
IRAN: STATUS OF THE P-5+1 NEGOTIATIONS WITH IRAN

Tuesday, July 29, 2014

UNITED STATES SENATE COMMITTEE ON
FOREIGN RELATIONS
113TH Congress, Second Session

**UNEDITED TRANSCRIPT
NOT FOR DISTRIBUTION**

WITNESSES

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HON. DAVID S. COHEN, Under Secretary for Terrorism and Financial Intelligence, U.S. Department of Treasury

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U.S. SENATE
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C.

1 The committee met, pursuant to notice, at 10:01 a.m. in Room SD-419, Dirksen
2 Senate Office Building, Hon. Robert Menendez, chairman of the committee, presiding.

3 Committee Members Present: Senators Menendez (presiding), Boxer, Cardin,
4 Shaheen, Murphy, Kaine, Markey, Corker, Risch, Rubio, Johnson, Flake, McCain, and
5 Paul.

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

6 **THE CHAIRMAN.** This hearing will come to order. We have two panels today to
7 give us an overview of the status of the P5+1 talks, looking back at what we have
8 learned over the last six months and looking ahead at what might change between now
9 and November that ultimately gets us the type of deal we all hope for.

10 What I would like to hear from our witnesses, who have been across the table
11 from the Iranians, given the underwhelming concessions achieved to date, is what you
12 have learned over the last six months that leads you to believe that we can reach a
13 comprehensive deal in the next four months.

14 Now, I think everyone knows where I stand. I have been skeptical of the
15 Iranians' sincerity from day one and I cannot say that I am any less skeptical today than
16 I was six months ago. I do not believe Teheran has had a change of heart about its
17 nuclear program. If it did, I would think that the whole militarization aspect of it would
18 be part of something that has not — still have to be negotiated, but would be up front.
19 As a matter of fact, I think it should have been up front from the very beginning in
20 order so that we could define truly the nature of these negotiations in a way that the

1 world would not just suspect that Iran was pursuing nuclear weapons, but would know
2 it.

3 I do believe that the Iranians want relief from sanctions and that is why they are
4 at the table. I also believe we have leverage in this negotiation and that we should use it
5 to get a good deal, and if not a good deal then no deal at all.

6 Now, on that I will say that I have joined with the administration many times
7 and Secretary Sherman has on different occasions publicly and privately said that no
8 deal is better than a bad deal. But lately I hear refrains from the administration: But if
9 no deal, what? Which suggests that in fact if we have no deal there are those who
10 suggest that that is a choice between getting some type of a deal or having to go to a
11 military action. I reject that as a choice. I believe that there are significant interim steps
12 in between that lead us far from that ultimate conclusion.

13 I also get concerned when I hear "If no deal, what?," because that implies that
14 you have to get a deal at any cost. So I know that there are those in the disarmament
15 community and in the editorial pages who suggest that those of us who want to really
16 make sure that we get a good deal somehow have this penchant for wars. I find it
17 particularly amusing as it relates to myself. I was one of the handful of people who
18 voted against the war in Iraq, for example, at a time that it was overwhelmingly
19 popular to vote for war.

20 But as someone who has followed this for 20 years from my days in the House of
21 Representatives on the House Foreign Relations Committee to the present, I know that
22 the Iranians have gotten us to a point that by defying the international community we
23 now accept things that we would never have thought were acceptable — levels of
24 enrichment; changing their facility, not closing their facility at Fordow; changing the
25 nature of their plutonium reactor at Arak.

1 So they have succeeded in moving us well along the lines of what they ultimately
2 wanted by defying the international community, including the present president of
3 Iran, who has boasted about that while he was moving that program along he was able
4 to keep the West from significantly sanctioning Iran.

5 So if past is prologue, I think my skepticism is well rooted.

6 Now, what I want to know is whether you believe an extension will give us a
7 good deal, a deal that alters Iran's nuclear heading, postpones breakout, dismantles
8 Iran's illicit nuclear infrastructure, puts in place a long-term inspection, verification, and
9 monitoring regime, and calibrates sanctions relief to specific benchmarks, including a
10 resolution of the possible military dimension of Iran's program.

11 Now, I want to be very clear. I am not looking for the State Department's talking
12 points today. I want to hear from our panelists why they believe, based on their
13 experience over the last six months, four additional months will make a difference.
14 What the committee needs to hear now is what happened at the negotiating table that
15 brought Iran closer to their view to a deal if only they had another four months.

16 Now, let me close by saying what I have always said: I support the
17 administration's diplomatic efforts. I have always supported a bipartisan two-track
18 policy of diplomacy and sanctions. At the same time, I have always believed that we
19 should only relieve pressure on Iran in exchange for long-term verifiable concessions
20 that will fundamentally dismantle Iran's nuclear program, and that any deal be
21 structured in such a way that alarm bells will sound from Vienna to Washington,
22 Moscow and Beijing, should Iran restart its program any time in the next 20 or 30 years.

23 I also want to be clear today that I do not support another extension of
24 negotiations. At that point Iran will have exhausted its opportunity to put real
25 concessions on the table and I will be prepared to move forward with additional
26 sanctions.

1 With that, let me recognize Senator Corker for his remarks.

2 **SENATOR CORKER.** Thank you, Mr. Chairman. I want to say that I think those are
3 excellent opening comments and I think there has been bipartisan concern about where
4 Iran is. Actually, looking back over our notes, we look back at the hearing we had on
5 October of 2013, where I think Wendy and David both were here and we talked about
6 the extraordinary effort internationally that had been put in place to get Iran where they
7 were when these negotiations began.

8 I think the statement you mentioned — and hopefully this will play out in this
9 way, but — Iran's compliance with all UN Security Council resolutions would be the
10 ultimate test as to whether they really were willing to deal with us in the appropriate
11 way.

12 I think all of us wish you well and all of us — I do not know of a soul here that
13 does not want to see this resolved in a diplomatic way. I know we have had numbers of
14 briefings, classified, some unclassified, and I will say in fairness the chairman is right. I
15 mean, in each case on the important issues we feel the goalposts move.

16 In March, of course, the issue of enrichment was basically agreed to. It is going
17 to be very difficult, I think, to walk that back. But then on so many issues that are
18 related and tied to this, we see the goalposts again continue to move. I know that
19 David's testimony today has done a good job, I think, with sanctions. He is going to
20 talk about the relief that Iran is getting during this next four-month extension.

21 But I think all of us are concerned that the — rightly so, and I think you are
22 concerned, too — that the international community, having come together to put
23 pressure on Iran the way that we have, is dissipating and will be very difficult to bring
24 back together if we end up in the wrong place here.

25 So I will close. I think that the chairman's comments speak well for most of the
26 committee, candidly. I will just close by saying this. I hope that today you will publicly

1 commit that there will be absolutely no more extensions, none; no matter where we are
2 at the end of this four-month period, there will not be additional extensions. We will
3 either come to a final agreement or not, because I think people are very, very concerned
4 about what happens if we have a series of rolling interim agreements, if you will.

5 Secondly, I hope you will commit, as John Kerry has said, there needs to be
6 Congressional buy-in. I hope you will agree to some format that gives Congress the
7 ability to weigh in on this final deal. I know everybody says these sanctions cannot be
8 waived without Congress. Well, they can. They can be waived without Congress
9 weighing in.

10 I actually believe that acknowledging Congress playing a role in one of the
11 biggest issues that this administration is going to deal with relative to reaching
12 agreement relative to nuclear issues — I think that Congress can be an important and
13 valuable backstop to the administration as they negotiate this, because I know that
14 Congress has sent out very, very strong signals as to what they believe, what we
15 believe, would be an acceptable arrangement.

16 So thank you for being here. I appreciate your service to our country. I
17 appreciate the updates that we received by phone and in person. Again, all of us want
18 to see success, but are very concerned about where we are at this moment.

19 **THE CHAIRMAN.** Thank you, Senator Corker.

20 For the record, your full statements will be included in the record, without
21 objection. We would ask you to summarize them in about five minutes or so so we can
22 enter into a dialogue with you. With that, Madam Secretary, you are recognized.

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

23 **Ms. SHERMAN:** Good morning and thank you, Chairman Menendez and Ranking
24 Member Corker and distinguished members of the committee. I am pleased to be here
25 along with Under Secretary Cohen to discuss the status of negotiations related to Iran's

1 nuclear program. As you say, you have my written statement, so I will summarize its
2 key points.

3 Mr. Chairman and members, our goal is to prevent Iran from obtaining a nuclear
4 weapon. The diplomatic process in which we are currently engaged was designed to
5 achieve that goal peacefully and durably. We have a basic metric for a good agreement:
6 one that cuts off all of Iran's potential paths to a nuclear weapon — the plutonium path
7 with the current Arak reactor, the path through the underground facility at Fordow, the
8 path through swift breakout at the Natanz enrichment plant, and the path that would
9 occur in secret, which we will deal with through intrusive measures. And we will tie
10 our sanctions relief to Iran's performance, only providing relief to Iran after it has taken
11 verifiable steps as part of a comprehensive agreement and maintain the capacity to
12 tighten the pressure if Iran fails to comply.

13 I cannot tell you today that our diplomacy will succeed because I am not sure
14 that it will. I can tell you that in the past six months we have made significant and
15 steady progress. We have exchanged ideas, narrowed gaps on key issues, and
16 identified areas where more hard work is required.

17 For instance, we have had productive discussions about how to reduce the
18 dangers posed by the facilities at Arak and Fordow, about the protocols necessary for
19 transparency, and about the disposition of Iran's stockpiles of enriched uranium. No
20 issues have been neglected. None have been finally decided because nothing is agreed
21 until everything is agreed. And on some we still have substantial differences, including
22 the question of enrichment capacity.

23 As you know, Mr. Chairman, there is a limit to how detailed I can be in this open
24 session and still preserve the leverage we need in support of the goal we seek.
25 However, the bottom line is that, although serious obstacles do remain, we are moving
26 in the right direction.

1 For that reason, roughly two weeks ago the parties to the negotiation agreed to
2 extend our deliberations for four additional months. We agreed to this extension
3 because we had seen significant progress in the negotiating room and because we can
4 see a path forward, however difficult, to get to a comprehensive plan of action. We will
5 use this time to continue working towards that comprehensive plan for ensuring that
6 Iran does not obtain a nuclear weapon and that its program is exclusively peaceful.

7 I note that a year ago Iran's nuclear program was growing and becoming more
8 dangerous with each passing day. That is no longer the case. Last November, as a first
9 step in this negotiation, we reached consensus on a Joint Plan of Action. In return for
10 limited and targeted sanctions relief, Iran agreed to freeze and even roll back key
11 elements of its nuclear activities. In fact, the JPOA has temporarily blocked each of the
12 paths Iran would need to go down to build a nuclear weapon.

13 Many observers openly doubted whether Iran would keep its commitments
14 under the Joint Plan. But according to the IAEA, Iran has done what it promised to do
15 during these past six months. The result is a nuclear program that is more constrained,
16 more transparent and better understood than it was a year ago, a program that has been
17 frozen for the first time in almost a decade.

18 Meanwhile, as Under Secretary Cohen will make clear, sanctions relief for Iran
19 will remain limited to amounts that will do little, if anything, to deal Iran's deep-seated
20 economic problems.

21 Over the next four months, the valuable safeguards that freeze Iran's nuclear
22 program will remain in place as we strive to negotiate a comprehensive and longer-
23 term plan. I will be blunt and say that we will never rely on words alone when it comes
24 to Iran. We have and we will insist that commitments be monitored and verified and
25 that the terms of access and inspection be thoroughly spelled out.

1 Our goal is to structure an agreement that would make any attempt to break out
2 of such an agreement so visible and so time-consuming that Iran would either be
3 deterred from trying or stopped before it could succeed.

4 Speaking more generally, I want to emphasize that engagement on one issue
5 does not require and will not lead to silence on others. The United States will not
6 hesitate to express its view and to put pressure on Iran when it is warranted, whether in
7 relation to the government's abysmal human rights record, its support for terrorism, its
8 outright hostility towards Israel, or its detention of political prisoners, journalists, and
9 American citizens.

10 Mr. Chairman and members of the committee, on this issue we are united in our
11 goals. We are determined that Iran not obtain a nuclear weapon. It is only because of
12 the leverage created by the Executive and Legislative Branches of this government, by
13 our allies and partners, and by the UN Security Council that Iran has come to the
14 negotiating table in what we believe to be a serious way.

15 But we all know that sanctions are a means, not an end. We are now in the
16 process of determining whether the end we seek can be achieved through a diplomatic
17 process. That effort is worthwhile because a positive outcome would be preferable to
18 any alternative. A comprehensive agreement would ease anxiety and enhance stability
19 throughout the Middle East. It would reduce the likelihood of a regional nuclear arms
20 race. It would eliminate the potential threat of nuclear blackmail. It would contribute
21 to the security of Israel and to our partners throughout the region and it would make
22 our own citizens safer.

23 Between now and the end of November we will continue our pursuit of these
24 welcome ends, and it is with those high purposes in mind that I respectfully thank you
25 and ask you again for your support. I thank you for the opportunity to be here. I will

1 be pleased to respond to every question and be as specific and detailed as I possibly can,
2 Mr. Chairman, in this open session.

3 Thank you.

[The prepared statement of Ms. Sherman follows:]

[COMMITTEE INSERT]

4 **THE CHAIRMAN.** Secretary Cohen.

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

5 **MR. COHEN:** Chairman Menendez, Ranking Member Corker, distinguished
6 members of the committee: Thank you for your invitation to appear before you today
7 along with my colleague Under Secretary Sherman to discuss the extended Joint Plan
8 of Action. I will focus my oral testimony this morning on our efforts to maintain intense
9 pressure on Iran, to help achieve a successful outcome in the negotiations over its
10 nuclear program, and the ever-mounting pressure that Iran will continue to face during
11 the extended Joint Plan of Action period as the P5+1 seeks a comprehensive and long-
12 term resolution to the international community's concerns over Iran's nuclear program.

13 When we announced the Joint Plan last November, we said that we did not
14 expect the relief package in the JPOA to materially improve the Iranian economy, and it
15 has not. The depths of Iran's economic distress, distress that resulted in large measure
16 from the collaborative efforts of Congress, the administration, and our international
17 partners, dwarfed the limited relief in the Joint Plan of Action.

18 So today as we start to implement the extended JPOA, Iran remains in a deep
19 economic hole. The value of Iran's currency, the rial, has declined by about 7 percent
20 since the JPOA was announced last November. Since 2011, Iran has lost about \$120
21 billion in oil revenues. It lost \$20 billion in revenues in the first six months of the JPOA
22 and stands to lose an additional \$15 billion in oil revenues during the next four months

1 alone. Iran's economy today is 25 percent smaller than it would have been had it
2 remained on its pre-2011 growth trajectory.

3 Now, when we entered into the JPOA some predicted that our sanctions regime
4 would crumble, and some also argued that Iran's economy would rebound
5 dramatically. Neither occurred. The fact is as we enter the four-month extension of the
6 Joint Plan of Action our sanctions regime remains robust and Iran's economy continues
7 to struggle. And we remain confident that four months from now our sanctions will
8 continue to bite and Iran's economy will remain under great stress.

9 The 3 to \$4 billion worth of relief that the extended Joint Plan of Action may
10 provide Iran pales in comparison to what Iran needs to dig itself out of its deep
11 economic hole. We expect that firms will continue to shun Iran, as was the case during
12 the first six months of the Joint Plan of Action. Firms have good reason to remain
13 reluctant about doing business in Iran. The overwhelming majority of our sanctions
14 remain in place. Iran continues to be cut off from the international financial system and
15 is largely unable to attract foreign investments. Iran is still shut out of the United States,
16 the world's largest and most vibrant economy, and precluded from transacting in the
17 dollar. And a sweeping set of nearly 680 Iran-related sanctions designations, developed
18 in concert with partners around the world, remains in place.

19 Throughout the JPOA period, we have also vigorously enforced our sanctions,
20 recognizing the essential role that financial pressure played in the lead-up to and now
21 during the Joint Plan of Action and how important maintaining that pressure will
22 continue to be during this extended Joint Plan of Action period. Indeed, since the Joint
23 Plan was negotiated we have imposed sanctions on more than 60 entities and
24 individuals around the world for evading U.S. sanctions against Iran, aiding Iranian
25 nuclear and missile proliferation, supporting terrorism, and for abusing human rights.

1 Throughout this short-term extension of the Joint Plan, I can assure you that we
2 will continue to make certain through word and deed that banks, businesses, brokers,
3 and others around the world understand that Iran is not open for business and Iran will
4 not be open for business unless and until it assures the international community of the
5 exclusively peaceful nature of its nuclear program.

6 While this four-month extension will provide additional time and space for
7 negotiations to proceed, it will not change the basic fact that Iran's sanctions-induced
8 economic distress has not receded. And over the next four months my colleagues and I
9 within Treasury and throughout the administration will continue to echo President
10 Obama's clear message, namely that we will come down like a ton of bricks on those
11 who seek to evade our sanctions. That will help provide our negotiators leverage as we
12 explore the possibility of a comprehensive and long-term resolution to the international
13 community's concerns over Iran's nuclear program.

14 I am happy to respond to any questions the committee may have.

[The prepared statement of Mr. Cohen follows:]

[COMMITTEE INSERT]

15 **THE CHAIRMAN.** Thank you both.

16 Before I get to the negotiation questions, I do have a question for you, Madam
17 Secretary, about the detention of the Washington Post's correspondent in Teheran, Jason
18 Reszayen, who I understand is a dual citizen, including a citizen of the United States,
19 and his wife, who were arrested at their home last Tuesday. Since their arrests, no one
20 has heard from them; and two U.S. citizens working as freelance photographers are also
21 being held. To my knowledge, no charges have been brought and the detainees
22 apparently have no access to legal counsel.

23 Can you tell me what we are doing in this regard?

1 **Ms. SHERMAN:** Yes. Thank you for raising this. It is of great concern to all of us, as
2 is the continued detention of Amir Hekmati and Pastor Abedini and our concern about
3 Robert Levinson, who has been missing for a very long time and we believe in Iran. We
4 have in fact used our appropriate channels, principally the Swiss, to make known our
5 concern about this apparent detention of American journalists and his wife and the
6 additional photojournalists.

7 There is absolutely no reason for this to occur. I read with interest the
8 Washington Post editorial, with which I entirely agree. We are a country that believes
9 in press freedom. This is a reporter who has been reporting for some time, had been in
10 Vienna with us in fact during the negotiations, and we call on Iran to release all of these
11 people, including Pastor Abedini, Amir Hekmati, and to help us in every way possible
12 to return Robert Levinson home as well.

13 So thank you for raising this, and we will use every channel we have, Mr.
14 Chairman, to continue to bring American citizens home.

15 **THE CHAIRMAN.** Well, I appreciate that. More than raising it, I am concerned when
16 U.S. citizens are detained by the Iranian government. And I do not even understand the
17 case of this reporter because, having read some of his articles, it seemed rather, I will
18 not say favorable, but it certainly was balanced in his reporting.

19 So in the midst of negotiations, how is it that the Iranians detain U.S. citizens for
20 what is from all apparent purposes nothing of any great consequence? I just, I do not
21 get it. I do not get it, like I do not get the Ayatollah talking about 190,000 centrifuges at
22 a time that we are trying to reduce the number of centrifuges. Even if he did not have it
23 time specific, 190,000 centrifuges is beyond the pale of what we need.

24 So I hope we are vigorously going to pursue this with the Iranians and I hope
25 they understand very clearly that actions like these undermine whatever negotiating
26 posture they have at the time.

1 Let me ask you with reference to something that I think should have been a
2 condition precedent. I think you and I have discussed this, but it certainly is a concern
3 to me, which is the military, the possible military dimensions of Iran's program. I do
4 not look at this as simply just to understand the past and say, you see. I look at it as a
5 measurement for the future. If you do not know what Iran's military program was, you
6 do not know to what point they progressed that will cause us concern that they are at a
7 point maybe farther along than anyone suspects and a short jump towards being able to
8 militarize their nuclear program for nuclear weapons.

9 And I think the world would have looked at these negotiations in a totally
10 different way if that had been established up front. Now, my understanding from
11 public reports — forget about private briefings — is that they are incredibly reticent to
12 come clean on this issue. So what options are on the table for addressing the possible
13 military dimensions of Iran's program, and will you insist — I do not think that this is
14 giving away a negotiating posture — on access to persons, places, and documents for
15 the IAEA to make this determination?

16 **Ms. SHERMAN:** Thank you very much, Mr. Chairman. We absolutely agree that
17 possible military dimensions of Iran's program must be addressed as part of a
18 comprehensive agreement. As you know, the International Atomic Energy Agency has
19 a protocol under way to do that. It has been very difficult. Iran has been reluctant to
20 come forward with the kind of information about people, places, and documents that —

21 **THE CHAIRMAN.** Did they not recently say they are missing a deadline?

22 **Ms. SHERMAN:** They may indeed. There is an August 25th deadline coming up for
23 some of the considerations. We have been in very close touch with Director General
24 Amano because in our dealing with possible military dimensions in a comprehensive
25 agreement we want to make sure we do not undermine the independence of the IAEA,
26 but rather use the negotiations as leverage to get the compliance that is required, while

1 at the same time ensuring that the IAEA can do its job and that we do not interfere with
2 that in inappropriate ways, given their independence.

3 That said, I quite agree with you. If there is not access to what the IAEA needs to
4 know about Iran's past, it is difficult to know that you will have compliance about Iran's
5 future. How this will ultimately get resolved we have had quite a bit of discussion
6 about. We have not reached a resolution on this issue. It is a very serious issue and
7 must be resolved as part of a comprehensive negotiation. So I agree with you.

8 **THE CHAIRMAN.** Let me ask you with reference to, assuming a good deal that we
9 could all embrace, what is going to be critical after 20 years of deception is the
10 monitoring and verification regime, which is why I have called for long-term
11 inspections and a verification regime. Some call that a suggestion of a deal-breaker. I
12 do not quite get it. It seems to me that if you deceive for 20 years and you advance your
13 program to a point that we are now accepting some level of enrichment, that we accept
14 Fordow, which was supposed to be closed, that we were told that Arak was going to be
15 dismantled either by them or by us, and now we are accepting all these things, that a
16 long-term verification and management agreement is incredibly important, not a deal-
17 breaker, but a deal-maker.

18 What monitoring and verification measures beyond the additional IAEA
19 protocols are we seeking in a final agreement. And what types of verification measures
20 are being considered to halt the procurement of key proliferation-sensitive goods as
21 well?

22 **MS. SHERMAN:** Thank you, Mr. Chairman. Transparency and monitoring is
23 absolutely critical and core to any agreement. As I said, one of the pathways of greatest
24 concern is, of course, covert action, and transparency and monitoring are the elements
25 that help ensure that if there is a covert program one knows it in time to be able to take
26 action and to stop it from happening in the first place.

1 In fact, in the Joint Plan of Action the fact that we can now have managed access
2 to centrifuge production, to rotor production, to uranium in mines and mills gives our
3 intelligence community and our experts the kinds of information that allow us to know
4 whether something is being sent over to some other place and is not in the pipeline as is
5 required to be inspected.

6 So in addition to modified Code 3.1 and the additional protocol, which are
7 absolutely critical to a comprehensive agreement — and I believe Iran understands that
8 — on each of the measures that will be agreed to we will decide whether in fact an
9 additional element of transparency and monitoring is needed over the entire duration
10 of this agreement. And the duration of this agreement, we agree with you, ought to be
11 quite a long time, given how many years of concern have been raised by the
12 international community.

13 So in some cases that will be access to sites. In some cases that will be other
14 technical means of verification. But we will go element by element and make sure that
15 there is in fact a specific monitoring and verification measure that matches up with that.

16 **THE CHAIRMAN.** Let me ask you the specific question I asked before, and then I will
17 turn to Senator Corker. Persons, places, and documents. Is that an unreasonable
18 expectation in order to have the type of verification both of the possible military
19 dimensions or, prospectively — for three years before we found their underground
20 facility. I do not know that while we agreed to something that allows them to do X, that
21 they do not go ahead with their capacity somewhere else that we find three years later.
22 But three years is going to be too late.

23 **Ms. SHERMAN:** We will do whatever the IAEA requires for verification. They have
24 in the past required persons, places, and documents. I think they see the places and
25 documents as the most important because they want to go and have direct access and
26 look for themselves. The persons issue, as I think you know, is an issue for Iran, but it is

1 one that is on the table and of great concern to us. Their concern is, to be very blunt and
2 open about it, is if you name individuals that those individuals might find that their
3 lives are quite short.

4 **THE CHAIRMAN.** I think that there are ways for them to create access to individuals
5 in their secure facilities that would guarantee that their lives would be extended.

6 **MS. SHERMAN:** I agree, I agree.

7 **THE CHAIRMAN.** Senator Corker.

8 **SENATOR CORKER.** Thank you, Mr. Chairman.

9 Ms. Sherman, are you — is the administration in agreement that November 24th
10 is the end of these negotiations, there will be no more extensions, that we either reach
11 an agreement by that date or this negotiation is over?

12 **MS. SHERMAN:** Senator, I have learned in negotiations that it is very difficult to say
13 what will happen at the end of any given period of time. If you had asked me where we
14 would be at the end of this six months that has just preceded, it would have been hard
15 to predict that we are exactly where we are today. Our intent is absolutely to end this
16 on November 24th in one direction or another, but what I can say to you is that we will
17 consult Congress along the way.

18 I greatly appreciate that Congress has permitted classified briefings during active
19 periods of negotiation to maintain whatever leverage we have. We will continue those
20 classified conversations, and when November 24th comes whatever decision we make
21 will be a joint one with the United States Congress.

22 **SENATOR CORKER.** And you understand the concerns people have —

23 **MS. SHERMAN:** I absolutely do.

24 **SENATOR CORKER.** — about a series of rolling interim agreements?

25 **MS. SHERMAN:** I do. And indeed, we did not — we made a very conscious
26 decision not to go for a six-month extension, which was possible under the JPOA,

1 because we thought we would just get to month five before anything would happen. So
2 we are concerned about talks for talks' sake as much as you are.

3 **SENATOR CORKER.** Then for the inspections regime, I think as the chairman alluded
4 to and many people in these other settings have alluded to, if the inspection period is
5 something short of 20 years or so we have really not done much, right? In other words,
6 if we do not have a full inspection regime, if this agreement does not last for a long,
7 long time, we really have dissipated all of our leverage for something that really does
8 not matter.

9 What is the minimum length of time that is being discussed for an agreement of
10 this type at present?

11 **Ms. SHERMAN:** We believe that the duration of this should be at least double digits
12 and we believe that it should be for quite a long time. I am not going to put a specific
13 number on the table today because that is a subject of very sensitive negotiations. But I
14 am happy to discuss that with you in a classified setting.

15 **SENATOR CORKER.** Again, I think you understand the concerns —

16 **Ms. SHERMAN:** I do.

17 **SENATOR CORKER.** — that all of us have relative to something that is not very, very
18 long-term.

19 **Ms. SHERMAN:** And we share that.

20 **SENATOR CORKER.** Okay. Do you believe that they are agreeing to all their
21 obligations in the JPOA?

22 **Ms. SHERMAN:** I do, and the IAEA has verified, which is even more important
23 than my judgment.

24 **SENATOR CORKER.** So one of the areas where we have disputed this — and we have
25 talked about it a little bit back and forth — is they agreed, there was an agreement that
26 they were not going to export more than one million barrels per day. They are above

1 that number, significantly above that number. I guess I just ask the question, if they are
2 significantly above the number they have agreed to, how are they in agreement with the
3 JPOA? We believe they are at 1.4 million. I think you can verify that to be sure, I think.
4 So how are they in agreement?

5 **Ms. SHERMAN:** Well, actually, Senator, I talked with our experts yesterday about
6 this because I imagined that it would get asked today, and it is our assessment, having
7 most of the data, though not having the last 20 days of July yet, that we will be within
8 range of 1 to 1.1 million barrels per day, which is what in fact we had said would be the
9 aggregate amount.

10 Now, some of the public data that is published includes two elements that are
11 not part of that assessment. For those countries that are still allowed to import Iranian
12 oil, though at the aggregate amount at which they were at at the time of the JPOA, that
13 does not include condensates, and some of the public data includes condensates, which
14 pushes up the number.

15 Secondly, some of the public data includes the oil that is headed to Syria and that
16 pushes up the number, and indeed Iran gets no money directly from the oil they give to
17 Syria, so they get no economic benefit to it. So if you take out the condensates —

18 **SENATOR CORKER.** I got it. If I could —

19 **Ms. SHERMAN:** — and take out Syria, we are at about 1 to 1.1.

20 **SENATOR CORKER.** I think that, just for what it is worth, the subtraction of
21 condensates is a — I forgot what they called new math when I was a young man, but it
22 is a very creative way of not counting all of their exports. We disagree strongly with
23 those numbers.

24 But just think about what you just said. They are shipping oil to Syria. I will say
25 it one more time: They are shipping oil to Syria instead of sending them money. They

1 are working against us in that regard, and you do not count that as an export. I just find
2 that to be ludicrous.

3 **Ms. SHERMAN:** Well, though we do have other sanctions through other channels
4 for the export of that oil to Syria. So we do take enforcement action on that export.

5 **SENATOR CORKER.** Let me ask you this, two more questions. Kerry, Secretary
6 Kerry, was in and said on April the 8th that the administration is obligated under law to
7 come back to Congress for any relief of statutorily imposed sanctions on Iran, and any
8 agreement with Iran will have to pass muster with Congress. Can you confirm that that
9 is the case, and will you come to Congress prior to providing any relief associated with
10 a comprehensive agreement? If not, why not?

11 **Ms. SHERMAN:** Senator, we believe strongly that any lifting of sanctions will
12 require Congressional legislative action.

13 **SENATOR CORKER.** Lifting, but you can waive. I want to get — I heard you talk
14 about the words, it is tough to resolve, a minute ago. I want you to clearly state to me:
15 Will you or will you not come to Congress before lifting, whether it is a waive, a
16 temporary waive, a skate down the road, whatever? No way will you lift any kind of
17 relief on Iran, period, after this next agreement is reached or not reached, without
18 coming to Congress?

19 **Ms. SHERMAN:** We cannot lift any sanctions without Congressional action. We
20 can, as you said, suspend or waive —

21 **SENATOR CORKER.** Right.

22 **Ms. SHERMAN:** — under the current legislation. We will not do so without
23 conversations with Congress. If you are asking, Senator, whether we are going to come
24 to Congress for legislative action to affirm a comprehensive agreement, we believe, as
25 other administrations do, that the Executive Branch has the authority to take such

1 executive action on this kind of a political understanding that might be reached with
2 Iran. I cannot tell you whether we will or not.

3 **SENATOR CORKER.** I got that. I understand Article 2 of the Constitution. But I want
4 to go back to what you are saying. You came and had a conversation with us, you and
5 your representatives, and basically told us that you were extending the agreement.
6 That is a conversation.

7 **MS. SHERMAN:** Well — yes.

8 **SENATOR CORKER.** I just want to go back and I want you to clearly — waiving,
9 suspending. You have told me you do not have to come back to Congress, and I would
10 like to figure out a way that you do. I have been unsuccessful so far. But I want you to
11 clearly state, on the waiving or suspending of any kind of sanctions, because you have
12 the right to do that, you say you will have a conversation. Again, the conversations
13 have been: This is what we are going to do. That is a very unsatisfactory place for us to
14 be.

15 So you are telling me you cannot be any more clear than coming and having the
16 same kind of conversations we have had in the past, where in essence you are telling us
17 what you are going to do?

18 **MS. SHERMAN:** Senator, the United States Congress and the United States Senate
19 has oversight authority, has legislative authority. You are free to decide what action
20 you think is appropriate for any Executive Branch decisions by any administration, and
21 I understand those prerogatives quite clearly and I will commit to you that you will not
22 be surprised by reading in the newspapers decisions or judgments that we have made,
23 that we will keep you completely informed about what we are doing in these
24 negotiations, as we have throughout these last six months.

25 **SENATOR CORKER.** Well, thank you. I know my time is up. I think the world
26 understands that that is a zero commitment and it is not in keeping with what Secretary

1 Kerry said on April the 8th. I know the goalposts keep moving and I think you can
2 continue this hearing as evidence of why so many of us have the concerns we have.

3 Again, we wish you well.

4 **THE CHAIRMAN.** Senator Cardin.

5 **SENATOR CARDIN.** Well, thank you, Mr. Chairman.

6 Let me thank both of our individuals that are with us today for your continued
7 service to our country. These are extremely challenging issues.

8 Going back to the start of these negotiations and the negotiation for the original
9 agreement, I think we got off to a rough start between Congress and the administration.
10 It caused I think more division than perhaps was in the best interest of this country. I
11 want to thank you and acknowledge that I think, particularly in recent months, the
12 cooperation between the administration and Congress has gotten much stronger. The
13 openness of the briefings I think have been of much higher quality, and we thank you
14 for that. The input from Congress has been pretty direct.

15 I think the administration has done a commendable job in keeping our
16 negotiating partners together in unity, despite the challenges of international events. So
17 I think we have made a lot of progress and I just want to acknowledge that.

18 I could not agree with you more that the objective is the visible ability, assuming
19 we have an agreement, but the visible ability to determine if that agreement is not being
20 adhered to. And as you point out, the ability that it would take, time-consuming, to get
21 back to the ability to produce a nuclear weapon. That is certainly the goal, and I think
22 we all acknowledge that a bad agreement is worse than no agreement at all.

23 I think the language that we have been using has been pretty clear about that, the
24 language that you have used, that if there is a failure here there will be tougher
25 sanctions and tougher isolation, is absolutely accurate.

1 I just really want to follow up on one of Senator Corker's points, and that is
2 November 24th would not be the end of this process. Because if I understand, if you are
3 successful, if you are successful, Congress and the administration have to work
4 together. It does not end the process on November 24th. The sanctions are not going to
5 be removed at one time. There is going to be, I assume a transition period that will
6 require Congress and the administration to be on the same page on this.

7 So I just encourage you to use the same process that you have used during the
8 last few months, which I think has been a much healthier process between the two
9 branches of government that share the same objective. We have shared the same
10 objective from the beginning. So I hope that you will continue to do that.

11 I want to just talk about the one part of your statement, Secretary Sherman, that
12 you mentioned, and that is, we will also put pressure on Iran when it is warranted,
13 whether it is in relationship to the government's abysmal human rights record, its
14 support for terrorism, its hostility towards Israel, or its detention of political prisoners.

15 This has been — this is going to be a lengthy process. Of course, we are focused
16 on an extremely important priority for the United States and that is a non-nuclear
17 weapon Iran. But at the same time, Iran is doing other issues that are problematic to a
18 relationship with the United States from the point of view of constructive relationships,
19 and we have to use every tool that we can to deter them and to put a spotlight on the
20 things that they are doing.

21 You then say you will not be silent. I assume silence means more than just
22 words, that we will take actions in other areas, and nothing that we are doing in these
23 negotiations would compromise our ability to speak out about these other issues that
24 are critically important to the United States.

25 **Ms. SHERMAN:** I could not agree more, Senator. Where it comes to our sanctions
26 on terrorism, our sanctions on human rights, they will continue in place. We have been

1 quite clear with Iran that, although if we get to a comprehensive agreement there might
2 be first suspension and then ultimately, after some period of time and after verification
3 by the IAEA of a variety of benchmarks, ultimately perhaps lifting, that where it comes
4 to our sanctions regarding terrorism, human rights, they will stay in place.

5 It is quite concerning, the actions that Iran takes in all of the arenas that you just
6 mentioned — human rights, terrorism, fomenting instability. As the chairman said,
7 who can imagine that detaining an American journalist helps these negotiations? In the
8 past, I know it has been quite in the news of late, although Hamas creates many of its
9 own rockets these days, a lot of the original supply of those rockets came from Iran. So
10 the security of Israel is not only tied to this nuclear agreement, but it is also tied to their
11 horrific rain of rockets that are coming down on Israel today.

12 So all of these areas we need to continue to have vigorous enforcement of our
13 existing sanctions, take what other actions we can to mobilize the international
14 community to condemn these actions, and to insist that they stop.

15 **SENATOR CARDIN.** I might point out — and again, at the end of the day, we must be
16 together on this. It might be the preferred practice to use the waiver authority that you
17 have rather than changing the underlying law in the event that we have to act quickly if
18 there is problems in compliance, rather than having to wait for Congress to pass a new
19 law and getting that to the administration.

20 So I just point out there is advantages to the tactics that are used at the end of the
21 day. But I agree completely with Senator Corker and I think Secretary Kerry; it is
22 critically important that we are together on this at the end of the day. I hope that will —
23 and I know that you agree, and that we have got to make sure that occurs.

24 Secretary Cohen, I want to ask you one question about the challenges that you
25 might be having today, considering that Europe and the United States are working for
26 stronger sanctions against Russia. Russia is one of our negotiating partners in regards

1 to Iran. Does that cause some challenges for you? I hope not. I hope that we are able to
2 have more than one relationship at a time. This committee has been on record strongly
3 supporting additional sanctions against Russia in regards to its actions with Ukraine.
4 But is that affecting our ability to speak out as a unified voice in regards to Iran?

5 **MR. COHEN:** Thank you for that question, Senator. The answer is not in the least.
6 Our efforts to address Russia's destabilizing activities in Ukraine, its invasion of
7 Ukrainian sovereignty and territorial integrity, have not been impeded one iota by the
8 very important work that Under Secretary Sherman and the team have been
9 undertaking in Vienna.

10 We have been pursuing a I think very powerful and calibrated strategy to impose
11 pressure on Russia with respect to its activities in Crimea and now in eastern Ukraine.
12 We have been working very closely with our counterparts in Europe and elsewhere to
13 coordinate these actions. I think there have been press reports in the last 24 hours or so
14 of additional sanctions yet to come. So I would stay tuned for that.

15 But we have not encountered any difficulty in terms of working with our
16 partners or working ourselves to impose pressure on Russia in relation to the activities
17 in Ukraine.

18 **SENATOR CARDIN.** Thank you.

19 Thank you, Mr. Chairman.

20 **THE CHAIRMAN.** Senator Johnson.

21 **SENATOR JOHNSON.** Thank you, Mr. Chairman.

22 I have not had the years of experience with this issue as the chairman has, but the
23 chairman was talking about moving the goalposts and I do have a lot of experience with
24 negotiation. Certainly, when I sit down to negotiate I want to know and have a very
25 clear understanding of what my goal is. I would also like to understand what the goal
26 of the party is that I am negotiating with.

1 So my understanding is the goal of the world community, including the United
2 States, as this all began was pretty well expressed in United Nations resolutions,
3 correct? Ms. Sherman, can you state what that was?

4 **MS. SHERMAN:** Yes, indeed, Senator. There have been more than one UN Security
5 Council resolution regarding Iran's nuclear program, but it is to ensure that Iran cannot
6 obtain a nuclear weapon and that its program is exclusively peaceful.

7 **SENATOR JOHNSON.** Now, did not all those resolutions also — was not the goal there
8 to end the enrichment program, to bar Iran from enriching uranium?

9 **MS. SHERMAN:** Actually, what the language in the Security Council resolution is is
10 that Iran should suspend enrichment, and in fact does not stop enrichment, bar
11 enrichment, but urges that Iran suspend enrichment until there is assurance on behalf of
12 the international community that its program is entirely peaceful; and in fact, even
13 anticipates that they could resume if in fact they did provide that assurance.

14 That said, Senator, the administration position has been that the preference is
15 that Iran not have an enrichment program, and that remains the case. In every
16 negotiation I remind Iran that that is the case. They can get anything they need on the
17 open market. They do not need an indigenous program. Nonetheless, at the end of this
18 comprehensive agreement there is the potential for a very limited enrichment program
19 for practical specific needs, under very intrusive mechanisms of monitoring and
20 verification.

21 **SENATOR JOHNSON.** But as you said, there is no reason whatsoever, if all your goal
22 is is having a peaceful, a non-weaponized, there is no reason to have enrichment,
23 correct? There is none whatsoever. You can easily obtain these materials on the open
24 market. You do not need to enrich to have a peaceful nuclear program.

1 **Ms. SHERMAN:** That is correct, and that is true of virtually every country in the
2 world, and yet there are several countries that do have indigenous enrichment
3 programs, some of our closest allies in fact.

4 **SENATOR JOHNSON.** Mr. Cohen, you made a pretty good case that, yes, we have
5 relaxed sanctions, but the economy of Iran is still suffering quite severely. Again, I want
6 to get back to motivation then of Iran. They have suffered horribly in terms of
7 economics and yet they will continue to enrich.

8 Would this not be very easy for them to just solve this problem by stop
9 enriching?

10 **Mr. COHEN:** I think that is —

11 **SENATOR JOHNSON.** The answer is yes. I am trying to get to a point here. I am
12 trying to find out what is motivating Iran. We can sit here and talk about a peaceful
13 nuclear program. That is not their aim, correct? Let us get it on the table. Let us show a
14 little clarity here in terms of what Iran's objective is here.

15 **Ms. SHERMAN:** Senator, if we all were not concerned that Iran wanted to obtain a
16 nuclear weapon, we would not be in these negotiations. They would not have been
17 going on for some time. So of course we have concern. Up until 2003, the United States
18 in a public intelligence estimate said indeed we believed Iran had been attempting to
19 get a nuclear weapon. The intelligence community's assessment, which they can discuss
20 further with you in private session, is that in fact after 2003 that particular program
21 ended.

22 But of course we have that concern.

23 **SENATOR JOHNSON.** Here is my question. Why do we continue to pretend publicly
24 that Iran will enter some agreement where it will be a peaceful nuclear program, that it
25 will be exclusively peaceful? That will never happen. As long as they can enrich, they

1 are doing it because they want to have that threat of being able to weaponize their
2 nuclear program, correct?

3 So why not be honest? Why not be clear in terms of what Iran's motivations are?
4 Why do we delude ourselves?

5 **Ms. SHERMAN:** I do not think we delude ourselves at all. As I said in my opening
6 comments, what we are trying to do is to cut off every pathway to a nuclear weapon, to
7 cut off their pathway through plutonium in their current Arak reactor, to cut off the
8 pathway of highly enriched uranium through Natanz and Fordow, to cut off their
9 pathway to a covert program by using intrusive monitoring and inspection.

10 So this is not about trust. This is not about being some have illusions, some kind
11 of illusion about them. This is about verification. This is about monitoring. This is
12 about assurance to the international community. This is about inspections. So this is
13 not about trust, Senator.

14 **SENATOR JOHNSON.** In a negotiation you want to maintain leverage. Now, I will
15 stipulate that, Secretary Cohen there, that there is still pressure from a sanctions
16 standpoint, not as much. We certainly dissipated certainly that negotiating leverage.
17 But also just the fact that we implicitly agreed to their enrichment program also gave up
18 an awful lot of negotiating leverage, did it not? Ms. Sherman?

19 **Ms. SHERMAN:** Senator, we made a judgment, the President of the United States
20 made a judgment, that we could say that there was the possibility for a very limited
21 enrichment program, mutually agreed, under strict limitations, with intrusive
22 monitoring for a long period of time, to in fact deal with the international community's
23 concerns about Iran's nuclear program.

24 As a result of that and that ability to have that element as a possibility on the
25 table, brought about the Joint Plan of Action. That Joint Plan of Action has ensured
26 that in fact we have frozen the program at this time.

1 **SENATOR JOHNSON.** We have got that in the testimony. I have heard that.

2 Let me ask my final question, and I will say "if." If this fails on November 24th,
3 what then?

4 **MS. SHERMAN:** I think we will have very serious decisions to make. We will have
5 consulted with you all along the way of these four months, a lot of that in closed session
6 so that I can provide a great deal of detail to you, and we will decide what judgments
7 we need to make.

8 There is no question, we have said if Iran will not reach a comprehensive
9 agreement that cuts off all of their pathways to a nuclear weapon and that gives the
10 international community the assurance we are looking for then we will step up right
11 with you to additional sanctions and to considering all of the options which the
12 President of the United States says remain on the table.

13 **SENATOR JOHNSON.** Would it not be smart right now to declare exactly what would
14 happen, to create a little more negotiating leverage so maybe Iran gets a little more
15 serious about this, as opposed to just talking about serious decisions or, even worse,
16 maybe serious consequences?

17 **MS. SHERMAN:** I can assure you that in our negotiations with Iran we are quite
18 direct about what will happen and what could happen if we cannot reach a
19 comprehensive agreement. They have no doubt about the United States' resolve,
20 absolutely none.

21 **THE CHAIRMAN.** Senator Shaheen.

22 **SENATOR JOHNSON.** Thank you.

23 **SENATOR SHAHEEN.** Thank you, Mr. Chairman.

24 Thank you both for being here today and for all of your efforts to try and reach a
25 comprehensive agreement with Iran.

1 Under Secretary Cohen, you talked a little bit in your opening statement about
2 the economy in Iran. Shortly after the JPOA was announced, there were a number of
3 business delegations from various countries, many of our allies, that went to Iran to, I
4 assume, talk to them about prospects for business either in the interim or after a deal
5 was reached. I wonder if you can talk about what we know about any of those
6 discussions and whether we are still seeing the number of trade delegations continuing
7 to go to Iran?

8 **MR. COHEN:** Yes, Senator. We are not seeing as active a flow of trade delegations
9 going to Iran as we did I think in the initial days after the Joint Plan of Action was
10 reached. We were very clear at that time to our partners around the world and others
11 that talk, if it moves into deals, consummated deals that cross our sanctions lines, that
12 we will take action.

13 And we did in fact take a series of actions during the course of the Joint Plan of
14 Action to make very clear that this was not just an idle threat, but we were very serious
15 about continuing to enforce the vast sanction architecture that remains in place.

16 So we —

17 **SENATOR SHAHEEN.** Can you just —

18 **MR. COHEN:** Sorry. Go ahead.

19 **SENATOR SHAHEEN.** — delineate a couple of those in detail, so that we have some
20 idea of exactly what was done?

21 **MR. COHEN:** The sanctions? Sure. We took —

22 **SENATOR SHAHEEN.** Our response to the trade delegations.

23 **MR. COHEN:** The response to the trade delegations was not specifically to — we
24 had a number of outreach opportunities to governments to make clear to them that we
25 did not think this was a great time to be engaging with Iran, even in conversations.
26 Many of these trade delegations were from private businesses, not government-

1 sponsored, and the way that we conveyed the message to those delegations was both
2 through public messaging as well as through the sanctions designations that we took.

3 I do not think anyone was confused that we were going to sit back and allow
4 sanctions violations to occur during the Joint Plan of Action without responding. We
5 took action and I think that message was conveyed very clearly.

6 **SENATOR SHAHEEN.** If we do not reach a deal with Iran, to what extent do we expect
7 our allies and other partners who have been involved in enforcing the sanctions regime
8 to continue to be willing to comply with that effort?

9 **MR. COHEN:** It is obviously difficult to predict the future in exactly how this will
10 play out. But I do not have any doubt on two scores: One, if we do not reach a deal we
11 will continue to enforce our sanctions very, very vigorously. The truth of the matter is,
12 because of the significance of the U.S. economy, the significance of the U.S. financial
13 system, the significance of our sanctions, that if there is not a deal the sanctions pressure
14 on Iran will be maintained and intensified through actions of the U.S. alone.

15 But, that being said, I am also confident that we will be able to continue to rally
16 to international community to the objective that people have subscribed to, which is that
17 we are all working together to try to achieve resolution to the concerns with Iran's
18 nuclear program. And there was complete buy-in to the notion that this dual-track
19 approach of pressure on the one hand, but the opportunity to negotiate on the other,
20 was the right way to proceed.

21 I think we will be able, if necessary, to regenerate that effort.

22 **SENATOR SHAHEEN.** I certainly agree that we are committed to seeing those
23 sanctions stay in place. I just am concerned about where the rest of the international
24 community is, particularly Europe and Turkey and some of our other allies.

25 **MR. COHEN:** What I can say is that in the run-up to the negotiations we I think
26 were quite successful in persuading even somewhat reluctant allies to the wisdom of

1 the approach, and if we are not able to reach an agreement with the Iranians I think the
2 utility of a sanctions approach with the opportunity to negotiate will again be
3 persuasive to our partners around the world, particularly as compared to the
4 alternative of Iran developing a nuclear weapon.

5 So I think we will — we will have work to do, but I am optimistic that we will be
6 able, if necessary, to bring together the international community to impose even more
7 significant pressure on Iran if that is what is necessary.

8 **SENATOR SHAHEEN.** Under Secretary Sherman, are we seeing — you referred to the
9 Russia-Ukraine situation and responded to that. But are we seeing any fallout from
10 what is happening in Israel and Gaza, or also what is happening in Iraq having any
11 impact on our negotiations?

12 **MS. SHERMAN:** We have not to date. I cannot say that it will not in the future, but
13 so far all of our negotiating partners have been very focused on what is happening in
14 the negotiation room. It is not to say that on the margins there is not discussions of
15 Ukraine, Iraq, or when we go back together what is happening horrifically in Gaza,
16 what is happening horrifically, most importantly, to Israel's security. But so far
17 everyone has stayed very focused on what is happening in the negotiating room.

18 **SENATOR SHAHEEN.** You talked about monitoring and continued inspections. What
19 other metrics are we looking at in determining whether this is going to be a good deal
20 for us or not?

21 **MS. SHERMAN:** As I mentioned, Senator, the metric is really whether we have cut
22 off every possible pathway to a nuclear weapon and whether there is assurance that
23 their program is exclusively peaceful. So have we cut off a plutonium pathway? There
24 are two pathways to fissile material for a nuclear weapon. One is plutonium, one is
25 highly enriched uranium. So Natanz and Fordow are in the uranium boat and Arak in
26 the plutonium.

1 Then thirdly, whether in fact we have cut off the pathways to a covert program.
2 There is no way in any country to 100 percent guarantee that there will be no covert
3 effort. But what you can do is have enough intrusive mechanisms to assure yourself that
4 if there is a covert program you are going to know about it in time to stop it or that it
5 will never get under way.

6 **SENATOR SHAHEEN.** Thank you.

7 **THE CHAIRMAN.** Senator Risch.

8 **SENATOR RISCH.** Thank you, Mr. Chairman.

9 Ms. Sherman, in the kindest and gentlest terms previously I have urged that you
10 do something about getting Pastor Abedini and the other two Americans released. As
11 you know, I was incredibly critical of you guys because you cut billions loose without
12 demanding this tiny, tiny little thing as far as Iran is concerned.

13 I am going to ratchet that up a little bit. You did it again. You have cut billions
14 loose without getting those three guys released. Do me a favor, do America a favor, do
15 the Abedini family a favor. Tell them next time you are not going to give them any
16 more money unless they cut these three people loose.

17 I can almost guarantee they are going to do that. You are talking about billions
18 of dollars and you are talking about three people that we really, really need out of
19 prisons in Iran. Try it, just try it, and see what happens. I am willing to bet you they
20 are going to cut those three loose in return for the money that you have available to
21 give them.

22 I want to move from that, Mr. Cohen, to talk about sanctions. You know, there
23 are a lot of us that were pretty critical about — well, very critical — about the
24 temporary and partial relief from sanctions. We have lots and lots of concerns about it,
25 and those concerns have not gone away.

1 You made a statement that I find very interesting. You said that: Well, if this
2 thing fails, no problem; our sanctions alone will be able to do what we need to do to
3 impose the difficulties on the Iranian economy. With all due respect, I think that that is
4 incredibly naive. If they sidle up to the Russians, the Chinese, the Indians, and the
5 Turks, they can do just fine regardless of the fact that there is U.S. sanctions on.

6 I do not know how you are going to get this genie back in the bottle now that
7 you have had this relief. I cannot imagine what that phone call is going to be like
8 between President Obama and Mr. Putin regarding putting those sanctions back on. So
9 I wish you well in that regard, but I think this is going to be very, very difficult if it fails.
10 And I hope it does not fail. I hope you guys are incredibly successful. I hope that in
11 November the Iranians say: We have changed our ways; we are going to be good
12 people; we are not going to pursue these things. I hope you get there.

13 But I have, given the history we have got with this country, I have real
14 reservations. So I wish you well in that regard, but I think you need to be thinking a
15 little bit more deeply about how you are going to put that genie back in the bottle.

16 Thank you, Mr. Chairman.

17 **THE CHAIRMAN.** Thank you.

18 Senator Coons.

19 **SENATOR COONS.** Thank you, Chairman Menendez, and thank you to our
20 witnesses.

21 I support the administration's ongoing efforts to ensure that we completely
22 eliminate any pathway for Iran to acquire a nuclear weapon and that we succeed in
23 dramatically limiting their nuclear program. But I remain deeply concerned about some
24 critical and unresolved issues in these negotiations — the status of the Iraq heavy water
25 reactor, the future of the Fordow enrichment facility, Iran's ongoing ability or hopefully

1 lack thereof to enrich uranium, and the military dimensions of their program, including
2 in particular those carried out at the Parchin facility.

3 That is why I joined Chairman Menendez and others in calling for a robust and
4 aggressive and thorough inspections and verification regime that would include full
5 Iranian compliance and access for inspectors, that has been unprecedented. We also
6 called for full Iranian disclosure on the military dimensions of the nuclear program and
7 enforcement mechanisms for a future deal, because I am convinced that if there is
8 success in negotiations, whether in November or after the reimposition of sanctions in
9 some next stage, we will then be in a very difficult period, where over many, many
10 years we have to sustain sanctions, sustain an intrusive inspection regime, and keep our
11 allies engaged with us. And over 5 or 10 or 20 years the temptation for the Iranians to
12 cheat, given their past history, given their regional destabilizing efforts, I think will be
13 very strong.

14 So if I might, first about Fordow as a facility. Secretary Kerry recently spoke of
15 finding a different purpose for the Fordow enrichment facility that would ensure it
16 cannot be used for nuclear weapon purposes. Could you explain what purpose Iran
17 could possibly have for a facility constructed and configured and in the location of
18 Fordow?

19 **Ms. SHERMAN:** I will say as much as I can in this session, Senator. There is
20 agreement that Fordow will not be an enrichment facility, that the only enrichment
21 facility will be Natanz, if there is an enrichment program at all. And what happens to
22 Fordow is under discussion. There are several ideas that have been put on the table.
23 Some of them we could probably agree to. Some of them we absolutely could not agree
24 to. So that is a subject of negotiation.

25 I am happy in a classified session to tell you quite specifically what those
26 different options are.

1 **SENATOR COONS.** The JPOA requires Iran agree to inspections under the IAEA
2 additional protocol. What progress has been made and what assurances can you give
3 us that the IAEA has the funding and the staffing, the scope and the capability, they
4 really would need to be able to carry out over the long haul really intrusive, really
5 reliable inspections? And have they had full access during the JPOA period and have
6 they been denied access to any of the facilities I have referenced?

7 **MS. SHERMAN:** The IAEA just issued a report recently in which they said that Iran
8 had complied with all of their obligations under the JPOA, that the IAEA had had all of
9 the access that it had asked for under the JPOA and could verify that the obligations
10 had been met.

11 Indeed, when the JPOA was being finalized we obviously were in close
12 consultation with the IAEA. They put together what they thought they would need in
13 terms of budget to meet those additional obligations. The international community
14 came forth quite quickly and supplied all of the money that was needed. If in fact we
15 are able to get a comprehensive agreement — and, as I have said, I am not sure whether
16 we will or not yet — I am sure the IAEA will need additional resources and I would
17 expect the international community to come forward, because, quite frankly, any
18 additional budget the IAEA needs is small potatoes compared to the cost of Iran having
19 a nuclear weapon.

20 **SENATOR COONS.** Madam Under Secretary, I suspect you could sign — speaking
21 for myself, you could sign me up as an enthusiastic funder of the most aggressive and
22 searching inspection regime possible for the IAEA. Distrust and verify. Given Iran's
23 past and current and likely future activities supporting terrorism in the region,
24 supporting the worst sorts of regimes, and cheating on their nuclear commitments in
25 the past, I think we should be investing heavily in a proactive inspection regime.

26 **MS. SHERMAN:** Agreed.

1 **SENATOR COONS.** So, Under Secretary Cohen, that turns me to a subject we have
2 engaged in over some time. When you testified before the Financial Services
3 Appropriations Subcommittee in April, I asked you about the burdens facing your
4 group, the Office of Terrorism and Financial Intelligence within Treasury. You have
5 had the number of sanctions programs steadily examined from, I think, 17 to 40 today,
6 and there have been even more recent developments in terms of the scope and
7 complexity of the sanctions we and our allies are taking on against Russia and against
8 many other nations.

9 Of course, the largest and most complex of these is against Iran, and I just want
10 to commend you again. The work that you and folks within OFAC have done —

11 **MR. COHEN:** Thank you.

12 **SENATOR COONS.** — I think has made this possible.

13 I asked whether you needed any more resources. You demurred and said that
14 the President's budget request was fully sufficient, as I understand in your role you
15 should. A number of us advocated for adding additional resources. The Senate bill adds
16 \$4.5 million to your underlying budget of \$102 million and the House added even more
17 beyond that.

18 Do you currently really have the resources and the staff you need? I am gravely
19 concerned that we will have great difficulty keeping together the sanctions regime over
20 the long haul, particularly if there is some temporary relief that after an interim
21 agreement or a long-term agreement expands. You have done a great job so far at
22 keeping a group of unlikely allies at the table and at enforcing these sanctions. Do you
23 not need more resources to do this?

24 **MR. COHEN:** Well, Senator, first let me again express my appreciation, the
25 appreciation of folks back at Treasury, for your comments and for your support.

1 Outside of this hearing room, it is noted how much you appreciate and support our
2 work. So I do want to convey that.

3 In terms of the resources, we do have sufficient resources and that is in part
4 because we are not in this alone. We work, obviously, very closely with the State
5 Department, very closely with elements of the intelligence community. Really, the
6 effort with respect to Iran, with respect to Russia, the sanctions programs writ large, it is
7 an inter-agency effort. We have the lead in the design and implementation and
8 enforcement of these sanctions programs, but we draw on the resources of many others
9 around the administration to do this.

10 We are stretched. I think I, the last time we spoke about this, acknowledged that
11 people are working flat out, and they are. That is true at Treasury, it is true elsewhere
12 as well. But we do think that we have the resources we need to ensure that our
13 sanctions programs are effectively implemented, and we will continue to do that.

14 **SENATOR COONS.** Well, just in closing, I for one would like to see that we have
15 invested everything we can, that you are not in front of us a year from now explaining
16 that somehow the sanctions regime came unglued because we did not invest enough in
17 it, that somehow the IAEA inspections failed to catch cheating by Iran because we did
18 not invest enough in it.

19 I think there is a real chance that we will be reimposing tougher sanctions on Iran
20 and I want to make sure that we have the abilities, skills, and resources to do it.

21 Thank you for your testimony today.

22 **THE CHAIRMAN.** Senator Rubio.

23 **SENATOR RUBIO.** Thank you, Mr. Chairman. I want to thank you for holding this
24 hearing and both of you for being here and the work you do. I want to preface what I
25 am about to say with that. I know you have difficult work to do.

1 But my opinion is this entire thing is a disaster. It is not just an embarrassing
2 diplomatic failure; this is a dangerous national security failure, in my opinion. I want to
3 examine for a moment going into this negotiation what the goals were of both sides. I
4 think ours are pretty transparent and clearly stated. We wanted to prevent a nuclear-
5 armed Iran. That was our hope. That is why we had sanctions and that is why we went
6 into this, in the hopes that Iran would say: Well, we are going to walk away from the
7 things you need for a weapons program; we are going to prove to the world that we
8 have changed our behavior and we are going to try to become a responsible member of
9 the international community. That was our goal.

10 Their goal was different. And I believed this all along. I have said this in the
11 past. I believe you believe this. And that is that they went into this goal, they went into
12 this negotiation, with a simple goal: They wanted to achieve the maximum amount of
13 sanctions relief that they could get without having to agree to any irreversible
14 concessions on their nuclear program.

15 I want to examine for a moment what we have given up just to get a Joint Plan
16 of Action. The first thing is we have implicitly agreed that they now have a right to
17 enrich at any level. I know that we are going to argue that we can always pull that
18 back, but we have walked away from multiple United Nations Security Council
19 resolutions and have implicitly agreed that Iran now has a right to enrich. That is going
20 to be the baseline for this or any future negotiation moving forward, that they now have
21 some sort of inherent right to enrich and reprocess.

22 The second thing that has happened just to get a Joint Plan of Action is Iran has
23 enjoyed real relief here. It is not just the direct sanctions that have been lifted. It is the
24 indirect relief that they have gotten, the increases in consumer confidence and the
25 confidence of businesses in their economy.

1 The third thing is it stopped the momentum. There was real international
2 momentum on sanctions, which is what ultimately probably even brought them to the
3 table in some respects. That momentum has now been stopped in its tracks. In fact, it is
4 worse than that. It has now made it more difficult to reimpose sanctions in the future,
5 to try to go back and say: If you violate this we are going to reimpose sanctions. The
6 task of doing that has now become more difficult.

7 The fifth is we have left completely untouched the missiles program that they
8 have, which they continue to develop. Let me explain to people, to the extent anyone is
9 watching this at home, what that missile program is about. They are developing a long-
10 range rocket that will be able to reach the United States and other places in Europe.
11 That is what they are developing and that is what they are headed towards. There is
12 only one reason why you develop a rocket like that and that is to put a nuclear warhead
13 on it.

14 That is not mentioning they are a state sponsor of terrorism. There is no nation
15 on Earth that uses terrorism more than they do as an element of statecraft.

16 So let us back up and look at Iran's point of view in this whole thing. They now
17 have achieved an acknowledged right that did not used to exist, an acknowledged right
18 to enrich. They have stopped the momentum on more sanctions. They have made
19 future sanctions even harder. They are not concerned about the United States carrying
20 out any military action against them. In fact, I would say they view it as almost a near
21 impossibility at this stage.

22 I know we are going to hear all this talk about, well, you know, this whole thing
23 is contingent on other things and bragging about all the things that can be in a future
24 deal. A nuclear weapon program has three critical components: enrichment,
25 weaponization, and the delivery of that weapon. On enrichment, we have now given
26 them an acknowledged right to keep that capacity. On weaponization, that has been

1 outsourced to the IAEA, which has already said they are having trouble getting into
2 some of these sites, like some of the secret military sites of the past. They will not even
3 show us what they did in the past. And I have already talked about how the missiles
4 remain untouched.

5 And by the way, if they violate — let us say you do reach a deal with them. If
6 they violate any component of this, it will all be based on our ability to do two things:
7 find that violation and punish that violation. In the finding of that violation, we are
8 dealing with a government that has consistently had a secret program.

9 And I promise you they will rope-a-dope us. You can think you are going to
10 have inspectors crawling all over the place. They can rope-a-dope us for months at a
11 time. Hopefully the world is — in their mind, hopefully the world is distracted by some
12 other crisis somewhere on the planet and they rope-a-dope us on the inspection element
13 of it.

14 On reimposing sanctions, well, reimposing international sanctions, let me tell
15 you how hard that is going to be. The Russians, or at least the separatists that they are
16 arming, just shot down a commercial airplane. They just killed almost 300 innocent
17 civilians. And we have had to drag our allies and others kicking and screaming just to
18 increase sanctions a little bit more. So how hard do you think it is going to be to
19 reimpose sanctions on this thing if it falls apart?

20 I just think the danger here is quite frank. We are going to wake up one day —
21 after this administration is long gone, some future President or future administration is
22 going to wake up one day and realize they have had a secret weaponization program all
23 along, all they have to do is flip the switch now on the enrichment capability, they have
24 a long-range weapon that they can arm, they are either a threshold nuclear power or in
25 fact become a nuclear power.

1 At that point what will we have? A country that now has spread their influence
2 of terrorism so they can asymmetrically attack those who seek to impose sanctions
3 against them, a sanctions regime that fell apart years ago and is almost impossible to
4 put back together, with Europeans and other countries now heavily invested in their
5 economy, a country that will basically have a nuclear weapon — think of North Korea,
6 but motivated by radical Islamic beliefs — with the capability to hit major U.S. cities, not
7 to mention our allies in Europe, and of course Israel.

8 And by the way, all these rockets that are landing in Israel from Gaza, guess
9 where they came from, many of them? From Iran. That is what these people do.

10 So look, I think we all hope and wish that this thing would work out, but I think
11 there are very few among us on this committee that think that it will. And I am sad that
12 we are going to be wrong about it. And I am also sad that anyone who criticizes this
13 deal is often characterized as a warmonger, that we just want to go to war and carpet
14 bomb people.

15 On the contrary, here is what I do not want to see: I do not want to see us fall into
16 a situation where sanctions is no longer an option because you cannot put it back
17 together and now war is the only option, because war is a terrible thing, it is a horrible
18 thing. The only thing worse than war is crazy people with a nuclear weapon that can
19 reach the United States of America on a rocket. That is the only thing that is worse than
20 a war with regard to this situation.

21 I hope I am wrong. I do not believe that I am. And I fear, Mr. Chairman, that
22 some day soon we will wake up to the reality that they have done a North Korea on us,
23 they have acquired a nuclear weapon, they can hold the world hostage with that
24 weapon, and there is very few or little we can do about it.

25 **SENATOR MCCAIN.** Mr. Chairman, Mr. Chairman.

26 **THE CHAIRMAN.** Yes, Senator?

1 **SENATOR McCAIN.** Would my dear friend from California allow me 30 seconds to
2 make a statement? I have to go.

3 **SENATOR BOXER.** Absolutely.

4 **SENATOR McCAIN.** I appreciate that.

5 **THE CHAIRMAN.** Senator McCain.

6 **SENATOR McCAIN.** Mr. Chairman, it has become obvious to me and even more
7 obvious in the hearing here today that this is really in every aspect a treaty that is being
8 considered with Iran, and I believe it requires the advice and consent of the United
9 States Senate and I hope we can move forward with legislation that would require that.

10 I thank you, Mr. Chairman. I thank my friend from California.

11 **THE CHAIRMAN.** Senator Boxer.

12 **SENATOR BOXER.** Mr. Chairman, thank you and Senator Corker for holding this
13 hearing.

14 I do not have questions for the panel because my staff has told me while I was at
15 another hearing my questions were responded to. So I will go over those.

16 But I have to say that some of the language I just heard from Senator Rubio — I
17 wish he was here — brings back the rhetoric of days past. We do not want the smoking
18 gun to be a nuclear cloud. I think this — I think the whole issue that we face is so
19 complicated that we have to, I believe, strongly support these diplomatic efforts so that
20 none of that does come true.

21 The whole world is watching. So this is an opportunity of preventing Iran from
22 acquiring a nuclear weapon. I have said many times that we have an obligation, our
23 generation — we are here now — to test this window of opportunity. That is all it is.

24 And I think the administration has been really honest about it. As I remember,
25 the President himself said 50-50 chance. You know, 50-50 chance. So it may not work
26 out and all the hyper rhetoric may be something we turn to and more. But right now

1 we have an obligation to test this window, because I think it is in our national interest,
2 the benefit of our kids, the kids of the world, and in the interests of our allies in the
3 region like Israel.

4 And I think our language should reflect that, although we are very skeptical, we
5 are very supportive of this opportunity. Israel's security is threatened on so many
6 fronts, from terrorists in Gaza launching rockets and tunnels and all the things we know
7 about. We also know the rise of ISIS in Syria is a horrible threat. So the opportunity, as
8 the world moves in a bad direction, to focus our attention on something good, I do not
9 think it should be lost.

10 I know how hard our negotiators have been working, tirelessly, on a
11 comprehensive agreement. I know it is tough. It is incredibly difficult and complex,
12 which is why we have another extension. I just want to be on the record, in the midst of
13 these sensitive negotiations I am not going to force the administration into a corner by
14 dictating a preferred outcome or prematurely ratcheting up any sanctions, because we
15 have got lots of time to do that. And I think trying to attach language on Iran to other
16 bills, as I have faced with the U.S.-Israeli Strategic Partnership Act — that ought to be a
17 clean bill and not be burdened by this incredibly sensitive, complicated matter.

18 I want to be clear, and I have written my own letters. I have not gone on the
19 letters that have 80 signatures. I have said any final agreement must be air-tight, it must
20 be verifiable, and it must be long-lasting. We cannot accept anything less because we
21 cannot trust Iran. We all know that. And if Iran walks away from the negotiating table
22 it will be a sad day for them, too, because we will all come together in support of a
23 robust U.S. and international response that includes the immediate restoration of any
24 suspended sanctions and additional, biting sanctions on Iran.

1 I would go further and make it clear, so let everyone hear my voice, this Senator,
2 that all options have to be on the table should Iran attempt to continue its illicit nuclear
3 program, and I mean all options.

4 So the next four months are critical, and I hope and pray that they will result in a
5 comprehensive final agreement that is acceptable to the United States and to our allies
6 and that brings a peaceful end to this nuclear program.

7 This is a historic chance. We could let it pass us by or we can all work together,
8 being very clear, it is worth a chance. All the other — we see how easy it is to go to war.
9 We see that all over the globe. And may I hasten to add, some of my colleagues I have
10 heard in at least six to ten cases say: Go to war, America, go to war, America.

11 We need to resolve these issues, and war is a last resort, not a first resort. So this
12 is an opportunity that we have. I do not — I do not want to gloss over how hard it is. I
13 share the 50-50 percent view on the thing. Could go one way, could go the other. But
14 lord, if we can have it going the right way I think we should be very supportive.

15 I just want to say this to you, Wendy. I call you "Wendy" because you are my
16 buddy. I think it is very important to keep Congress informed, and I think some of the
17 complaints that we hear are legitimate complaints. We know it is hard. We know there
18 are details. We know you are working 24-7. But in the kind of government that we
19 have, we are all in this together. It used to be foreign policy stopped at the water's
20 edge. It is not that way, for whatever reasons. It is not that way. That means it is even
21 more important that you let us know every twist and turn, because at the end of the day
22 I do not think that there is any of us that would turn away from a solid, verifiable
23 agreement. And at the end of the day there are not any of us that will not use all the
24 tools at our disposal if there is no agreement. So how important it is for you to keep us
25 informed.

26 That is my statement, and I thank you.

1 **THE CHAIRMAN.** Senator Flake.

2 **SENATOR FLAKE.** Thank you. I appreciate this hearing and I appreciate the
3 testimony.

4 I am among those who believes that we ought to test every opportunity. I think
5 this is an opportunity. It may not bear fruit, but I think it is incumbent on us to test it,
6 and I applaud the administration for doing so.

7 I just want to clarify a couple of numbers that came out. Mr. Cohen, you had
8 mentioned the amount of sanctions relief that they had taken advantage of, but I have
9 got a 3 to \$4 billion figure. Is that what is expected with the extension of the JPOA or
10 what they have realized so far? I know the initial estimates were about 8 to \$9 billion.
11 Can you tell us how much they have taken advantage of and how much will be taken
12 advantage of over the next couple months?

13 **MR. COHEN:** Certainly, Senator. The 3 to \$4 billion figure that I referenced in my
14 oral testimony is our top end estimate of what Iran may enjoy in terms of sanctions
15 relief in the next four months. That is comprised of the \$2.8 billion in its own restricted
16 assets that it will be getting access to over the course of the next four months and then
17 some figures for additional petrochemical sales and auto exports, which we estimate
18 will be worth about \$500 million altogether.

19 So the low end of that estimate is about \$3.3 billion. Obviously, precisely how
20 Iran is able to take advantage of the continued suspension of the petrochemical and the
21 auto sanctions is an estimate. We will see how it turns out.

22 For the initial JPOA period, initial six months, our estimate going in was that Iran
23 would enjoy about 6 to \$7 billion as a maximum in terms of its relief. I think that
24 estimate was actually overstated. Our best figures are that Iran earned or enjoyed a
25 little over \$5 billion worth of relief in the JPOA period, no relief on the petrochemicals
26 suspension, very, very little in terms of the auto sanctions.

1 **SENATOR FLAKE.** And the reason for that is it is difficult for them to take advantage
2 of it because of the interlocking nature of the sanctions that are out there, is that right?

3 **MR. COHEN:** That is right. One key fact is that Iran remains cut off from the
4 international financial system. So even though it is now not sanctionable to engage in
5 petrochemical sales or auto sales with Iran, it is still difficult to find financial institutions
6 to do that work.

7 **SENATOR FLAKE.** I think we all acknowledge the reason that Iran is at the table is
8 because of the effectiveness of these sanctions, and I would submit it is largely because
9 it has been Iran versus the West rather than Iran versus just the U.S. So it is important
10 to keep our allies on board here.

11 Do you have a concern — I will address this to Ms. Sherman. Do you have a
12 concern that if we were to not extend and not continue with these negotiations, that our
13 allies may cut their own deal or move on without us?

14 **MS. SHERMAN:** Senator, listening to some of your colleagues, I wrote down:
15 "Without diplomacy, we will not be able to keep the sanctions together," which is
16 exactly your point, that in fact we certainly should not have proceeded with an
17 extension if we did not think there was some significant progress and the possibility of a
18 comprehensive agreement. We should have called it a day.

19 But, having seen some progress and heading in the right direction and seeing the
20 possibility that we might get to a comprehensive agreement, though I do not know the
21 end of the story yet, we thought it was critical to take diplomacy to the very last
22 possible promise that we might get to a comprehensive agreement, because that does
23 keep the international community united in the enforcement of sanctions.

24 If our partners and even those who are not so much our partners saw that we
25 were going to cut diplomacy short, then those sanctions enforcement would have
26 frayed much more quickly.

1 So we do not have any guarantees here. I do not know that we will get to an
2 agreement at the end of these four months. But I do agree with your point that without
3 going this extra mile, given that there was some significant progress in the talks, we
4 would have a much harder time keeping the sanctions together. And I think Under
5 Secretary Cohen, since he is nodding, does agree.

6 **SENATOR FLAKE.** Thank you for making that point. I am concerned that when
7 these sanctions fray, if they fray, then it will not be as effective. Unilateral sanctions
8 very seldom work and we have got to keep the community together. That is why I
9 think it is important to explore the diplomacy avenue as much as we can.

10 Is there a concern among the Iranians that we get to the end of this and the
11 ability of the U.S. to deliver on sanctions relief is in question, given what members of
12 Congress have said? And will the administration come back to Congress for statutory
13 relief of these sanctions, or what is going to be the mechanism in your view at that point
14 if an agreement is reached?

15 **MS. SHERMAN:** Let me start and let Under Secretary Cohen then comment. I can
16 assure every member of the United States Senate and of the House of Representatives
17 that Congress is a constant topic of conversation by the Iranians. They are well aware of
18 Congress's authorities, not only in terms of oversight, but in terms of legislation.

19 We have been very clear that initially there will only be suspension of any of our
20 sanctions regime and of the international community's, that the lifting of sanctions, for
21 which we must return to Congress for statutory relief, will only come when certain
22 benchmarks verified by the IAEA are reached, and they are very serious and
23 substantive benchmarks, because this has to be a durable agreement and it will only be
24 durable if the United States Congress and other institutions and governments around
25 the world believe that the compliance is real and sustainable over a period of time.

1 **SENATOR FLAKE.** I hope the Iranians do understand the if an agreement is reached
2 that is verifiable that we will follow through with sanctions relief. I hope they also
3 understand that if we do not reach an agreement, that existing sanctions will be
4 enforced and additional sanctions will be added. But I think both sides of that equation
5 need to be understood.

6 Did you have something to add?

7 **MR. COHEN:** Only, Senator, that in the course of this Joint Plan of Action we have
8 committed to certain suspensions of sanctions, and one of the things that we have done
9 to sort of reinforce the point both that we will continue to enforce the sanctions that are
10 in place as well as in good faith fulfil our commitments on the release side, is to take
11 very seriously what we have committed to on the sanctions relief, so that the Iranians as
12 they go into these negotiations can understand that there is potential light at the end of
13 this tunnel if they take the steps necessary.

14 So we have been I think working very hard on both sides of the coin, as you
15 describe.

16 **SENATOR FLAKE.** Thank you.

17 **THE CHAIRMAN.** Senator Markey.

18 **SENATOR MARKEY:** Thank you, Mr. Chairman.

19 Ambassador Sherman, there has been a lot of discussion amongst nuclear
20 nonproliferation experts about the potential for a proliferation cascade in the Middle
21 East if Iran were to obtain a nuclear weapon. It is critical that the current negotiations
22 succeed in preventing Iran from developing a weapon, but even if under a final
23 agreement Iran retains a domestic uranium enrichment capability I am concerned that
24 this could still raise fears in the region and prompt other states to reconsider their
25 contingency plans and nuclear posture.

1 It has been reported that both Saudi Arabia and Jordan are interested in pursuing
2 nuclear cooperation agreements with the United States. How will we be able to
3 convince these countries, our partners, to agree not to demand the right to enrich
4 uranium as part of these agreements if we allow Iran to maintain its enrichment
5 capability, especially since we just concluded a nuclear cooperation agreement with
6 Vietnam that allows Vietnam to enrich uranium as well?

7 **Ms. SHERMAN:** Thank you, Senator. There is no question that our consultations
8 with partners and allies in the region is quite critical to ensure that we do not have a
9 proliferation cascade in any way, shape, or form. Part of that will be if indeed there is a
10 comprehensive agreement with Iran and they do have a very small, limited domestic
11 program, that it be very small, that it be very limited, that it be subject to intrusive
12 monitoring mechanisms, so that there are not incentives for other countries to want to
13 proceed down that road.

14 As you know, the United States does not recognize that any country has a right
15 to enrichment. We do not believe that is a right under the NPT and we will continue to
16 vigorously enforce that perspective.

17 **SENATOR MARKEY:** Again, I want to comment on the Iran government leadership
18 recently claims that the country will need an industrial-scale enrichment capability to
19 generate nuclear power. The interim deal stated that in a final agreement Iran's
20 enrichment program would be, quote, "consistent with practical needs." This is a
21 country with the second largest natural gas reserves in the world. As I have noted
22 before several times in this country, Iran flares off, wastes that is, the equivalent of 13
23 nuclear reactors' worth of natural gas each year, which they could use to produce
24 electricity.

25 So I urge you to keep in mind as we negotiate over what Iran's practical needs
26 for nuclear power are that it is a very duplicitous game that they are playing, since they

1 flare the natural gas that our country uses for electrical generation and many other
2 countries in the world. So we should just be deeply skeptical that there is any legitimate
3 civilian purpose in this enrichment program, and I just want to again continue to make
4 that point.

5 The nuclear cooperation agreement that we have with the United Arab Emirates
6 includes a commitment by the United Arab Emirates not to enrich uranium or reprocess
7 spent fuel, but it also allows for the agreement to be renegotiated if other countries in
8 the region get more favorable terms. So if Jordan or Saudi Arabia demand the right to
9 enrich or reprocess in response to an inadequate Iran agreement, the UAE could make
10 the demand as well since that is part of the agreement.

11 Is it not possible that a final agreement with Iran that allows enrichment to
12 continue will cause a proliferation cascade in the region as other countries begin their
13 own programs?

14 **Ms. SHERMAN:** As I said, Senator, we are very well aware of the potential risks of
15 any agreement that allows any country to enrich, because we do not believe that any
16 country has a right. We also believe that fuel is available on the open market for power
17 generation. So if indeed we reach a comprehensive agreement, and that is not a sure
18 thing at all, and there is an enrichment program in Iran, we believe it must be very
19 small, very limited, attached to a practical need. That certainly would not be industrial-
20 size capacity, to be sure. Indeed, Iran has talked about Bushehr, which is fueled by
21 Russia. We believe Russia should continue that commitment and it has committed to
22 do so and Iran does not need to have an enrichment program to provide fuel for
23 Bushehr.

24 So we agree with your concern and so therefore we believe that this should be a
25 very limited, very small, attached to a practical need, under very intrusive monitoring
26 that would be a disincentive for any other country to want a similar program.

1 **SENATOR MARKEY:** I appreciate that. And again, this Vietnam agreement does
2 allow Vietnam to enrich and I just think it does create a precedent that is a very small
3 step from something that is much more profound.

4 Are you concerned that other regional players, such as Turkey or Egypt, would
5 seek to develop their own uranium enrichment capabilities, and how could that impact
6 regional tensions?

7 **MS. SHERMAN:** We certainly hope that no one goes down this road. We are trying
8 to create incentives to do otherwise and disincentives to proceed in this manner. We
9 think that there are much more economical ways to get fuel for power generation and
10 would not encourage any country to go down this road. Clearly, we want to make sure
11 that we have in place tremendous compliance risks for Iran should we get to a
12 comprehensive agreement if they do not comply.

13 **SENATOR MARKEY:** Again, the greater the enrichment program in Iran is, the
14 greater the risk then that there is a transfer of that material into other countries or sub-
15 national groups that could be used against American interests. So the smaller the
16 program, obviously the more likely that we will not see that kind of a diversion.

17 So again, we are very close now to reaching that cascading point, and we have
18 held it off for decades, since President Kennedy warned us about it. We have pretty
19 much held the number of countries to a very small number.

20 In a June report, the UN panel of experts that monitors Iran's sanctions reminded
21 us that Iran continues to maintain wide-reaching transnational illicit procurement
22 networks. It uses front companies to obtain materials on the global market for its
23 nuclear and missile programs under the guise of legitimate commerce. These are
24 complex operations, including transport, shipping agents, freight forwarders,
25 warehouses, and airlines, and they violate UN Security Council Resolution 1737, passed

1 in 2006, which bans the provision of items to Iran that could be used in its nuclear and
2 missile programs.

3 If Iran gains further sanctions relief and expands international trade as part of a
4 nuclear deal, what challenges would that pose to our efforts to disrupt this facilitation
5 and procurement network which exists even today?

6 **MR. COHEN:** Senator, that UN report is exactly right. Iran does continue to try to
7 illicitly acquire material through these procurement networks. We continue to identify
8 and disrupt those networks where we find them and have taken action in the last
9 several months to disrupt some of these networks.

10 Going forward, if there is an agreement one of the issues that we will confront
11 and that we are focused on is how to ensure during the course of this long-term
12 agreement, if there is one to be had, that we are able to continue to ensure that the
13 Security Council resolutions and our own sanctions on proliferation activity are
14 respected as the agreement rolls out.

15 **SENATOR MARKEY:** Let me just ask very quickly: At the Parchin military base,
16 given Iran's ongoing efforts to hide incriminating evidence by paving over the site with
17 asphalt, do you agree that gaining access to this facility is an increasingly urgent
18 priority? They are acting, Iran, in a very suspicious fashion.

19 **MS. SHERMAN:** We are concerned about all of the things Iran does to avoid their
20 obligations under the NPT and their obligations to UN Security Council resolutions and
21 the IAEA systems analysis that is under way, and Parchin is certainly a critical element
22 of that.

23 **SENATOR MARKEY:** Will a final agreement include Parchin, so that we can be sure
24 that there is no clandestine activity occurring at that site?

25 **MS. SHERMAN:** The final agreement will include the IAEA being satisfied that the
26 possible military dimensions of Iran's program have been addressed.

1 **SENATOR MARKEY:** So that includes the inspections?

2 **MS. SHERMAN:** From the IAEA's perspective, that is certainly where they are
3 today.

4 **SENATOR MARKEY:** Thank you.

5 Thank you, Mr. Chairman.

6 **THE CHAIRMAN.** Senator Corker for a final comment.

7 **SENATOR CORKER.** Thank you, Mr. Chairman, and thanks for having this hearing
8 and for all your work on Iran and its nuclear activities.

9 I want to thank the witnesses again for being here. For those in the listening
10 audience, one of the natural questions one would ask is, what are the gaps now between
11 where we want to be and where we want to close. We have obviously had those kinds
12 of Q and A in another setting and obviously we realize that in an open setting that is not
13 a good thing to have discussed. But I do want to say, look, I know Senator Flake
14 mentioned that he believes this is a historic opportunity. Look, I do too. I think all of us
15 — I think you know that everyone up here really does want to see a diplomatic
16 solution, and everyone appreciates the work that all of you are doing.

17 I think that when the JPOA came out and basically acknowledged enrichment
18 you saw some — it elicited pretty strong responses from all involved. As Senator
19 Markey was just mentioning, we just went through some 1-2-3 agreements with other
20 countries. Here we are pushing our friends to not enrich, and yet we open these
21 negotiations acknowledging enrichment. So there are a lot of concerns. All of us wish
22 you success. There are a lot of concerns.

23 I do want to just close by saying this, though. In spite of the fact that we want
24 you to be successful — I heard what you said today and in essence you said there is no
25 deadline. I know, I know you have got to fudge a little bit because you do not know

1 what is going to happen. But I think in essence it was said there is not a deadline, you
2 hope there is a deadline.

3 **MS. SHERMAN:** Our intent is to end this the 24th of November.

4 **SENATOR CORKER.** I know you talked about double-digit minimum length. I just
5 want to say — and I know that maybe that is better said in a classified setting. But I just
6 want to say again, unless it is really, really long we have done nothing, we have done
7 nothing.

8 The goalposts are moving a little bit, I mean, even relative to what you guys are
9 saying you are going to do with Congress, the acknowledgment that in essence you are
10 going to have a conversation. Rose Gottemoeller called me this morning at 8:30 and we
11 had a conversation about the violations of the INF Treaty that we have known about for
12 some time because we access classified documents. But I read about it last night in the
13 New York Times.

14 That is not exactly the kind of consultation. It is not lost on us that at the end of
15 this, even though it coincides with when the JPOA began or discussions began. They
16 end on November the 24th, which is likely beyond the ending of any lame duck session
17 that may occur after the election. That does not go lost on us.

18 So I would just say that, again, it appears to me that what you are saying is that
19 you are going to do whatever you wish to do, you are not going to consult Congress,
20 you do not believe that that is your responsibility. You are going to have a conversation
21 with us, but we are not going to really have the ability, even though we put these
22 sanctions in place — and by the way, it was my amendment in Banking that pushed this
23 to multilateral types of sanctions which you have pursued.

24 But again, I think what you have said today is that Congress is relevant relative
25 to raising concerns, not relevant relative to whether this is going to be approved by
26 Congress or sanctions waived. I just think that that is something that all of us who

1 serve in this body — this is one of the biggest agreements that will likely be entered
2 into, if we enter into one, and in essence Congress is playing no role other than raising
3 questions.

4 So, Mr. Chairman, I hope that there is some way that we will figure out to deal
5 with that. I think that is a major lapse in our responsibilities. And I thank you for your
6 continued concern about this issue, and thank the witnesses for their work. But the
7 goalposts are moving.

8 **MS. SHERMAN:** With all due respect, Senator, I take the prerogatives of the United
9 States Congress incredibly seriously, as does President Obama and Secretary Kerry, and
10 we do not believe it is merely a conversation. We believe it is a consultation. We
11 believe you have oversight authorities. We believe you have legislative authorities.

12 We have worked very closely to provide you with real-time information, often in
13 classified sessions because there is an ongoing negotiation, which we are very
14 appreciative that you have permitted. We will continue to do so. It is in our interest
15 that Congress know what we are doing every step of this negotiation and it is very
16 critical that the United States of America be one, Congress and the administration
17 working together, if we are to achieve a comprehensive agreement and then to carry out
18 that comprehensive agreement durably over a sustained period of time that gives us all
19 the assurance that every pathway to a nuclear weapon is closed off and that their
20 program is entirely peaceful. I quite agreed with your opening statement and the
21 chairman's that we all share the same goal.

22 **THE CHAIRMAN.** I had said final words, but Senator Paul has returned and I want to
23 accommodate him. So Senator Paul.

24 **SENATOR PAUL.** Thank you very much.

25 Secretary Sherman, how significant is it that the Iranians have now converted
26 their 20 percent stockpile to 5 percent?

1 **Ms. SHERMAN:** What they have done is taken their up-to-20 percent and either
2 diluted it or oxidized it, and under the extension they are going to take 25 kilograms —
3 that is about 20, 25 percent of what they have of the oxidized up-to-20 percent — and
4 turn it into metal plates for the Teheran research reactor, which means the likelihood of
5 it being reconverted back to enriched uranium is extremely low.

6 All of that is very important. They will in addition, as a result of this extension,
7 oxidize all their up-to-2 percent stockpile, which is over 3 metric tons. Although it does
8 not have significant what we call SWU's, separative work units, which is the way that
9 you talk about the energy in this material, in a breakout scenario it would be significant.
10 So we are glad both those things are being done.

11 All of that said, we are of course concerned about their up-to-5 percent stockpile.
12 That is capped under the JPOA, but we will want to deal with that stockpile and every
13 other kind of stockpile they have as a part of any comprehensive agreement.

14 **SENATOR PAUL.** But you would call it a significant evidence of compliance,
15 converting the 20 to 5?

16 **Ms. SHERMAN:** Well, actually they have oxidized or diluted their entire up-to-20
17 percent stockpile and the IAEA has said that they have met their obligation.

18 **SENATOR PAUL.** What is the administration's position on the Menendez-Corker bill
19 to institute more sanctions? I believe also part of the bill is that there would be no right
20 of any enrichment; whether or not this would be persuasive and to be a cudgel that
21 entices or encourages them to do what they need to do or whether or not it would push
22 them away from the negotiating table?

23 **Ms. SHERMAN:** We believe, Senator, that we believe at this point it would push
24 them away from the negotiating table and, quite importantly, it would probably push
25 our P5+1 colleagues away from the negotiating table. So although I have great respect
26 for the chairman and for Senator Corker and for all the members of the U.S. Senate and

1 I believe the intentions here are all absolutely right on, which is to keep the pressure on
2 Iran to do what is necessary here to give the international community the assurance we
3 are looking for and to cut off all the pathways to nuclear weapons, the administration
4 believes quite strongly that at this moment in this negotiation additional legislative
5 action would potentially derail the negotiation, and that Iran is quite clear that the
6 Congress will pass legislation at any moment that it is deemed absolutely necessary to
7 do so.

8 **SENATOR PAUL.** Can you quantify how much this going from 20 to 5 delays the
9 breakout time? Is that quantifiable? Does it make it six months, the breakout time?
10 Does it add five months? Is it quantifiable?

11 **MS. SHERMAN:** What I prefer, Senator, if I could, is in terms of specific breakout
12 times and elements, to have the intelligence community brief that in a classified setting.

13 **SENATOR PAUL.** But it is — you say it delays it? It obviously has to be a step in the
14 right direction to go from 20 to 5.

15 **MS. SHERMAN:** Every element that we can deal with helps on breakout, but until
16 we get a comprehensive agreement we will not have a durable agreement that will give
17 us the kind of assurance we are looking for.

18 **SENATOR PAUL.** And it is another significant step going from oxides to fuel plates?

19 **MS. SHERMAN:** It is an important step, because the ability to turn it back into
20 enriched material is that much more difficult, yes.

21 **SENATOR PAUL.** Thank you.

22 Thank you, Mr. Chairman.

23 **THE CHAIRMAN.** Well, thank you both. Let me just conclude with some summary
24 thoughts. We all appreciate your service. No one here questions that. It is only
25 because of the importance of the issue that everybody feels as they do.

1 Let me just make a comment. There is a difference — and I think we have gotten
2 better at this. But you know, notification is different than consultation. Notification is
3 when you tell us, we are doing X, Y, or Z. Consultation is when you say, we are doing
4 X, Y, or Z and what do you think, and how do you incorporate some legitimate views
5 so that if and when you get to a final agreement people will have a sense of confidence
6 on that.

7 So I just urge you to think about not just telling us what you are doing, but
8 consulting in a way in which there is input taking place that when it can be agreed upon
9 can be incorporated.

10 Secondly, on the sanctions, I heard your response and I will just say once again
11 for the record, the problem — of course the Iranians know we will pass sanctions if they
12 do not agree. It is the lead time that will be necessary. Every sanctions that I have
13 authored with other colleagues has required a minimum of 6 months notification to the
14 international community and to businesses, and then the process of setting them into
15 enforcement and enforcing them takes longer.

16 Unfortunately, that amount of time is greater than the amount of time for
17 breakout if the Iranians determine that they want to break out. So that is the
18 fundamental conflict I have about saying we can wait, but the consequences of the
19 impact of those sanctions will be less so.

20 There would be no greater Thanksgiving Day gift than for you to all be
21 successful, for our country, I believe for the Iranian people, and for the world. But the
22 concerns here I think are very legitimate. In our next panel that is going to come up,
23 which is an excellent panel, I look at the testimony of Mr. Heinonen, who spent 27 years
24 as the Deputy Director of the IAEA, well respected. One of the things he says in his
25 testimony: As the Iranian Ambassador's recent letter to the IAEA demonstrates, Iran
26 continues to challenge, inter alia, the agency's right and obligation to verify the

1 correctness and completeness of Iran's declarations under the comprehensive
2 safeguards agreement, the legality of the IAEA board's resolutions, and the IAEA
3 secretariat's practices in reporting its findings in its reports to the IAEA board and the
4 UN Security Council."

5 Now, that letter was just June the 4th of 2014. So you say to yourself, wow, they
6 are challenging basically everything the IAEA is doing and yet we are in the midst of
7 negotiations thinking that on some of the key questions we have discussed, like the
8 military dimensions of their program, we are going to get there in four months when
9 you do not start actually negotiating — maybe there is something going on in between,
10 but you are not meeting until September.

11 Secondly, I appreciate what Treasury has been doing, but even despite what you
12 are doing part of the challenge that we face is that, yes, Iran's economy is bad, but it is
13 better than it was. And that is part of the positive, that sentiment that is created by
14 virtue of the Joint Plan of Action and its extension which is helping in my perspective
15 to create some modest growth.

16 You know, GDP is expected to grow at 2 percent. That is modest, but it is a huge
17 improvement over Iran's economic performance in the 2012-13 fiscal year, when GDP
18 contracted by 6.6 percent. Inflation is beginning to go down the first quarter of 2013, so
19 the rate of inflation dipped below 20 percent, a worrisome number, but certainly less
20 than half of the inflation that it was at 45 percent. The rial has gone up in its value. The
21 stock market has gone up in its value.

22 So there are consequences for, positive consequences for Iran, negative for what
23 we consider the continuing vise of pressure to get them to do the right thing.

24 Finally, you know, I spent a fair amount of time reading — and I will not talk
25 about which of my friends in the press with their editorials. But I want back and read
26 years of editorials about North Korea. And my God, it was amazing to me that the

1 language that was used about the aspirations that we were seeking in North Korea is
2 the language — I do not know whether it is the same editors, but it is the language that
3 is being used now as it relates to Iran.

4 And to be very honest with you, if there is an example of that no deal is better
5 than a bad deal, from my perspective it is the framework agreement that was devised
6 with North Korea, because it failed to dismantle its illicit nuclear infrastructure, it
7 limited inspections to a singular nuclear complex. And we all thought it was a success,
8 then we later learned that North Korea repeatedly cheated on the deal. Then they quit
9 the deal, then they detonated their first nuclear explosion. We cannot have that as it
10 relates to Iran.

11 So look, I am glad to hear that you say the Iranians pay attention to Congress. If
12 they want to pay attention to Congress, they should let go of Dr. Abedini and every
13 other American they have hostage. That would send a hell of a message.

14 Secondly, only because the stakes are so high that the passions are so strong. So
15 we have a deep respect for what you both and those who work with you are doing and
16 we have a mutual goal. I believe we have a role to play to help you with that mutual
17 goal. You may not always like it, but I think at the end of the day it is positive.

18 With the thanks of the committee, this panel is excused. Let me call our next
19 panel: Dr. Olli Heinonen, who is a Senior Fellow for Research at the Belfer Center for
20 Science and International Affairs at the Harvard Kennedy School of Government; and
21 Mr. Michael Singh, who is the Lane-Swig Senior Fellow and Managing Director of the
22 Washington Institute.

23 We both — we want to thank our witnesses who are leaving and those who are
24 joining with them. We would ask you to do so quietly. We want to tell our new panel
25 that your full statements will be included in the record without objection and we would

1 like you to summarize more or less in five minutes so that we can have the type of give
2 and take we just had with our first panel.

3 I would like to also announce that Dr. Gary Samore, who was listed on the
4 hearing notice to be a witness, unfortunately took ill today and so we do not have the
5 benefit of his expertise today, but we hope to do so at some other time.

6 Dr. Heinonen.

**STATEMENT OF OLLI HEINONEN, PH.D., SENIOR FELLOW FOR RESEARCH
AT THE BELFER CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS,
HARVARD KENNEDY SCHOOL OF GOVERNMENT**

7 **DR. HEINONEN:** Thank you. Chairman Menendez, Ranking Member Corker,
8 members of the committee, thank you for inviting me to address this hearing.

9 Since 2002 we have experienced many adverse actions taken by Iran. Iran has
10 not suspended its enrichment and heavy water reactor-related activities, not cooperated
11 with the IAEA on outstanding issues, particularly with those which raise concerns on
12 the military dimensions of Iran's nuclear program. The implementation of the JPOA has
13 generally proceeded well, but the negotiations have also seen headwinds.

14 The Iranian Ambassador's letter in June to the IAEA demonstrates that Iran
15 continues to challenge the agency's right and obligation to verify the correctness and
16 completeness of declarations, the legality of the IAEA board resolutions, and the IAEA's
17 secretariat's practices in reporting its findings.

18 Due to the fact that Iran has been running parts of its nuclear program first
19 clandestinely and without fulfilling its NPT reporting obligations and disregarding
20 Security Council resolutions, the onus of proof bears heavily on Iran to show that its
21 nuclear program is entirely peaceful.

22 I have recently published with David Albright and Andrea Sticker an analysis on
23 five principles which the negotiators crafting the comprehensive agreement should
24 follow. I highlight some of those basic principles.

1 The first one: Stable provisions. It is important for the credibility and durability
2 of an agreement to minimize the opportunities for violations and delays to achieve
3 compliance. The first requirement is that Iran provides a complete declaration of its
4 past and current nuclear program, which then will serve as a clearcut baseline for the
5 verification and monitoring activities to be conducted by the IAEA.

6 Another important provision is the technical parameters of the nuclear program.
7 An example of what would create an unstable and highly reversible situation is, for
8 instance, suggestions that involve lowering the amount of enriched uranium in Iran
9 while increasing the number of allowed centrifuges to 10,000 or more IR-1's in order to
10 increase the breakout times.

11 Keeping enriched uranium stocks exceedingly low would be impossible in
12 practice. Practicalities of operating a centrifuge plant and a uranium conversion or fuel
13 production plants would lead to larger enriched uranium stocks, compromising the
14 goal of longer breakout times.

15 Experiences from various agreements since 2003 also demonstrate the
16 importance of unambiguous baselines for monitoring of Iran's undertakings.
17 Ambiguity in parameters leads to potential slippage.

18 With regard to the practical needs, I would pass them here, but they are in the
19 written text and go straight to the effective verification.

20 Timely detection and prevention of the development and acquisition of nuclear
21 weapons or a state's capability to produce them is a complex task. There are things
22 which we know and there are aspects of such programs which we perhaps can to a
23 certain degree deduce, but also features which we do not know.

24 The IAEA must provide prompt warning of violations, determine the correctness
25 and completeness of declarations, establish the total number of centrifuges acquired by
26 Iran and the size of its natural and enriched uranium stocks, and establish confidence in

1 the absence of undeclared nuclear material and activities, including assurances on the
2 absence of nuclear weapons-related efforts.

3 The long-term agreement must establish a range of other verification provisions,
4 also referred to as Additional Protocol Plus.

5 Moreover, military sites do not form sanctuaries. The IAEA has right to conduct
6 inspections on those under the existing agreements when appropriate. Iran has to
7 provide the IAEA with unconditional and unrestricted access to all areas, facilities,
8 equipment, records, people, and materials which IAEA needs to do its work.

9 Adequate verification also requires Iran to verifiably stop its efforts to procure
10 key proliferation-sensitive goods illegally for its nuclear program. If not stopped, Iran
11 could secretly acquire such items for clandestine activities.

12 To ensure that the IAEA has the necessary legally binding authorities to conduct
13 the additional verification work, the agreement between P5+1 and Iran should be
14 endorsed by the UN Security Council.

15 Possible military dimensions. Iran's most serious verification shortcoming
16 remains its unwillingness to address the IAEA's concerns about past and possibly
17 ongoing military dimensions of its nuclear programs. For the IAEA to conclude that all
18 nuclear material is in peaceful use, this is not possible unless Iran satisfies the IAEA in
19 this key area.

20 Unless properly addressed, it would be difficult to create a meaningful and
21 robust verification regime for Iran. Such additional long-term monitoring took place in
22 South Africa from 1993 until 2010 until the then-IAEA was able to conclude that all
23 nuclear material was in peaceful use.

24 Irreversibility. Irreversibility is the heart of the dispute about Iran limiting
25 plutonium production at the Arak nuclear reactor. The simple fix is for Iran to remove
26 the currently installed core and replace it with a smaller one not able to hold enough

1 natural uranium to run the reactor. With these changes to the Arak reactor, there will
2 be also no need for heavy water production. Regular, light water could be used in this
3 reactor and heavy water could be shipped out.

4 Iran has also resisted making concessions about what to do with the centrifuges
5 that would exceed a cap on the total agreed number of installed centrifuges. If not
6 removed and rendered harmless, Iran could within months reconstitute operations and
7 create a sizable breakout capability.

8 Adequate response time, the last point. An agreement must provide sufficient
9 time to mount an effective response to major violations by Iran. IAEA reports form a
10 key part of the monitoring of compliance. The member states can use these detailed
11 reports to complement their findings from their activities conducted by national means.

12 While breakout time does not include the total time to produce a nuclear
13 weapon, the production of weapon-grade uranium is the more difficult and time-
14 consuming portion of making a nuclear weapon. Once Iran has enough weapon-grade
15 uranium at its disposal, material would vanish and go to covert sites for further
16 weaponization efforts, which could be small in size, without visible detectable
17 signatures, as was the case in South Africa.

18 In summary, the actual verification process will be time-consuming and will
19 stretch over many years, especially more so for a nuclear program that had been largely
20 clandestine in nature and complex. It took the IAEA for medium-sized nuclear
21 programs in European countries with a comprehensive safeguards agreement and
22 additional protocol implemented about five years to conclude that all nuclear material
23 in these countries was in peaceful use.

24 Forthcoming and proper cooperation from Iran could set a tone for the country
25 to have in place a limited nuclear program. A meaningful and robust verification

1 system with additional authorities endorsed by the UN Security Council is needed to
2 support a long-term deal.

3 Thank you.

[The prepared statement of Dr. Heinonen follows:]

[COMMITTEE INSERT]

4 **THE CHAIRMAN.** Thank you.

5 Mr. Singh.

**STATEMENT OF MICHAEL SINGH, LANE-SWIG SENIOR FELLOW
AND MANAGING DIRECTOR, THE WASHINGTON INSTITUTE**

6 **MR. SINGH:** Chairman Menendez and Ranking Member Corker: Thanks for this
7 opportunity to address the committee.

8 I am a strong supporter of a diplomatic resolution to the Iran nuclear crisis and I
9 have been involved with the P5+1 talks since their inception. I am concerned, though,
10 that we are not close to a true diplomatic resolution, that in fact if we have a deal it is
11 likely to be one which in fact postpones a real diplomatic resolution and weakens our
12 ability to achieve such a resolution.

13 If we have a deal in this next four-month period, I am concerned that it is going
14 to be one which falls short of what should be our minimum requirements. It is not
15 likely to require Iran to dismantle anything, including those facilities that it built
16 illegally in violation of NPT requirements. It would in fact probably permit Iran to
17 engage in more nuclear activity than it engages in today under the JPOA. It probably
18 will not require Iran to come clean on its past weaponization activities or give
19 inspectors access to military sites, as Dr. Heinonen said. It will not deal most likely with
20 ballistic missiles, which are such a vexing threat in places like East Asia, as we have seen
21 in other reports. And it would allow Iran in a matter of years to be free of any
22 constraints whatsoever on its nuclear program.

1 What we get in exchange for this deal is a commitment by Iran not to build
2 nuclear weapon. But of course, the very reason we are engaged in this process is that
3 Iran has violated similar commitments in the past.

4 We would also get enhanced inspections, but I do think that we are placing too
5 much stock in what inspections can actually achieve, because they would be hampered
6 by, first, just the sheer size of Iran's nuclear program that we would leave in place under
7 such a deal, and by Iran's refusal to come clean on its past work, as Dr. Heinonen said,
8 and frankly the absence of a clear willingness on the part of the U.S. or the international
9 community to enforce those inspections requirements. I think that the more nuclear
10 program we leave in place, the less likely the international community is going to be to
11 punish incremental cheating on those obligations.

12 The Iranian regime, as both of you know, plays a major role in destabilizing the
13 Middle East and supporting terrorism. Frankly, the arms embargo that is in place
14 against Iran, which would address for example its provision of rockets to groups like
15 Hamas, that comes from resolution 1747, which is a nuclear resolution, which could get
16 lifted as part of a deal.

17 This sort of deal that we are talking about would leave tremendous nuclear
18 capabilities in the hands of that regime and embolden and enrich that regime. It would
19 also have other negative implications for American interests. I think it would give other
20 states in the region an incentive to match Iran's nuclear capabilities. I think it would
21 undermine our nonproliferation efforts globally and encourage the spread of that
22 enrichment and reprocessing technology to other places. And I think, frankly, it would
23 damage our own influence and prestige, which are already pretty damaged, and this is
24 the issue upon which I think those things will be most judged in the Middle East.

25 How have we reached this juncture that we are at right now? Well, if you look at
26 the JPOA, in exchange for temporary, reversible steps by Iran we made major

1 concessions that the Iranians have been seeking for a long time: that it could enrich
2 uranium indefinitely and that any constraints on it would be in any case temporary.

3 We have this saying that nothing is agreed until anything is agreed. I think
4 things are more complicated than that. It will be very difficult to take back these
5 concessions. I think the Iranians will seek to pocket these and use them as a baseline for
6 any future negotiations.

7 We also, frankly, have not put forward a threatening alternative to an agreement,
8 which I think has led Iran to reject even very generous offers. Our sanctions threat has
9 been undermined and we have not responded to that increase in oil exports that we
10 were talking about earlier. Our military threat has been undermined because of the
11 paralyzed indecision with which we have faced situations in Syria, Iraq, Ukraine, and
12 elsewhere.

13 And I think it was an error for us to stray from what had been our previous
14 approach, which was dismantling for dismantling: Iran dismantles those illegal nuclear
15 facilities in exchange for the dismantling of sanctions against it. Iran and frankly
16 sometimes our own officials have portrayed that approach as maximalist, but I do not
17 think it is maximalist. In fact it is reasonable, because Iran, as was stated before, has no
18 need for those fuel cycle activities which we are asking it to forego, but it does have a
19 need for sanctions relief, a deep need for sanctions relief.

20 I think we should be prepared, and we are prepared, to accept a civilian nuclear
21 program in Iran, on the condition that Iran import its nuclear fuel, as most countries in
22 the world, including the United States, do.

23 I think the only scenario in which we should be prepared to live with a
24 significant Iranian nuclear capability is one in which we see evidence of a broader
25 strategic shift by Iran, and it is clearly not in evidence today, given Iran's support for

1 terrorism and its refusal to even be transparent with us about what it has done on the
2 nuclear issue in the past.

3 The most important question I think for policymakers now is how do we make a
4 good deal, one which advances U.S. interests, more likely. I think we need to not only
5 adopt a firmer line in these talks, but I think we need to enhance our leverage by
6 making those alternatives to a deal look worse.

7 I think we can do that in a couple of different ways. We can strengthen our
8 sanctions threat, first by a unified message from the White House and Congress that,
9 yes, more sanctions will follow an agreement. I think action on that is required now.

10 I think we need to act more energetically in response to those, what appear to be
11 dissipation, as some of the members said, of the sanctions and the increase in the oil
12 exports in particular. I think we can strengthen our military threat, which is also critical
13 here, by sending clear messages about our enduring commitment to this region and
14 then backing up that message with adequate defense and diplomatic and intelligence
15 resources, by taking firmer steps to counter Iranian support for terrorism — the
16 provision of rockets to Gaza and things like that — to counter the impression that Iran
17 gets a free pass as long as these talks are going on. And I think we can try to
18 strengthen our weakened alliances in the region, which have really withered to a point
19 we should not have let them wither to.

20 So just to end this, I worry that we have become captive to this sort of false
21 choice between a flawed deal and this prospect of a military conflict. I reject that false
22 choice. I think our true choice is between a deal which will set back our interests and a
23 firmer approach to diplomacy which holds out hope of advancing those interests.

24 Thank you very much.

[The prepared statement of Mr. Singh follows:]

[COMMITTEE INSERT]

1 **THE CHAIRMAN.** Thank you both for your testimony. You bring up some very
2 important points.

3 Dr. Heinonen, you wrote in an article recently that, quote, "Negotiations in
4 Vienna have shown that the principles driving the positions of the P5+1 are markedly
5 different than those of Iran." Can you explain the two sets of principles you are
6 referring to, behind the P5+1 and the Iranian positions, and why those two different sets
7 of positions make it more difficult to reach an agreement?

8 **DR. HEINONEN:** I think if we look at the history of the last 11 years — these
9 negotiations have been going 11 years; really, this is a story of now 4,000 nights and not
10 1,000 nights — and you look at what has been the driving force in Iran, they want to
11 maintain and save their nuclear program in the format what it is today, which will
12 include uranium enrichment and it will probably include also the capability to produce
13 plutonium in a heavy water reactor.

14 This has been all along there, through these hardships. You read the statements
15 made by Mr. Rouhani in 2005 when he left office, how he explained how he was able
16 under those difficult circumstances to preserve the enrichment program by suspending
17 it for a while and how he was able to rescue the uranium conversion program.

18 And then we look to the talks of today. When the supreme leader says that we
19 want to have 190,000 centrifuges and produce uranium fuel for Bushehr reactor, it is
20 clear that the bottom line is the enrichment program has to survive.

21 Then you look which are the challenges Iran is facing if they want to produce
22 that nuclear fuel. The first thing is the mere fact, actually they do not have enough
23 uranium in their soil to support such a program. So what good is then for you if you are
24 able to do enrichment if you cannot find the soil from your own — uranium from your
25 own soil?

1 Then when you look at this one, look at the fuel manufacturing technology
2 which they do not yet have, the sole reason is they want to preserve the enrichment
3 program from, as some Senator said here before.

4 Then the other side of the gulf is that actually we do not want to have any
5 enrichment program with Iran because of a number of reasons. So I think this is what I
6 meant in this writing. This is a very different starting point and, unfortunately, now the
7 situation is that the spiritual leader went and said it is 190,000. It is a great number, a
8 big number.

9 **THE CHAIRMAN.** Let me ask you, what do you read into the letter that I referenced
10 before to Secretary Sherman that is in your testimony by the Iranian Ambassador,
11 questioning all of the IAEA's authorities in this regard?

12 **DR. HEINONEN:** Well, this is —

13 **THE CHAIRMAN.** Is it buying time? Is this extending the period? What do you think
14 is the intent, from your experience at the IAEA?

15 **DR. HEINONEN:** I think that this tells me that when the agreement will be there,
16 whatever will be negotiated, now hopefully in the next few months, when it comes to
17 the implementation then IAEA steps in and starts to talk with Iran how to do these
18 things in practice. Since these are the same people who are part of the negotiations,
19 they are still posturing the old language which was there. So the IAEA negotiations
20 will start in headwinds and every action IAEA tries to take could be challenged by this
21 thing of, okay, it is not within your legal authority to do this and this, and we will end
22 up with these implementation problems.

23 **THE CHAIRMAN.** So you are saying that, even presuming that the P5+1 negotiators
24 can reach an agreement in four months, that then there will be a whole other set of
25 negotiations with the IAEA as to how in fact those agreements will be enforced?

26 **DR. HEINONEN:** Yes, this is the practice.

1 **THE CHAIRMAN.** Let me ask you then, what lessons should we draw from the
2 failure of the framework agreement with North Korea as we deal with this one?

3 **DR. HEINONEN:** Yes, I was part of the IAEA side in 1994. I think that there are
4 several lessons. The first thing which we learned here is exactly the same, challenging
5 the authority of the IAEA. You remember that North Korea was about to leave the NPT
6 and therefore they said that they are not bound with the provisions of the safeguards
7 agreement and therefore the IAEA did not have any authority to do certain things, and
8 they challenged every step in that process of what the IAEA did in practice.

9 I can give you an example. We were not even able to use the word "inspection"
10 because "inspection" is in the safeguards agreement and therefore you cannot use it. I
11 do not think Iran will take that line, but it will be an uphill battle. There will be
12 headwinds, as we already see in the difference in views in the implementation of this
13 framework of cooperation between Iran and IAEA. Very recently, Mr. Salehi
14 challenged some of the statements and actions taken by IAEA with regard to the
15 military dimension. It was a very different interpretation from the agency paper versus
16 what Mr. Salehi said in public.

17 **THE CHAIRMAN.** So when I hear Secretary Sherman say, well, they will have to
18 satisfy the IAEA, that can be, based upon Iran's present status or actions, litigated for
19 some time in terms of what the IAEA believes is appropriate for verification and
20 enforcement on all the dimensions, including the possible weaponization elements,
21 while the sanctions relief is suspended?

22 **DR. HEINONEN:** I think this is a good remark. The only thing that I we say, that
23 these provisions need to be enshrined to this agreement in such a way that it becomes
24 legally binding and when one is not in compliance the noncompliance has
25 consequences.

1 **THE CHAIRMAN.** Let me ask you one final question from your experience at the
2 IAEA. Is a good model the South African model, which ultimately admitted in 1993 to
3 possessing a nuclear program with million dimensions, and then showed
4 unprecedented cooperation by allowing anywhere, any time inspections? It took them
5 17 years to get a clean bill of health, but is something along those lines appropriate? I
6 think that is probably less of a program than we are talking about in Iran, but what is
7 your perceptions of that?

8 **DR. HEINONEN:** It is less of a program, it was more of a program, because they had
9 much more nuclear material which had not been declared before and there was a
10 history of operation of enrichment for 20 years. One of the stumbling blocks was
11 actually verification of the wastes. They were in 70,000 barrels and it took a long, long
12 time just to go through those.

13 But why it was successful was that actually the government had changed their
14 view. They had given up their nuclear weapons program. They wanted to close that
15 chapter in the history of South Africa, and in order to do that they needed someone to
16 certify that and that organization was the IAEA. So the cooperation was there. Once
17 they did this disclosure in 1993, it was easy to go because the whole government was set
18 up to help the IAEA to complete its mission.

19 But if that change does not take place in Iran, that they want to come — that they
20 come clean, want to come clean from their past, it is going to be difficult, as it was in
21 North Korea.

22 **THE CHAIRMAN.** So even though in this case South Africa had determined as a
23 government that it wanted to end that chapter in its history, wanted to end its nuclear
24 program, it took 17 years to get a clean bill of health, with the government willing and
25 wanting to end its nuclear program? I think that is pretty instructive as to when we say

1 long-term verification and enforcement agreements, it is very different, the two
2 paradigms here, between where Iran is at and where South Africa was at.

3 Senator Corker.

4 **SENATOR CORKER.** Thank you, Mr. Chairman, and thank you both for being here.

5 I listened, Mr. Heinonen, to some of the complications relative to having this
6 negotiation after the fact. I know that is the way it has to occur, but I wondered. We
7 keep pressing about the full transparency of what their program was about in the past
8 and relative to what IAEA would be doing in the future, how important is that to
9 understand fully what their program was in the past?

10 **DR. HEINONEN:** You do not need to know every nut and bolt from the program, but
11 you need to know how far they got, for two reasons. One reason is that it is a part of
12 your risk assessment, how much unknowns you tolerate when you agree with the
13 number of centrifuges, if you allow them to have a sort of breakout — certain
14 centrifuges enrichment capability. That is one reason.

15 The second reason with your unknowns is that you certainly do not want to —
16 you want to know how far they got and you want to see that they are not reconstituting
17 the program. So therefore you need to know what was done, where it was done, and
18 how it was done. This exactly took place in South Africa. Still in 2010 the IAEA
19 inspectors visited some of the military sites to confirm that those actions are not
20 reconstituted.

21 So I see it as a very important in setting the baseline so that a proper, robust,
22 reliable monitoring scheme can be established.

23 **SENATOR CORKER.** When you do that, how do you know that, when people are
24 sharing with you what they were doing in the past, how do you know that that is in
25 reality what they were doing in the past?

1 **DR. HEINONEN:** It is actually a number of things. We normally call it multi-element
2 analysis. You look what the people tell you, you look at the experiments they have
3 been doing. Do they make sense, do they fit to the nuclear program at that point in time
4 when they do those experiments? You can indirectly confirm it by seeing the
5 equipment which they have both for that and some other events which have taken
6 place.

7 So it is like a mosaic where you have bits and pieces all over and which then will
8 have some gaps, but from that mosaic you can establish a relatively cohesive picture of
9 what has been taking place. Then there should be no outliers and no inconsistencies.

10 **SENATOR CORKER.** One last question along those lines. I think, especially with a
11 country like Iran that has multiple silos and arrangements with entities that sometimes
12 are part of government, sometimes are not, how do you know that there is not some
13 clandestine program? IAEA goes in, they inspect what we know of. How do you have
14 assurances, especially with a country like Iran, that there is not some other activities that
15 are taking place? And what kind of abilities does the organization have to actually
16 figure that out?

17 **DR. HEINONEN:** IAEA has its own authorities and its own practices and skills. But
18 it heavily draws also from the support of the member states. Actually, this is the reason
19 why I wrote in my testimony also that it is important that the IAEA reports in a very
20 transparent way what they have seen, what they have been told, what is where, so that
21 the member states can, which have their own national means to find some of those
22 details or have formed their own picture about the nuclear program, can see is this
23 consistent with what the IAEA sees and what Iran tells.

24 Therefore the reporting is the important thing, and that is why it disturbed me
25 quite a lot when the ambassador in his letter to Mr. Amano said that he does not like the
26 way IAEA put some technical details to the report, because this is I think one of the keys

1 to success of the IAEA. Only then IAEA can serve its member states if it has that
2 information.

3 **SENATOR CORKER.** Mr. Singh, thank you. Thank you for your testimony and the
4 answers.

5 The goalposts continue to move as we talk about where this deal is going. But I
6 just want to give a hypothetical. Let us say that the administration ended up in a
7 situation with 3,000 centrifuges, no Arak, no Fordow, and very extensive and intrusive
8 inspections. How would that affect Iran's behavior in the region? How would that
9 affect their ability in the future? How would it affect the neighborhood?

10 **MR. SINGH:** Well, it is important to note first of all that that sort of deal does not
11 seem to be in prospect, because on some of those issues you mentioned, Senator, we
12 have already made significant concessions —

13 **SENATOR CORKER.** I appreciate your testimony, candidly, and feel very aligned
14 with much of what you had to say. But let us just go back to, again, we have
15 unfortunately seen the goalposts move, but let us just say that, hypothetically, that is
16 where things ended up. Talk to me about the response?

17 **MR. SINGH:** I think that a lot of it will depend upon not just the sort of particulars
18 in the deal, but the context as well. Look, some of our allies are not happy with the
19 concessions that we made. They would like us to have not made those concessions. But
20 I think that if we had a sort of —

21 **SENATOR CORKER.** Some of our allies as part of the P-5?

22 **MR. SINGH:** Look, that is a hard question to answer, because some of our allies in
23 the P5+1 may not be happy with those, but they are unlikely to say that publicly. I think
24 some of our allies in the region, both Israel and some of the Gulf States, have been more
25 outspoken in the way they feel about that.

1 So the risk there I think is to our position in the region, how do folks perceive the
2 nature of the agreement. Therefore I think the context of our policy in the region is
3 important to how allies and others will judge it. Do they view it as sort of an expression
4 of American resolve or do they view it as an expression of American weakness?

5 I think that if we have the right sort of policy context — what are we doing in
6 Syria, what are we doing on Iraq, are we repairing our alliance system in the region —
7 we can influence how folks see that agreement, and we can especially, very importantly,
8 influence how they view our willingness to actually uphold an agreement.

9 In my view, I think that that concession we made about conceding enrichment,
10 conceding any number of centrifuges to Iran, that is not a good thing to have conceded,
11 that we should not have done that. I think that that is a view that is widely shared in
12 the region.

13 But again, I think the context is very important and so to improve that situation,
14 to improve how it is perceived, we can take certain steps.

15 **SENATOR CORKER.** This is the last question I will have. You alluded to the fact that
16 we started off in a not great place, and I think people on both sides of the aisle here are
17 concerned about where we began. But you said in your testimony that you felt like we
18 could get to a good end still. So with where we began and where we are, how would
19 you go about doing that?

20 **MR. SINGH:** Look, I think that the reality is we sort of are where we are in the
21 negotiations, and so the question I think before us here is how do we take the situation
22 and make a good deal out of it, make the best situation out of it. First, I think that
23 Congress obviously has a role to play in that. I think there has to be broad buy-in
24 politically for this agreement to succeed in the long term, because of course it is
25 important, I think, that Congress will have a role in lifting sanctions. The next

1 administration, whatever it is, will have a role in upholding this agreement. So I think
2 you need to have that broad political buy-in and so I think that that is very important.

3 Look, I do think that from where we are now we should be focused on those
4 principles which Dr. Heinonen articulated and making sure that whatever agreement
5 comes out is as strong as possible. But I do think that we should consider that any final
6 sanctions relief again be dependent not just on these particular steps, but on evidence of
7 that broader strategic shift by Iran, evidence that Iran is in fact going in a different
8 direction, and therefore there is perhaps more trust, more confidence that they will
9 actually uphold their side of the bargain.

10 Then frankly, again, I think that we can take steps on the other side, because
11 remember for a state to agree to a deal is not just about what is in the deal. It is about
12 what is the alternative, and we need to make steps to make that alternative look worse
13 from Iran's perspective. I think that means strengthening the credibility of the sanctions
14 threat, strengthening the credibility of the military threat. I think if we do those things,
15 then perhaps we can influence Iran's perception of what is a good deal.

16 **SENATOR CORKER.** Thank you both. I know it is a lot of trouble to prepare
17 testimony and be here. We all benefit greatly from it and I want to thank you both for
18 being here. Typically, about noon at these hearings things kind of clear out to other
19 meetings, but I know people are paying attention and have read your written
20 testimony. So thank you.

21 **THE CHAIRMAN.** Well, thank you, Senator Corker. Sometimes our second panels,
22 with all due respect to the first panel, is as important, if not more insightful.

23 So let me ask you one final set of questions. I want to revisit, Dr. Heinonen,
24 something you responded to Senator Corker which to me is not insignificant. Basically,
25 you said when the Iranian ambassador, among their complaints to the IAEA, was
26 complaining about the way in which the IAEA was issuing its reports to its member

1 states, that the reason that it is important for the IAEA to issue its report to its member
2 states in the manner in which they are doing is because then member states can use
3 their own intelligence and information to judge whether what the IAEA has been told is
4 along the lines of what they know from their intelligence or is deviating significantly
5 from it, in which case in this case Iran, if that were the case, would not be coming clean.

6 Is that what I am hearing you say?

7 **DR. HEINONEN:** Yes, this is one thing, certainly. The other thing is that the member
8 states can then do their own independent judgment how well Iran complies with the
9 requirements of, let us say, the P5+1 agreement.

10 **THE CHAIRMAN.** So it is not insignificant when the Iranian ambassador says, I do
11 not like the way, I do not agree, I think you are not reporting correctly. It may look like
12 an insignificant element, but it can be very significant if member states are going to
13 make a judgment whether there is a forthcoming Iran in this respect.

14 **DR. HEINONEN:** Yes. This complaint has been there about the last five years from
15 the Iranians. It started to arise somewhere around 2007, 2006. So it has been quite some
16 time there. It is repeated, repeated. I personally thought that with this new team there
17 in Teheran that this kind of language disappears, but apparently it is not the case.

18 **THE CHAIRMAN.** Mr. Singh, one final set of questions. You argued that during the
19 interim agreement the United States made concessions to Iran, including on uranium
20 enrichment. What other concessions do you feel were made? How do you judge what
21 Iran did in response under the agreement? How do you judge the concessions, what
22 you define as concessions, versus what Iran did?

23 You also, in response to Senator Corker, said we need to strengthen our
24 sanctions regime, our military threat. What are examples of what you would suggest
25 would do that?

1 **MR. SINGH:** Sure. On your first question, look, I think the whole underlying
2 dynamic of the negotiations has changed in a fundamental way. When we were
3 crafting UN Security Council resolutions in the 2000's and we got a number of
4 unanimous UN Security Council resolutions, the point was to address these Iranian
5 violations of its international obligations and put the burden on Iran to demonstrate its
6 peaceful intent.

7 I do feel as though now that narrative, that sort of underlying framework, has
8 shifted to this question of providing Iran's practical needs or satisfying its purported
9 rights in a way that is safe and monitored and so forth. That is a very important shift.
10 One of the things that Iran has tried to do in addition to its effort to undermine the
11 credibility of the IAEA is to show that it did not — to show that it stood up to the UN
12 Security Council, whose legitimacy it has also impugned.

13 So that in itself, that kind of change in the dynamic, is an important change in
14 itself. When it comes to the particulars, I think we made that vital concession on Iran
15 enriching indefinitely, which is something that Iran has been seeking since literally the
16 inception of these talks in 2003. We conceded that any constraints that Iran is under will
17 be temporary in nature and perhaps quite short in fact in nature, and so that Iran will be
18 treated like any other state at the end of this process, despite again those obligations.

19 We have granted some implicit legitimacy to those facilities, which, remember,
20 were constructed in secret and in violation of its NPT obligations. That includes
21 Natanz, Fordow, Arak, and some other facilities, which now will remain in place and
22 not be dismantled, I think.

23 We have not forced Iran to address the weaponization question or the ballistic
24 missile question. So I think all of these things are significant concessions that we have
25 made in the course of these talks.

1 On the second part, how do we bolster the credibility of the sort of "or else," as it
2 were. Look, I do think it is important that there be a clear message to Iran about what
3 are the consequences for not reaching a decent agreement by the end of these talks. I
4 think that should be a unified message. Here is an issue where I think there is strong
5 bipartisan agreement in the United States and I think that the messages we are sending
6 should reflect that strong bipartisan agreement.

7 I do think it is very important that we continue to enforce vigorously the
8 sanctions which are already in place, that have not been suspended as part of the JPOA.
9 I am concerned, for example, by reports that China's oil imports from Iran have
10 increased 48 percent if you look at first six months of 2014 compared to the first six
11 months of 2013. And yet there has not been as far as I can tell an appreciable response.

12 Now, part of that is condensates, but I am not sure why that should be important
13 to a U.S. policymaker because that strikes me as a sort of technical loophole in sanctions
14 that could be corrected.

15 When it comes to the military credibility, I think, look, that is harder, because I
16 think we have implanted in the minds of folks around the world the idea that we are a
17 lot less inclined to address situations like those in Syria, in Iraq, and elsewhere in a sort
18 of forceful way. We did not enforce the red line in Syria. We have not done much of
19 anything, frankly, in Syria to uphold our stated policy. We have responded in similar
20 ways to Iraq. When it comes to Ukraine, for example, I think our response has been
21 relatively modest compared to what is actually happening there.

22 So part of I think the answer is addressing some of these situations around the
23 world in a more purposeful and a more decisive way. I think we need to stress our
24 continuing commitment to this region. I think the messaging often that we send out is
25 that, well, we are pivoting to a different region, we may not have much of an interest in

1 this region any more because of energy independence and things like that. I think it is
2 important that we get that message straight.

3 Then again, since especially 2011 I think some of our alliances in the region have
4 suffered and I think we need to again rebuild that security architecture which we once
5 enjoyed in the region.

6 So I think there is a number of steps on either side of the ledger when it comes to
7 enforcing that credibility. But again, without that "or else" I do not see why Iran would
8 be motivated to accept a deal which places restrictions on its activities.

9 **THE CHAIRMAN.** I would note that the one thing that is very clear to me is that
10 military assets that did not exist or were not in position in the region are placed in the
11 region, which should send the Iranians a very clear message that if in fact we cannot
12 strike a deal and if sanctions, ratcheted up sanctions, do not get them to rethink a break
13 in negotiations if that is what happens, that there is a real credible threat, because those
14 assets were not in the region prior to this process, they are in the region now, and I
15 would hope that that would be some sense of messaging to them.

16 Well, look. With the thanks of the committee for your expertise, and I hope we
17 can continue to call upon you, this hearing will — the record will remain open until the
18 close of business tomorrow. With the thanks of the committee, this hearing is
19 adjourned.

[Whereupon, at 12:43 p.m., the hearing was adjourned.]