicating Nuclear Talks," *Reuters*, May 15, 2014. (http://www.reuters.com/article/2014/05/15/us-iran-nuclear-missiles-idUSBREA4E11V20140515)

[6] Saeed Kamali Dehghan & Julian Borger, "Iran Needs Greater Uranium Enrichment Capacity, Says Ayatollah Ali Khamenei," *The Guardian* (U.K.), July 8, 2014. (http://www.theguardian.com/world/2014/jul/08/iran-increase-uranium-enrichment-capacity-supreme-leader-ali-khamenei)

[7] Ali Alfoneh, "Iran Nuclear Chief Reveals Gaps With P5+1," *FDD Policy Brief*, January 13, 2015. (http://defenddemocracy.org/media-hit/ali-alfoneh-iran-nuclear-chief-reveals-gaps-with-p51/)

[8] MaryAlice Parks, "Sec. John Kerry: 'No Daylight' Between Israel, U.S. on Goal for Iran Nuclear Program," *ABC News*, November 24, 2013; (http://abcnews.go.com/blogs/politics/2013/11/sec-john-kerry-no-daylight-between-israel-and-united-states/) Secretary of State John Kerry, "The P5+1's First Step Agreement With Iran on its Nuclear Program," *Testimony before the House Committee on Foreign Affairs*, December 10, 2013; (http://www.state.gov/secretary/remarks/2013/12/218578.htm) "Lead Negotiator: U.S. Would Consider Limited Enrichment By Iran with Conditions," *PBS Newshour*, December 4, 2013; (http://www.pbs.org/newshour/bb/world-july-dec13-sherman_12-04/) & The White House, Press Release, "Press Briefing by Press Secretary Jay Carney," January 23, 2014. (http://www.whitehouse.gov/the-press-office/2014/01/23/press-briefing-press-secretary-jay-carney-1232014)

[9] Paul Richter & Ramin Mostaghim, "Report Says U.S. May OK More Centrifuges in Iran Nuclear Talks," *Los Angeles Times*, October 20, 2014; (http://www.latimes.com/world/middleeast/la-fg-iran-nuclear-20141021-story.html) & David E. Sanger, "U.S. Hopes Face-Saving Plan Offers a Path to a Nuclear Pact With Iran," *The New York Times*, September 19, 2014. (http://www.nytimes.com/2014/09/20/world/middleeast/us-hopes-face-saving-plan-offers-apath-to-a-nuclear-pact-with-iran-.html?_r=0)

[10] David E. Sanger, "U.S. Hopes Face-Saving Plan Offers a Path to a Nuclear Pact With Iran," *The New York Times*, September 19, 2014. (http://www.nytimes.com/2014/09/20/world/middleeast/us-hopes-face-saving-plan-offers-apath-to-a-nuclear-pact-with-iran-.html?_r=0)

machines.[11] Yet, even after the West appeared willing to make this ill-advised concession, Iran refuses to reach an agreement with the international community.

As Robert Einhorn, former State Department special advisor for nonproliferation and arms control and former U.S. delegate to the Iran nuclear negotiations acknowledges, the "United States has made substantial concessions on the enrichment issue … but Iran has hardly budged."[12] He correctly notes that the United States has changed its position from "a ban on enrichment to allowing a small enrichment program and later from a small number of centrifuges to a significantly higher number. It also agreed that once the agreement expires, Iran would be free to proceed with its enrichment program in a manner and pace of its own choosing."

Iran, by contrast, has only "been prepared to discuss readily-reversible modifications of its centrifuge program that would only slightly reduce its existing enrichment capacity, it has not been willing to scale back its centrifuge capability sufficiently to make a compromise possible."[13]

Meanwhile, Iran is asserting regional dominance. In Lebanon, Hezbollah, terrorist group and Iranian proxy, has become the dominant political and military force;[14] in Iraq, the elite Quds Force of Iran's Islamic Revolutionary Guard Corps (IRGC) has reportedly taken over the defense of Iraq and the organization and direction of Iraqi forces against the Islamic State;[15] and in Yemen, Houthi militants supported by Iran have captured the presidential compound and control the capital of Sana'a.[16] Iranian officials openly brag about their newfound regional dominance. Ali Riza Zakani, a member of the Iranian parliament who is close to Iran's Supreme Leader, reportedly declared last year that three Arab capitals had "fallen into Iran's hands and belong to the Iranian Islamic Revolution," and that Sana'a would soon be the fourth.[17]

In Syria, more than a year after President Obama walked back from his redline over the use of chemical weapons, Iran's ally President Bashar al-Assad is more secure in his position. Indeed, the U.S. and coalition forces appear tacitly allied with Assad in the fight against the Islamic State. President Obama's letter to Khamenei in November 2014 about cooperation between the

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[11] Olli Heinonen, "Key Limitations on Iran's Uranium Enrichment Program," *Iran Task Force*, October 2014. (http://taskforceoniran.org/pdf/Enrichment_Memo.pdf)

[12] Robert Einhorn, "Will Iran Play Ball in Nuke Talks?," *The National Interest*, January 14, 2015. (http://nationalinterest.org/feature/will-iran-play-ball-nuke-talks-12031?page=4)

[13] Robert Einhorn, "Will Iran Play Ball in Nuke Talks?," *The National Interest*, January 14, 2015. (http://nationalinterest.org/feature/will-iran-play-ball-nuke-talks-12031?page=4)

[14] Tony Badran, "An Iranian Proxy Still Holds All The Cards In Lebanon," *Business Insider*, December 18, 2014. (http://www.businessinsider.com/an-iranian-proxy-still-holds-all-the-cards-in-lebanon-2014-12)

[15] Hamza Hendawi Qassim Abdul-Zahra, "Iran Has Never Been More Influential In Iraq," *Associated Press*, January 12, 2015. (http://www.businessinsider.com/iran-has-never-been-more-influential-in-iraq-2015-1)

[16] "Houthis Storm Presidential Palace in Yemen," *Al Arabiya* (Saudi Arabia), January 20, 2015. (http://english.alarabiya.net/en/News/middle-east/2015/01/20/Houthi-rebels-take-over-Yemeni-presidential-palace-.html)

[17] Michael Segall, "How Iran Views the Fall of Sana'a, Yemen: 'The Fourth Arab Capital in Our Hands,'" *Jerusalem Center for Public Affairs*, November 3, 2014. (http://jcpa.org/article/iran-sanaa-yemen/)

United States and Iran against the Islamic State in Iraq and Syria[18] reinforces the notion that there is a growing U.S.-Iran détente and possible American-Iranian coordination to weaken the Islamic State.[19] If anything, Obama's letter reinforced the perception that Washington *needs* Tehran, and this strengthens Iranian leverage at the nuclear negotiations.

Simultaneously, as a result of diminishing sanctions pressure, the Iranian economy has shown signs of modest growth and stabilization. There has been a notable shift in market sentiment,[20] both among Iranians and those companies interested in doing business with Iran. International companies that had refrained from engaging in transactions with Tehran over concerns about reputational and business risk are now exploring ways to re-enter the Iranian market in the event that sanctions are ultimately relaxed. And their prevailing assumption is that it is only a matter of time. Just this month Abbas Araghchi, Iran's chief nuclear negotiator, reportedly boasted according to Iranian media that America had "declare[d] to the entire world that the sanctions are still in place and only a part of the restrictions against Iran have been suspended" but that they had "proved unsuccessful to a large degree."[21]

Meanwhile, the change in Iranian consumer and investor sentiment has boosted Iran's economic performance, as reflected in modest GDP growth, a stabilization of Iran's currency, and a significant drop in inflation.[22]

Iran has been on a modest, albeit fragile, recovery path since its *annus horribilis* of 2012 and the first half of 2013, when the Iranian economy was hit with an asymmetric shock from sanctions. This included the targeting of: the Central Bank of Iran, Iranian oil exports, access to Iranian oil revenues, access to the SWIFT international banking system, the National Iranian Oil Company, key sectors of the Iranian economy, including energy, shipping and shipbuilding, and precious metals, among others. The poor economic management of the Iranian economy by the Mahmoud Ahmadinejad government (2005-2013) further exacerbated these sanctions-induced shocks. Since the election of Hassan Rouhani as Iran's president in June 2013, however, the economy has stabilized. Rouhani has a more competent economic team, working under less severe sanctions-induced economic stress than its predecessors, which has implemented more effective monetary and fiscal policies. This has strengthened the durability of Iran's recovery.

While Iran will not experience an economic boom until the vast majority of sanctions have been lifted, the diminished sanctions pressure and changing market psychology have stabilized the economy and strengthened its resilience to future pressure. Iran's official inflation rate dropped

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[18] Jay Solomon & Carol E. Lee, "Obama Wrote Secret Letter to Iran's Khamenei About Fighting Islamic State," *The Wall Street Journal*, November 6, 2014. (http://www.wsj.com/articles/obama-wrote-secret-letter-to-irans-khamenei-about-fighting-islamic-state-1415295291?autologin=y)

[19] Jay Solomon & Maria Abi-Habib, "U.S., Iran Relations Move to Détente," *The Wall Street Journal*, October 28, 2014. (http://www.wsj.com/articles/u-s-iran-relations-move-to-detente-1414539659?autologin=y)

[20] Paul Domjan & Mark Dubowitz, "New Sentiment Indicator Shows Positive Impact of Sanctions Relief on Iran's Economy," *FDD Iran Sanctions Analysis*, May 15, 2014. (http://defenddemocracy.org/media-hit/dubowitz-mark-new-sentiment-indicator-shows-positive-impact-of-sanctions-relief-on-irans/#sthash.AEV3FK45.dpuf)

[21] "Araqchi Stresses US Failure in Spoiling World's Post-Geneva Opportunities for Mending Ties with Iran," *Fars News Agency* (Iran), January 3, 2015 (http://english.farsnews.com/newstext.aspx?nn=13931013001218)

[22] Jennifer Hsieh, Rachel Ziemba, & Mark Dubowitz, "Iran's Economy, Out of the Red, Slowly Growing," *Foundation for Defense of Democracies & Roubini Global Economics*, October 2014. (http://defenddemocracy.org/content/uploads/publications/RoubiniFDDReport_Oct14.pdf)

from 40 percent in 2013 to under 20 percent by 2014, the rial is no longer plummeting, and GDP is forecast at about 2.5 percent for 2014/2015 compared to negative 6.6 percent in 2012/2013.[23] Even with oil prices plummeting, and the rial softening, Iran's economy is still likely to grow in 2015/16 by around 1.5 percent. This is a view corroborated by the recent World Bank global report, which tends to be conservative.[24]

The stabilization of the Iranian economy is a worrying development given the importance of economic pressure as an instrument of negotiating leverage. It is also a direct result of the Obama administration's decision to de-escalate the sanctions pressure, and the direct and indirect economic relief provided as part of the JPOA. These concessions represent a marked departure from years of sanctions escalation under George W. Bush and the first Obama administration, in which Congress played a critical role in imposing the most meaningful and effective sanctions on the Islamic Republic.

HISTORY OF SANCTIONS ESCALATION

Since 2006, when the United States joined the Europeans in negotiations with Iran and implemented a parallel pressure campaign to isolate Iran's economy, escalating sanctions have been effective in convincing Iran to negotiate over its illicit nuclear program.

Although Iran was first added to the State Department's State Sponsors of Terrorism list in 1984 and was subsequently under U.S. sanctions for its support for terrorism, missile proliferation, human rights abuses, and its nuclear program,[25] these sanctions failed to halt Iran's illicit activities. Beginning in 2006, the Bush administration, and then the Obama administration, with bipartisan leadership from Congress, designed a new and unprecedented campaign of economic pressure.

In the first two and a half years of the effort, beginning during the Bush administration, then-Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey made more than 80 visits to foreign countries to meet not only with his government counterparts but also with the heads of more than 60 banks.[26] These meetings had the effect of conditioning the environment to reject Iranian transactions. Simultaneously, using Executive Orders 13224 (2001) and 13382 (2005) targeting the financing of terrorism and weapons proliferation, respectively, Treasury began to designate individual Iranian banks for their role in facilitating illicit financial activities.

The State Department supported Treasury's efforts through a diplomatic push to explain the financial campaign, as well as to increase the political pressure on Iran. Working bilaterally and within the United Nations, Foggy Bottom began to build international buy-in for broader

[23] Jennifer Hsieh, Rachel Ziemba, & Mark Dubowitz, "Iran's Economy, Out of the Red, Slowly Growing," *Foundation for Defense of Democracies & Roubini Global Economics*, October 2014. (http://defenddemocracy.org/content/uploads/publications/RoubiniFDDReport_Oct14.pdf)
[24] World Bank, "Global Economic Prospects," January 2015, page 86. (http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015a/pdfs/GEP15a_web_full.pdf)
[25] "State Sponsors of Terrorism," *U.S. Department of State Website*, accessed June 13, 2014. (http://www.state.gov/j/ct/list/c14151.htm)
[26] Robin Wright, "Stuart Levey's War," *The New York Times*, November 2, 2008. (http://www.nytimes.com/2008/11/02/magazine/02IRAN-t.html?pagewanted=all&_r=0)

sanctions against Iran. It was not easy. While the U.N. Security Council eventually passed four sanctions resolutions against Iran starting in 2006,[27] each resolution required months of negotiations and significant compromises in order to get Chinese and Russian approval.

In 2009, the Obama administration, in an attempt to demonstrate its commitment to engagement with Tehran, suspended the Iran sanctions escalation campaign. Rather than convince the Iranians to negotiate, the pause in the steady drum beat of designations pursuant to existing executive orders provided Iran with economic breathing room and time to march ahead with its nuclear program. It also undermined the stated goal of the sanctions – to protect the integrity of the global financial system from Iranian illicit conduct.[28]

Meanwhile, Iran continued to refuse to cooperate with the IAEA or to comply with U.N. Security Council resolutions. Following the U.S., French, and British revelation of the existence of the previously undeclared Fordow nuclear enrichment plant near Qom in September 2009,[29] Iran briefly negotiated and agreed to a proposal to export its 20 percent enriched uranium for reprocessing and fuel fabrication for the Tehran Research Reactor.[30] Within weeks of the announced deal, however, Supreme Leader Khamenei voiced strong opposition to the agreement.[31] Iran then offered counterproposals that weakened the deal and were unacceptable to the P5+1.[32]

Once the Obama administration recognized that its diplomatic overtures were being ignored, it gave Treasury permission to resume the financial pressure campaign. Juan Zarate, a former Treasury Assistant Secretary who was the architect of what became Treasury's Office of Terrorism and Financial Intelligence, observed that it took several years to rebuild the economic pressure necessary to convince Iranian leaders to come to the table.[33]

Concerned that the pressure was insufficient to halt Iran's nuclear weapons program, Congress intervened through the bipartisan passage of multiple pieces of legislation.[34] Passed between

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[27] "United Nations Sanctions," *Foundation for Defense of Democracies Website*, accessed October 28, 2014. (http://defenddemocracy.org/united-nations-sanctions)

[28] Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare* (New York: Public Affairs, 2013), pages 324-328.

[29] David E. Sanger & William J. Broad, "U.S. and Allies Warn Iran Over Nuclear 'Deception,'" *The New York Times*, September 25, 2009. (http://www.nytimes.com/2009/09/26/world/middleeast/26nuke.html?pagewanted=all)

[30] David E. Sanger, "Iran Deal Would Slow Making of Nuclear Bombs," *The New York Times*, October 21, 2009. (http://www.nytimes.com/2009/10/22/world/middleeast/22nuke.html)

[31] Nima Gerami, "Leadership Divided? The Domestic Politics of Iran's Nuclear Debate," *The Washington Institute for Near East Policy*, February 2014, page 34. (http://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus134_Gerami-2.pdf)

[32] "Iran Puts Conditions on Nuclear Fuel Swap," *USA Today*, December 12, 2009. (http://usatoday30.usatoday.com/news/world/2009-12-12-iran-nuclear_N.htm)

[33] Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare* (New York: PublicAffairs, 2013), pages 324-328; & Stuart Levey, "Comments During Panel on Terrorist Financing," Aspen Institute, July 2011, cited in "Zarate Blasts Obama's Iran Sanctions Pause," *Money Jihad*, October 7, 2011. (http://moneyjihad.wordpress.com/2011/10/07/zarate-blasts-obamas-iran-sanctions-pause/)

[34] U.S. House of Representatives, 111th Congress, 2nd Session, P.L. 111-195, "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010," *Government Printing Office*, 2010; (http://www.treasury.gov/resource-center/sanctions/Documents/hr2194.pdf) U.S. House of Representatives, 112th Congress, 1st Session, P.L. 112-81, "National Defense Authorization Act for Fiscal Year 2012," Section 1245:

2010 and 2013, the congressional sanctions targeted Iran's financial, energy, shipping, insurance, precious metals, and industrial trade, including successful efforts (initially opposed by the Obama administration) to cut off Iran's economic and financial lifelines. This included its crude oil exports, Central Bank of Iran (CBI) access to the global financial system, and the use of the SWIFT banking system.

Of these legislative sanctions, the most impactful was the Menendez-Kirk amendment, under Section 1245 of the National Defense Authorization Act (NDAA) of 2012. It built on an extraordinary step taken by Treasury on November 22, 2011. Expanding on its designations of Iranian financial institutions, Treasury issued a Section 311 (of the Patriot Act) finding that the entire country of Iran was "a jurisdiction of primary money laundering concern," citing Iran's "support for terrorism," "pursuit of weapons of mass destruction," and use of "deceptive financial practices to facilitate illicit conduct and evade sanctions."[35] Treasury targeted the CBI and made it clear that the country's entire financial system posed "illicit finance risks for the global financial system."[36]

The Menendez-Kirk amendment, building off of Treasury's 311 finding, targeted foreign financial institutions conducting transactions with the Central Bank of Iran.[37] The legislation blocked the assets of designated Iranian financial institutions, including the CBI. Menendez-Kirk also prohibited access to the U.S. financial system for any foreign financial institution that the President determined had conducted or facilitated significant financial transactions with the Central Bank of Iran or any other designated Iranian financial institution (with humanitarian exceptions as well as crude oil exceptions for those countries "significantly reducing" their volume of crude oil imports). The implementation of these sanctions effectively cut off the CBI from the global financial system and reduced Iranian crude oil exports, which accounted then for approximately 80 percent of Iran's export earnings, from 2.5 million barrels per day to approximately 1 million.[38]

Despite the broad bipartisan support for the Menendez-Kirk amendment, the Obama White House strongly opposed it. Opposition to the idea of sanctioning the Central Bank of Iran and

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Imposition of Sanctions With Respect to the Financial Sector of Iran, *Government Printing Office*, 2011; (http://www.gpo.gov/fdsys/pkg/BILLS-112hr1540enr/pdf/BILLS-112hr1540enr.pdf) U.S. House of Representatives, 112th Congress, 2nd Session, H.R. 1905, "Iran Threat Reduction and Syria Human Rights Act of 2012," *Government Printing Office*, 2012; (http://www.gpo.gov/fdsys/pkg/BILLS-112hr1905enr/pdf/BILLS-112hr1905enr.pdf) & U.S. House of Representatives, 112th Congress, 2nd Session, H. R. 4310, "National Defense Authorization Act for Fiscal Year 2013," Section 1241: Iran Freedom and Counter-Proliferation Act of 2012, *Government Printing Office*, 2012. (http://www.gpo.gov/fdsys/pkg/BILLS-112hr4310enr/pdf/BILLS-112hr4310enr.pdf)

[35] U.S. Department of the Treasury, Press Release, "Finding That the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern," November 18, 2011. (http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf)

[36] U.S. Department of the Treasury, Press Release, "Fact Sheet: New Sanctions on Iran," November 21, 2011. (http://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx)

[37] U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Amends Iranian Financial Sanctions Regulations to Implement the National Defense Authorization Act," February 27, 2012. (http://www.treasury.gov/press-center/press-releases/Pages/tg1434.aspx)

[38] U.S. Energy Information Administration, "Sanctions Reduced Iran's Oil Exports And Revenues In 2012," *Today in Energy*, April 26, 2013. (http://www.eia.gov/todayinenergy/detail.cfm?id=11011)

Iranian oil exports dated back to the Bush administration. It stemmed from fear of sending shock waves through financial and energy markets. However, Congress ultimately challenged conventional wisdom that these sanctions should be off limits.[39] In December 2011, then-Treasury Secretary Geithner wrote a letter to Senate leaders expressing the "administration's strong opposition to this amendment," and Under Secretary of State Wendy Sherman and Treasury Under Secretary David Cohen spoke out against the amendment at a Senate Foreign Relations Committee hearing.[40]

Using arguments that they are repeating today, Obama administration officials expressed deep concerns that the amendment would alienate U.S. allies, undermine the international effort to isolate Iran, and redound to Iran's benefit.[41] Congress overrode their objections, however. The final version of the amendment passed by a vote of 100-0, including with the support of then-chairman of the Senate Foreign Relations Committee John Kerry.[42] Obama administration officials now acknowledge that the provision was "extraordinarily successful in driving down Iran's ability to sell oil" and has "proven to be so effective."[43]

In February 2012, a similar dynamic developed as Congress pushed for new coercive sanctions measures.[44] By that time, SWIFT (Society for Worldwide Interbank Financial Telecommunication) represented one of Tehran's last entry points into the global financial system. Iran had been using SWIFT's ubiquitous electronic financial messaging service to conduct business with its trading partners, to sell its oil, to raise capital for its energy sector, to procure energy-related equipment and technology, and to buy and sell other goods and services. In 2010, 19 Iranian banks and 25 Iranian entities reportedly used SWIFT more than 2 million times, sending 1,160,000 messages and receiving 1,105,000.[45] These messages and transactions amounted to $35 billion in trade with Europe alone.[46]

Congress sought to prevent Iran from accessing the SWIFT system in accordance with SWIFT's own bylaws requiring that its "services should not be used to facilitate illegal activities."

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[39] John Hannah, "Sanctioning Iran's Central Bank: An Important Step Too Long In Coming," *Foreign Policy*, May 17, 2012. (http://foreignpolicy.com/2012/05/17/sanctioning-irans-central-bank-an-important-step-too-long-in-coming/)

[40] Josh Rogin, "Menendez Livid at Obama Team's Push to Shelve Iran Sanctions Amendment," *Foreign Policy*, December 1, 2011. (http://foreignpolicy.com/2011/12/01/menendez-livid-at-obama-teams-push-to-shelve-iran-sanctions-amendment/)

[41] Josh Rogin, "Menendez Livid at Obama Team's Push to Shelve Iran Sanctions Amendment," *Foreign Policy*, December 1, 2011. (http://foreignpolicy.com/2011/12/01/menendez-livid-at-obama-teams-push-to-shelve-iran-sanctions-amendment/)

[42] Josh Rogin, "Iran Sanctions Amendment Emerges from Conference Largely Intact," *Foreign Policy*, December 13, 2011. (http://foreignpolicy.com/2011/12/13/iran-sanctions-amendment-emerges-from-conference-largely-intact/)

[43] Under Secretary of the Treasury for Terrorism and Financial Intelligence David Cohen, "FY15 Department of the Treasury's Office of Terrorism and Financial Intelligence Budget," *Testimony before the Senate Appropriations Subcommittee on Financial Services and General Government*, April 2, 2014. (http://www.cq.com/doc/congressionaltranscripts-4453825?5&search=Rz3w3nor)

[44] Paul Richter, "Obama Administration Takes Back Seat On Iran Sanctions," *Los Angeles Times*, February 17, 2012. (http://articles.latimes.com/2012/feb/17/world/la-fg-us-iran-20120218)

[45] "Annual Review 2010," *SWIFT Website*, accessed January 9, 2012, page 29. (http://www.swift.com/about_swift/publications/annual_reports/annual_review_2010/SWIFT_AR2010.pdf)

[46] Editorial, "Swift Sanctions on Iran," *The Wall Street Journal*, February 1, 2012. (http://online.wsj.com/news/articles/SB10001424052970203718504577178902535754464)

Moreover, SWIFT was required by its own bylaws to prohibit access if a "user is subject to sanctions."[47] The Senate Banking Committee began working on an amendment. Co-authored by Senators Menendez and Roger Wicker, and inspired by Senator Mark Kirk, the amendment provided the administration with the authority to sanction financial communications services providers, including SWIFT, if they serviced EU-designated financial institutions. The amendment ultimately became part of the Iran Threat Reduction and Syria Human Rights Act (ITRA) of 2012 and passed with overwhelming bipartisan support.

The Obama administration, however, was hesitant to target Iran's access to SWIFT. The administration sought to persuade key legislators that it was better positioned to pursue this matter quietly rather than having Congress adopt punitive measures against a critical global financial actor, like SWIFT. However, as in other cases of sanctions against Iran, congressional pressure proved to be useful leverage in persuading foreign governments, in this case the European Union, to pass and enforce their own sanctions.

The European Council soon announced that, "no specialized financial messaging shall be provided to those persons and entities subject to an asset freeze." EU regulators instructed SWIFT to remove specified Iranian banks from the SWIFT network.[48] SWIFT's chief executive Lázaro Campos announced that his consortium would remove Iranian banks, noting that, "disconnecting banks is an extraordinary and unprecedented step for SWIFT. It is a direct result of international and multilateral action to intensify financial sanctions against Iran."[49] Once again, the threat of congressional sanctions, passed over the objections of the Obama administration, played an important role in persuading foreign governments, in this case the EU, to comply with U.S.-led pressure on Iran.[50]

In short, Congress has withstood pressure from the Obama administration and moved ahead in a broad, bipartisan way to impose several of the most impactful sanctions on Iran. These sanctions were later embraced by the administration, and led to Iran's sanctions-induced economic crisis in 2012 and 2013, which provided the U.S. with its best leverage to convince Iran to compromise on its nuclear program.

Today, however, P5+1 sanctions relief and the decision by the Obama administration to de-escalate the sanctions pressure have undercut that leverage. Iran's Supreme Leader Khamenei remains unwilling to compromise. Now, deadline-triggered sanctions must be part of the strategy to reverse the troubling dynamic of decreasing U.S. leverage and Iranian intransigence.

DEADLINE-TRIGGERED SANCTIONS: ARGUMENTS & RESPONSES

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[47] "SWIFT Corporate Rules," *SWIFT Website*, accessed September 6, 2014. (http://www.swift.com/about_swift/legal/swift_corporate_rules?rdet=t)

[48] "Payments System SWIFT to Expel Iranian Banks Saturday," *Reuters*, March 15, 2012. (http://www.reuters.com/article/2012/03/15/us-nuclear-iran-idUSBRE82E15M20120315)

[49] Rick Gladstone & Stephen Castle, "Global Network Expels as Many as 30 of Iran's Banks in Move to Isolate Its Economy," *The New York Times*, March 16, 2012. (http://www.nytimes.com/2012/03/16/world/middleeast/crucial-communication-network-expelling-iranian-banks.html?_r=0)

[50] Rachelle Younglai & Roberta Rampton, "U.S. Pushes EU, SWIFT to Eject Iran Banks," *Reuters*, February 15, 2012. (http://www.reuters.com/article/2012/02/16/us-iran-usa-swiftidUSTRE81F00I20120216)

Obama administration officials have come to acknowledge the important role sanctions played in convincing Iran to come to the negotiating table.[51] As those sanctions were aimed at changing the calculus of the Iranian regime, so too are new deadline-triggered sanctions aimed at convincing the Iranian government to compromise.

The following are the arguments and responses on the legitimacy and efficacy of deadline-triggered sanctions.

1. The Joint Plan of Action has "frozen" Iran's nuclear program; deadline-trigger sanctions threaten this achievement.

Argument

President Obama and senior administration officials have argued that the Joint Plan of Action has "frozen" Iran's nuclear program and, in key areas, "rolled it back."[52] They argue that deadline-triggered sanctions could put an end to the negotiations,[53] or prevent them from preserving the JPOA's status quo, which, even if imperfect, is better than the alternatives.[54] The administration warns that deadline-triggered sanctions could lead to Iranian nuclear escalation shortening Iran's "breakout" time or clandestine "sneakout" ability,[55] a rupture of the international coalition,[56] and the necessity of U.S. military strikes to prevent an Iranian nuclear weapon.[57]

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[51] For example, see The White House, Office of the Press Secretary, "Background Briefing by Senior Administration Officials on First Step Agreement on Iran's Nuclear Program," November 24, 2013. (http://www.whitehouse.gov/the-press-office/2013/11/24/background-briefing-senior-administration-officials-first-step-agreement)

[52] For example, see Marie Harf, "Daily Press Briefing," *U.S. Department of State*, January 14, 2015; (http://www.state.gov/r/pa/prs/dpb/2015/01/235983.htm#IRAN2) President Barack Obama, "President Obama and UK Prime Minister David Cameron Hold Joint News Conference," January 16, 2014; (http://www.cnn.com/TRANSCRIPTS/1501/16/se.01.html) Secretary of State John Kerry, "Extension of Iran Nuclear Talks," *U.S. Department of State*, July 18, 2014; (http://www.state.gov/secretary/remarks/2014/07/229491.htm) & Samantha Power, "Remarks at the University of Louisville McConnell Center," *University of Louisville*, January 12, 2015. (http://usun.state.gov/briefing/statements/235806.htm)

[53] Laura Rozen & Julian Pecquet, "US Tells Congress New Sanctions Could Derail Iran Deal Talks," *Al-Monitor*, July 29, 2014. (http://www.al-monitor.com/pulse/originals/2014/07/us-congress-iran-nuclear-deal-sanctions.html#)

[54] "Kerry Says Only 'Fools' Would Walk Away From Nuclear Talks," *Agence France-Presse*, November 24, 2014. (http://news.yahoo.com/kerry-says-only-fools-walk-away-nuclear-talks-180123390.html)

[55] For example: If legislation is passed, "likelihood of the entire negotiations collapsing is very high. And if that happens, there is no constraint on Iran, at that point, going back and doing exactly what it had been doing before they came to the table: developing a heavy water reactor that, once built, is extraordinary difficult to dismantle and very difficult to hit militarily, going back at underground facilities that are very hard to reach militarily, accelerating advanced centrifuges that shorten the time span in which they can achieve breakout capacity." President Barack Obama, "President Obama and UK Prime Minister David Cameron Hold Joint News Conference," January 16, 2014. (http://www.cnn.com/TRANSCRIPTS/1501/16/se.01.html)

[56] For example: "New sanctions will actually likely weaken the sanctions pressure on Iran, by undermining crucial international support for the existing multilateral sanctions against Iran. ... If we pull the trigger on new nuclear-related sanctions now, we will go from isolating Iran to potentially isolating ourselves." Samantha Power, "Remarks at the University of Louisville McConnell Center," *University of Louisville*, January 12, 2015. (http://usun.state.gov/briefing/statements/235806.htm)

[57] Christi Parsons, "Obama Tells Congress That More Sanctions On Iran Could Lead To War," *Los Angeles Times*, January 16, 2015. (http://www.latimes.com/world/middleeast/la-fg-obama-iran-talks-20150116-story.html)

Response

The JPOA has not frozen Iran's program. Rather, it has suspended some key elements of the program while allowing Iran to continue advancing other elements, all the while increasing its nuclear leverage. In truth, under the JPOA, Iran has suspended mostly those aspects of the program that no longer need significant advancement, while continuing to work on those elements of the program it has not yet mastered. This is a critical distinction. This strategy follows one established by President Rouhani, dating back to his time as Iran's chief nuclear negotiator with the EU3 (Britain, France and Germany) from 2003 to 2005. Rouhani described this strategy as one in which, "We [Iran] only agreed to suspend activities in those areas where we did not have technical problems."[58] He further described this approach as central to the development of a key nuclear facility: "While we were talking with the Europeans in Tehran, we were installing equipment in parts of the nuclear conversion facility in Isfahan. By creating a calm environment, we were able to complete the work there."[59]

Under Rouhani's leadership, which has been widely hailed as "moderate," Iran has continued this strategy of advancing its nuclear program while negotiating in a more "calm environment." In areas not adequately addressed by the JPOA, Iran is gaining time to advance the military-nuclear elements of its program.

On the positive side, Iran has agreed to: temporarily cease enriching uranium to 20 percent; not add to its stockpiles of 3.5 percent enriched uranium in *non-oxide* form; not install new centrifuges, or turn on installed but not yet operationalized existing machines, in its enrichment facilities; suspend construction of the nuclear-related elements of its Arak heavy-water reactor, though general construction can continue; and, stop semi-industrial and industrial-size production of its existing advanced centrifuges or the feeding of uranium hexafluoride gas (UF6) into more advanced models for the purpose of enrichment. It also has permitted the IAEA to increase the frequency and quality of its monitoring of Iran's declared facilities. As a result, Iran's breakout time, defined as the time it takes to produce a bomb's worth or more of weapons-grade uranium, lengthened from one month prior to the JPOA[60] to about two months in April.[61] Announcing the extension of the JPOA, Secretary Kerry stated that as a result, Iran's breakout time "has already been expanded."[62]

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[58] Hassan Rouhani, "Beyond the Challenges Facing Iran and the IAEA Concerning the Nuclear Dossier," *Text of speech to the Supreme Cultural Revolution Council originally printed in Rahbord*, September 30, 2005, page 13. (http://lewis.armscontrolwonk.com/files/2012/08/Rahbord.pdf)

[59] Chen Kane, "Nuclear Decision-Making in Iran: A Rare Glimpse," *Brandeis University*, May 2006. (http://www.brandeis.edu/crown/publications/meb/MEB5.pdf)

[60] Oren Dorell, "Report: Iran May Be Month From a Bomb," *USA Today*, October 25, 2013. (http://www.usatoday.com/story/news/world/2013/10/24/iran-bomb-one-month-away/3181373/)

[61] Stuart Winer & AFP, "Kerry: Iran Could Produce Nuclear Bomb in Two Months," *Times of Israel*, April 9, 2014; (http://www.timesofisrael.com/kerry-iran-could-produce-nuclear-bomb-in-two-months/)

[62] Secretary of State John Kerry, "Solo Press Availability in Vienna, Austria," *U.S. Department of State*, November 24, 2014. (http://www.state.gov/secretary/remarks/2014/11/234363.htm). Unlike Secretary Kerry's assessment, nuclear nonproliferation expert David Albright continues to estimate Iran's breakout time as two months. David Albright, "Next Steps to Achieve a Comprehensive Deal," *Testimony before the Senate Foreign Relations Committee*, December 3, 2014, page 13.

Iran, however, has taken advantage of gaps and ambiguities in, and differences in interpretation regarding, the JPOA. Iran has engaged in mechanical testing of advanced centrifuges, accumulated low-enriched uranium in easily reversible oxide form, announced the construction of two new nuclear reactors, and continued to engage in illicit procurement for its nuclear program. Iran also has benefitted from other areas where the JPOA does not address key elements of Iran's nuclear infrastructure, including long-range ballistic missiles capable of carrying a nuclear warhead or long-standing IAEA concerns about the possible military dimensions of Iran's program.

As the JPOA negotiations drag on, Iran continues to enrich uranium below five percent and it continues to stockpile this enriched uranium in an oxide form easily converted into gas for further enrichment. Between January 20 and November 24, 2014, for example, Iran accumulated roughly 2,681 kilograms of low-enriched uranium,[63] which is enough for approximately two and a half nuclear bombs, if further enriched to weapons grade.[64] Experts expect that the current extension will allow the Iranians to enrich about one more bomb's worth of low enriched uranium.[65]

Iran has also continued advanced centrifuge research and development. Iran announced it conducted "mechanical" tests on an IR-8 advanced centrifuge.[66] Iran introduced UF6 gas into an IR-5 advanced centrifuge, in apparent violation of the JPOA. The administration has asked Iran to cease this activity.[67] These are not merely technical concerns. On the contrary, these easier-to-hide, next-generation centrifuges require smaller numbers of units to produce weapons-grade uranium. In other words, by using advanced centrifuges rather than the less efficient IR-1s

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(http://www.isisnucleariran.org/assets/pdf/Albright_Testimony_Senate_Foreign_Relations_Committee_Dec_3_2014-Final.pdf)

[63] This number includes the 2,566 kg that Iran has enriched to 3.5 percent and the 115.6 kg of 20 percent enriched uranium that Iran has down-blended according to the terms of the JPOA. David Albright & Paulina Izewicz, "Update on Iran's Stock of Less than Five Percent Low Enriched Uranium," *Institute for Science and International Security*, November 24, 2014. (http://www.isisnucleariran.org/assets/pdf/35_LEU_stocks_report_Iran_nuclear_ISIS_update_Nov24_final.pdf)

[64] This estimate is derived from the number of kilograms of LEU that The Wisconsin Project on Nuclear Arms Control reported would be "theoretically needed to produce a bomb's worth of weapon-grade uranium metal." See Valerie Lincy & Gary Milhollin, "Iran's Nuclear Timetable," *Iran Watch*, December 2, 2014. (www.iranwatch.org/our-publications/articles-reports/irans-nuclear-timetable)

[65] This estimate comes from calculations conducted by Greg Jones, a senior research and nuclear analyst at the Nonproliferation Policy Education Center. It was cited in Adam Kredo, "Iran: 'Americans Have Very Clearly Surrendered'," *The Washington Free Beacon*, November 25, 2014. (http://freebeacon.com/national-security/iran-americans-have-very-clearly-surrendered)

[66] See the case of the IR-8, as it, and other such centrifuges pose similar challenges. Michelle Moghtader & Fredrik Dahl, "Iran Says Tested New Nuclear Enrichment Machine, May Irk West," *Reuters*, August 27, 2014; (http://www.reuters.com/article/2014/08/27/us-iran-nuclear-centrifuges-idUSKBN0GR1KL20140827) & The International Atomic Energy, "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran," November 7, 2014, page 6. (http://www.iaea.org/sites/default/files/gov2014-58.pdf) For more details, see text of footnote 33 in the IAEA report.

[67] David Albright & Andrea Stricker, "A Note On Iran's IR-5 Centrifuge Feeding," *Institute for Science and International Security*, page 1. (http://www.isisnucleariran.org/assets/pdf/Note_IR-5_Feeding_Iran_Nuclear_JPA_20Nov2014-Final.pdf)

currently enriching uranium, Tehran could more rapidly produce weapons-grade uranium in a shorter, less detectable, manner.

The JPOA also does not address Iran's development of ballistic missiles. The Islamic Republic continues the testing and development of these missiles, including long-range models capable of delivering a nuclear warhead. Iran is required by U.S. legislation and U.N. Security Council resolutions to cease its ballistic missile development.[68] Top administration officials repeatedly told lawmakers and the press that Iran would have to address its ballistic missile program in the context of a final agreement. Nonetheless, Tehran has routinely stated that ballistic missiles will not be part of any negotiations.[69]

Nor does the JPOA address all aspects of Iran's illicit nuclear activities. Iran has continued its illicit procurement, including procurement for its Arak heavy-water reactor. The United States has reportedly presented evidence to the United Nations that Iran is escalating efforts to procure equipment for Arak.[70] This procurement is a violation of U.N. Security Council resolutions, but the Obama administration has argued that Iran is not violating the JPOA.[71] In fact, U.S. government experts have repeatedly presented evidence about Tehran's illicit nuclear activities and non-compliance with its international nuclear obligations to the U.N. Panel of Experts while simultaneously stating that Iran is in compliance with the JPOA. This underscores the many gaps between the JPOA and the UNSC resolutions and the danger that Iran may continue to negotiate concessions that undercut these original resolutions.

The JPOA also does not address adequately Iran's lack of cooperation with the IAEA on questions of the possible military dimensions (PMDs) of Iran's program. Instead, it makes the "IAEA responsible for verification of nuclear-related measures," and establishes a "Joint Commission" of the P5+1 and Iran to "work with the IAEA to facilitate resolution of past and present issues of concern."[72] IAEA Director General Yukiya Amano has been clear that Iran has not resolved outstanding issues of concern related to Iran's past and possibly ongoing

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[68] Among other references to Iran's ballistic missile capabilities, U.N. Security Council Resolution 1929 of June 2010 states, "Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons, including launches using ballistic missile technology, and that States shall take all necessary measures to prevent the transfer of technology or technical assistance to Iran related to such activities." United Nations, Press Release, "Security Council Imposes Additional Sanctions on Iran, Voting 12 in Favour to 2 Against, with 1 Abstention Brazil, Turkey, Lebanon Say Tehran Declaration Could Boost Diplomatic Efforts, While Sanctions Represent Failure of Diplomacy," June 9, 2010. (http://www.un.org/News/Press/docs/2010/sc9948.doc.htm)

[69] "موشک‌های ایران تحت هیچ شرایطی قابل مذاکره نیست/ مداخله هیچکس را نمی‌پذیریم" *Fars News Agency* (Iran), April 16, 2014; (http://www.farsnews.com/newstext.php?nn=13930126000956) & "Iran Will Boost Missile Capability: Cmdr.," *Press TV* (Iran), May 26, 2014; (http://www.presstv.com/detail/2014/05/26/364239/iran-says-will-make-stronger-missiles/) & "روحانی: توان موشکی ایران به هیچ وجه قابل مذاکره نیست" *Kayhan* (Iran), August 17, 2014. (http://kayhan.ir/fa/news/21352)

[70] Ian J. Stewart & Andrea Stricker, "US Should Stop Iran Buying Material for Arak Nuclear Plant," *The Telegraph* (U.K.), December 12, 2014; (http://www.telegraph.co.uk/news/worldnews/middleeast/iran/11288503/US-should-stop-Iran-buying-material-for-Arak-nuclear-plant.html) & Colum Lynch, "U.S. Accuses Iran of Secretly Breaching U.N. Nuclear Sanctions," *Foreign Policy*, December 8, 2014. (http://foreignpolicy.com/2014/12/08/us-accuses-iran-of-secretly-breaking-un-nuclear-sanctions-exclusive/)

[71] Jen Psaki, "Daily Press Briefing," *U.S. Department of State*,, December 8, 2014. (http://www.state.gov/r/pa/prs/dpb/2014/12/234818.htm#IRAN)

[72] "Joint Plan of Action," Geneva, November 24, 2013, page 1. (http://eeas.europa.eu/statements/docs/2013/131124_03_en.pdf)

weaponization activities.[73] A September 2014 IAEA report revealed that Iran has failed to implement the preliminary, incremental steps it promised to the IAEA.[74]

The IAEA and the international community continue to have an incomplete picture of the Iranian nuclear program and its history. Without resolving these issues of the possible military dimensions of Iran's program, the IAEA will not easily establish an effective monitoring, verification, and inspection regime to ensure that Iran's nuclear activities are peaceful. The IAEA cannot determine how far along Iran is on the path to nuclear weapons, what are the nature of past and current activities, and who is involved. Without this baseline, it will be difficult to design an effective monitoring, verification, and inspection regime.[75] As former Deputy Director of the IAEA Olli Heinonen explained, "the IAEA Secretariat will not be able to come to a conclusion that all nuclear material in Iran is in peaceful use."[76]

Addressing the issue of Iran's past nuclear activities and possible military dimensions of the program is not a question of punitively insisting upon an Iranian *mea culpa* or capitulation. It is a question of compliance with international obligations and is a prerequisite to establishing a robust verification regime under any deal. It also cuts right to the core of the question as to whether Iran has "frozen" its nuclear program. Without getting straight answers on PMDs before any final agreement is reached, and giving Iran the space to advance other aspects of its military-nuclear program, the JPOA allows Iran to use the "calm environment" afforded by the negotiations to advance its program in a number of dangerous areas.

2. Deadline-triggered sanctions violate a U.S. commitment to "refrain from imposing new nuclear-related sanctions."

Argument

The administration argues that sanctions, whether or not deadline-triggered or imposed by Congress, are a violation of the JPOA. According to the Joint Plan of Action, the "U.S. Administration, acting consistent with the respective roles of the President and the Congress, will refrain from imposing new nuclear-related sanctions."[77] The JPOA explicitly notes that this commitment, as well as all other P5+1 and Iranian commitments, is "time-bound, with a duration

[73] Jay Solomon, "Iran Blocks Inspections, Hobbling Nuclear Deal," *The Wall Street Journal*, October 31, 2014; (http://online.wsj.com/articles/iran-blocks-inspections-hobbling-nuclear-deal-1414797490) & "Challenges in Nuclear Verification: The IAEA's Role on the Iranian Nuclear Issue," *Brookings Institution*, October 31, 2014. (http://www.brookings.edu/events/2014/10/31-challenge-nuclear-verification-iran-iaea-amano)

[74] International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran," September 5, 2014. (http://isis-online.org/uploads/isis-reports/documents/gov-2014-43.pdf)

[75] Nuclear Verification Capabilities Independent Task Force of the Federation of American Scientists, "Verification Requirements for a Nuclear Agreement with Iran," September 2014. (http://fas.org/wp-content/uploads/2014/09/verification-requirements-for-a-nuclear-agreement-with-iran-sept-2014.pdf)

[76] Olli Heinonen, "Verifying Iran's Nuclear Compliance," *Testimony before the House Committee on Foreign Affairs*, June 10, 2014. (http://belfercenter.ksg.harvard.edu/publication/24303/olli_heinonens_testimony_on_verifying_irans_nuclear_compliance.html)

[77] "Joint Plan of Action," Geneva, November 24, 2013, page 3. (http://eeas.europa.eu/statements/docs/2013/131124_03_en.pdf)

of 6 months, and renewable by mutual consent, during which all parties will work to maintain a constructive atmosphere for negotiations in good faith."[78]

Response

The deadline-triggered sanctions under consideration will take effect if, and only if, no agreement is reached by the June 30, 2015 deadline. This deadline is not congressionally invented but rather a deadline agreed-upon by the P5+1 and Iran. In fact, it represents the second extension of the original JPOA deadline agreed to as part of the JPOA implementation agreement in January 2014.[79] The JPOA does not prohibit Congress from introducing, let alone passing, deadline-triggered sanctions to be implemented after the JPOA's duration. The deadline-triggered sanctions legislation reportedly also provides the President with unlimited 30-day waivers after the June 30, 2015 deadline to waive the imposition of new sanctions indefinitely subject to a certification that continued negotiations are "likely to result in achieving a long-term comprehensive solution with Iran."[80]

Two weeks ago, State Department Spokesperson Marie Harf reiterated, "If we can't [get an agreement], we can put … additional sanctions on in 24 hours."[81] Deadline-triggered sanctions reinforce that statement by changing it from a hypothetical to a statement of fact: "If we can't get an agreement *by June 30, 2015*, we *will* put additional sanctions on in 24 hours." Congressional legislation laying out deadline-triggered sanctions specifies that there are consequences if Iran refuses to reach an agreement by the June 30, 2015 deadline. Congressional action strengthens, and adds credibility to, the administration's self-imposed deadline with a sequenced, and gradually accelerated, series of sanctions if no deal is reached.

There have also been arguments raised that legislation would "tie the hands" of the negotiators. While I would argue, and have argued in the past,[82] that Congress must be permitted to play a role in assessing the general parameters of a final agreement, the deadline-triggered sanctions legislation reportedly includes only Sense of Congress language on what these general parameters should include.[83] The deadline-triggered sanctions are reportedly linked to whether or

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[78] "Joint Plan of Action," Geneva, November 24, 2013, page 1. (http://eeas.europa.eu/statements/docs/2013/131124_03_en.pdf)

[79] Parisa Hafezi & Justyna Pawlak, "Iran Nuclear Deal To Take Effect On January 20," *Reuters*, January 12, 2014. (http://www.reuters.com/article/2014/01/12/us-iran-nuclear-idUSBREA0B0H820140112)

[80] Julian Pequet, "Congress to Vote on Toned-Down Iran Sanctions Bill," *Al Monitor*, January 16, 2015. (http://www.al-monitor.com/pulse/originals/2015/01/iran-sanctions-toned-down-bill-vote.html#)

[81] Marie Harf, "Daily Press Briefing," *U.S. Department of State*, January 13, 2015. (http://www.state.gov/r/pa/prs/dpb/2015/01/235916.htm)

[82] Mark Dubowitz & Richard Goldberg, "Smart Relief After An Iran Deal," *Foundation for Defense of Democracies*, June 2014. (http://www.defenddemocracy.org/content/uploads/documents/Final_Smart_Sanctions_Report.pdf)

[83] U.S. Senate, 114th Congress, 1st Session, "A Bill to Expand Sanctions Imposed with Respect to Iran and to Impose Additional Sanctions with Respect to Iran, and For Other Purposes," pages 4-7, accessed January 16, 2015. (http://www.al-monitor.com/pulse/files/live/sites/almonitor/files/documents/2015/M-K%20Iran%20Sanctions%20Bill%202015.pdf)

not the P5+1 and Iran have reached a viable agreement by June 30, 2015, and the trigger is not reportedly related to the content of the agreement between the P5+1 and Iran.[84]

3. Iran will walk away from the negotiations if sanctions, including deadline-triggered measures, are imposed.

Argument

The Obama administration argues that the passage of deadline-triggered sanctions will cause Iran to walk away from the negotiating table. Iran's chief nuclear negotiator, Foreign Minister Mohammed Zarif, made this threat in December 2013,[85] during the debate over S.1881, the *Nuclear Weapon Free Iran Act of 2013*, a predecessor to the legislation currently under consideration by this Committee, which the Obama administration also threatened to veto.

Response

The Iranian threat to walk away from the negotiations is counter-historical. Iran has remained at the negotiation table for over a decade, using talks to legitimize its nuclear weapons program, and to avoid a full U.S.-led financial and trade embargo. Iran began negotiating first with the EU3 (U.K., France, and Germany) between 2003 and 2005, and then with the P5+1 beginning in 2006. At the same time, starting in 2006, Iran faced increasing and escalating rounds of pressure from the United States, European Union, the U.N. Security Council, and the broader international community. At no point during these negotiations, despite numerous rounds of international sanctions, did Iran permanently leave the negotiation table. While it is possible that Iranian negotiators might walk away temporarily from the talks, the history of the Iran talks suggests that they won't, and if they do, they are likely to return.

The reason: Iran has benefited from its participation in the nuclear negotiations.[86] The JPOA negotiations are the latest talks in which Iran has won concessions and acceptance of its nuclear activities. The claim by Tehran that its "right" to domestic enrichment is effectively enshrined in the JPOA, and the acceptance of the "fact" of an Iranian domestic enrichment capacity in the JPOA, are some of the latest examples of this pattern.[87] The P5+1 has shifted its position from the dismantling or shutting of key nuclear facilities, including Fordow and Arak, and restrictions on Iran's ballistic missile program, to embracing compromise proposals to transform Fordow, modify Arak, and permit Iran to retain even a long-range missile program capable of carrying a

[84] U.S. Senate, 114th Congress, 1st Session, "A Bill to Expand Sanctions Imposed with Respect to Iran and to Impose Additional Sanctions with Respect to Iran, and For Other Purposes," pages 8-12, accessed January 16, 2015. (http://www.al-monitor.com/pulse/files/live/sites/almonitor/files/documents/2015/M-K%20Iran%20Sanctions%20Bill%202015.pdf)

[85] Robin Wright, "Exclusive: Iran's Foreign Minister Says Sanctions Would Kill Nuclear Deal," *TIME*, December 9, 2013. (http://world.time.com/2013/12/09/exclusive-irans-foreign-minister-says-sanctions-would-kill-nuclear-deal/)

[86] For more on this argument, see Ray Takeyh, "Iran's Vested Interest in Nuclear Talks," *Los Angeles Times*, November 11, 2014. (http://www.latimes.com/opinion/op-ed/la-oe-1112-takeyh-iran-new-senate-20141112-story.html)

[87] "Iran Enrichment Right Recognized in Deal: Zarif," *Press TV* (Iran), November 24, 2013; (http://www.presstv.com/detail/2013/11/24/336364/iran-right-to-enrich-recognized-zarif/) & Ali Alfoneh, "Iran Nuclear Chief Reveals Gaps With P5+1," *FDD Policy Brief*, January 13, 2015. (http://www.defenddemocracy.org/media-hit/ali-alfoneh-iran-nuclear-chief-reveals-gaps-with-p51/)

warhead.[88] Iran has successfully used the JPOA period and previous negotiations to transform the debate from one of "Can Iran have a nuclear program?" to "How much of a nuclear program can Iran have?"

Iran has also simultaneously used negotiations to limit the ability of the international community to address its other problematic behavior while engaging in what *The Washington Post* editorial board last week notes are "pressure tactics…considerably more noxious than the threat of future sanctions."[89] During JPOA negotiations, the Iranian government has continued to engage in terrorist activities and systematic human rights abuses,[90] including the unlawful detention of American hostages such as journalist Jason Rezaian. As *The Washington Post* editorial board observed: "It's difficult to avoid the conclusion that [Mr. Rezaian] is being used as a human pawn in the regime's attempt to gain leverage in the negotiations."[91] Yet the international community has not significantly pressured the regime to change this behavior. This absence of meaningful administration action on Iran's human rights record builds on the administration's troubling decision in 2009, which former Secretary of State Hillary Clinton now says she regrets,[92] not to back the pro-democracy Green Movement, a decision which stemmed from concerns that even rhetorical pressure might derail U.S. efforts to engage with Iran on its nuclear program.

There is also a strong economic reason for Iran not to walk away from the negotiations. If Tehran terminated the talks, such a move could trigger a program of even more severe sanctions than contemplated under the current deadline-triggered sanctions bill. These could include a complete financial and trade embargo on Iran where Congress blacklists the entire Iranian economy as a zone of proliferation and terrorism concern. These new sanctions could be structured as a rolling embargo so that each new element comes into effect every 30 days in response to Iranian nuclear escalation and provides "off-ramps" to give Iran the opportunity to de-escalate its nuclear activities and avoid the collapse of its economy by returning to negotiations.

Finally, if negotiations break down upon the passage of sanctions linked to the expiration of the JPOA deadline, this should raise questions about the durability of any future deal. If the Obama administration yields to an Iranian threat to walk away in response to a non-violation of the

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[88] For more analysis of the P5+1's shifting position on Fordow, see Michael Singh, "Is Iran Out-Negotiating The Obama Administration?" *Foreign Policy*, March 4, 2014. (http://shadow.foreignpolicy.com/posts/2013/03/04/is_iran_out_negotiating_the_obama_administration)

[89] "Iran Doesn't Hesitate To Use A Human Pawn As Nuclear Negotiations Go On," *The Washington Post*, January 17, 2015. (http://www.washingtonpost.com/opinions/iran-doesnt-hesitate-to-use-a-human-pawn-as-nuclear-negotiations-go-on/2015/01/17/83449774-9dad-11e4-bcfb-059ec7a93ddc_story.html)

[90] For example, see Mark Kirk & Marco Rubio, "Iran's Horrific Human-Rights Record," *The Daily Beast*, November 7, 2014; (http://www.thedailybeast.com/articles/2014/11/07/iran-s-horrific-human-rights-record.html) & Report of the Special Rapporteur on the Situation of Human Rights in the Islamic Republic of Iran, United Nations General Assembly, "Situation of Human Rights in the Islamic Republic of Iran," August 27, 2014. (http://shaheedoniran.org/wp-content/uploads/2014/09/A-69-356-SR-Report-Iran.pdf)

[91] "Iran Doesn't Hesitate To Use A Human Pawn As Nuclear Negotiations Go On," *The Washington Post*, January 17, 2015. (http://www.washingtonpost.com/opinions/iran-doesnt-hesitate-to-use-a-human-pawn-as-nuclear-negotiations-go-on/2015/01/17/83449774-9dad-11e4-bcfb-059ec7a93ddc_story.html)

[92] Jay Solomon & Peter Nicholas, "Iran Talks Likely to Figure in Any 2016 Hillary Clinton Bid," *The Wall Street Journal*, December 5, 2014. (http://www.wsj.com/articles/iran-talks-likely-to-figure-in-any-hillary-clinton-2016-bid-1417823608?KEYWORDS=haim+saban)

JPOA, it will be handing Iran veto power over the actions of American lawmakers or the next U.S. president. It raises serious concerns about the ability of the United States to enforce any nuclear deal. Pushing back against Iranian threats now is essential to establish a baseline of what is acceptable behavior after any agreement is reached. The message needs to be sent to Iran's leadership that this isn't a negotiation between two sides with equally meritorious positions; Iran is in violation of six U.N. Security Council resolutions, its obligations under the Non-Proliferation Treaty, and many IAEA requirements.

4. Tehran, not Washington, has "escalation dominance" through its ability to restart and expand its nuclear program.

Argument

The Obama administration fears that if Congress passes deadline-triggered sanctions, Iran will retaliate with escalatory nuclear activities,[93] including restarting 20 percent enrichment, working on Arak's reactor core or fuel assemblies, enriching uranium to 60 percent, limiting IAEA access to its declared facilities, or operationalizing more of its centrifuges, amongst other scenarios.

Response

Unlike passage of deadline-triggered sanctions, such escalatory nuclear activities would violate the JPOA. Such an Iranian move is possible. Notwithstanding sanctions pressure, Iran has advanced its nuclear program, especially during the Ahmadinejad era. Iran, however, has historically escalated its nuclear activities cautiously, so as not to invite a military response from the United States or Israel or trigger crippling sanctions from the international community. Iranian nuclear escalation historically has involved incremental increases with the goal of avoiding egregious cheating that would precipitate a massive response. While Iran cheats incrementally, the sum total of its cheating can be egregious, as the West discovered when it revealed that Iran was building clandestine nuclear facilities at Fordow, Natanz, and Arak. As noted above, Iran's continued advanced research will make concealing its illicit nuclear activities easier, not harder.

Escalatory nuclear activities, where Iran moves to undetectable breakout through the rapid expansion of its enrichment capacity, or blocks weapons inspectors from monitoring its declared facilities, would likely garner a negative international response, including from countries like Russia and China (and certainly from the Europeans). All the members of the P5+1 assess a nuclear-armed Iran as a threat to their own interests and are invested in the talks to stop Tehran from acquiring this capability. It is difficult to imagine that any member would support Iranian nuclear escalation in response to deadline-triggered sanctions designed to persuade Tehran to accept their own compromise proposals.

Meanwhile, as previously discussed, the United States could respond to such nuclear escalation with massive sanctions escalation of its own. The current sanctions regime is tough but the West has not yet imposed truly "crippling" sanctions on Iran. The United States could further escalate

[93] Terry Atlas, "Escalation Likely If Iran Talks Fail, U.S. Official Says," *Bloomberg*, October 24, 2014. (http://www.bloomberg.com/news/2014-10-24/escalation-likely-if-iran-talks-fail-u-s-official-says.html)

sanctions by locking up all of Iran's currency reserves held abroad. This means blocking Iranian access to, or use of, its overseas financial reserves for any purpose except for permitted humanitarian trade, effectively shutting down non-humanitarian imports and possibly even collapsing the rial. This would fuel inflation and asset bubbles, force fiscal austerity, and send Iran back into a deep recession. Congress could go farther and pass laws to blacklist the entire Iranian economy. This would precipitate a major economic shock that will lead to an economic depression and represent a potential threat to the survival of the regime. As noted above, this could be structured as a rolling embargo so that each new element comes into effect every 30 days in response to Iranian nuclear escalation and provides "off-ramps" to give Iran the opportunity to de-escalate its nuclear activities and avoid the collapse of its economy by returning to negotiations.

It is important to remember that at every juncture, the U.S., not Iran, retains "escalation dominance"[94] and can accordingly leverage greater economic pressure on the Islamic Republic if Tehran engages in escalatory nuclear activities. Washington also retains far greater escalation dominance through military, cyber, and covert action that it could wield if Iran foolishly escalated.

5. The introduction of deadline-triggered sanctions would isolate the United States from our international coalition.

Argument

President Obama has argued that the introduction of deadline-triggered sanctions would "isolate the United States from our international coalition."[95] The concern is that new sanctions during these negotiations, even if deadline-triggered, would lead Russia, China, and perhaps even the EU3, to blame the Americans for undermining the negotiations process. This would strengthen Iran's case that Washington, not Tehran, is to blame for the impasse, and make it more difficult to enforce existing sanctions against Iran.

Response

The idea that new sanctions against Iran – triggered off a deadline to which the entire P5+1 has agreed – will isolate the U.S. from its P5+1 allies, is an argument in conflict with the Obama administration's position on Russia. The U.S. and EU have imposed tough sanctions on Moscow over the Ukraine and Crimea crisis. The Obama administration has argued that its disagreement

[94] "Escalation dominance" is a theoretical term often applied to conventional and nuclear conflicts, which in this case is being used to describe U.S. economic power over an adversary. For this term's military usage with respect to a hypothetical military scenario involving Iran, see: Kenneth M. Pollack, *Unthinkable: Iran, the Bomb, and American Strategy*, (New York: Simon & Schuster, 2013) page 328.

[95] The White House, Press Release, "Readout of the President's Meeting with Members of the Congressional Leadership," January 13, 2015. (http://www.whitehouse.gov/the-press-office/2015/01/13/readout-president-s-meeting-members-congressional-leadership)

with Russia over Ukraine will remain separate from the talks with Iran and that Moscow will not leave the P5+1 talks over Ukraine-related sanctions.[96]

So far, the administration's assessment is correct: Russia remains committed to the P5+1 talks. While Russia has continued negotiating with Iran over an on-again, off-again $20 billion oil-for-goods deal,[97] a deal which the administration has stated would violate existing U.S. sanctions,[98] Russia did not withdraw from the nuclear talks or move forward with any major sanctions-busting deals. There is no publicly available evidence of a marked increase in Russian sanctions busting with Iran even after the West imposed sanctions on major Russian companies.

Why would President Putin leave the P5+1, or become supportive of Iran, over deadline-triggered sanctions on Iran when he didn't after Washington imposed sanctions on his own country? In fact, while under sanctions by the United States, Moscow has offered to oversee a fuel-swap deal with Iran that the administration has praised.[99]

If the coalition has held against Iran despite Ukraine-related sanctions on Russia, Moscow is likely to stay put as a member of the coalition in dealing with Iran. It, too, is concerned about a nuclear-armed Iran and sees the negotiations as a way to protect its own interests. China is part of the P5+1 for similar reasons; it prefers a non-nuclear armed Iran and is especially concerned about what an Iranian nuclear weapon could mean for global oil prices, upon which its energy import-dependent economy depends. Despite considerable Sino-American tensions over issues in the Pacific Rim, China has remained committed to the P5+1 talks.

If Russia and China are likely to remain part of the coalition, primarily because the talks help secure their own interests, it is highly improbable that France, Great Britain, and Germany would break rank. Indeed, during the JPOA negotiations, the French maintained a tougher position on Iranian nuclear concessions, and, along with the U.K. and Germany, led the drive in the European Union to impose an oil embargo on Iran, and tough financial sanctions.

Rather than signaling to its P5+1 partners that nothing should be an excuse for breaking up the coalition, certainly not deadline-triggered sanctions, the administration's rhetoric regrettably has given comfort to Iran and may have the unintended consequence of weakening the coalition.

6. New deadline-triggered sanctions will empower the hardliners in Iran.

Argument

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[96] For example, see Teresa Welsh, "Despite Ukraine, U.S. and Russia Cooperate on ISIS and Iran," *U.S. News and World Report*, October 15, 2014. (http://www.usnews.com/news/articles/2014/10/15/despite-ukraine-us-and-russia-cooperate-on-isis-and-iran)

[97] Jonathan Saul & Parisa Hafezi, "Iran, Russia Working to Seal $20 Billion Oil-for-Goods Deal: Sources," *Reuters*, April 2, 2014. (http://www.reuters.com/article/2014/04/02/us-iran-russia-oil-idUSBREA311K520140402)

[98] Patricia Zengerle, "Treasury Official: Firms Not in New Deal with Iran After Pact," *Reuters*, April 2, 2014. (http://www.reuters.com/article/2014/04/02/us-iran-nuclear-usa-sanctions-idUSBREA311TV20140402)

[99] David E. Sanger, "Role for Russia Gives Iran Talks a Possible Boost," *The New York Times*, November 3, 2014. (http://www.nytimes.com/2014/11/04/world/middleeast/role-for-russia-gives-iran-nuclear-talks-a-possible-boost.html)

President Rouhani, Foreign Minister Zarif, and other more pragmatic Iranian government officials who were instrumental in persuading the Supreme Leader to agree to the JPOA, are serious about a nuclear deal. They face intense opposition from hardline opponents including the Revolutionary Guards, the clerical establishment, and elements within the Iranian parliament, judiciary, intelligence services, and elsewhere in the security establishment. Therefore, any new sanctions will undermine such pragmatic forces and, in turn empower Iran's hardliners.

Response

The direct and indirect economic relief precipitated by the Obama administration's decision to de-escalate the sanctions pressure has stabilized the Iranian economy. The hardliners no longer fear the collapse of their economy and the prospect of a severe, sanctions-induced depression. Throughout the period of sanctions escalation, those hardline elements benefitted from sanctions-busting schemes to enrich themselves but they feared for the survival of the regime. Those fears have subsided. These hardliners are feeling relief as their economy stabilizes. They have preserved both the essential elements of their nuclear infrastructure under the JPOA and the ability to move ahead on those parts of their military-nuclear program they haven't mastered. They are further emboldened by Iran's growing regional dominance over Iraq, Syria, Lebanon, and Yemen. All the while, they continue to grow rich off their sanctions-busting schemes. It is not surprising that these hardliners, including the Supreme Leader himself, may not be willing to compromise further. And if they are willing to agree to a more favorable deal for Iran, why do it now, they must ask themselves, and forgo future Western concessions?

Deadline-triggered sanctions are reportedly targeted at sectors of the economy linked to these hardliners, specifically Iran's Islamic Revolutionary Guard Corps (IRGC). These measures would be intended to undercut the economic power of those who oppose a comprehensive nuclear agreement. The IRGC has benefited from the very sanctions relief that was meant to encourage Iran to make nuclear concessions, for example, in the petrochemical sector where the Supreme Leader and the IRGC are dominant players.[100] The IRGC's contracting firm Khatam al-Anbiya has also been a major beneficiary of sanctions relief as it uses its market dominance to extract its share of these economic benefits.[101]

Meanwhile, the so-called "moderates" are empowering the "hardliners." President Rouhani has shielded the IRGC and other government-insiders from his own anti-corruption initiatives.[102] His

[100] Emanuele Ottolenghi & Saeed Ghasseminejad, "The Geneva Joint Plan of Action and Iran's Petrochemical Sector," *FDD Policy Brief*, December 9, 2013. (http://www.defenddemocracy.org/media-hit/the-geneva-joint-plan-of-action-and-irans-petrochemical-sector/)
[101] Ali Alfoneh, "Iran Sanctions Relief Backfires, Benefitting the IRGC," *FDD Policy Brief*, October 7, 2014. (http://www.defenddemocracy.org/media-hit/ali-alfoneh-iran-sanctions-relief-backfires-benefitting-the-irgc/)
[102] Ali Alfoneh, "Iran's 'Reformist' President Is Shielding Powerful Revolutionary Guard From Anti-Corruption Campaign," *Business Insider*, January 12, 2015. (http://www.businessinsider.com/rouhani-is-shielding-the-powerful-revolutionary-guard-from-his-anti-corruption-campaign-2015-1)

budget supports some of the worst actors in the Iranian political sphere. Reports indicate the IRGC and Basij Forces will be receiving "sixty-four percent of public military spending."[103]

As it stands now, given the political climate in Iran, a deal based on what the West is prepared to offer is unlikely unless the pressure on Tehran is intensified or Washington and its partners are willing to make future concessions. Again, I refer to the analysis of former U.S. delegate to the negotiations, Robert Einhorn:

> There appear to be three different camps within Iran on the nuclear negotiations. The first wants an agreement, believes an agreement is necessary to rebuild Iran's economy and end its isolation internationally, and recognizes that significant adjustments in Iran's negotiating position are necessary to reach an agreement. The second can grudgingly accept an agreement provided it is largely on Iran's terms. But this second camp feels Iran doesn't need an agreement, can manage well enough economically and internationally without one, and therefore doesn't feel compelled to make what it regards as unwarranted concessions. The third camp opposes any agreement both for ideological and self-interested reasons. … *The combined weight of the second and third camps has effectively prevented Iran from adopting a negotiating posture that would allow a compromise to be reached.* (emphasis added).[104]

The goal of deadline-triggered sanctions is to convince that second camp that Iran cannot survive economically without a deal, and thus tip the scales in favor of nuclear compromise.

7. New sanctions are not needed because the fall in the price of oil is inflicting sufficient damage on Iran's economy.

Argument

The Iranian economy is reeling from a 60 percent drop in the price of oil. With this price drop in Iran's most valuable asset, which accounts for about 50 percent of its government budget, the argument can be made that new sanctions are unnecessary. Indeed, the market will increase U.S. negotiating leverage with Iran making Tehran more amenable to nuclear compromise.

Response

The rapid decline in the price of oil is not a substitute for deadline-triggered sanctions. Iran has lived for two years without full access to its overseas oil revenues. Iran experienced its own asymmetric oil shock between 2012 and 2013 when U.S. sanctions targeted Iranian oil exports, requiring countries to make significant reductions in Iranian oil purchases, while locking up Iran's oil profits through a little-understood provision of the Iran Threat Reduction Act

[103] Emanuele Ottolenghi & Saeed Ghasseminejad, "Iran's Repressive Apparatus Gets a Raise," *The Wall Street Journal*, December 22, 2014. (http://www.wsj.com/articles/emanuele-ottolenghi-and-saeed-ghasseminejad-irans-repressive-apparatus-gets-a-raise-1419281552?tesla)
[104] Robert Einhorn, "Will Iran Play Ball in Nuke Talks?," *The National Interest*, January 14, 2015. (http://nationalinterest.org/feature/will-iran-play-ball-nuke-talks-12031?page=4)

(ITRA).[105] This legislation, designed to pressure Iran to relinquish its illicit nuclear program, required countries buying Iranian oil to pay for their purchases in escrow accounts denominated in local currency and in banks domiciled in the purchasing countries, namely China, India, Japan, South Korea, Turkey, and Taiwan. The funds were then available to Iran, but only for purchasing local goods in local currency from those countries, or humanitarian goods from others. For example, Chinese refineries had to pay for Iranian oil in yuan deposited into Chinese banks, and Iran could use the yuan to purchase goods from China, as long as those purchases didn't involve any sanctionable goods (for example, maraging steel for the development of advanced centrifuges).

The system worked well for Iran's main oil buyers, who could still purchase approved quantities of Iranian oil without sanctions penalties, as long as they were significantly reducing those purchases over time. Simultaneously, they exported more domestically produced goods to Iran.

Meanwhile, the Iranian government suffered, because monthly oil revenues began accumulating in these accounts as Iran could not find enough non-sanctionable goods that it wanted to buy from those six countries (Europe, which was Iran's preferred shopping zone, had become far more restrictive).

As a result, prior to the JPOA, an estimated $80 billion of Iran's oil revenue was sitting in overseas escrow accounts.[106] In fact, the U.S. government estimated that Iran could only spend about half of its recurring monthly oil revenues on imports in 2013, leaving the rest to pile up in escrow.[107]

This all changed after the announcement of the JPOA in November 2013. Under this agreement, beginning in January 2014, the P5+1 agreed to return to Iran what averages out to $700 million per month[108] from these semi-restricted oil escrow accounts. By June 30, 2015, when the current extension of the interim agreement is set to expire, Iran will have received about $12 billion from these escrow accounts to spend however it desires. Prior to the agreement, Iran had fully accessible overseas cash reserves of only $20 billion[109] meaning that this $12 billion infusion into Iran's economy represents a 60 percent increase in Iran's fully accessible foreign exchange reserves.

Today, in a strange twist of fate, these restrictions blunt the full impact of the drop in oil prices on Iran's economy. Iran's foreign revenues from energy products are captured in escrow

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[105] Kenneth Katzman, "Iran Sanctions," *Congressional Research Service*, May 7, 2014, page 22. (http://fas.org/sgp/crs/mideast/RS20871.pdf)

[106] Mark Dubowitz & Rachel Ziemba, "When Will Iran Run Out of Money?," *Foundation for Defense of Democracies & Roubini Global Economics*, October 2, 2013. (http://www.defenddemocracy.org/content/uploads/documents/Iran_Report_Final_2.pdf)

[107] Marjorie Olster, "US: Iran Can't Access Much Oil Income," *Associated Press*, August 30, 2013. (http://news.yahoo.com/apnewsbreak-us-iran-cant-access-much-oil-income-074343048--politics.html)

[108] Following the second extension of the JPOA, the payment schedule between December 2014 and June 2015 provides Iran with $490 million on December 10, December 31, January 21, February 11, March 4, March 25, April 15, May 6, May 27, and June 22.

[109] Mark Dubowitz & Rachel Ziemba, "When Will Iran Run Out of Money?," *Foundation for Defense of Democracies and Roubini Global Economics*, October 2, 2013. (http://www.defenddemocracy.org/stuff/uploads/documents/Iran_Report_Final_2.pdf)

accounts, mitigating the direct pass-through of declining oil revenue on the Iranian economy. Khamenei is almost certainly concerned while he watches his most valuable asset declining in value. But because there is a limited direct transfer mechanism from oil sales to the Iranian government budget, the immediate impact is limited. The cheaper oil merely implies a slower accumulation of reserves in semi-accessible accounts.

To be sure, the drop in the price of oil will still be a drag on Iran's economy and has an impact on Iranian investor and consumer sentiment. Growth is estimated to slow to 1.5 percent in fiscal year 2015/2016 after 2.5 percent growth in 2014/2015.[110] The new Iranian government budget, pegged at $72 per barrel compared to $100 last year,[111] was recently lowered to $40 per barrel.[112] This will likely force to the government to cut government spending and increase tax revenues. Lower oil prices could also diminish the enthusiasm of energy companies mulling a return to the Iranian energy sector if the ongoing nuclear negotiations lead to permanent sanctions relief. Moreover, Iranian black-market oil deals look less attractive now that buyers can purchase cheaper oil without illegal sanctions busting.

The Islamic Republic, however, has weathered sanctions. It can weather the declining price of oil, too. If economic leverage has any chance of convincing Iran of the need for nuclear compromise, it will take deadline-triggered sanctions to signal the consequences of the failure to reach a deal. If no deal is reached, it will take major sanctions escalation, not just falling oil prices, to once again reanimate the fear the regime felt in 2012 and 2013 when it narrowly escaped potential economic collapse.

CONCLUSION

Supporters of deadline-triggered sanctions believe that increased economic pressure on Iran will help prevent war with Iran. As the Obama administration has acknowledged, economic sanctions, including the congressional measures passed over the administration's objections, are the reason that Iran is negotiating seriously today. They remain the most effective tool for convincing Iran of the necessity of nuclear compromise, for ensuring Iranian compliance with a comprehensive agreement, and for punishing Iranian non-compliance.

Former Secretary of State George Shultz noted that if you wait to use pressure until the last resort, "by that time the level of force and the risk involved may have multiplied many times over."[113] Instead, the use of economic leverage now, in the form of deadline-triggered sanctions, will ensure that the United States and our international partners have the possibility of achieving a deal that verifiably prevents Iran from acquiring a nuclear weapons capability and signals to Tehran that the P5+1 is not prepared to negotiate indefinitely.

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[110] World Bank, "Global Economic Prospects," January 2015, page 86. (http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015a/pdfs/GEP15a_web_full.pdf)
[111] "So Much For the Rally: Oil Reverses Morning Surge," *Reuters*, January 15, 2015. (http://www.cnbc.com/id/102338983)
[112] Ladane Nasseri, "Iran Lowers Oil Price for Budget to $40 After Collapse," *Bloomberg*, January 15, 2015. (http://www.bloomberg.com/news/2015-01-15/iran-s-budget-assumes-40-oil-after-prices-decline-33-.html)
[113] George P. Shultz, *Turmoil and Triumph: My Years as Secretary of State*, (New York: Charles Scribner's Sons, 1993), page 345.

By contrast, continuous extensions of the JPOA will only serve to help Iran advance its nuclear program in critical areas, build greater economic resiliency, and extend its influence regionally. This may lead to a situation in the future in which the president has insufficient economic leverage to respond to Iranian nuclear mendacity. At that point, he or she will be faced with a painful choice between accepting an Iranian bomb and using military force to forestall that possibility. By deploying deadline-triggered sanctions to lay out the concrete consequences of continued Iranian nuclear intransigence, Congress can and should strengthen U.S. negotiating leverage and increase the likelihood of a peaceful nuclear compromise. This is in the American interest.

Thank you again for inviting me to testify before this distinguished Committee. I look forward to your questions.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SHELBY FROM ANTONY BLINKEN

Q.1.a. In your testimony you declared that any deal with Iran must address not only centrifuge research and development and the possible military dimensions issues but also Iran's possession of "missiles capable of mating a nuclear weapon to a missile." You also acknowledged that no agreement with Iran can be acceptable unless it constrains Iranian missile development and centrifuge research and development (R&D), and unless it resolves all questions about weaponization work. These three areas of concern, however, are unaddressed by the Joint Plan of Action (JPOA) and Iran apparently continues to work in all three areas, according to U.S. Government statements, including the imposition of penalties against Iranian entities in 2014 for weaponization-related procurement.

How much progress has Iran made on these three fronts during the course of the JPOA so far?

A.1.a. The Joint Plan of Action (JPOA) has proven successful in halting the advance of Iran's nuclear program and rolling it back in key respects as we seek to achieve a long-term comprehensive solution which prevents Iran from acquiring a nuclear weapon and ensures that its nuclear program is exclusively peaceful. Iran has provided the International Atomic Energy Agency (IAEA) with enhanced transparency and intrusive monitoring of its nuclear program, and the IAEA has verified Iran's fulfillment of its nuclear-related commitments under the JPOA. While the JPOA begins to address some of our most urgent concerns regarding Iran's nuclear program, there are many issues Iran must address as part of a long-term comprehensive solution. We have been clear that a comprehensive solution must cutoff all of Iran's pathways to a nuclear weapon and such a deal will involve a variety of constraints and extensive monitoring measures to ensure the exclusively peaceful nature of Iran's nuclear program.

Q.1.b. What additional advances can Iran make if the JPOA is extended again on its present terms?

A.1.b. The JPOA has created time and space for the negotiation of a comprehensive solution that would prevent Iran from acquiring a nuclear weapon and ensures that its nuclear program is exclusively peaceful. Still, we won't go on negotiating forever, and it would be very difficult to extend these negotiations past the end of June, if we do not see the outline of a political framework agreement by the end of March. As the President has said, a further extension would not be useful if Iran has not agreed to the basic formulation and the bottom line that the world requires to have confidence that Iran is not pursuing a nuclear weapon.

Q.2.a.–b. You testified that Iran has "tried outside of the agreement . . . every single day to do all sorts of things to advance their

program." You also said that the United States works diligently at "cracking down on their [Iranian] efforts to procure for their weapons of mass destruction program." As recently as last August, Departments of State and Treasury designated Iranian entities for WMD-related procurement.

How can you reconcile the Administration's statement that Iran's nuclear weapons work stopped in 2003 with Iran's recent efforts to purchase equipment for nuclear weapons?

How can you reconcile the 2007 U.S. National Intelligence Estimate on Iran declaration that in 2003 "Tehran halted its nuclear weapons program" with Iran's recent efforts to purchase equipment for nuclear weapons?

A.2.a.–b. Our diplomatic efforts thus far have proven successful in temporarily halting the advance of Iran's nuclear program and rolling it back in key respects as part of the Joint Plan of Action (JPOA). Iran's illicit procurement activities have not allowed it to circumvent the limits in place on its nuclear program under the JPOA. Nonetheless, we remain concerned about Iran's ongoing illicit procurement activities and continue to work with partners to stop shipments destined for Iran's nuclear program and ballistic missile program. Furthermore, we continue to impose sanctions against entities engaged in such activities and to press states to robustly enforce relevant United Nations Security Council (UNSC) sanctions.

We know there are many more steps beyond those in the JPOA Iran needs to take to resolve the international community's concerns regarding its nuclear program, which is why we are working toward a comprehensive solution which will ensure that Iran cannot acquire a nuclear weapon and that Iran's nuclear program is exclusively peaceful. We can discuss Iran's procurement efforts in more detail in a classified setting, but Iran's procurement efforts do not contradict either the Administration's statements on the Iranian nuclear program nor the 2007 National Intelligence Estimate. We would refer you to the Office of the Director of National Intelligence for an assessment of Iran's nuclear capabilities and intentions.

Q.2.c. How can you assure the U.S. Congress that the Administration can negotiate a solid deal with Iran if Iran continues to prepare itself for nuclear weaponization even during the negotiations?

A.2.c. We have long said that any deal will not be based on trust. This is why we are seeking a durable and verifiable deal. We have also been clear that any deal must include initial suspension of sanctions—vice termination—so that we can quickly snap them back into place should Iran violate its commitments. A comprehensive deal would commit Iran to enhanced transparency and monitoring measures, including ratifying the IAEA Additional Protocol (AP), to verify the exclusively peaceful nature of its nuclear program and to quickly detect any attempts by Iran to break out. Implementing the AP would provide the IAEA with expanded access to sites and facilities in Iran and impose additional reporting requirements on Iran's nuclear program.

How exactly the transparency and monitoring framework will look beyond the AP is still under negotiation. We continue to place

a high priority on rigorous monitoring measures in order to detect any violation of a comprehensive deal promptly and retain an ability to snap sanctions back in place should violations occur. In addition, we are pressing Iran to fully cooperate with the IAEA to address all outstanding issues, particularly those that give rise to concerns regarding the possible military dimensions (PMD) of Iran's nuclear program. This includes providing access to facilities, individuals, and documents requested by the IAEA. We believe a comprehensive deal should facilitate the IAEA's investigation of PMD and ensure there are no ongoing weaponization activities. This is one of the issues we are working to address in the negotiations.

Q.3. The International Atomic Energy Agency (IAEA) admitted years ago that in order to have reasonable confidence about the absence of undeclared nuclear activities in Iran, the IAEA requires legal authorities that go beyond those of the IAEA Additional Protocol. Would you agree with the IAEA's conclusion that the Additional Protocol is inadequate, and if so, how?

A.3. International Atomic Energy Agency (IAEA) officials have stated repeatedly since the approval of the Model Additional Protocol (AP) in 1997 that APs are essential to ensure that the IAEA can detect undeclared nuclear activities in a state. That is why, without implementation of the AP, the IAEA does not provide a conclusion about the absence of such undeclared activities. The United States believes that the combination of an IAEA comprehensive safeguards agreement (CSA) and an AP has become the international standard for safeguards and verification under the Nuclear Non-Proliferation Treaty.

A comprehensive deal would commit Iran to enhanced transparency and monitoring measures, including ratifying the AP, to verify the exclusively peaceful nature of its nuclear program and to quickly detect any attempts by Iran to break out. Implementing the AP would provide the IAEA with expanded access to sites and facilities in Iran and impose additional reporting requirements on Iran's nuclear program. However, given Iran's past behavior, we are seeking enhanced transparency and monitoring measures beyond the AP.

How exactly the transparency and monitoring framework will look beyond the AP is still under negotiation. We continue to place a high priority on rigorous monitoring measures in order to detect any violation of a comprehensive deal promptly and retain an ability to snap sanctions back in place should violations occur. Our team continues to work toward a package that will best achieve our goals of preventing Iran from acquiring a nuclear weapon and ensuring that Iran's nuclear program is used for exclusively peaceful purposes.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR BROWN FROM ANTONY BLINKEN

Q.1. Breakout time is the amount of time Iran would need to create enough weapons-grade uranium for a single nuclear weapon, if it failed to observe an agreement. While many overlook the fact that considerable additional time would be needed to actually fabricate

a nuclear weapon, break-out capacity is widely accepted as the "long pole in the tent" of making a nuclear weapon. By focusing on breakout time the agreement would give the international community a year or more to react.

Are you confident that any agreement to which the United States is a party will provide us and our allies sufficient time to respond, including militarily if necessary and a last resort, Iran makes an overt or covert breakout move toward a weapon?

A.1. A comprehensive deal would commit Iran to enhanced transparency and monitoring measures to verify the exclusively peaceful nature of its nuclear program and to quickly detect any attempts by Iran to break out. We continue to place a high priority on rigorous monitoring measures in order to detect violations promptly and retain an ability to snap sanctions back in place should violations occur.

We are confident that the United States would have sufficient time to respond to an Iranian breakout effort, should Iran take a decision to do so. Should Iran take such a decision, the President has been clear that the United States will do what it must to prevent Iran from acquiring a nuclear weapon.

Q.2. The President noted recently that we have frozen Iran's nuclear program, rolled back stockpiles of material already accumulated, and been provided unprecedented insight into their activities. And he said that was not just our assessment, but the assessment of intelligence agencies worldwide, including in Israel.

I know we'll hear about verification in greater detail in upcoming classified briefings, but can you describe generally how the United States is ensuring that Iran is complying with the terms of the Joint Plan of Action, and describe the different verification and monitoring roles, both now and under a comprehensive deal, played by the State Department, the U.S. intelligence community, the IAEA, and others?

A.2. As a result of the Joint Plan of Action (JPOA), Iran's nuclear program is more constrained and transparent than it has been in years. In particular, a significant benefit of the JPOA is that the International Atomic Energy Agency (IAEA) has obtained greater access into and information on Iran's nuclear program. The IAEA is playing the essential role in verifying Iran's fulfillment of its nuclear-related commitments under the JPOA, consistent with its ongoing monitoring and verification role in Iran pursuant to the Nuclear Non-Proliferation Treaty. The IAEA has confirmed that Iran is fulfilling its nuclear-related commitments under the JPOA. We have complete confidence in the ability of the IAEA and its cadre of professional inspectors to continue in its enhanced verification role under the JPOA.

A comprehensive deal would commit Iran to enhanced transparency and monitoring measures, including ratifying the IAEA Additional Protocol (AP), to verify the exclusively peaceful nature of its nuclear program and to quickly detect any attempts by Iran to break out. Implementing the AP would provide the IAEA with expanded access to sites and facilities in Iran and impose additional reporting requirements on Iran's nuclear program. How exactly the transparency and monitoring framework will look beyond

the AP is still under negotiation. We continue to place a high priority on rigorous monitoring measures in order to detect any violation of a comprehensive deal promptly and retain an ability to snap sanctions back in place should violations occur.

We would refer you to the Office of the Director of National Intelligence for a more detailed assessment of our capabilities to detect undeclared nuclear facilities in Iran and the Intelligence Community's prospective role in verifying a comprehensive deal.

Q.3. I know this debate is ultimately less about the details of this bill than about whether to pass a bill at all while negotiations are ongoing. Even so, the legislation we'll be considering this week requires that any new sanctions relief provided for in a final agreement could not be given by the United States for a period of at least 30 consecutive legislative days—which could, if a deal is finalized in late June, stretch for over 2 months, beyond mid-September. What do you see as the major risks of that approach, which would likely violate any long-term agreement, and how do you think our allies and Iran would react if such a temporary prohibition against new sanctions relief were in place?

A.3. Our ability to offer timely sanctions relief is critical to getting Iran to take the nuclear steps necessary to assure the international community that its nuclear program is exclusively peaceful (including through implementation of stringent transparency and verification measures). Legislation that would require an affirmative vote to approve a comprehensive deal would likely have a profoundly negative impact on the ongoing negotiations—emboldening Iranian hard-liners, inviting a counter-productive response from the Iranian *majiles*. Such legislation would differentiate the U.S. position from our allies in the negotiations, and once again call into question our ability to negotiate this deal.

Moreover, if congressional action is perceived as preventing us from implementing a deal, it will create divisions within the international community, putting at risk the very international cooperation that has been essential to our ability to pressure Iran. In addition, it would potentially make it difficult to secure international cooperation for additional sanctions in the future if Iran failed to make the necessary concessions in the negotiations or failed to comply with a comprehensive deal.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR KIRK FROM ANTONY BLINKEN

Q.1. Under Secretary Cohen wrote in the Wall Street Journal in December 10, 2013, that "the relief package in this interim deal is economically insignificant to Iran," adding: "Iran will be even deeper in the hole 6 months from now, when the deal expires, than it is today."

Twelve months later, Iran is far from being "deeper in the hole." On December 24, 2014, Iranian President Hassan Rouhani publicly announced that Iran's economy is benefiting greatly from the interim deal's sanctions relief package. "The country's economic growth was minus 6.8 percent 2 years ago, but the statistics issued by the Central Bank last night showed a 4-percent positive growth during the 6 months of the current [Iranian] year," Rouhani said

in a speech, adding: "We have now finally managed to reduce the 40 percent inflation down to 17 percent."

Even if Rouhani is exaggerating about Iran's 4-percent growth rate in the last 6 months, the International Monetary Fund is projecting that Iran's economy will grow by 2.2 percent in 2015.

Do you still claim today that the interim deal's sanctions relief package is "economically insignificant to Iran"? In the United States, we'd call Iran's 2.2 percent growth rate a "recovery" and Iran's alleged 4 percent growth in the last 6 months an "economic boom."

A.1. Contrary to some reports, Iran has not received significant economic benefit from the Joint Plan of Action (JPOA).

The JPOA is structured so that the overwhelming majority of sanctions—including the key oil, banking, and financial sanctions architecture—remain firmly in place. As a result of our sanctions, exacerbated by the recent drop in oil prices, Iran's economy remains under intense and sustained pressure. Throughout the JPOA period, we have sanctioned almost 100 entities and levied $350 million in civil penalties against companies for doing business with Iran in violation of our sanctions.

The total value to Iran of the JPOA—which we estimate could be up to approximately $14 billion to $15 billion through June 2015—pales in comparison to the amount of revenue Iran has lost from the sanctions currently in place and years of GDP contraction.

In 2014, our oil sanctions alone deprived Iran of over $40 billion in oil revenue—at least four times the value of the JPOA during that period. The vast majority of Iran's approximately $100 billion in foreign exchange holdings still remain inaccessible or restricted by sanctions.

While the Iranian economy grew at a rate of around 2 percent between March and September 2014, this growth occurred after 2 years of painful GDP contraction. Iran's economy is 25 percent smaller today than what it would have been had it remained on its pre-2011 growth trajectory, and low investment and investor wariness will limit a potential recovery.

Q.2. Is it the Administration's position that Iran's recent economic growth, driven in no small part by the interim deal's sanctions relief package, has actually strengthened, not weakened, our hand in negotiations—that it's actually made Iran's ultimate decider, Supreme Leader Ali Khamenei, more likely, not less, to make significant concessions to the West on eliminating Iran's uranium enrichment program, completely dismantling the Arak heavy water reactor that former Administration official Bob Einhorn dubbed "plutonium-bomb factory," and on coming completely clean about the Iranian nuclear program's military dimensions?

A.2. The efforts of Congress and the Administration to impose stringent and comprehensive sanctions have imposed significant economic pain on Iran and have been critical in bringing Iran to the negotiating table.

Our ability to provide relief from these economic sanctions is critical to providing Iran with an incentive to take the nuclear steps necessary to assure the international community that its nuclear program is exclusively peaceful.

That said, we do not assess Iran's economic improvements during the last year were a result of the Joint Plan of Action. Despite nascent signs of improvement, brought about largely by improved economic management, Iran's economy will remain far below its potential in the coming year.

The Joint Plan of Action is structured so that the overwhelming majority of sanctions—including the key oil, banking, and financial sanctions architecture—remain firmly in place. As a result of our sanctions, exacerbated by the recent drop in oil prices, Iran's economy remains under intense and sustained pressure.

The total value to Iran of the JPOA—which we estimate could be up to approximately $14 billion to $15 billion through June 2015—cannot make up for Iran's systemic economic weaknesses and imbalances, which include lack of economic diversification, a suppressed manufacturing base, pervasive unemployment and underemployment, and approximately 16 percent inflation. The Administration is committed to ensuring that Iran remains under powerful economic pressure as we continue negotiations.

Q.3. When Secretary of State John Kerry announced a 7-month extension for the nuclear talks with Iran on November 24, 2014, he also announced a March 24, 2015, deadline for a "political agreement" with Iran.

Will the "political agreement" with Iran due on March 24, 2015, be a written agreement? I request that any answer you give begin with a "yes" or a "no."

A.3. The Administration is committed to sharing the details and technical documents related to a long-term comprehensive deal with Congress. If we successfully negotiate a framework by the end of March, and a final deal by the end of June, we expect a robust debate in Congress. We will aggressively seek public and congressional support for a deal if we reach one because we believe a good deal is far better than the alternatives available to the United States. Because we do not have a deal yet, it would be premature to speculate what form it would take.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR TESTER FROM ANTONY BLINKEN

Q.1. Could you lay out the broader national security consequences of Congress passing new sanctions—even with a so-called "trigger"—beyond the P5+ 1 negotiations with Iran? What regional consequences would such legislation have on U.S. efforts to combat the Islamic State of Iraq and the Levant (ISIL) in the region, should it pass with a veto-proof majority? What further implications for the United States and our coalition partners in the region would the passage of such sanctions legislation have?

A.1. Any new sanctions—including trigger sanctions—would be inconsistent with our commitments under the Joint Plan of Action (JPOA). New sanctions could undermine our sanctions coalition, create tensions within the P5+ 1, and provoke Iran into walking away from the negotiating table while blaming the failure on us. Moreover, our ability to follow through on our commitments will have longstanding implications well beyond P5+ 1 negotiations with Iran. If any Administration—Democrat or Republican—does

not have the ability to conclude agreements that advance our national security interests, this will undermine our ability to implement all aspects of our foreign policy, including undermining our credibility with our partners in the region who are working with us to combat ISIL.

Q.2. What gives the Administration confidence that a political agreement between the P5+ 1 and Iran will be reached by the March 24 deadline? Are our P5+ 1 coalition partners equally confident that a political agreement can be reached by this deadline? What further obstacles remain in place?

A.2. We are seeking to outline the major elements of a deal by the end of March. We will use the remaining time until the end of the current extension period to complete the technical details. We have made incremental but real progress through intense diplomatic and technical work on the key issues that form the basis for a comprehensive deal. These negotiations have been serious and substantive, and we are working hard to find ways to resolve our concerns while maintaining the imperative that all pathways to a nuclear weapon must be cutoff. There may be multiple ways to accomplish that objective, but this principle is non-negotiable.

If by the end of March we have not decided on the major elements and do not see a clear path forward, then we can revisit how to proceed. We cannot continue this process forever, and we will have all the same options we have today at the end of this process. We will not take a bad deal and if we conclude that Iran is unable to unwilling to take the necessary steps to resolve our concerns, we will walk away from these negotiations.

Q.3. In your estimation, what would a sturdy yet workable inspection and verification regime look like from the U.S. negotiator perspective? Do you envision U.S. inspectors taking part in this regime? Are you confident that a final agreement will permit inspectors unfettered and unrestricted access to sites in Fordow, Natanz, Arak, Isfahan, Bushehr, and Parchin? Do our coalition partners share this view?

A.3. A comprehensive deal must ensure that Iran is subject to significantly enhanced transparency and monitoring measures to verify the exclusively peaceful nature of its nuclear program and to quickly detect any attempts by Iran to break out. How exactly that framework will look is still under negotiation and our team continues to work toward a package that will best achieve our goals of preventing Iran from acquiring a nuclear weapon and ensuring that Iran's nuclear program is used for exclusively peaceful purposes. Regardless, the Administration is insisting on verification measures to help ensure that violations will be detected promptly. We continue to place a high priority on strict monitoring and verification measures in order to detect violations and retain an ability to snap sanctions back in place should violations occur.

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January 16, 2015

Remarks by President Obama and Prime Minister Cameron of the United Kingdom in Joint Press Conference

East Room

12:37 P.M. EST

PRESIDENT OBAMA: Good afternoon, everybody. This month marks a notable anniversary -- 200 years since the Battle of New Orleans. Here in America, we call it a great victory over a mighty United Kingdom. Our British friends call it a technicality. The treaty ending the war was signed weeks before.

Either way, we've long since made up. On this 200th anniversary of a great American victory, we count the United Kingdom as one of our greatest friends and strongest allies. And today it's a great pleasure to welcome Prime Minister David Cameron back to the White House.

Now, as many of you know, David recently noted how comfortable the two of us are working together. This sent some commentators into a tizzy. Some explored the linguistic origins of the word "bro." Others debated its definition. Several analyzed how this term has evolved over time. Some seemed confused and asked -- what does Obama mean?

And so, let me to put this speculation to rest. Put simply, David is a great friend. He's one of my closest and most trusted partners in the world. On many of the most pressing challenges that we face, we see the world the same way. We recognize that, as I've said before, when the United States and United Kingdom stand together, our nations are more secure and our people are more prosperous, and the world is safer and more just. Great Britain is our indispensable partner, and David has been personally an outstanding partner, and I thank you for your friendship.

With both of our economies growing and unemployment falling, we used our working dinner last night to discuss how we can help create more jobs for our people. We believe that this needs to be the year when the United States and the European Union make real progress toward the Transatlantic Trade and Investment Partnership. And we share the view that boosting demand in Europe can also keep our economies growing.

As innovative economies in this information age, we're expanding our collaboration on digital technologies to improve how our governments serve our citizens and businesses. Given the urgent and growing danger of cyber threats, we've decided to expand our cooperation on cybersecurity to protect our critical infrastructure, our businesses and the privacy of our people. And as leaders in the global fight against climate change, we believe that a strong commitment to reducing greenhouse gases will be an essential element of any ambitious climate agreement that we seek in Paris this year and that this actually will help spur the creation of more clean energy jobs on both sides of the Atlantic.

With regard to security, American-British unity is enabling us to meet challenges in Europe and beyond. We agree on the need to maintain strong sanctions against Russia until it ends its aggression in Ukraine, and on the need to support Ukraine as it implements important economic and democratic reforms. We agree that the international community needs to remain united as we seek a comprehensive diplomatic solution to prevent Iran from obtaining a nuclear weapon. And I'd add that additional sanctions on Iran at this time would undermine that international unity and set back our chances for a diplomatic solution. And as the two leading contributors to the global response to Ebola in West Africa, we urge the world to continue stepping up with the resources that are required so that we don't simply stop this disease, we do more to prevent future epidemics.

Now, much of our discussion obviously focused on the continuing threat of terrorism. And in the wake of the vicious attacks in Paris, as well as the news surfacing out of Belgium, today we continue to stand unequivocally not only with our French friends and allies, but with also all of our partners who are dealing with this scourge. I know David joins me when I say that we will continue to do everything in our power to help France seek the justice that is needed and that all our countries are working together seamlessly to prevent attacks and to defeat these terrorist networks.

With our combat mission in Afghanistan over, we're also focused with our NATO allies on advising and assisting and equipping Afghan forces to secure their own country and deny to al Qaeda any safe haven there. We'll continue to count on our British allies as our -- one of our strongest counterterrorism partners, whether it's helping countries fight back against al Qaeda affiliates or Boko Haram in Nigeria.

We reviewed our coalition's progress against ISIL. We are systematically taking out their fighters, we're destroying their infrastructure, we are putting them on the defensive and helping local forces in Iraq push these terrorists back. And David and I agree that we need to keep stepping up the training of Iraqi forces, and that we're not going to relent until this terrorist organization is destroyed.

The Paris attacks also underscored again how terrorist groups like al Qaeda and ISIL are actively trying to inspire and support people within our own countries to engage in terrorism. I led a special session of the United Nations Security Council last fall to rally the world to meet the threat of foreign terrorist fighters, including coming from Syria. David and the United Kingdom continue to be strong partners in this work, including sharing intelligence and strengthening border security.

At the same time, we both recognize that intelligence and military force alone is not going to solve this problem. So we're also going to keep working together on strategies to counter the violent extremism that radicalizes, recruits and mobilizes people, especially young people, to engage in terrorism. And local communities -- families, neighbors, faith leaders -- have a vital role to play in that effort.

We also look forward to welcoming our British friends to our summit next month on countering violent terrorism. Because whether in Europe or in America, a critical weapon against terrorism is our adherence to our freedoms and values at home -- including the pluralism and the respect and tolerance that defines us as diverse and democratic societies.

And finally, I want to take this opportunity to publicly congratulate David on last month's Stormont House Agreement. It's a tribute to the courage and determination of everyone involved, especially the leaders of Northern Ireland as well as the governments of Ireland and the United Kingdom. The United States was pleased to play a small role in achieving this agreement, and we're going to keep doing what we need to do to support the peace process and a better future for the people of Northern Ireland.

So with that, let me turn it over to my good friend, David Cameron.

PRIME MINISTER CAMERON: Well, thank you very much, Barack. And thank you for welcoming me again to the White House. You are a great friend to Britain and to me personally. As leaders, we share the same values and, as you said, on so many issues, we see the world in the same way. And most of the time, we speak the same language. (Laughter.)

In the last six years since you became President, and in the nearly five since I've been Prime Minister, we've faced some big issues on our watch. And those challenges have boiled down to one word: Security. Economic security -- the jobs and the living standards of our citizens -- and national security -- the ability of our peoples to live safely and in peace.

And at the heart of both issues are the values that our countries cherish: Freedom of expression, the rule of law, and our democratic institutions. Those are the things that make both our countries strong and which give us confidence that even in the midst of the most violent storms, with strong leadership, we will come through to safer, to calmer and to brighter days.

During your presidency, you've had to deal with the aftermath of a massive banking crisis and a deep recession. When I became Prime Minister, Britain had the highest budget deficit in its peacetime history, our

economy was in grave peril. Five years ago, we had 110,000 troops serving together in Afghanistan. Thanks to their efforts, today it is Afghan forces taking responsibility for security in their country.

But we continue to face difficult times for the world. First and foremost, we have to deal with the warning lights flashing in the global economy. Wheat growth in the eurozone has slowed down in emerging markets. That is why it is vital for our shared prosperity that we both stick to the long-term economic plans that we've set out.

We agreed that 2015 should be a pivotal year for an ambitious and comprehensive EU-U.S. trade deal which could benefit the average household in Britain by 400 pounds a year. The U.K. is now the top destination for American and foreign investment, with 500 projects last year providing 32,000 jobs. And America is the U.K.'s biggest trade partner, with exports worth nearly 90 billion pounds. We want to build on this.

So our message on the economy today is simple: We are going to stick to the course. Because seeing through our economic plans is the only sustainable way to create jobs, to raise living standards, and to secure a better future for hardworking people.

Now, Britain and America both face threats to our national security from people who hate what our countries stand for and who are determined to do us harm. In recent weeks, we've seen appalling attacks in Paris, in Peshawar, in Nigeria. The world is sickened by this terrorism, so we will not be standing alone in this fight. We know what we're up against, and we know how we will win.

We face a poisonous and fanatical ideology that wants to pervert one of the world's major religions, Islam, and create conflict, terror and death. With our allies, we will confront it wherever it appears. In Iraq, the U.K. is the second largest contributor to the anti-ISIL coalition. RAF aircraft have conducted over 100 strikes and will continue to play a leading role. We will deploy additional intelligence and surveillance assets to help Iraqi forces on the ground, and we will ensure they are better trained and equipped to counter explosive devices.

But most important of all, we must also fight this poisonous ideology starting at home. In the U.K., we're passing a law so that every public body must combat extremism. And this morning, we have agreed to establish a joint group to identify what more we can do to counter the rise of domestic violent extremism, and to learn from one another.

In Europe, Russia has chosen to tear up the international rulebook and trample over the affairs of a sovereign state. This threatens our stability and our prosperity. It is important that every country understands that, and that no one in Europe forgets our history. We cannot walk on by. So we will continue to put pressure on Russia to resolve this crisis diplomatically, and at the same time, we will continue our efforts to support Ukraine on the path of reform, including with financial assistance. We also reaffirmed our obligations as NATO partners to stand by our allies, and we'll be contributing an additional thousand troops for exercises in Eastern Europe this year.

On Iran, we remain absolutely committed to ensuring that Iran cannot develop a nuclear weapon. The best way to achieve that now is to create the space for negotiations to succeed. We should not impose further sanctions now; that would be counterproductive and it could put at risk the valuable international unity that has been so crucial to our approach.

We also have to keep pace with new threats, such as cyber attacks. We've discussed that in the last two days, and we've today agreed to deepen our cybersecurity cooperation to better protect ourselves.

Finally, we face -- the entire world faces a growing threat from diseases. Today, our fight is against Ebola. In the future, it could be against a global flu pandemic. Through our action in Sierra Leone, the U.S. action in Liberia, France and Guinea, we are beginning to turn the corner, but we must get better at responding to these global health emergencies and make sure we can master them before they master us.

So reforming the WHO, the World Health Organization; establishing a team of experts to be on standby to deploy anywhere in the world; a new international platform to stimulate the design and development of new drugs -- all of these things are needed. And let 2015, the year we must crack Ebola, also be the year we tackle extreme poverty and climate change.

On poverty, we must set new, clear goals to eradicate extreme poverty, to fight corruption and to build strong institutions. And on climate change, we want an outcome in Paris that keeps our goal of limiting global warming by 2050 to two degrees within reach. These two things -- and they go together -- have the potential to give security to future generations to come.

For almost two centuries, after those little difficulties we were discussing earlier, America and Britain have stood as kindred spirits in defending our freedoms and advancing our shared prosperity. Today, as we survey a world in flux, our alliance stands strong, rooted in its long history, and reinvigorated by the challenges we face today. If our forebears could join us here in the White House today, they might find the challenges that we're facing from ISIL to Ebola, from cyberterrorism to banking crises, they might find those hard to comprehend, but they would surely recognize the ties that bind us across the Atlantic and the values that our peoples hold so dear.

We've stood together so often, not just because we faced common threats but because we fundamentally believe in the same things. That is as true today as it has always been, and it hugely benefits our countries and the people that we're here to serve.

Thank you very much.

PRESIDENT OBAMA: Thank you, David. We're going to take a few questions. We're going to start with Jonathan Karl of ABC.

Q Thank you, Mr. President. You mentioned your opposition to the sanctions bill on Iran, and this is obviously a bipartisan bill supported by some very senior top members of your own party in Congress. Why do you oppose a bill that would only impose sanctions if you fail to reach an agreement? And if the Iranians fail to agree to take steps to curtail their nuclear program, would you go so far as to veto a bill supported by top Democrats in Congress on this issue?

And to Mr. Prime Minister, I understand you've been making phone calls to senators on this issue of the Iran sanctions bill, is that correct? Are you actually lobbying the U.S. Congress on this?

And if I may, Mr. President, I'd really like to hear your reaction to the news that Mitt Romney is thinking about running for President again. (Laughter.)

PRESIDENT OBAMA: On your last question -- (laughter) -- I have no comment. (Laughter.)

Q None at all?

PRESIDENT OBAMA: On your first question, when I came into office, I made a commitment that Iran would not obtain a nuclear weapon, that we would do everything we could to prevent that. And that is important for our security and it's important for the world's security. If Iran obtained a nuclear weapon, then it would trigger an arms race in the Middle East, make our job in terms of preventing the proliferation of nuclear materials much more difficult. Given their missile capabilities, it would threaten directly our closest allies, including Israel, and ultimately could threaten us.

And so what we did was systematically, with the help of Congress, construct the most forceful, most effective sanctions regime in modern history. And what was remarkable was that when I came into office, the world was divided around this issue, and Iran was united. And through some very strong diplomatic work, we united the world and isolated Iran. And it's because of that work that we brought them to the negotiating table -- not for posturing, not for meetings that lead nowhere, but to a very hard-nosed, nuts-and-bolt discussion of their nuclear program.

Now, the interim deal that we entered into also froze progress on their nuclear program, rolled back in some cases the stockpiles of material that they had already accumulated, and provided us insight into their program that was unprecedented. We have people on the ground who are able to verify and inspect and tell us what exactly is going on. That's not just our assessment, that's the assessment of intelligence services around the world, including the Israelis.

So the agreement has held, and the negotiations have been serious. We have not lost ground. Iran has not accelerated its program during the time these negotiations have taken place. In fact, Iran's program has not only been in abeyance, but we've actually made gains in rolling back some of the stockpiles that they had.

Now, we have on the table currently a series of negotiations over the next several months to determine whether or not Iran can get to yes. And what's been remarkable is the unity that we have maintained with the world in isolating Iran and forcing them to negotiate in a serious way. The P5-plus-1 includes not only China, but also includes Russia. And they have continued to cooperate with us in setting forth positions that would give us assurances that Iran was not developing a nuclear weapon.

Now, I've always said that the chances that we can actually get a diplomatic deal are probably less than 50/50. Iran is a regime that is deeply suspicious of the West, deeply suspicious of us. In the past, they have surreptitiously and secretly advanced aspects of this program. We have huge differences with them on a whole range of issues. But if, in fact, we still have an opportunity to get a diplomatic deal that provides us verifiable assurances that they are not developing a nuclear weapon that is the best possible outcome that we can arrive at right now.

And the question I had for members of Congress, including those folks in my own party is: Why is it that we would have to take actions that might jeopardize the possibility of getting a deal over the next 60 to 90 days? What is it precisely that is going to be accomplished?

I can tell you what the risks are, and I think David shares my assessment here. Under the interim deal that brought Iran to the table, we were not supposed to initiate new sanctions. Now, you'll hear arguments -- well, these technically aren't new sanctions, they're simply laws putting in place the possibility of additional sanctions. I assure that is not how Iran would interpret it or our partners would interpret it.

So the likelihood of the entire negotiations collapsing is very high. And if that happens, there is no constraint on Iran at that point going back and doing exactly what it had been doing before they came to the table: Developing a heavy water reactor that, once built, is extraordinarily difficult to dismantle and very difficult to hit military; going back at underground facilities that are very hard to reach militarily; accelerating advanced centrifuges that shorten the time span in which they can achieve breakout capacity.

And they would be able to maintain that the reason that they ended negotiations was because the United States was operating in bad faith and blew up the deal, and there would be some sympathy to that view around the world -- which means that the sanctions that we have in place now would potentially fray, because imposing these sanctions are a hardship on a number of countries around the world. They would love to be able to buy Iranian oil. And the reason that they've hung in there, despite it being against their economic interest, is because we have shown that we are credibly trying to solve this problem and avert some sort of military showdown.

Now, in that context, there is no good argument for us to try to undercut, undermine the negotiations until they've played themselves out. Now, if Iran ends up ultimately not being able to say yes, if they cannot provide us the kind of assurances that would lead myself and David Cameron and others to conclude that they are not obtaining a nuclear weapon, then we're going to have to explore other options. And I will be the first one to come to Congress and say we need to tighten the screws.

And, by the way, that's not the only options that are going to be available. I've consistently said we leave all options on the table. But Congress should be aware that if this diplomatic solution fails, then the risks and likelihood that this ends up being at some point a military confrontation is heightened, and Congress will have to own that as well, and that will have to be debated by the American people. And we may not be able to rebuild the kind of coalition we need in that context if the world believes that we were not serious about negotiations.

So I take this very seriously. And I don't question the good faith of some folks who think this might be helpful. But it's my team that's at the table. We are steeped in this stuff day in, day out. We don't make these judgments blindly. We have been working on this for five, six, seven years. We consult closely with allies like the United Kingdom in making these assessments. And I am asking Congress to hold off, because our negotiators, our partners, those who are most intimately involved in this, assess that it will jeopardize the possibility of resolving --

providing a diplomatic solution to one of the most difficult and long-lasting national security problems that we've faced in a very long time. And Congress needs to show patience.

So with respect to the veto, I said to my Democratic caucus colleagues yesterday that I will veto a bill that comes to my desk, and I will make this argument to the American people as to why I'm doing so. And I respectfully request them to hold off for a few months to see if we have the possibility of solving a big problem without resorting potentially to war. And I think that's worth doing. We'll see how persuasive I am, but if I'm not persuading Congress, I promise you I'm going to be taking my case to the American people on this.

PRIME MINISTER CAMERON: I think the big picture is very clear. The sanctions that America and the European Union put in place have had an effect. That has led to pressure. That pressure has led to talks. And those talks at least have a prospect of success. And I would argue with the President, how much better is that than the other potential outcomes? And that is what we should be focusing on.

But to answer you very directly, yes, I have contacted a couple of senators this morning and I may speak to one or two more this afternoon -- not in any way as British Prime Minister to tell the American Senate what it should or shouldn't do; that wouldn't be right -- but simply to make the point as a country that stands alongside America in these vital negotiations, that it's the opinion of the United Kingdom that further sanctions or further threat of sanctions at this point won't actually help to bring the talks to a successful conclusion and they could fracture the international unity that there's been, which has been so valuable in presenting a united front to Iran.

And I say this as someone who played quite, I think, a strong role in getting Europe to sign up to the very tough sanctions, including oil sanctions, in the first place. And I would just simply make this point: Those sanctions have had an effect. And to those who said, if you do an interim deal, if you even start discussing with the Iranians any of these things, the sanctions will fall apart, the pressure will dissipate, no one will be able to stick at it. That has demonstrably been shown not to be true.

So the pressure is still there. And as the President says, if the Iranians say no and there is no deal, then by all means let's sit down and work out what extra sanctions to put in place. Because I think we're absolutely united in a simple thought, which is a deal that takes Iran away from a nuclear weapon is better than either Iran having a nuclear weapon or military action to prevent it. In the end, it comes down to that simple choice. And so will I do what I can to help as one of the country's negotiating? Sure I will.

Q Do you acknowledge a less than 50/50 }--

PRIME MINISTER CAMERON: I think the way the President put it, I wouldn't disagree with. It's very hard to know what the Iranian thinking is about this. I'm the first British Prime Minister in 35 years I think to meet with an Iranian President, and it's very hard to know what their thinking is.

But there is a very clear offer there, which is to take Iran away from a nuclear weapon and to conclude an agreement with them which would be mutually beneficial. That's what should happen.

I think we've got a question from Nick Robinson at the BBC.

Q Mr. Nick Robinson, BBC News. Prime Minister, with extra security being put in place today for the Jewish community and also for police officers, would people be right to conclude that the threat of an attack on the streets of Britain is now all but imminent?

And, Mr. President, you've spoken of the threat posed by fighters coming back from Syria. Do you ever worry that this is a legacy of the decision of the United States and the United Kingdom to in effect stand on the sidelines during Syria's bloody civil war?

And if I may briefly, if you'll forgive me, on the economy, you said you agree. Is he right? Is it time to stick to the plan?

PRIME MINISTER CAMERON: Well, first of all, look, we do face a very serious Islamist extremist terrorist threat in Europe, in America, across the world. And we have to be incredibly vigilant in terms of that threat. We've got to strengthen our police and security. We ought to make sure we do everything we can to keep our country safe. And that involves an incredibly long-term, patient, disciplined approach.

There is no single, simple thing that needs to be done. It means closing down the ungoverned spaces that the terrorists operate in. It means working against ISIL in Iraq and Syria. It means countering this poisonous, fanatical death cult of a narrative that is perverting the religion of Islam. It means working together with our oldest and best partners so that we share intelligence and security and we try and prevent terrorist atrocities from taking place. It means all of these things, and it is going to be a long, patient and hard struggle.

I'm quite convinced we will come through it and we will overcome it, because in the end, the values that we hold to of freedom, of democracy, of having open and tolerant societies -- these are the strongest values there can be. And in the end, we will come through. But like some of the challenges our countries have faced together in the past, it will take great discipline, great patience, great, hard work.

You asked specifically the question about imminence. We have a system in the United Kingdom where threat levels are set by the Joint Terrorism Assessment Centre. They're not set by politicians. They have judged that the threat we face is severe. That means, in their words, that an attack is highly likely. If ever there is an imminent threat of attack, it goes to the next level up, which is critical. But it's their decision, not mine. My responsibility is to make sure we marshal everything we have as a country in order to defeat the threat.

Q On the Jewish community?

PRIME MINISTER CAMERON: And on the Jewish community, I think it's good that the metropolitan police have announced that they'll be stepping up on patrols. I met with the Jewish Leadership Council earlier this week. We already provide through their security organization, the Community Security Trust, we already provide government money to help protect Jewish schools. But I think this is -- we have to recognize in fighting terrorism, as we found in Britain before, you cannot simply rely on policing and security. This is a job for everyone. This is a role that we're all going to have to play in the vigilance and in making sure that we keep our community safe.

PRESIDENT OBAMA: With respect to Syria and the connection to foreign fighters, there is no doubt that in the chaos and the vacuum that's been created in big chunks of Syria that that's given an opportunity for foreign fighters to both come in and come back out. And I chaired a U.N. Security Council meeting, and we are now busy working with our partners to implement a series of actions to identify who may be traveling to Syria in order to get trained, to fight, or to hatch plots that would be activated upon return to their home countries. So it's a very serious problem.

The notion that this is occurring because the United States or Great Britain or other countries stood on the sidelines I think is -- first of all, mischaracterizes our position. We haven't been standing on the sidelines; it's true we did not invade Syria. If the assertion is, is that had we invaded Syria we would be less prone to terrorist attacks, I'll leave it to you to play out that scenario and whether that sounds accurate.

We've been very active in trying to resolve a tragic situation in Syria -- diplomatically; through humanitarian efforts; through the removal of chemical weapons from Syria that had been so deadly. And now as ISIL has moved forward, we've been very active in degrading their capabilities inside of Syria, even as we're working with partners to make sure that the foreign fighter situation is resolved.

But I think David's point is the key one. This phenomenon of violent extremism -- the ideology, the networks, the capacity to recruit young people -- this has metastasized and it is widespread, and it has penetrated communities around the world.

I do not consider it an existential threat. As David said, this is one that we will solve. We are stronger, we are representing values that the vast majority of Muslims believe in -- in tolerance and in working together to build rather than to destroy. And so this is a problem that causes great heartache and tragedy and destruction, but it is one that ultimately we're going to defeat. But we can't just defeat it through weapons.

One of the things that we spoke about is how do we lift up those voices that represent the vast majority of the Muslim world so that that counter-narrative against this nihilism is put out there as aggressively and as nimbly as the messages coming out from these fanatics. How do we make sure that we are working with local communities and faith leaders and families -- whether in a neighborhood in London or a neighborhood in Detroit, Michigan -- so that we are inoculating ourselves against this kind of ideology. And that's going to be slow, plodding, systematic work, but it's work that I'm confident we're going to be able to accomplish, particularly when we've got strong partners like the United Kingdom doing it.

Q On the economy --

PRESIDENT OBAMA: On the economy, I would note that Great Britain and the United States are two economies that are standing out at a time when a lot of other countries are having problems, so we must be doing something right.

Major Garrett.

Q Thank you, Mr. President. Good afternoon, Mr. Prime Minister. Good afternoon to you, sir.

Questions for all -- for both of you. I want to make sure we heard what you were trying to say. You clearly are directing a message to Congress in the context of Iranian negotiations. Were you also sending a message -- both of you -- to Iran that if the sanctions talks fail, that war footing is the next most likely alternative for this country and those who are allied with us in this common pursuit?

And atrocities in Paris, raids and threats either in Belgium and Netherlands, I'd like to ask you both: Do you believe Europe is at a turning point now in its recognition of what its threats are and its own mobilization in terms of new laws, security footing, larger budgets? And you both talked about cybersecurity. There is a crucial issue for both countries -- backdoors in encryption to protect people and also privacy. I'd like your comments on that. Thank you.

PRESIDENT OBAMA: I am not -- repeat, not -- suggesting that we are in immediate war footing should negotiations with Iran fail. But as David put it very simply -- if, in fact, our view is that we have to prevent Iran from getting a nuclear weapon, then we have to recognize the possibility that should diplomacy fail, we have to look at other options to achieve that goal.

And if you listen sometimes to the rhetoric surrounding this issue, I think there is sometimes the view that this regime cannot be trusted; that, effectively, negotiations with Iran are pointless. And since these claims are being made by individuals who see Iran as a mortal threat and want as badly as we do to prevent them from getting a nuclear weapon, the question then becomes: Well, what other alternatives exactly are available?

That is part of what we have to consider as to why it's so important for us to pursue every possible avenue to see if we can get a deal. Now, it's got to be good deal, not a bad deal. I've already shown myself willing to walk away from a bad deal. And the P5-plus-1 walked away with us. And so nobody is interested in some document that undermines our sanctions and gives Iran the possibility of, whether covertly or gradually, building up its nuclear weapons capacity. We're not going to allow that. And anything that we do, any deal that we arrive at -- if we were to arrive at one -- would be subject to scrutiny across the board, not just by members of Congress, but more importantly, by people who actually know how the technical aspects of nuclear programs can advance and how we can effectively verify in the most rigorous way possible that the terms of the deal are being met.

So the bottom line is this: We may not get there, but we have a chance to resolve the nuclear issue peacefully. And I should point out also, by the way, that if -- even if we get a nuclear deal and we are assured that Iran doesn't possess nuclear weapons, we've still got a whole bunch of problems with Iran on state-sponsored terrorism, their rhetoric towards Israel, their financing of Hezbollah. We've got differences with respect to Syria. It's not as if suddenly we've got a great relationship with Iran. It solves one particular problem that is urgent, and it solves it better than the other alternatives that might present themselves.

So my main message to Congress at this point is, just hold your fire. Nobody around the world, least of all the Iranians, doubt my ability to get some additional sanctions passed should these negotiations fail. That's not a hard vote for me to get through Congress. And so the notion that we need to have additional sanctions, or even the

possibility of sanctions hanging over their head to force them to a better deal, I think the Iranians know that that is certainly in our back pocket if the negotiations fail.

With respect to violent extremism, my impression is that Europe has consistently taken this seriously. During the course of my presidency, we have worked collaboratively and with great urgency and a recognition that not only do you have foreigners who may be trying to hatch plots in Europe, but that, given large immigrant populations, it's important to reach out to and work with local communities and to have a very effective intelligence and counterterrorism cooperation between countries and between the United States and Europe.

There's no doubt that the most recent events has amplified those concerns. I think one of the things that I've learned over the last six years is that there's always more that we can do. We can always do it better. We learn from mistakes. Each incident that occurs teaches our professionals how we might be able to prevent these the next time.

And I'm confident that the very strong cooperation that already exists with Europe will get that much better in the months and years to come.

Q Do you believe that Europe has been as sensitized as the United States and Great Britain has?

PRESIDENT OBAMA: Here's where I actually think that Europe has some particular challenges, and I said this to David. The United States has one big advantage in this whole process, and it's not that our law enforcement or our intelligence services, et cetera, are so much better -- although ours are very, very good, and I think Europeans would recognize that we've got capabilities others don't have. Our biggest advantage, Major, is that our Muslim populations, they feel themselves to be Americans. And there is this incredible process of immigration and assimilation that is part of our tradition that is probably our greatest strength. Now, it doesn't mean that we aren't subject to the kinds of tragedies that we saw at the Boston Marathon. But that, I think, has been helpful.

There are parts of Europe in which that's not the case, and that's probably the greatest danger that Europe faces -- which is why, as they respond, as they work with us to respond to these circumstances, it's important for Europe not to simply respond with a hammer and law enforcement and military approaches to these problems, but there also has to be a recognition that the stronger the ties of a North African -- or a Frenchman of North African descent to French values, French Republic, a sense of opportunity -- that's going to be as important, if not more important, in over time solving this problem. And I think there's a recognition of that across Europe, and it's important that we don't lose that.

The last point I'll make, and then I'll turn it over to David, is with respect to the issue of intelligence-gathering, signal intelligence, encryptions, this is a challenge that we have been working on since I've been President. Obviously, it was amplified when Mr. Snowden did what he did. It's gone off the pages of -- the front pages of the news, but we haven't stopped working on it. And we've been in dialogue with companies and have systematically worked through ways in which we can meet legitimate privacy concerns, but also meet the very real concerns that David has identified and my FBI Director, Jim Comey, identified.

Social media and the Internet is the primary way in which these terrorism organizations are communicating. Now, that's no different than anybody else, but they're good at it. And when we have the ability to track that in a way that is legal, conforms with due process, rule of law, and presents oversight, then that's the capability that we have to preserve.

And the biggest damage that was done as a consequence of the Snowden disclosures was I think, in some cases, a complete undermining of trust. Some would say that was justified. I would argue that although there are some legitimate concerns there, overall, the United States government and, from what I've seen, the British government, have operated in a scrupulous and lawful way to try to balance these security and privacy concerns. And we can do better, and that's what we're doing.

But we're still going to have to find ways to make sure that if an al Qaeda affiliate is operating in Great Britain or in the United States, that we can try to prevent real tragedy. And I think the companies want to see that as well. They're patriots. They have families that they want to see protected. We just have to work through in many cases what are technical issues. So it's not so much that there's a difference in intent, but how to square the circle on these issues is difficult. And we're working with partners like Great Britain and the United Kingdom, but we're also going to be in dialogue with the companies to try to make that work.

PRIME MINISTER CAMERON: On the Iranian issue, I won't add much to what the President said. I'd just make this point, that I don't think you can characterize it as, if there's a deal then the pressure is off Iran, and if there isn't a deal, new pressure has to be applied to Iran. I mean, even if there is a deal, the key to that deal will be transparency and verification and making sure that this country isn't developing a nuclear weapon. And that will mean repeated pressure, even after a deal is done. I think that's very important.

And I would absolutely back up what Barack says about recognizing that in so many other ways, we have some major disagreements with what the Iranians have been doing. I mean, Britain has suffered particularly from the appalling way that our embassy and our staff were treated in that country. So we approach this with a huge amount of skepticism and concern. But the goal of an Iran without a nuclear weapon makes these talks worthwhile.

On the issue -- your question, has -- is this a turning point for Europe in terms of terrorism, I would argue that we turned some time ago. Maybe Britain in particular because of the appalling attacks that took place in 2005, but there have been attacks elsewhere in Europe. I mean, since I've been Prime Minister, there's probably been at least one major plot every year of quite a significant nature that we have managed to intercept, stop and prevent. So the awareness of the scale of the challenge we face is absolutely there across government, across parliament, across the different political parties in the police and intelligence services.

I think there is an opportunity for countries in Europe, who perhaps up to now have been less affected, to work with them and make sure that we share knowledge and skills. Because when you say, have you -- the turning point is making sure your legislation is up to date, making sure your police and security services have the capabilities they need, making sure you've got programs that can channel extremists away and de-radicalize them, making sure that you're better integrating your communities. It means doing all of those things.

I very much agree with what Barack says about the importance of building strong and integrated societies. I made a speech about this at Munich a couple of years ago, saying that it had been a mistake in the past when some countries had treated different groups and different religious groups as sort of separate blocks rather than trying to build a strong, common home together. That is what we should be doing, and that is what our policy is directed to.

And, of course, you need to have -- as I believe we are -- a multiracial, multiethnic society of huge opportunity where in one generation or two generations you can come to our country and you can be in the Cabinet; you can serve at the highest level in the armed forces; you can sit on the bench as a judge. I've got in my Cabinet someone just like that, who in two generations his family has gone from arriving in Britain to sitting -- that's vitally important, as is combatting unemployment, combatting poverty.

But here's I think the really determining point: You can have, tragically, people who have had all the advantages of integration, who have had all the economic opportunities that our countries can offer, who still get seduced by this poisonous, radical death cult of a narrative. We've seen in recent weeks people who have gone to fight in Syria and who may threaten us here back at home who have had every opportunity and every advantage in life in terms of integration. So let's never lose sight of the real enemy here, which is the poisonous narrative that's perverting Islam. That is what we have to focus on, recognizing that of course we help ourselves in this struggle if we create societies of genuine opportunity, if we create genuine integration between our communities. But let's never lose sight of the real -- the heart of the matter.

As for the issue on the techniques necessary for our intelligence services to help keep us safe, all I would say -- and the President and I had a good discussion about this earlier -- I don't think either of us are trying to annunciate some new doctrine. The doctrine that I approach this -- what?

Q (Off-mic.)

PRIME MINISTER CAMERON: Well, I'm sorry to disappoint you, but I take a very simple approach to this, which is ever since we've been sending letters to each other or making telephone calls to each other, or mobile phone calls to each other, or indeed contacting each other on the Internet, it has been possible in both our countries, in extremis -- in my country by a signed warrant by the Home Secretary -- to potentially listen to a call between two terrorists to stop them in their activity. In your country, a judicial process. We've had our own -- we're not asking for backdoors. We believe in very clear front doors through legal processes that should help to keep our countries safe.

And my only argument is that as technology develops, as the world moves on, we should try to avoid the safe havens that can otherwise be created for terrorists to talk to each other. That's the goal that I think is so important, because I'm in no doubt, as having been Prime Minister for four and a half years, having seen how our intelligence services work, I know that some of these plots that get prevented, the lives that get saved, there is a very real connection between that and the capabilities that our intelligence services within the law use to defend our people.

I think the final question is from Robert Moore from ITN.

Q Thank you. Yes, Robert Moore with the British network, ITV News. Prime Minister, it's clear there is a sort of security alert underway at the moment around the Jewish community in Britain. Can I just be clear, is that based on specific intelligence? Should people be concerned about doing their daily activities this weekend? And do you regard a terrorist attack on British soil as almost inevitable?

And, Mr. President, you say there is a dialogue underway with the big American tech companies, but do you share the Prime Minister's view that the current threat environment is so severe that there does need to be a swing of the pendulum a little bit, maybe from privacy towards counterterrorism, and that this area of private encrypted communications is a very dangerous one, potentially in terms of facilitating dialogue between terrorist groups?

PRIME MINISTER CAMERON: On the issue of the threat that we face, as I said, the level has been set at severe. That is set by an independent expert organization, so people can have full confidence that these things aren't ever done for any other motives than literally to look at the evidence that is there about terrorist threats and to set the level accordingly. When the level, as it is as the moment, is set at severe, that means that the authorities believe an attack is highly likely. If we believed it was imminent, then you would move to the next level, which is critical.

And we clearly do face a very real threat in our country. I mean, in recent months, as I was discussing with the President, we've had a number of potential attacks averted, for instance, on British police officers. So that is the threat picture. It's regularly reviewed, regularly updated, but it shouldn't be moved unless there is real evidence to do so.

In terms of the protection to the Jewish community and indeed other communities, and indeed to police officers themselves, this is based on what has happened in France, on the whole picture that we see. And it is sensible, precautionary measures to make sure we do what we can to reassure those communities -- communities who are all too aware of the threat that they face. And this is a bigger challenge for us.

I think one of the most moving sights in Paris was to see so many people holding up signs saying "Je suis flic," I'm a cop; "Je suis juif," I'm a Jew. And I thought that was incredibly moving, that people wanted to stand together with one community that had been singled out, and singled out not because of anything other than the fact they were Jewish. So I think it's very important that we speak up and stand up for those communities and give them the protection that they deserve.

PRESIDENT OBAMA: Obviously, in the wake of Paris, our attention is heightened. But I have to tell you, over the last six years threat streams are fairly constant. David deals with them every day, I deal with them every day. Our CT, our counterterrorism professionals deal with them every day. So I don't think there's a situation in which because things are so much more dangerous, the pendulum needs to swing. I think what we have to find is a consistent framework whereby our publics have confidence that their government can both protect them, but not abuse our capacity to operate in cyberspace. And because this is a whole new world, as David said, the laws that might have been designed for the traditional wiretap have to be updated.

How we do that needs to be debated, both here in the United States and in the U.K. I think we're getting better at it. I think we're striking the balance better. I think the companies here in the United States at least recognize that they have a responsibility to the public, but also want to make sure that they're meeting their responsibilities to their customers that are using their products. And so the dialogue that we're engaged in is designed to make sure that all of us feel confident that if there is an actual threat out there, our law enforcement and our intelligence officers can identify that threat and track that threat at the same time that our governments are not going around phishing into whatever text you might be sending on your smartphone. And I think that's something that can be achieved.

There are going to be situations where there are hard cases. But for the most part, those who are worried about Big Brother sometimes obscure or deliberately ignore all the legal safeguards that have been put in place to assure people's privacy and to make sure that government is not abusing these powers. And on the other hand, there are times where law enforcement and those of us whose job it is to protect the public aren't thinking about those problems because we're trying to track and prevent a particular terrorist event from happening. And it's useful to have civil libertarians and others tapping us on the shoulder in the midst of this process and reminding us that there are values at stake as well. And I think that David and I welcome that kind of debate.

The technologies are evolving in ways that potentially make this trickier. If we get into a situation in which the technologies do not allow us at all to track somebody that we're confident is a terrorist; if we find evidence of a terrorist plot somewhere in the Middle East that traces directly back to London or New York, we have specific information and we are confident that this individual or this network is about to activate a plot, and despite knowing that information, despite having a phone number, or despite having a social media address or email address -- that we can't penetrate that, that's a problem.

And so that's the kind of dialogue that we're having to have with these companies. Part of it is a legal issue, part of it is a technical question. But overall, I'm actually confident that we can balance these imperatives, and we shouldn't feel as if because we've just seen such a horrific attack in Paris, that suddenly everything should be going by the wayside. Unfortunately, this has been a constant backdrop and I think will continue to be for any Prime Minister or President for some time to come, and we've got to make sure that we don't overreact but that we remain vigilant and are serious about our responsibilities there.

Thank you very much, everybody. Appreciate it. Thank you.

END 1:39 P.M. EST

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Opinions

Give diplomacy with Iran a chance

Iranian Foreign Minister Mohammad Javad Zarif (R) shakes hands on January 14, 2015 with US State Secretary John Kerry in Geneva. (Rick Wilking/AFP/Getty Images)

By Laurent Fabius, Philip Hammond, Frank-Walter Steinmeier and Federica Mogherini

Laurent Fabius is France's minister of foreign affairs and international development. Philip Hammond is Britain's foreign secretary. Frank-Walter Steinmeier is Germany's federal minister for foreign affairs. Federica Mogherini is high representative of the European Union for foreign affairs and security policy.

In November 2013, after many months of negotiations, the E3+3 (France, Germany and Britain, together with the United States, Russia and China, a partnership also referred to sometimes as the P5+1) and Iran reached an interim agreement on Iran's nuclear program. This agreement has had three main benefits.

First, it has stopped the progress of the most sensitive elements of Iran's nuclear program. Under the Joint Plan of Action agreed to by Iran and the six partners in the talks, which are being coordinated by the European Union, Iran has ceased production of its most highly enriched uranium, limited its production of new centrifuges for enriching uranium and refrained from installing additional centrifuges. Iran has also agreed to cease progress toward bringing on line the nuclear reactor at Arak. As a result, Iran today is further away from obtaining enough fissile material for a nuclear weapon than before the negotiations.

At the same time, the international community has gained improved access to Iran's nuclear facilities, allowing the world to verify whether Iran is living up to its commitments. Whereas previous inspections only occurred once every few weeks, the International Atomic Energy Agency is now able to conduct daily inspections of the Natanz and Fordow facilities, and the Arak reactor is now subject to monthly inspections.

And last but not least, the interim agreement has given us time and space to try to negotiate a long-term settlement to the Iranian nuclear issue, which is critical for the future of international and regional security.

This progress would have been impossible without the international consensus on the threat posed by Iran's nuclear program and the unity with which we have acted. Together, the international community built a sanctions regime that brought Iran to the negotiating table.

Today, the IAEA continues to verify that Iran is meeting its commitments. In exchange, we are fulfilling our commitment to provide Iran with limited sanctions relief, even as we continue to enforce our core sanctions regime and keep the pressure on Iran. And, during the past year, the six partners have worked in close consultation with each other and with our close allies to keep negotiating – to see if we can achieve a comprehensive and lasting solution to the threat of a nuclear Iran.

Our objective remains clear. We want a comprehensive solution that both recognizes the Iranian people's right to access peaceful nuclear energy and allows the international community to verify that Iran cannot obtain a nuclear weapon. Any agreement must provide concrete, verifiable and long-lasting assurances that Iran's nuclear program is and will remain exclusively peaceful. Nothing less will do. It is now up to Iran to make a strategic choice between open-ended cooperation and further isolation.

To be sure, difficult challenges lie ahead, and critical differences between Iran and the international community must be addressed. That is why weextended the negotiating window until later this year.

In this context, our responsibility is to make sure diplomacy is given the best possible chance to succeed. Maintaining pressure on Iran through our existing sanctions is essential. But introducing new hurdles at this critical stage of the negotiations, including through additional nuclear-related sanctions legislation on Iran, would jeopardize our efforts at a critical juncture. While

many Iranians know how much they stand to gain by overcoming isolation and engaging with the world, there are also those in Tehran who oppose any nuclear deal. We should not give them new arguments. New sanctions at this moment might also fracture the international coalition that has made sanctions so effective so far. Rather than strengthening our negotiating position, new sanctions legislation at this point would set us back.

Let us be clear: If Iran violates its commitments or proves unwilling to agree to a comprehensive, verifiable understanding that meets the international community's bottom line, we will have no choice but to further increase pressure on it. For the first time, however, we may have a real chance to resolve one of the world's long-standing security threats — and the chance to do it peacefully. We can't let that chance pass us by or do anything to derail our progress. We have a historic opportunity that might not come again. With the eyes of the world upon us, we must demonstrate our commitment to diplomacy to try to resolve the Iranian nuclear issue within the deadline we have set. That is the surest path to reaching a comprehensive, lasting solution that will make the world and the region safer.