S. HRG. 114–802

EXAMINING THE JCPOA (JOINT COMPREHENSIVE PLAN OF ACTION)

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

CUMULATIVE

JANUARY 21, JUNE 3, 24, 25, JULY 23, 29, 30,
AUGUST 4, 5, AND DECEMBER 17, 2015
JANUARY 20, APRIL 5, JULY 14, AND DECEMBER 6, 2016

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114TH CONGRESS—FIRST SESSION

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IMPLICATIONS OF THE IRAN NUCLEAR AGREEMENT FOR U.S. POLICY IN THE MIDDLE EAST

WEDNESDAY, JUNE 3, 2015

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

The committee met, pursuant to notice, at 9:28 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Risch, Johnson, Flake, Gardner, Perdue, Isakson, Cardin, Menendez, Shaheen, Udall, Murphy, Kaine, and Markey.

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

The CHAIRMAN. This meeting of the Foreign Relations Committee will come to order.

I want to thank Ambassadors Jeffrey and Indyk for being here. I know Ambassador Indyk has a hard stop at 11 o'clock, and we will try to honor that.

This hearing is part of a series of events we are holding this month to prepare members of the committee to evaluate a possible nuclear agreement with Iran. We are not here today to focus on the specific parameters. Just for edification, last night we met in a classified setting with three of our leaders of our labs from around the country, and the Secretary of Energy, and it was a very technically focused briefing. Matter of fact, we had tremendous attendance, and people were most interested in many of the technical details of the deal. The rest of the month, we will have similar hearings so people are prepared, as of June 30, if an agreement is reached, to really be able to assess that agreement and not be starting from a cold start, if you will. But, we appreciate you being here today to help us understand some of the regional implications of a deal.

This is intended to highlight some of the concerns that the administration is so concerned about in reaching an agreement with Iran. Some of the regional alliances that we have are not being really looked at—some of our U.S. interests. So, against the backdrop of unprecedented turmoil in the Middle East, the administration is negotiating a nuclear agreement with the arch rival of many of our closest allies. Instead of reassuring our traditional allies that the United States will remain a friend, some would say that the

administration has implemented a string of incoherent and self-defeating policies. And I know you all will discuss those back and forth.

The administration has threatened to revoke support for Israel at the U.N. while accommodating a nation that is dedicated to the destruction of Israel. They have rebuked the Emirates for striking ISIS in Libya while asking them to strike ISIS in Syria. They have withheld military equipment from Egypt, Bahrain, and Qatar while asking them to join in the fight against ISIS. They have criticized Saudi Arabia for acting in Yemen while providing the Saudis military assistance for the same operation. So, there are a lot of cross-currents here that are difficult for some of us to string together.

In Iraq, Iraqi leaders are increasingly turning to Iranian-backed militias in the fight against ISIS. And perhaps most tragically in Syria, thousands of Syrians continue to die at the hands of Assad and his Iranian backers while the administration implements a strategy consisting of the ineffective use of military force to be used only against ISIS itself. And I think you may have seen a communique that came from one of the leaders of the Syrian opposition, where they were asked to sign a statement saying they would only—they are being trained and equipped by the United States—but they would only use that potential against ISIS, and not against Assad. I know they sent out a communication saying that they were going to stop the training and not participate. I understand sometimes that is a negotiating point, but certainly somewhat alarming.

As Iran deepens its influence in capitals from Baghdad to Damascus, to Beirut to Sanaa, the perspective of many in the region is that the United States is Assad's air force in Syria and Iran's Air Force in Iraq. I will say I was in Iraq recently, and it really did feel like—while I support what we are doing with the 3,100 personnel we have there—it really felt like what we were doing is helping create a better country for Iran in Iraq. Even though, again, I support what is happening there, it feels very much that way, with their infiltration into the parliament and their tremendous efforts on the ground.

As we begin to look at how to evaluate a prospective nuclear agreement, we cannot ignore the lack of coherent American leadership in the region, which has left a vacuum that will continue to be filled by violence. Without defined, committed engagement to counter Iranian regional aggression and to support our partners, the need for American involvement will continue to grow as conditions deteriorate.

In your testimony today, I hope you will touch on what I see as some of the puzzling claims from the administration about what an agreement with Iran would mean for the region.

One of those claims is the apparent view of the administration that Iran will become a stabilizing force in the region. President Obama said in a recent NPR interview that opening up Iran's economy through sanctions relief in many ways makes it harder for them to engage in behaviors that are contrary to international norms. I know that, again, many of our allies are concerned that, in accessing $150 billion, potentially, over time, and having a grow-

ing economy, will have just the opposite effect and will cause them to be even more strident in the region.

Do you accept the view that the world's leading State Sponsor of Terrorism—a nation that has directly contributed to the deaths of thousands of Americans—would somehow reform their behavior after being enriched and empowered for pursuing an illegal nuclear program?

And finally, I hope you will touch on what the administration portrays as a choice between war and a deal. I think that is a false choice.

And again, I look forward to your testimony today.

I want to turn it over now to our distinguished ranking member, and appreciate his cooperation in every effort. And I look forward to your comments.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Well, Mr. Chairman, first of all, thank you very much for convening this hearing. This is an important month, and I think we have already started, with the briefing last night and today's hearing, in the right way to keep not only our committee, but the U.S. Congress, very much informed and involved in what is happening in the Middle East.

As I explained to you last night, after I left the committee briefing, I went to the French Embassy. Mr. Indyk was there, along with about 50 other people who are very much engaged in Middle East policies. The theme of the evening was a discussion about the Middle East. And there were many people who expressed grave concerns about what is happening in the Middle East. For good reason. Just about every country in the Middle East is at war. And there is a lack of stability in that region that affects U.S. interests. There is no question about it. But, what I found last night was, they were very short on recommendations on how we should proceed.

And let me just point out, the United States is deeply involved in the Middle East. There is no question about that. We are deeply involved with our military, we are deeply involved with our diplomacy, and we are deeply involved in building coalitions to advance goals in the Middle East which I think are universal, and that is respect for human rights in all ethnic communities and territorial integrity. These are important goals that we are trying to achieve in the Middle East. They are not easy to achieve, but they cannot be attained without the U.S. involvement. And the United States is clearly involved.

Throughout that discussion last night, Iran was probably mentioned the most. And we know there are many, many problems in regards to Iranian behavior. We know that Iran is one of the major violators of the basic rights of its own citizens. We know that it is a sponsor of terrorism. We know that they have influence in so many countries, in a negative way, in Yemen. And the Saudis, of course, have expressed their grave concerns about the Iranian influence in Yemen, and what they are doing in Syria and Iraq, in compromising our ability to go after ISIL. There are so many areas that we are concerned about Iran. But, what we have concentrated

on, at this particular time, is whether we can achieve a diplomatic solution to prevent Iran from becoming a nuclear weapon state.

And, Mr. Chairman, I just really want to underscore your leadership and how incredibly important that was in order to get the Iranian Nuclear Review Act of 2015 signed by the President and enacted into law. It is now the law. And this committee played a critical role in achieving that accomplishment. Pssing the Iranian Nuclear Review Act did several things, but I still want to underscore this one. It showed unity, unity here in our government, that we are focused on Iran, not on the fights in Congress. And it set up the right way to review a potential agreement reached between the P5+1. And that is exactly what we should have done. And I really do applaud your leadership and the work of every member of the Senate Foreign Relations Committee.

Which brings us to, What do we do this month? And, as the chairman pointed out, last night we had, I think, a very helpful discussion, in a closed setting, in regards to the technical aspects of what an agreement needs to include. And today, we have two experts who can help us understand the consequences of an agreement with Iran as to United States involvement in the Middle East, which is not in isolation. There are many other areas that are involved. And what will an agreement mean for the United States in the Middle East?

I understand we are not going to talk about the specifics of an agreement today, but I think we all agree that the diplomatic course would be the best, with Iran complying with an agreement that would provide ample time before any potential breakout that we could discover if they are violating the terms of the agreement, and take appropriate action. Because any agreement is not based upon trust, it is based upon terms of an agreement that make sure that we can keep Iran from becoming a nuclear weapon state.

One last point, if I might. If we are successful in reaching a diplomatic agreement, we have removed one threat. That is a nuclear Iran. That is an important goal for us to achieve. But, then what does Iran do next? Do they take a course of joining the community of nations in peaceful activities and nonproliferation? We certainly hope that would be the case, but we do not have any illusions that that will automatically occur. Or do they act, with the increased economic empowerment, to have more negative impact in Yemen, in Syria, in Iraq, and spreading terrorism? We need to be prepared in how the United States can best act to make sure that the Iranian activities are channeled towards positive, rather than negative, activities.

And then, lastly, if we are not able to reach an agreement, we also need to be prepared as to how we act to make sure Iran does not become a nuclear weapon state.

I look forward to hearing from our witnesses.

The CHAIRMAN. Thank you very much.

We will now turn to our witnesses.

Our first witness is the Honorable James Jeffrey, currently with The Washington Institute. Ambassador Jeffrey previously served as the Deputy National Security Advisor to President Bush, Ambassador to Albania, Turkey, and Iraq.

We thank you for being here.

Our second witness is the Honorable Martin Indyk, executive vice president of the Brookings Institution. Ambassador Indyk has twice served as Ambassador to Israel, and most recently as the U.S. Special Envoy for the Israeli-Palestinian negotiations.

Both of you have done this often. You can summarize your comments, and, obviously, your written documents will be entered into the record. We thank you very much for being here, and look forward to your testimony.

STATEMENT OF HON. JAMES JEFFREY, PHILIP SOLONDZ DISTINGUISHED VISITING FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASHINGTON, DC

Ambassador JEFFREY. Thank you, Mr. Chairman, Ranking Member Cardin, members of the committee. It is an honor to be back here.

The question of Iran, as you have just said, be it in the nuclear context or in the regional context, is one of the most important issues today in the Middle East; but it is not the only one, because we are dealing with a region, again, as you said, Senator Cardin, that is in crisis, a set of crises we have not seen since the end of the Ottoman Empire, almost 100 years ago. And these crises impact our vital interests in the region: combating terrorism, weapons of mass destruction, supporting our allies and partners, and ensuring the free flow of hydrocarbons for the world economy.

The action of the U.S. Congress, in passing the Iran Nuclear Agreement Review Act, is a step in the right direction, because it will allow the American people to have a say in something of great importance to their security as well as the security of the people in the region and around the world.

As we do not know, at this point, what an agreement will look like—at best, we only have a sketch of the possibilities, based upon the April 2 understandings—we cannot make a final determination. Obviously, that will be based on verification questions, what happens with the nuclear materials, and the status of the infrastructure. But, in any case, in looking at Iran's program, it is important, again, as you said, to put this in the context of its actions in the region. And I would propose the following as areas of consideration:

First, agreement cannot be considered without looking at Iran's record of destabilization throughout the region. Either an Iranian nuclear weapons capability or an agreement that grants Iran a special status just short of having a nuclear weapons capability would pose extraordinary new threats to a region already under stress.

Second, it is the nature of the regime, itself. Two of my colleagues at The Washington Institute, Mehdi Khalaji and Soner Cagaptay, and I published a piece in the New York Times, April 26. We wrote, "Iran is a revolutionary power with hegemonic aspirations." In other words, it is a country seeking to assert its dominance in the region and will not play by the rules. Any decision on Iran's nuclear deal must bear this sobering thought in mind and must not read Iran's willingness to sign an agreement as a change of heart about its ultimate goals. I am not passing a decision on the agreement itself. We signed agreements with the Soviet Union on nuclear issues when we knew they were out to, as Khrushchev

said, "bury us." But, we did this with our eyes open. We need to do this with Iran, as well.

Third, in particular, given Iran's role in the region, no nuclear agreement is better than one that might push back by some months Iran's ability to break out a weapons capability if such an agreement were to undercut the current coalition.

Fourth, the administration's assertion that there is no alternative to approving an agreement is incorrect and tantamount to advocating that any agreement is better than none. Were Iran to walk away from the agreement that was laid out in general terms in April, the United States probably could ensure that the international sanctions currently in place stay on. If we decided, in the end, to not go along with an agreement such as the one laid out on April 2, I think it would be hard, frankly, to keep the international sanctions that the EU and that other countries have put on, but we would have other means to do this.

But, in the end, getting to your point, Mr. Chairman, any agreement is based upon our willingness to use military force to stop Iran from trying to achieve a breakout capability, trying to achieve a nuclear weapons capability. We cannot get around that fact. The administration officially has that as its position, that it will act if Iran does that. But, these words are undercut constantly by arguments that military force will have no effect, or it will have little effect, or it will lead to war. Having spent a fair amount of time in war, I do not say this lightly, but it is unlikely that we would see anything like Vietnam or Iraq. We have tremendous military capabilities if we need to. I hope we do not.

Finally, there is the issue, as you said, of reassuring our friends and allies. Camp David was a step in the right direction, but it focused only on conventional threats to these Arab states. That is not what they are worried about. They are worried about infiltration of the Arab areas—as you said, Iraq, Lebanon, Syria, Yemen—by Iran in many different ways. Iran's equivalent of "the little green men."

So, in short, in looking at this agreement, what is important is not only what is in the agreement, but our willingness to use force to back up our commitment that they do not ever get a nuclear weapon and our willingness to push back against Iranian efforts throughout the region. Those are the three issues that I think are crucial.

Thank you, sir.

[The prepared statement of Ambassador Jeffrey follows:]

PREPARED STATEMENT OF JAMES F. JEFFREY

Chairman Corker, Ranking Member Cardin, it is an honor to be here today.

The question of Iran, in the related contexts of a possible nuclear agreement with it, and its worrisome role in the region, is one of the most important in Middle East affairs. But it is not the only one, as the region is shaken by crises, threats to stability, popular unrest, and ideological and theological turbulence not seen since the end of the Ottoman Empire. All these developments are linked. Separately, and even more together, they threaten American core national interests laid out by President Obama in September 2013: supporting our allies and partners, protecting the free flow of hydrocarbons to the world's economy, and combating terrorism and proliferation of weapons of mass destruction. The action of the U.S. Congress in passing the Iran Nuclear Agreement Review Act is an important step in coping with these threats, ensuring that the American people will have a say in developments affecting their security.

As we do not know at this point what an eventual nuclear agreement between the P5+1 and Iran will look like, it is not possible to make any detailed judgment on the final package. If we arrive at that point, an agreement will have to be judged based on its specifics on issues such as verification, disposition of unauthorized enriched uranium, and sanctions status, to ensure a long-term check on Iran's nuclear weapons ambitions and possible covert programs. Furthermore, in reviewing any nuclear agreement with Iran, I urge the U.S. Congress to consider the following.

First, the agreement cannot be considered outside the context of Iran's record of destabilization in the region. Two Middle Eastern states either have acknowledged, or are widely believed to have, possession of nuclear weapons. But the region's leaders do not lose sleep over these weapons, nor does the U.N. Security Council pass multiple chapter VII resolutions about them, as with Iran. The reason is that Iran's behavior in the region is profoundly troubling to many states. Either an Iranian nuclear weapons capability, or an Iran politically empowered by an agreement that stops it just short of such a capability, would pose extraordinary new threats to a region already under stress, and undermine the above U.S. vital interests.

Second, in reviewing Iran's behavior in the region, we all must bear in mind that Iran is not a status quo power. As my two Washington Institute colleagues, Mehdi Khalaji and Soner Cagaptay, and I wrote in the New York Times April 26, "Iran is a revolutionary power with hegemonic aspirations. In other words, it is a country seeking to assert its dominance in the region and it will not play by the rules . . . Iran, however, has brazenly defied (the) international order and continues to expand its reach." In short, we concluded, "Do not expect Iran to compromise its principles any time soon." Any decision on the Iran nuclear deal must bear this sobering fact in mind, and must not read Iranian willingness to sign an agreement as a change of heart about its ultimate hegemonic goals.

Third, in particular given Iran's role in the region, no nuclear agreement is better than one that might push back by some months Iran's ability to break out to a weapons capability, if such an agreement were to undercut the current huge international coalition against an Iranian nuclear weapon, enhance Iran's prestige, and undermine the credibility of U.S. containment both of Iran's nuclear ambitions and its wider regional agenda.

Fourth, the administration's argument that there is no alternative to approving an agreement is incorrect, and tantamount to advocating an "any agreement is better than none" position. It is not beyond the skill of U.S. diplomacy, were Iran to walk away from the deal struck in early April, to persuade other countries to keep the current oil and other international sanctions in place. Additional international sanctions would however be difficult to impose in all but an egregious case of Iranian provocation, but retaining the current sanctions would be a heavy price for Iran to bear. If the United States did not, but Iran did, accept a final deal similar to that laid out in the White House April 2 paper, increasing or even maintaining the current international oil import sanctions under the NDAA and the EU's separate boycott would be most difficult. That does not rule out the United States opting out of an agreement, but in that case the tools to pressure Iran would be more limited. The United States would still have its direct sanctions, U.N. sanctions (as lifting them is subject to U.S. veto), banking and commercial pressure points, and perhaps some residual third-country limits on importing of Iranian oil. Between these two variants—Iran refusing anything like the April outline, or the United States not accepting it—there are various scenarios, each with more or less difficulty in maintaining sanctions and other international pressure on Iran.

With or without the support of the international community, however, if there is no agreement, then the main restraint on Iranian breakout would have to be U.S. and partner intelligence collection and U.S. readiness, understood by all, to use force if Iran approaches a nuclear weapons capability. While that is stated U.S. policy, albeit expressed indirectly such as "preserve all options," the President has effectively undercut this policy by repeated warnings about inevitable "war" if no agreement is reached. Without an agreement a military confrontation would be more likely, but not inevitable. Of course, a military confrontation with Iran could be costly and risk escalation, but, absent spectacularly bad U.S. decisions, it is unlikely to produce either a U.S. defeat or a "war" in the sense normally used in American political debate—endless, bloody ground combat by hundreds of thousands of troops as in Iraq or Vietnam. Based on my experience I know how uncertain any resort to force is, but all our security interests are ultimately anchored on willingness to use force, and success doing so.

Fifth, even with an agreement, the ultimate restraint on Iran reaching a nuclear weapons capability resides as well in the capability and intent of the United States to stop Iran militarily from reaching a nuclear weapons capability. Thus, the U.S. Congress could usefully support such a deterrence policy by passing in one or

another form an advance authorization for the use of military force against an Iran in breakout. The administration for its part should make clear what its redline is for military action against Iran—what Iranian steps or situation would be considered a "threshold" requiring the United States to act on its "prevent a nuclear-armed Iran" policy. Clarity on congressional and thus American public support for military action, and clarity on when that action would be taken, would go far to refurbish American deterrence and make it less likely that we would be tested.

Sixth, in the end, everything related to Iran revolves around its role in the region. If a nuclear accord leads to a new Iran, willing to accept the regional status quo, that is all for the better, however unlikely. But until such an outcome is clear, the United States should not bet on it occurring, and in particular should not pull its punches in restraining Iran out of concern that a U.S. response could stymie an alleged budding moderation. Those who hope for such an Iranian change of heart should consider Iran's threat to Israel via weapons to Hezbollah and Hamas, its actions in Iraq, and the attempt by senior Iranian intelligence officials to bomb the Cafe Milano here in Washington.

While the President's Camp David initiative sought to allay the fears of regional states that an Iran "empowered" by the prestige of a nuclear agreement (and eventually over $100 billion dollars of returned frozen funds) would continue to make mischief, skepticism is called for. The administration's focus at Camp David and in most exchanges with our regional allies is centered on our commitment to their conventional defense, and our assistance to their military forces. But they fear far less an outright Iranian invasion than Iranian infiltration of the weak areas in the Arab world, promoting instability and stresses on the Sunni nation states of the region in a religious, political, and psychological sense. As we wrote in our New York Times piece, Iran "uses an assortment of terrorism, proliferation, military proxies, and occasionally old-fashioned diplomacy to further its dominance."

What these states need is a commitment by the United States, backed at this point by action, that Washington will use all the tools in its arsenal, including military, to combat and drive back illicit Iranian efforts to infiltrate and undermine Arab States throughout the region. This includes pushing back on Iran's actions in Iraq, Syria, Yemen, Lebanon, and Gaza. Supporting the Saudi-led coalition operating in Yemen, threatening to inspect Iranian ships allegedly bringing humanitarian supplies to Yemen, agreeing with the Turks on preliminary plans to train 5,000 Syrian personnel in Turkey, and other recent steps are examples of what the United States must be ready to routinely do to regain regional partners' confidence.

In sum, any agreement should be judged not only on the basis of its verifiable, real restraints on Iran, but also by the context within which the agreement would operate: readiness to back it by far more explicit and credible readiness to use force to stop a breakout, and a far more active U.S. program to contain Iran's asymmetrical military, ideological, religious, economic, and diplomatic moves to expand its influence in the region.

The CHAIRMAN. Mr. Ambassador.

STATEMENT OF HON. MARTIN INDYK, EXECUTIVE VICE PRESIDENT, BROOKINGS INSTITUTION, WASHINGTON, DC

Ambassador INDYK. Thank you very much, Mr. Chairman. Gentlemen, I greatly appreciate the opportunity to testify today on this critical issue. And I want to applaud all of you, if I may, for the way in which, as Mr. Cardin said, you came together and drafted and passed legislation which will give the Senate a very important role in overseeing the details of this agreement. And I also applaud the deliberate way in which you are going about making sure that you understand the technical dimensions of this, which I could not come close to understanding. So, thank you, on behalf of all of us, for taking this so seriously.

I think that if you are presented with an agreement, you will likely have to make a choice either to endorse an agreement that will remove sanctions on Iran, but should ensure that it remains nuclear-weapons-free for at least 10 to 15 years, or, on the other hand, to reject the agreement, which would leave Iran 3 months from a nuclear weapon, under eroding sanctions. It is a difficult

choice. In making that choice, you will need to take account, among other things, of the regional implications of the deal and what can and should be done to ameliorate the negative fallout from such an agreement in the region. And that is what I have endeavored to address in the short time available to me today.

In my view, if the arrangements currently being negotiated for inspection and monitoring, together with the mechanisms for reimposing sanctions, should the Iranians be caught cheating, if those are robust enough to deter and detect Iranian cheating, the deal will be worth upholding. In other words, the likely regional implications of the deal, in my view, are not sufficiently negative to justify opposing it. Indeed, given the state of turmoil engulfing the Middle East, ensuring a nuclear weapons-free Iran for at least a decade and tight monitoring of its nuclear program for much longer than that will help remove a primary source of tension and may foster greater cohesion amongst our partners in the region in dealing with the other sources of conflict and instability there. Put simply, everything that we are all concerned about in the Middle East will become a much greater concern, were Iran to acquire nuclear weapons.

One question that I think is on the minds of a lot of people is whether this deal will lead our regional allies to decide that they, too, should pursue a nuclear weapons program, or at least a civilian nuclear program that would give them ability to cross over to nuclear weapons. The former Saudi Ambassador to the United States has said that, "Whatever Iran has, we will have the same." And that has fueled speculation that the Saudis and others—Egypt, Jordan, perhaps Turkey—will go down the nuclear road, as well, as a result of this agreement. That would be a bitter irony, indeed, Mr. Chairman, since the whole purpose of this agreement is to prevent a nuclear arms race in the region. So, it would be ironic, indeed, if it were to spark one.

I actually do not believe that there is a high risk of that happening. And, to put it simply, why would Saudi Arabia, which has not embarked on a nuclear program for the decades in which Iran was pursuing one, now decide to go for a nuclear program in the context of a deal in which serious curbs are going to be placed on Iran's nuclear program? Plus, if they want the same, then they would have to agree to the same kinds of inspections and arrangements that will be imposed on Iran as a result of this agreement. And I find it hard to believe that the Saudis would be prepared to do that.

Much the same applies to the others. Egypt talks about a nuclear program. The same with Jordan. But, they do not have the scientific capabilities, the costs, the time. And the restrictions that would have to accept, including the additional protocol that Iran will accept as part of this agreement, seems to me make it unlikely that we need to face that kind of problem.

What about Israel? I think that Israel's leadership is deeply alarmed by this, to say the least, and has good reason to be concerned about the intentions of the Iranian leadership. And they have the duty to take that seriously. But, since this agreement will turn the clock back on Iran's nuclear program, placing it at least 1 year away from a breakout capability for the next 10 to 15 years,

Israel has no reason to preempt, for the time being. And I think that Israel's concerns later on about the way in which this agreement could pave the way to a nuclear weapon can and should be addressed, including by the Congress, in terms of entering into agreements with Israel to expand its assistance to give it the capability to defend and deter against a possible nuclear Iran, which, as a result of this deal, I believe, will be put off long into the future.

Thank you, Mr. Chair.

[The prepared statement of Ambassador Indyk follows:]

PREPARED STATEMENT OF MARTIN INDYK

In the coming months, Congress is likely to have to make a choice: either to endorse an agreement that removes sanctions on Iran but should ensure that it remains nuclear weapons-free for at least 10-to-15 years; or to reject the agreement, which would leave Iran 3 months from a nuclear weapon under eroding sanctions. In making that choice, Congress will need to take account, among other things, of the regional implications of the deal and what would need to be done to ameliorate the negative fallout. That is what I have endeavored to address in this written testimony.

In the end, each Senator will have to make a judgement based on the credibility of the deal itself and on its likely implications for American interests in the Middle East and for the broader global issues that will be impacted. In my view, if the arrangements currently being negotiated for inspection and monitoring, together with the mechanism for the "snap-back" of sanctions, are robust enough to deter and detect Iranian cheating, the deal will be worth upholding. In other words, the likely regional implications of the deal are not sufficiently negative to justify opposing it. Indeed, given the state of turmoil engulfing the Middle East, ensuring a nuclear weapons-free Iran for at least a decade will help remove a primary source of tension and may foster greater cohesion in dealing with the other sources of conflict and instability there.

The completion of the Iran nuclear deal and its endorsement by the Congress would represent a major development for U.S.-Iranian relations and would likely have profound ripple effects across the troubled Middle East region. It will impact the security of our allies from Egypt, to Israel, Jordan, the Gulf Arab States, and Turkey at a time of heightened insecurity because of the collapse of state institutions and the rise of jihadist forces on all their borders. It might trigger a regional nuclear arms race or a preemptive Israeli strike. And it could give a turbo-boost to Iran's conventional military capabilities and its destabilizing activities in the region.

If these potential consequences are so great, why haven't they been addressed in the nuclear deal itself? There are good reasons. The Iranians were keen to include regional issues in the negotiations because they believed it would be advantageous to them to offer the United States a "grand bargain," exchanging regional cooperation in Syria and Iraq, for example, in return for lowering American requirements for curbs on their nuclear program. The American negotiators wisely rejected this attempt at linkage. In addition, our Gulf Arab allies feared that their regional interests would be sacrificed on the altar of a U.S.-Iran nuclear deal and insisted that the United States had no business discussing regional issues with their strategic adversary when they were not represented in the negotiations. Consequently, there is nothing in the agreement itself that constrains Iran's regional behavior. But by the same token there is nothing in the agreement that constrains the United States and its regional allies from taking steps to contain and roll back Iran's hegemonic regional ambitions and counter its nefarious activities there. Ten-to-fifteen years of an Iran under intense scrutiny and constrained from acquiring nuclear weapons provides a significant breathing space for its regional opponents, backed by the United States, to build an effective counterweight.

Will our regional allies choose to use that time to build their own nuclear programs, thereby fueling a nuclear arms race that the agreement with Iran was supposed to prevent? To be sure, Prince Turki al-Faisal, the former Saudi Ambassador to Washington and former intelligence chief, has declared, "Whatever comes out of these talks, we will want the same." But it seems unlikely that Saudi Arabia will actually embark on building an enrichment capability, one that would require them to establish or acquire a significant scientific establishment that they currently lack. For 30 years, while Iran developed its ambitious nuclear program unconstrained, its

Saudi archrival did not feel any need to do the same. Why would it do so now when serious constraints will be placed on Iran's nuclear program?

Moreover, "wanting the same" actually means that Saudi Arabia—and any other regional state that seeks to match Iran's capabilities—would have to accept the same intrusive inspections and monitoring that the Iranians are in the process of accepting. Some suggest that Saudi Arabia would simply acquire a bomb off the Pakistani shelf. But if this option is a real one—and Pakistan's refusal to join Saudi Arabia's war in Yemen raises significant doubts—it has existed for decades and does not in itself fuel a nuclear arms race as long as the bomb stays on the Pakistani shelf.

While Egypt is building a nuclear power plant and Jordan is talking about establishing an enrichment capacity, they are both signatories to the Non-Proliferation Treaty and will have to submit to the NPT's Additional Protocol of intrusive inspections that Iran has accepted if they are to get the nuclear cooperation they will need. The UAE has signed the 123 agreement, which prevents it from ever acquiring enrichment capacity and requires it to sign the Additional Protocol. In any case, these countries have made clear in their statements and behavior that they are far more concerned by Iran's unconstrained efforts to promote sectarian strife in their neighborhoods than they are about what will become a heavily constrained Iranian nuclear program.

Meanwhile Turkey, as a NATO ally, already enjoys the cover of an American nuclear umbrella under article 5 of the treaty and therefore has little reason to head down the costly nuclear weapons road itself.

What about Israel? Its leadership is alarmed by the deal-in-the-making; Prime Minister Netanyahu has declared that it represents an existential threat to the Jewish state. Certainly, Israel has good reason to be concerned about the intentions of the Iranian regime since its leaders declare at regular intervals that their objective is to wipe Israel off the map. Israel's leaders have the duty to take those threats seriously and they have invested a vast fortune, with the considerable assistance of the United States, in ensuring that Israel's Defense Forces have the ability to deter Iran or, if necessary, preempt it from acquiring nuclear weapons. But since this agreement will turn back the clock on Iran's nuclear program, placing it at least 1 year away from a breakout capability for the next 10-to-15 years, Israel has no reason to preempt for the time being. If it did, it could only hope to set back Iran's nuclear program by some 2 years—far less than provided for in the nuclear deal. And it would in the process free Iran of all its obligations under the agreement and earn Israel the opprobrium of the other powers that support the deal.

Israel's concern is greatest when it comes to what happens at the end of the 15-year period when Iran will have a full-fledged nuclear program rendered legitimate by its compliance with this agreement and therefore not subject to sanctions. But we will also by then have much greater visibility into Iran's nuclear program, much greater ability to detect any attempt to switch from a civil to a military nuclear program, and an American President will have all the current military capabilities and much more by then to deal with an Iranian breakout should they attempt one. Indeed, time is not neutral in this situation. The United States, Israel, and Iran's Arab adversaries can do much during this long interval both to encourage Iran to abandon its destabilizing and threatening regional activities, and to contain and deter it if it refuses to do so.

Taking up that challenge will be essential because of the potential impact of sanctions-relief on Iran's regional behavior. Once sanctions are removed, Iran will be the beneficiary of the unfreezing of some $120 billion of assets; its oil revenues are likely to increase by some $20–$24 billion annually. It is reasonable to assume that a good part of that windfall will be used to rehabilitate Iran's struggling economy and fulfill the expectations of Iran's people for a better life. But it is an equally safe bet that the Iranian Revolutionary Guard Corps (IRGC), the Ministry of Intelligence (MOIS), and the Iranian Armed Forces will be beneficiaries too. It's true that punishing sanctions have not prevented these extensions of the Iranian revolution from exploiting the upheavals in the region and the collapse of state institutions to build positions of considerable influence across the Sunni Arab world from Lebanon to Syria to Iraq and now Yemen. Nevertheless, Iran's hegemonic ambitions are likely to be boosted by the availability of more resources. For example, the Assad regime in Syria is struggling to survive economically at the same time as it is losing control of more territory to opposition forces; a timely infusion of cash and arms might help it cling to power. Similarly, Iraq's Shia militias, which are armed and trained by Iran, could be boosted at a time when the United States is struggling under Iraqi Government constraints to arm and train Sunni militias and Kurdish forces.

Iran will also have money to procure weapons systems for its armed forces, using the extensive Western arms sales to its Arab adversaries as justification. Iran will

still be subject to curbs on its ability to acquire some types of sophisticated military equipment, but with money to spend it will probably find a way around those sanctions. Russia's high profile announcement that it would proceed with the sale of S–300 long-range surface-to-air missile systems, even before the nuclear deal is signed, represents the harbinger of future sales of sophisticated weapons. Indeed, rather than focusing on a nuclear arms race in the region, we should be more concerned about a conventional arms race.

The nuclear agreement with Iran was never intended to deal with these likely consequences of the sanctions-relief that is the quid-pro-quo for Iran's acceptance of meaningful and extensive curbs on its nuclear program. That puts a particular burden on the United States to develop a regional security strategy to complement the nuclear deal, one that is designed to counter and neutralize these unintended consequences. In doing so, the United States will need to send a clear and consistent message to Iran that if it chooses to abandon its nefarious regional activities and become a responsible partner to the United States and its allies, it will be welcomed into the community of nations in good standing. But if it decides to take advantage of its newly available resources to wreak further regional havoc, the United States will lead a concerted effort to oppose it.

President Obama has already taken the first step in this effort through the Camp David summit he hosted with our Gulf Arab allies last month. That was an important first step in providing them with the necessary strategic reassurance in the face of the uncertain consequences of the nuclear deal on Iran's behavior in their neighborhood. In the joint communique, the President reiterated a U.S. "unequivocal" commitment to "deter and confront external aggression against our allies and partners in the gulf." The two sides also agreed on a new strategic partnership that would "fast-track" arms transfers, enhance cooperation on counterterrorism, maritime security, cybersecurity, and ballistic missile defense, and develop rapid response capabilities to regional threats. The communique and its annex provide all the understandings necessary for laying the foundations of an effective regional security architecture. However, those words will need to be translated into concrete actions at a time when the regional turmoil is generating competing priorities and interests. The GCC states are not united in their approach to the region's problems and they will continue to fear an American-Iranian rapprochement at their expense no matter how reassuring the President's words. Nevertheless, the combination of the nuclear deal, a potentially more potent Iranian adversary, and rising instability on their borders, should concentrate their minds and therefore could create the necessary conditions for an effective strategic partnership with the United States that was called forth at Camp David. If they are willing to get their acts together, we should certainly be willing to respond with a determined effort.

Providing strategic reassurance to our Gulf Arab allies is but the first step. The United States will also need to build more effective strategic partnerships with Israel, Egypt, and Turkey, our other traditional regional allies who wield much greater capabilities and influence than most of the GCC states. For a variety of justifiable reasons, the Obama administration is at loggerheads with each one of these regional powers: with the Government of Israel because of its unwillingness seriously to pursue the two state solution or freeze settlement activity; with the Egyptian regime because of the treatment of its own people; and with the Turkish President because of his unwillingness to cooperate with the United States against ISIS. But at this sensitive moment, reassuring each one of them is essential if they are to be enlisted in the effort to lay the groundwork for a regional security framework that begins to reestablish order in this troubled region and prevents Iran from further exploitation of the chaos.

Just having the conversation with Prime Minister Netanyahu is proving exceedingly difficult since he is so determined to scuttle the Iran nuclear deal that he does not want to give any hint that he might be prepared to compromise on his opposition for the sake of strategic reassurances from the United States. Nevertheless, if the deal goes through, it will be important for the United States in the immediate aftermath to take a series of steps to strengthen Israel's ability to defend itself from, and therefore deter, any potential Iranian nuclear threat. Such measures could include completing the negotiations on a new 10-year agreement to provide military assistance to Israel at an increased level (this is something that Congress could initiate in coordination with the administration). The funding could be used to cover the purchase of additional F–35s and the development and deployment of the full array of air defense systems from Iron Dome to Arrow III to protect Israeli civilians from Hezbollah and Hamas rockets all the way up to Iranian ballistic missiles. Additional funding could also be used to strengthen Israel's deterrent capabilities, including the purchase of additional submarines.

Finally, to take care of the likely increasing nervousness among our regional allies as the nuclear agreement approaches its expiration date 10-to-15 years from now, the United States needs to begin to lay the groundwork for establishing a nuclear umbrella over all of them. This form of extended deterrence will be an important element in an American-sponsored regional security framework. Neither Israel nor our GCC allies are prepared to consider that at the moment, nor is it likely that Congress would approve such a commitment for any regional ally in the Middle East except Israel (ironically, Turkey already has such a commitment through NATO). But if the policy of strategic reassurance is pursued consistently by this President and his successors, it is possible that all sides may come to see the virtue of a nuclear and conventional security guarantee that will effectively deter Iran, render an Israeli preemptive strike unnecessary, and remove any incentive for the Arab states to pursue their own nuclear weapons programs.

Mr. Chairman, a credible nuclear agreement will provide an extended breathing space for the United States and our regional allies free from the threat of a nuclear Iran that should last beyond the next administration and probably the one after that. It will nevertheless raise many concerns in the Middle East about Iran's destabilizing behavior and hegemonic ambitions that the United States cannot address in the agreement itself but will have to address outside the agreement. In my view, that is not a justification for opposing the agreement. It is rather a reason for complementing the agreement with a robust effort to promote a regional security strategy that takes advantage of the respite to begin to rebuild a more stable order in this chaotic but still vital region.

The CHAIRMAN. Thank you both for your testimony.

I know we have got a lot of participation. I know Ambassador Indyk has a hard stop at 11:00, so I am going to defer on my questions—I may interject one or two along the way—and defer to the ranking member so that other members will have the opportunity to ask questions.

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

And again, let me thank both of our witnesses. As I said in my opening statement, if we reach an agreement with Iran, if we are successful in having an agreement that prevents them from moving forward with a nuclear weapon program, there are still many other issues in our relationship with Iran.

So, I just want to sort of crystal-ball where we are after an agreement. Iran could very well continue its current policy of supporting terrorism and its interference in so many other countries that is making it very challenging for our partners in the region. How do we influence the Iranian calculations? We have seen, in the past, that the passage of sanctions in regards to their nuclear proliferation was effective to bring them to the table to negotiate and, we hope, reach an agreement. What type of strategic alliances and what type of actions should the United States be contemplating in order to affect the calculation Iran is using in its engagement in Yemen, its engagement in Lebanon, its engagement in Iraq and Syria? Do you have any advice as to where we should be trying to develop those types of alliances and strategic partnerships?

One last point on this. And that is, you know, in the last 10 to 15 years, our strategic partnerships in the region have changed. You know, we have had very close relations with Egypt. That went through a very difficult period. We are trying to rebuild that today. Jordan has been a trusted strategic partner for a long time, but there have been issues in regards to that relationship. The only partner that we have had that is been a consistent partner to the United States has been Israel, and they, of course, have problems with where we are heading on the Iranian agreement. What advice

would you have for the United States in a post-agreement Middle East?

Ambassador INDYK. Thank you, Senator Cardin.

The problem of rolling back Iran's nefarious activities in the region, in the places that you have focused on—Lebanon, Syria, Iraq; Yemen, in particular—is that they have been able to exploit two advantages, which we have a hard time dealing with. First of all, the collapse or erosion of the effectiveness of state institutions in these countries provides fertile and low-cost ground for them to exploit by building parallel institutions; in effect, to exercise considerable influence in these countries. And when they do so, they do so by taking advantage of the fact that there is a Shia population, in each of these countries, that is open to their influence, whether it be through cash or arms or training. And they have, of course, the Iranian Revolutionary Guard Corps specifically designed for that purpose. And they are very effective at it. And so, that combination presents a great vulnerability; and therefore, presents great difficulty, in terms of how we can counter it.

The answer lies, essentially, in strengthening the institutions of governance in those countries, but that is a difficult challenge, which we do not usually do very well. I think you used the word "partnership" and "partners." And think that that is essential in this effort. First of all, yes, we have to provide strategic reassurance that we are not about to abandon our traditional allies, whether it be Israel, Egypt, Jordan, Saudi Arabia, and the Gulf States. And that is a very important adjunct to the process of doing this deal with Iran.

But, then we have to work with them—particularly, of course, the Sunni Arab States—in terms of building capabilities to go in and bolster the institutions there that can counter the vulnerabilities that Iran exploits. The people of Frond* ***28:30*** are now—particularly administration spokesmen—are saying that this is a long-term project and thereby, somehow, I think, perhaps trying to escape responsibility—direct responsibility for making something happen on their watch. It is a long-term project. But, we have to start now, and we have to start in the context of this nuclear deal, precisely because the fear of abandonment, which I think is vastly exaggerated by our allies and traditional partners in the region, needs to be addressed if we are to ensure that we start a process of containing and rolling back Iran's destabilizing activities in the region.

Senator CARDIN. Mr. Jeffrey.

Ambassador JEFFREY. Senator, Ambassador Indyk has outlined exactly what the problems are and a lot of steps that we could take. A few very specific short-term ones, because, long term, we can foresee doing anything, anywhere in the world, but the question is, What are we going to do right now?

First of all, we have to restore our military credibility. We have to have congressional support for use of military force if Iran goes to a breakthrough. We have to know what the administration and the next administration's redlines are for when they would strike if Iran did that. Besides the impact of that on a nuclear negotiation, that would have an impact in the region by making people

think that we really will live up to our commitments and that we are restoring our deterrent power.

In terms of specifics in this region, we need to do more in Syria against Assad. I am not advocating trying to overthrow him or going to war, but ideas like a no-fly zone, like arming the resistance fighters not just to fight ISIS, but also to fight the Assad government, to basically ensure that the other side, Assad and his friends, Russia, Hezbollah, and Iran, understand we are not going to let them win, we are pushing for a negotiated settlement that will ensure that that place remains independent, and independent among others, from Iran.

Same thing in Yemen. There are various steps we can do, again, to reassure these people that it is not just their physical security from an Iranian and—land invasion that they are worried about, but the infiltration of the region by an Iranian—as Ambassador Indyk said—Shia-supported almost ideological religious movement.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

And thank you both for being here today, and your testimony, and your service to our country.

I have a question about the money and the sanctions. Today, it is estimated that we have as much as $140 billion in held cash through these sanctions on just their oil exports, alone. President Obama, back in April, mentioned that there would be a signing bonus. We do not know any details about that, but we have seen estimates as high as $50 billion on that. You know, Iran, right now, is producing their potential capacity, somewhere around $36 billion annually, in terms of oil exports. So, that is larger than Venezuela, to put it in perspective. And that is just an estimate. Iran spends about $10 to $17 billion a year on their current military. Those are estimates that we have seen. That sounds awfully low to me, but those are the estimates that we have seen. So, it puts it in perspective that they are about to have a cash windfall. And what I am concerned about, with their nefarious history of supporting terrorism around the world, what—what is your two learned opinions about what we can expect from this windfall of cash? I do not think it is going to go to domestic programs. So, the question is—and it looks like we have two differing points of view here. I would really be interested in both your points of view about what we can expect, given this windfall of cash upcoming at the end of these negotiations, if, in fact, we get a deal.

Ambassador Jeffrey.

Ambassador JEFFREY. Sure. Senator, thank you.

It begins with the idea, Do we think that signing this agreement is going to either flip Iran into being a status-quo power in the region or serve as some kind of encouragement that that will happen over the longer term? I see no evidence of that, given Iran's past and given its ideological and religious role in the region, and the very strong efforts it has made, not just under the current regime, but, frankly, under the Shah, to have a hegemonic position in the region. I think we can expect that to continue. And, frankly, we have seen this around the world with other countries that have

achieved regional power. And Iran is probably not all that different, totally aside from the religious aspect.

So, it is very hard for me to believe that they will not use some part of that to further enhance their efforts from Gaza to Lebanon to Iraq to Syria to Yemen, and they will find new places, as well. So, it will be more of a threat because of that.

I also think that they will take some of the money and devote it to their domestic side, as well, because the Rouhani government came to office on that basis.

Ambassador INDYK. Thank you, Senator.

I think that we need to, first of all, bear in mind that this is the kind of inevitable cost of doing an agreement that puts meaningful curbs on Iran's nuclear program. We need to make sure that they are meaningful, that we can ensure that the Iranians do not cheat, or we detect them if they do, and that we can put the sanctions back on if they violate the agreement. But, we are not—if we are going to go ahead with the agreement, we do not have an option but to lift the sanctions. That is the basic deal, here.

I think you are absolutely right to be concerned about the windfall and how it will be used. I think, as Jim has said, some of it will be used for the economy. There is a high expectation amongst the Iranian people that this is going to produce economic benefits. And I think the regime will want to do some of that. But, they have got a lot of money to spend for other purposes. And I find it hard to believe that the Iranian Revolutionary Guard Corps and the Ministry of Intelligence, who are the main vehicles for spreading their destabilizing influence across the region, are not going to get paid off to go along with an agreement which they have made clear that they are not happy about. And it does not cost a lot of money to do what they have been doing. So, a boost to that activity could be problematic.

So, one example is that the Assad regime in Syria is hurting economically now. It is also hurting militarily. But, were the Iranians to infuse some cash into that regime, it would help it hold on. And there are other ways in which it could provide funding and arms and so on to, for instance, the Shia militias in Iraq, which would tilt the balance even further in the favor of the Shia militias versus these nascent Sunni militias that are barely able to stand up. And that is not a good thing. So, there are all sorts of ways in which it could become problematic.

Having said that, there are things that we can do, and need to do, to prepare for that and to counter it. And that is what is so important about needing to recognize that, as a complement to the deal, there has to be a U.S. strategy for the region that is designed to deal with Iran's destabilizing activities.

Senator PERDUE. Have you seen such a strategy yet?

Ambassador INDYK. You know, it is nascent, I would say. I think that the Camp David meeting with the gulf countries is the start to that. It has some specific references, which I think would be worthwhile for you to get further explanation from the administration, have some closed hearings. But, there are public references to working on counterinsurgency, counterterrorism, developing capabilities in that regard, cybersecurity, other things. Those are the kinds of things that they really need help with, that we need to be

focused on. We have too easily responded to their needs by selling them more aircraft. And that is good for our industries, and I understand that, but, in these circumstances, as we can see in Yemen, aircraft are not the most effective thing. We need their troops on the ground because of our own reluctance to put troops on the ground.

Senator PERDUE. Right. Thank you. I am sorry to interrupt, but I have only got a few seconds left. I really want to get to this question.

On the S–300s, Russia just announced that they have done this deal and they are going to sell these missiles to—these are surface-to-air missile programs. Russia has used these in the Ukraine, we are told. And Russia has said, "Well, this is mainly a defensive weapon," but it also allows, I think, Iran to project power in the region.

Ambassador Jeffrey, are you concerned about this development?

Ambassador JEFFREY. Very much, Senator, for several reasons.

First of all, while there is no U.N. resolution or requirement against that, the U.N. language says, "Exercise restraint in providing weapons to Iran." The Russians just blew through that. And there is no lifting of these resolutions until the U.N. does so, and it has not yet. So, that is problem number one.

Problem number two is the fact that these do have a capability that is, under certain circumstances, threatening to our airpower and those of some of our friends and allies.

Thirdly, it sends a signal to the region that Iran has a big and, let us face it, very aggressive buddy backing it—again, leading to what Ambassador Indyk and I have been talking about, a desire on the part of our folks in the region to say, "Who is backing us? And how are you backing us?"

Senator PERDUE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I said I might interject a question. I am just going to ask—Is it in our national interest that Iran dominate the region as they are beginning to do? And, if not, should Congress take into account—as we look at the details and facts of any deal—or, look at whether the administration has that countervailing strategy with, potentially, this much money coming into their hands and their influence in the region—should that be a factor, as we look at whether a deal with Iran should be approved?

Both of you, briefly, and then we will move to Senator Menendez.

Ambassador INDYK. Well, I think you are right to focus on the details of the deal. It is going to be complicated enough in itself. But, certainly, I do not see any reason why you should not question what the strategy is. I believe that the administration is developing that strategy. But, definitely, you should look into that and see what they are doing. Because, as I said, it is critical. It is not, in my view, sufficient—the problems that Iran can create in the region, additional problems to what it is already doing, as a result of this deal is not a reason for not doing the deal, but is a reason for insisting that there be an effective strategy to deal with the kind of turbo boost that the Iranians are going to have in the region.

As to answering your question about what our interests are in the region, well, basic interests come down to the free flow of oil at reasonable prices, which is less important to us directly now but still critical for the global economy, which we depend upon, and, of course, the protection of our allies in the region, starting with Israel. And, in that context, domination by Iran would be dangerous for all of those interests, and therefore, something that we have traditionally opposed, and, I think, should continue to oppose.

Ambassador JEFFREY. Very quickly, Senator, I agree. The answer is, absolutely not.

Furthermore, our whole foreign policy since World War II, and particularly since 1989, has been based upon not allowing anybody to dominate any region. We went into combat against Milosevic for that in the Balkans, against Iran in 1987-88 in the Tanker War, against Saddam in 1991, and then later several times, because if you have that, the whole international order goes down the drain as one regional hegemon dominates the other countries and starts robbing them of their sovereignty and their rights to live in peace and follow their own will.

Iran has a model for this. One of the more moderate Iranian officials, Hussein Mousavi and a friend of Rouhani and Zarif's, who was in exile actually, has laid it out, and it basically is a security arrangement in the region with Israel weakened, the United States out of the region, arms sales to our allies stopped, and, again, Iran playing a predominant role. So, they know what they want, and they are working on it.

Ambassador INDYK. I had one—one quick point occurs to me is that—it is important to understand, Sunni Arab States will not accept Iranian domination. And so, the consequences of a greater success by Iran in dominating the region will be a countervailing effort to prevent that from happening and, therefore, a deepening sectarian Sunni-Shia conflict.

Ambassador JEFFREY. I would—and I would add to Martin's point—and Sunni Arab States, if not helped, coached, led, and backed by us, are going to go about resisting this domination in ways we are not going to like, leading exactly to this conflagration, Sunni versus Shia, that he just warned about.

The CHAIRMAN. Thank you both.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

And thank you both for your long service to our country.

You know, the more I listen to your responses, the more I am concerned that the strategy that should exist, under the hope that we will get an agreement that actually could be supported and embraced as a good agreement, is a strategy that is all on the come, when it should be upfront, because the turbo boost that you said, Ambassador Indyk, is something that we will be behind the curve on. What worries me as part of that is when the administration says to those who are skeptical about the nature of what the final deal will be, based upon the interim agreement, and based upon the different understandings of that interim agreement, and based upon actions like Iran increasing its fuel enrichment by 20 percent, which may be within the JPOA, but ultimately has to be totally eliminated by June 30, which is an extraordinary action that they

will have to do—unless they ship it out, which they say they are not willing to do—so, when you tell your adversary that you are negotiating indirectly, "If not an agreement, then what?" The suggestion, "It is an agreement or war," which I reject. I think there is a third way. But, when you send that message, "If not an agreement, then what?"—and when you say that, "Well, if necessary, we will use our military capabilities," but then undermine the essence of that capability by saying, "But, it will not have much of a result at the end of the day," the message that you are sending in your negotiation is one of weakness, not of strength. You let the other side know that you need or want this deal as badly as they do. And that is a dangerous negotiating posture, from my perspective. With the lack of a strategy upfront to deal with the aftermath, and already sending those messages, I think it is a dangerous proposition.

So, it seems to me that this strategy is something that we have had 2 years of thinking about during negotiations, we would have been evolving a strategy in the hope that we achieve successful negotiation, and know what to deal with in the aftermath.

Let me ask you. Should our focus in the region not be to strengthen the state system in the Middle East?

Ambassador INDYK. Yes. But, of course, it is——

Senator MENENDEZ. I will take that for an answer. [Laughter.]

Ambassador INDYK. [continuing]. Easier said than done, Senator Menendez.

Senator MENENDEZ. Go ahead, I am sorry.

Ambassador INDYK. It is very good to see you.

Just on the first point, if I might, I do not think that the alternative is war, but I do think we need to look seriously at what the alternative is, given where we are.

Now, if the Iranians do not agree to a regime that provides verification, inspection, monitoring, and snap-back sanctions, then we should walk away, in my opinion, because we will be justified in doing so, and we will have a credible case to make to our partners in this negotiation, the P5+1 and others, that the Iranians were not prepared to agree to a deal that was acceptable. And that is the critical point, here. But, if they are willing to accept all of our stipulations when it comes to inspection and verification and snap-back, then I think walking away from that deal will have consequences. It will mean that we will not be able to hold the sanctions. And faced with the kind of erosion of support, we will have a much harder time dealing with the Iranian nuclear program. That will continue and pick up steam.

And then we are 3 months away from——

Senator MENENDEZ. What is verification? What is snap-back? What is possible military dimensions? How far can research and development go? How you define those are incredibly important. Because, for example, when we started this negotiation, we were told that Arak would either be destroyed by them or destroyed by us. We were told that Fordow would be closed. The reality is, neither one of those is the case. And there is a whole history of goalposts that have been moved, my concern is, what is the definition of those elements that you describe?

But, getting back to my question, your answer is, "Yes, we should strengthen the state system in the Middle East." Now, is it fair to say that Iran's influence, at least up to this date, has been to destabilize state actors in the Middle East? And we see that in Yemen, we have seen it, you know, in Lebanon, we see it throughout the region. Is that a fair statement?

Ambassador JEFFREY. Senator, it certainly is. There are two major threats to the state order in the Middle East. And everything, including our security and that of the region, is based upon that. One is extremist Sunni movement, such as al-Qaeda and ISIS; another is Iran, which uses both religion and traditional statecraft to try to subvert countries. And we know the tools. It is denying a monopoly of force by governments. It is winning over the loyalties of part of the population—Hezbollah in Lebanon, the Houthis in Yemen, for example, some of the Shia militias in Iraq—more to Tehran than to their own countries. And there is a religious element to some of this, as well.

This is worrisome.

Senator MENENDEZ. So, let me get to two last questions. And that is, "If our interest is to support state systems, and Tehran's whole purpose has been undermining state systems, is it also fair to say that, even with the sanctions and the drop in oil prices that have bit significantly on their economy, they are still using a fair amount of their resources to do exactly that, to undermine state actors?" Is that fair to say?

Ambassador INDYK. Yes. It certainly is fair to say. And that is part of what I was——

Senator MENENDEZ. And if that is fair——

Ambassador INDYK. [continuing]. Referring to.

Senator MENENDEZ. And if that is fair to say, then, when you have even greater amounts of money, it would seem to me that, yes, some of it will go for domestic purposes, but a fair amount of money—if you are suffering, and you are using your money not to help your people but to go ahead and promote terrorism, so, when you have more money, you can help your people to some degree, but you can still promote that terrorism—that is a real concern.

And finally, let me just say, you know, do you think the gulf partners, looking at the Budapest Memorandum, think that our guarantees really mean a lot? We told Ukraine that if they gave up its nuclear weapons, we would guarantee its territorial integrity. That has not worked out too well for the Ukrainians. So, you are going to tell this to the gulf region, "Do not pursue a nuclear pathway because Iran is at the precipice of it, and we are going to, you know, guarantee your security." I think that is a little tough for the gulf partners to believe, in and of itself. If you add the obligation to keep Israel's qualitative military edge to whatever you are going to give the gulf partners, and the real concern is a nuclear one, I do not quite see how that works.

Ambassador INDYK. Well, first of all, I think that our gulf partners are far more concerned about Iran's activities in their neighborhood than they are about Iran's nuclear ambitions. And that is the only way to explain why they have not sought nuclear capabilities themselves. They certainly have not lacked the funds to do so.

So, I do think that you could see, coming out of the Camp David summit, that they do care about getting these assurances from the President. And they have committed themselves, in that communique, to endorsing—supporting or welcoming a deal that would have the kinds of things that we have been talking about, in terms of inspections and verification and snap-back and so on.

But, I think that what they are looking for reassurance about is that the United States is going to be with them, in terms of the problems that they face with Iran in their region. It is not about nukes, as far as they are concerned. And that is a much harder thing for us to do for them. We can protect them against an external Iranian threat, but dealing with the kind of subversion that Iran is involved in, exploiting the chaos and collapse of institutions in that region, is much harder to do, especially if we are not prepared to put our own forces on the ground to do it. Then we have got to find other forces to do it, and we have got to look to them to do it. That is why we talk about partnership. That is—it is going to require them to work with us on this, as well.

The CHAIRMAN. Senator Isakson.

Senator ISAKSON. Thank you, Chairman Corker.

Thank you both for being here, and thank you for your service.

I want to follow up on Senator Menendez's point, because, to me, it is absolutely critical. We have done nothing, since we left Iraq with all our—pulling all of our troops out, to demonstrate, in the past 18 months, exactly what our commitment is, in my judgment. There are—you mentioned the Ukraine. There were conversations about that. We—about whether or not we had backed the right people in the Middle East, whether or not we would confront Iran, in terms of its nefarious activity. But, you know, I remember, from my business career, the best deals I ever made were deals where I first walked away from the table before I came back, because I found out how bad the other guy really wanted to make a deal. And the worst deals I ever made was when the deal was more important to me than common sense. And I worry we are getting into a situation where we would not walk away.

Have you heard, credibly, either one of you, from your positions, some of the conversations the Iranians have said, like, "We will not allow military bases to be inspected," or, "We are not going to allow this," or, "We are not going to allow that"? Are those not the type of things they should know we will walk away from immediately? And should we not have made that statement definitely so it is without question?

Ambassador JEFFREY. We have heard these statements. I have heard, for example, the deputy negotiator to Zarif, Araghchi, has, in conversations that did come to our attention with the parliament in closed session in Tehran, say that, "In fact, maybe some of these things are negotiable with the Americans." So, I think it is still in play. Again, that is the problem we have, because we have not seen the agreement in its final form yet, Senator.

But, certainly those are very, very important points. You do not have full eyes on, which supposedly is critical to—it is critical to this agreement, if you cannot visit military installations and if you cannot interview their scientists and other technical officials. So, that is very, very important. And this is something that the admin-

istration should insist on. And if they do not get it, then they should either walk away or wait until they do get it.

Senator ISAKSON. We must be believable in our negotiation, or we will get taken. That is the point that I want to make.

Secondly, on what Senator Perdue raised, is not the Russian—it is the 300, is it not? Surface—yes, is the S–300 not capable of carrying a tactical nuclear warhead?

Ambassador JEFFREY. I do not believe so, Senator. And again, it is a surface-to-air system. In theory, surface-to-air systems can be refigured to carry nuclear warheads. But, frankly, Iran has a really disturbing arsenal of long-range missiles. That is why we are putting the missile defense systems into Europe, some 3–4,000 miles away. They have missiles that either can, or soon will be able to, go that far, which is further, I think, than the S–300 will fly. So, its basic threat is to shoot down our aircraft and cruise missiles.

Senator ISAKSON. Let me ask both of you a question, because I have tremendous respect for your ability and your service to the country and your knowledge, which I certainly do not have. Let me just ask you this. What do you fear the most about making a deal with the Iranians, or not making a deal with the Iranians? What should our biggest concern and fear be?

Ambassador INDYK. In terms of making the deal, I think there are two major concerns we have—which we have been discussing. One is that they will cheat. They have cheated before on their obligations under the Nonproliferation Treaty. We have seen, in the case of Korea, that they got away with cheating and built a nuclear weapon. So, that has got to be the concern within the deal, to make sure that they do not have that ability. And I agree with you that, if we do not get that, we should be prepared to walk, and that you are absolutely right, in a—any negotiation, as you pointed out, but particularly a negotiation with Iran, being ready and willing to walk away if we cannot get the—our minimum requirements is critically important to the negotiations. And I think that these statements that they have making—they have been making, which actually do not accord with the things that they have already agreed to in the negotiating room, is an indication that they are posturing for their public, that their public—that they have a problem with their public opinion. They have raised the expectations of public opinion there, that there is going to be a deal on their terms. And so, I think that actually we have a better ability to walk away than they do at this point. And so, we are, in fact, in the stronger position if we focus on the issues within the parameters of the deal and make sure we get what we need in that regard.

The second problem is outside the deal—and we have discussed that already this morning—which is, How do you contain and roll back their activities in the region? You cannot do that as part of the deal, but you are going to have to have a strategy to deal with it alongside the deal.

Ambassador JEFFREY. Senator, in terms of a deal, the thing that I am most worried about is that we will wind up looking like we keep on making compromises and, therefore, we are seen as either weak—and that has a huge impact on our ability to deter them in the region—or people will think that the U.S. Government actually believes that this deal will change the tune in Tehran and that

they will be a potential status-quo power or a potential partner in regional security. And I think that is very worrisome.

Now, in fairness, you said, What do you worry about either with a deal or without a deal? And having taken a few hits at the deal, here is one of the things that the deal will give us. It will give us more international support. This is important for two things. First of all, the international sanctions—and they are the most effective ones—do hinge on a good relationship between us, the EU, and some of the other players, including China, in particular, as an Iranian oil importer. But, secondly, I have several times cited the importance of us being willing to use military force. Our experience has been, sadly, that, when we did not have international support for us, Iraq and Vietnam being two examples, we had a much harder time. And therefore, international support is a value that you do get in this agreement. It has to be balanced against other ones, possibly sending a signal of weakness, possibly people questioning our deterrence in Tehran. But, nonetheless, there is a certain value to an agreement if it is verifiable and if it does give you the 1-year time before they could break out.

Senator ISAKSON. So, I will just follow—so, to understand—a good deal, in the definition of—your definition, and mine, of a good deal, which is a good deal for the American people and the people of the Middle East, would be preferable to not making a deal, because it would raise our stature with the international community? Is that what I heard you say?

Ambassador JEFFREY. No, sir. There is no good deal at this point. A good deal would be "no enrichment." A good deal would be—they are out of the business of having a nuclear weapons threshold capability. So, it is a question of a bad deal that may be better than a set of other circumstances or perhaps living with the other circumstances.

One of the things that a deal does give us is the ability to mobilize the international community if Iran breaks out. And that ability to mobilize the international community typically has been very successful when we have had to use military force, such as in Korea in 1950 or in Kuwait in 1991.

Senator ISAKSON. Thanks, to both of you, very much.

The CHAIRMAN. Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman.

And thank you, to our witnesses.

Just a couple of comments and some questions.

My assessment of the status of the U.S.-Iran dynamic as adversaries pre-JPOA, pre-November 2013, was that the combined weight of congressional/executive/international sanctions were putting deep pressure on the Iranian economy, hurting and affecting the Iranian economy. That helped bring them to the table. But, I do not necessarily think that combined weight of sanctions was slowing down their nuclear program. In fact, it may have accelerated their nuclear program. To the extent that they felt isolated, you can look at them as a resistance economy. They were putting an unreasonable amount of effort into advancing the nuclear program. So, the status before the President and American diplomats engaged in this discussion, I think, was one where the sanctions

were working against the economy, but the Iranian nuclear program was accelerating in a dangerous way.

During the pendency of the JPOA, since November 2013, I have been to Israel twice, once in January—February 2014, and then back in January 2015—and even the Israelis, who were worried about an ultimate deal, acknowledged, some grudgingly, some enthusiastically, that they think the JPOA period has actually been a positive, that the combination of rollback of some elements of the Iranian program together with additional inspections has been a positive. They like that better than the pre-November 2013 status quo. Now we move to the situation of what we are going to think about with respect to a final deal.

This is a sincere question. It is going to sound like I am not sincere, but I am going to ask it this way. I do not view this as a negotiation about whether Iran will be a friend or an adversary. I view this as a question about whether an adversary will have a nuclear weapon or will not have a nuclear weapon. Do either of you doubt that the region, the United States, and the world are safer if Iran does not have a nuclear weapon than if they do?

Ambassador INDYK. I think this is the primary benefit of a deal that is enforceable. That is that it will give the region, and the United States and our allies there, particularly Israel, a 10-to-15-year nuclear-free Iran, in which we will no longer be faced with this kind of sense that Iran is about to cross the nuclear threshold.

Senator KAINE. In other words, a bellicose Iran without a nuclear weapon may still be bellicose, but a bellicose Iran with a nuclear weapon is really dangerous in terms of potentially throwing its weight around in the region and in the world.

Ambassador INDYK. Correct. And we are talking about a region which is in chaos. And so, add a nuclear Iran to the mix and then the other states in the region will have a very strong incentive to go get nuclear weapons, so we get a nuclear arms race on top of everything else that is going on there. So, yes, we need the breathing space. The breathing space is worth something to us. And time is not neutral in this situation. Ten to 15 years, we can use the 10 to 15 years to roll back Iran.

Senator KAINE. Absolutely.

Let me explore now the decision tree of "no deal" and "deal." I think I agree with what the Chair said. I do not think "no deal" automatically means "war," but, "no deal" does have some consequences.

How important is it, to the effect of the sanctions that currently exist and more that we might want to put on, that there is an international coalition supporting the sanctions, versus the United States just proceeding alone? I would like to hear both of you talk about that.

Ambassador JEFFREY. At this point, it is very, very important, because the sanctions that have really bitten deep are the NDAA sanctions, which run third countries through their financial systems, which countries actually could resist, but we had both temporary waiver authority, or—if they were reducing, bit by bit—and, frankly, they wanted to help us put Iran under wraps, so they did cooperate. But, the cooperation was getting tougher and tougher, if

you talk to the people who were actually trying to execute it on the U.S. Government side.

The second set of sanctions that are really effective are the EU sanctions, which not only ended all imports of Iranian oil, but, frankly, through hitting insurance, funds transfers, banking, and other auxiliary elements of the international trade system, really led to Iran losing more than—roughly half of its oil exports. That, combined with the drop in oil prices, put Iran in the economic situation we see.

So, it is important to maintain that if we cannot get a deal.

Senator KAINE. Well, then let me follow up and ask this. So, if there is no deal, then it is very critical whether the community perceives that the absence of a deal is because Iran is being unreasonable or they were willing to be at least somewhat reasonable and the United States or other parties refused to make a deal. So, if it looks like Iran is being unreasonable, there is a greater chance to hold the coalition together to keep sanctions tough. If it looks like the United States or other partners are being unreasonable, it is more difficult to hold the coalition together. Would you both agree with that?

Ambassador INDYK. I think that that is exactly right. It depends very much on how the deal breaks down. If there is a deal that meets the requirements of the P5+1, in terms of inspection, snapback, and so on, then—and let us say that the Congress decides, in its wisdom, that this is not a deal that they can support, so we are responsible for, in effect, walking away, I think it will be very hard to maintain the international sanctions in those circumstances. But, if Iran refuses to agree to, for instance, inspection of its military bases, then we have a great deal of credibility in walking away. And I think, actually, we should, because I believe that they will then buckle under and accept what we need.

Senator KAINE. Let me ask about the other part of the decision tree. If there is a deal—if there is a deal that generally meets the April 2 framework, and Iran accepts it, and we are going to have to dig into the details—I am particularly interested in inspections—there will be inspections. We want to make sure that they are vigorous, immediate, everywhere.

Credible military threat. To my way of thinking, a credible threat to take out an Iranian nuclear program is combined of some elements: capacity to do it; backbone, willingness to do it; but also the intel that gives you the information about how to do it. Now, we have intel now. That has been demonstrated in the past, the intel that we have. And that is not going away. But, is intel plus the additional information that you get from an aggressive and significant inspections regime not better than intel without that? And so, would a deal that gives us significant inspections not enhance our intelligence, and hence, enhance the credibility of our military threat?

Ambassador INDYK. Yes, I think that that is absolutely the case. Being on the ground and being able to go anywhere, anytime, is critically important. We are going to still need the intelligence assets that we have been using, and working with our allies and their intelligence capabilities. But, being on the ground makes a huge difference.

In Iraq—and I had some experience when I served in the Clinton administration on this—when we had inspectors on the ground, even though they were being blocked in various places—you remember that cat-and-mouse game that we always played—nevertheless, we had a much better insight into Iraq's nuclear program. And, in fact, we were, at that point, comfortable about retiring the nuclear file, because we were persuaded, because of the inspections, that, on that front, as opposed to chemical and biological, we actually knew what they had and knew that we were able to monitor it and control it and prevent them from getting nuclear weapons.

So, I think that that was a very interesting example of the way in which both give us an ability to know. And, in this case, the inspectors are going to be at the mine head, at the milling, at the enrichment process, at the stockpiling, and every—and in Arak, the plutonium reactor, heavy water reactor, we are going to have a full visibility on their program. And that goes on for—I think it was 25 years of that kind of inspection. I think that will give us some degree of assurance that we will know if they cheat.

The CHAIRMAN. Thank you.

I will interject that—and that was a good line of questioning, and I appreciate it—there is an agreement that we have not had access to that lays out what Iran is able to do from year 10 on. It is called the Iranian Nuclear Development Program. There is a document that outlines that. For some reason, the administration will not share it with us. I have asked both at the Energy level, the Secretary of State level, and the Chief of Staff of the President. And so, I think that there are legitimate concerns about what happens after year 10. And it makes me concerned that their unwillingness to share that—with us means they think it is something that will undermine the American people's confidence in what they are doing. So, hopefully, they will be forthcoming with that soon.

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

And thanks, to the ambassadors, for being here today.

In Ambassador Indyk's testimony, there was a quote that I will read here, "Once sanctions are removed, Iran will be the beneficiary of the unfreezing of some $120 billion of assets, its oil revenues are likely to increase by some $20–$24 billion annually. It is reasonable to assume that a good part of that windfall will be used to rehabilitate Iran's struggling economy and fulfill the expectations of Iran's people for a better life, but it is an equally safe bet that the Iranian Revolutionary Guard Corps, the Ministry of Intelligence, and the Iranian Armed Forces will be beneficiaries, too."

Do you know what the amount that Iran sponsors terrorism at the level of funding that they actually contribute to funding of Hezbollah and other terrorist organizations?

Ambassador JEFFREY. It runs, by the estimates I have seen, to the tens of billions, if you put in the Syrian operation, which is the biggest one, support for Hezbollah and some of their other activities around the region.

Senator GARDNER. We think it is around $200 million or so. And I think that is—tens of millions, certainly up to $200 million, according to reports——

Ambassador JEFFREY. Billion, sir.

Senator GARDNER. Billions? Okay, I am sorry. Yes.

Ambassador JEFFREY. Not $200 billion, but probably in the $10–$20 billion range.

Senator GARDNER. Okay. And the economy is going to turn around. Would this encourage them—would they stop, once this economy turns around—from funding that line item?

Ambassador JEFFREY. It is almost inconceivable, from any analogy or historical example I have seen, that a country that has an aggressive foreign policy, if it comes upon further resources, would then ratchet back. Typically, they will double down and try harder. That does not mean they will use all of that money, or even most of that money, because they do have pressing domesticate needs, and they have a lot of popular pressure to spend more on a consumer economy. So, some of that will flow to the domestic side. But, clearly, some of it will flow almost—by all evidence we have seen with Iran and in other countries, towards their nefarious activities through the region.

Senator GARDNER. And these nefarious activities are not going to make Israel more safe as a result of this agreement and a growing economy. Is that correct?

Ambassador JEFFREY. They are not going to make anybody, including the Iranians, safe, in the end, Senator.

Senator GARDNER. Thank you, Ambassador.

And in your testimony, you stated that, "Any agreement should be judged not only on the basis of its verifiable real restraints in Iran, but also by the context within which the agreement would operate, readiness to back it by far more explicit and credible readiness to use force to stop a breakout, and a far more active U.S. program to contain Iran's asymmetrical military, ideological, religious, economic, and diplomatic moves to expand its influence in the region."

The President has said that there is no military solution. The President has talked that we cannot back away now. Could you explain that remark a little bit further?

Ambassador JEFFREY. To the extent I can, because the President has said several different things.

First of all, officially he said that he will use all necessary measures if Iran were to break out to a nuclear weapon. But, he has also said that he does not think that a military solution is going to buy you very much. He said, the other day to an Israeli journalist, that it would give you a temporary stop. That is true. But, we have seen military force before—against Iraq, three times, by the Israelis and by us in 1991, and then by us in 1998—lead to the termination of weapons of mass destruction programs. We have seen it, obviously, in the case of Israel striking Syria. And after 2003, when we went into Iraq, that is when the Iranians halted their weaponization program, and it is when the Libyans decided that it was high time for them to give up their programs.

So, military force can have an effect beyond how many targets you hit and how long it will take to reconstitute. It does have a political influence on the other side. So, I would not rule it out. Never.

Senator GARDNER. There has been conversations—I think, opinion pieces written in the Wall Street Journal and others—talking about this bifurcation in these negotiations of political restraint with nuclear restraint, that the agreement seems to sort of have almost a tunnelvision on the issue of nuclear restraint without addressing any other areas of Iranian political restraint. And that is ideological, religious, economic, diplomatic moves to expand influence in the region, or perhaps use those efforts in nefarious ways against our allies and, indeed, against the United States. Do you think, under these negotiations, have we lost track of the fact that we also have other areas that need to be restrained?

Ambassador INDYK. I do not think so. And—but, I think it is important to understand that it was not possible to address those concerns in this negotiation without weakening our ability to get what we needed, in terms of blocking Iran's four pathways to a nuclear weapon. If we had allowed the agenda to widen to address the issues of their activities in the region, they would have used it as a tradeoff, they would have linked their behavior in the region to the negotiations about their nuclear program. And so, if they agreed to less regional disturbing activity, they would expect us to be more lenient on their nuclear program. We could not enter into that.

Plus, our Arab allies said, "It is none of your business to be discussing those issues with them when we are not at the table, because that affects our direct interests."

So, I do not think it was possible to address it within the context of the deal, but we need—we do need to address it outside the deal and in parallel to the deal. And that is the burden of my argument here.

Could I say one other thing about force? I think that the use of force—the threat of the use of force, and a credible threat of use of force, is critically important, in terms of deterring a breakout by Iran or, in fact, cheating on this agreement. But, actually using the force has a problem. That is what the President was referring to. That is—and that is what happened in the case of Israel's bombing of the Osirak nuclear reactor. What the Iraqis did was, they took their whole nuclear program underground. We had no visibility on it. And we were surprised when we actually went into the country, in 1992, to discover that they had this massive nuclear program that we knew nothing about. And that is the danger, here, that if we have to use force, what we will end up with is something less than what we can have through the deal, itself. Ten to 15 years of a nuclear-free Iran versus 2 to 3 years by bombing all their facilities, but they have got the know-how, they can rebuild, they will no longer be under any obligations, and they will claim that they then have a justification for getting nuclear weapons, because they were attacked when they did not have nuclear weapons.

Senator GARDNER. Ambassador Jeffrey, would you like to respond?

Ambassador JEFFREY. Ambassador Indyk's absolutely right about the Osirak bombing, but I would just add that the reason we went in in 1992 to find that was on the back of American tanks.

The CHAIRMAN. Senator Udall.

Senator UDALL. Thank you both for your service to the country. And I think this has been a very good discussion and you have had some very insightful comments.

One of the issues here that has been raised is Iranian dominance, Iranian hegemonic desires, that kind of thing. Do you believe our U.S. foreign policy has contributed to the strengthening of Iran in the region, some of the decisions that we have made?

Ambassador INDYK. Well, now we are—now we will get contentious, and I do not mean to be so.

Senator UDALL. Well, I am not——

Ambassador INDYK. But, I do——

Senator UDALL [continuing]. I am not trying to be contentious——

Ambassador INDYK. No, I will be contentious.

Senator UDALL. Oh, okay.

Ambassador INDYK. Not you, Senator. [Laughter.]

Ambassador INDYK. The—because, look, again, I will go back to the experience of the Clinton administration. There were—we had real concerns about what Saddam Hussein was doing to his people, and we were constantly looking at what we needed to do to prevent that. But, we were always constrained by the concern that we had that, if we took him out, we would open the gateway to the influence of Iran in Iraq. That was a major concern during that time.

Now, that is what happened as a result of taking Saddam Hussein out. Now, I was in favor of that war, but I was also in favor, similarly today, of doing a whole lot of things that would have prevented that from happening. But, that is what happened. Once the gates of Babylon were opened to Iran, that opened the way for them to exert their influence across the region. They were already in Lebanon via the Shia community there, and Hezbollah. But, Iraq was a big prize for them. And it was done, courtesy of the U.S. Army and the U.S. taxpayer.

Senator UDALL. Ambassador Jeffrey, do you have the same view?

Ambassador JEFFREY. Certainly going into Iraq was a benefit to Iran, but it did not have to be as bad as it turned out to be. I mean, there were steps that we could have taken over the last——

Senator UDALL. But—so, what should we have done?

Ambassador JEFFREY. We could have made it clear that, in other ways, we would have stayed there longer, and that Iraq's security was in our interests, and that we were there for the long haul, not trying to get out. That is the first thing. But, second——

Senator UDALL. But, staying there for the long haul would have meant changing the Shia government in such a way that they were going to be inclusive. You actually think we could have made them do that?

I mean, it looks to me like the—that there was just a real desire, in terms of dominance and not being inclusive, and I do not know, really, how the United States—can you tell me how that they, the United States, can make the government do that?

Ambassador JEFFREY. The answer is, we cannot, Senator—and it is a very important point—even at the point of a gun. What we can do is have influence. These are rational people, in all of the political parties in Iraq. Some of them are pro-Iranian, some of them are not, some of them are opportunistic. In the period from roughly

2008, when the Shia militias were put down by the Maliki government, to roughly 2012–13, the country was able to live in relative peace and relative rapprochement between the various groups. Two things happened. One is, slowly, in part because we did not have the influence that we should have, other forces, including Iran leading the charge, pushed toward a more Shia-dominated system. Secondly, and far more seriously—and I think this is the point where we have most contributed to Iran's spread in the region—Syria happened. Nothing in the last 15 years has had the same effect on the region as what happened in Syria and the fact that we did not react to it. It has delivered repeatedly in bad ways: the rise of ISIS, one of the biggest humanitarian and——

Senator UDALL. Could you not also make the argument that the rise of ISIS came as a result of what was done in Iraq? I think there is a significant connection there to what is going on.

But, let me ask—Ambassador Indyk—he has mentioned Syria and there should be a no-fly zone. Do you think that should be done unilaterally by the United States, or should it be done collectively through the U.N. or other multinational organizations?

Ambassador INDYK. Well, I do not think that U.N. collective action is an option here, because the Russians will veto it.

Senator UDALL. Is there any reason to push it anyway to show what their position is?

Ambassador INDYK. We are operating a kind of de facto no-fly zone in parts of Syria already, just because the Syrian Air Force will not fly where our Air Force flies. And we can—there are plenty of ways in which we can affect the calculus of the Syrian Assad regime. You know, I do not know why we cannot take out helicopters that are dropping barrel bombs on Syrian civilians. We would only need for us to take out one or two, I believe, and the Syrian regime would get the message. So, there are certainly things that we could do that I think would stop short of a formal declaration of a no-fly zone but would give relief to the Syrian people and would send a very important signal to not just our Arab allies, but so many across the Arab and Muslim world that are deeply affected by the fact that we are not doing anything. We are flying there against ISIS, but we are not doing anything against the Syrian regime.

Senator UDALL. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

Thank you for the testimony.

I have been supportive of these negotiations with Iran, partly because I sense that it would be tough to hold the coalition that we have put together, together for much longer. And I agree with your assessment that it was the international nature—the multilateral nature of the sanctions that really bit, particularly the financial sanctions, and the success came because it was Iran versus the West rather than Iran versus the United States. And so, I think going through these negotiations was probably the only way to really keep this coalition together. If Iran does not comply now, and we can come back, and it will not be that simply nothing will be good enough for the United States, but there is a material breach that is demonstrated that Iran simply will not live to the agree-

ments that were set out, if that is the case. So, I have been supportive of the negotiations.

I agree with the formulation that Senator Kaine put forward, that Iran—that the sanctions were effective, certainly in debilitating their economy, but it did not do much to slow their drive toward a nuclear weapon. And I do not know how the same level of sanctions, you know, over another period of time—why we would expect that to have any different result. So—but, now, given where we are—and I agree with the formulation that an agreement that really, truly does limit their ability to move forward to a nuclear weapon, if only for 10 or 15 years, is better than not having an agreement, and then we can focus on the other issues. But, that is what I want to ask you a bit about.

Ambassador Jeffrey, in your remarks, you state that, "The region needs a strong commitment from the United States to push back Iran's actions in Iraq, in Syria, and elsewhere." What would that look like in Iraq? What would a stronger commitment from the United States look like right now in Iraq?

Ambassador JEFFREY. The Camp David meeting actually had a final statement that had some pretty good language. It said that the parties believe that Iran should be required to agree—engage on the principles of good neighborly relations, strict noninterference in the affairs of other countries, and respect for territorial integrity throughout the region. These are, of course, exactly the things it is not doing. And in Iraq, one reason Iran is gaining influence—and we saw this in the balance between Tikrit and Ramadi—is that we are not as present as we should be. And therefore, the Iraqi people, including even many of the Sunnis I know in Ramadi, are having to turn to the Shia militias, some of—not all of them, but some of whom are under the thumb of Iran, the Khatib Hezbollah, Asa al-Haq, and, to a considerable degree, the Badr Corps—those are the three major ones—because there is not an effective Iraqi military. One of the reasons there is not an effective Iraqi military is that we have not put our troops, as we have done in every other conflict I have been involved in, on the ground with these units, technically to advise them, to call in air support, but, frankly, in many respects, to strengthen their spine and to reassure them that, as long as our troops are there, they will get air support, they will get medevac, they will get resupply, and they will not be overrun, because we will not let it happen. I cannot describe what a difference that makes. I saw it in Vietnam in 1972, I saw it in Iraq in 2010. Having Americans out there would increase the capabilities of the Iraqi forces tremendously. It would also show America cares, we are willing to put skin in the game. If we take casualties, we are willing to do this because Iraq's important to us. Iran is willing to put people out there.

Senator FLAKE. Ambassador Indyk, do you have any thoughts on that? What would a more robust——

Ambassador INDYK. Yes, I think that it starts at the political level. Abadi is definitely the—the Prime Minister is definitely better than Maliki. But, his commitment to inclusiveness is somewhat constrained; in particular, by pressure from Iran. And we need to be equally assertive, in terms of pressing him to go through with the commitments he has made to inclusion, when it comes, on the

political level, to the Sunnis. They feel excluded, and that is—as long as that continues, it is going to affect the morale of the military, the willingness of Sunni soldiers to fight. And so, that is point number one: inclusion is critically important, and we need to be actively engaged in that.

Point number two is, we should be building more actively the capabilities of the Sunni militias and the Kurdish peshmerga. Again, because of our respect for the sovereignty of Iraq, we are going through the Iraqi Government. And the Iraqi Government, under the pressure from Iran, is restraining what we can do there. And we need to—I think we have made some kind of breakthrough on that front now, that I heard just this morning, with the Sunni militias, that arms will be going to the Sunni militias. I think that is critically important. We need to be arming the Kurdish forces, as well, in a more robust way.

So, it is on the military level—I endorse what Ambassador Jeffrey said, in terms of embedding our special forces—but, it is also political and arming of the militias.

Senator FLAKE. Let me return to the nuclear negotiations for a minute. If we concede that Iran—what our goal is, is to try to keep them from a 1-year breakout period. If we assume they are that close now, what is their motivation—their real motivation now to come to the negotiating table? Would they not have more leverage if they were to complete that march toward a weapon and then negotiate after that? Why do you suppose they are coming to the table now? Do they fear a strike or perhaps are they not as close as we think they are?

Ambassador JEFFREY. My view, Senator, is, they were very close to that point. Remember, when Prime Minister Netanyahu went to the U.N., I think, in 2013, and he drew the redline on the 20-percent enriched uranium. They were close to 200 kilograms. When you get a little bit above 200 kilograms, you will have enough for what is called a significant amount, SA, of—you have had the briefings—25 to 27 kilos of 90-percent enriched for at least one nuclear device. So, they were right up to that point. But, that was also when the international community was really hitting them hard with sanctions, they were having a huge impact on their economy. Also, both Israel and the United States were at least making noises about a military strike. That not only had an effect on Iran, it had a frightening effect on many of our friends, including the Europeans, who have never seen a war they do not want to run away from. So—that may be a bit unfair, but, you know, they were very nervous about either us or the Israelis striking, so they were willing to do these very, very dramatic sanctions, ending all oil imports and doing other things against Iran. So, you had a combination of events that put Iran under pressure, and then it decided, "Maybe we will back off a little bit."

But, the important thing is, they are giving up nothing. And this is on the express decision of the Supreme Leader. They are not closing anything down, they are not blowing up a reactor, like the North Koreans did, they are not admitting guilt on the possible military dimensions. They are basically just putting things in storage for a while, or converting things. But, they are not admitting

guilt, and they are not really changing their entire program to get to this 1 year.

Ambassador INDYK. Could I just add to that one point that I think is worth noting about the agreement?

They are giving up something very significant when it comes to their Arak heavy water reactor, which is the most dangerous and expeditious way that they could get plutonium for a nuclear weapon. And they have agreed, there, to reconfigure the core, to ship out the spent fuel, and not to have any kind of reprocessing facility. That is a very robust measure, and it is designed specifically that way because that is precisely the way that the Koreans broke out.

And so, while it is true that they have not blown up anything, as Ambassador Jeffrey suggests, they have accepted the kinds of curbs that we need to be sure that they have blocked—that we have blocked their pathway. We have to be concerned about cheating. We have to be concerned about what happens at the end of the road. But, I think that, in terms of what our negotiators have generated here within the confines of the Iranians having to be able to say, you know, "We did not blow up anything," essentially is not a bad deal. In that regard, it is a good deal.

Senator FLAKE. Thank you.

The CHAIRMAN. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

Ambassador Jeffrey, in your testimony, you call for an advanced authorization for use of military force against Iran to prepare for the possibility that they will violate an agreement that has not yet been reached. So, this is the committee would have to pass an advanced authorization for the use of military force against Iran. We already have two such authorizations that are open-ended, not limited by geography, and we have a third one that is pending before this committee with regard to what the limitations should be for the authorization.

Could you talk a little bit about what you think should be in that resolution, what type of military force we should be explicitly putting into that resolution, and what should be the conditions under which this committee passes an authorization, given the fact that we do not know what the conditions will be that could possibly then trigger the use of that use of military force in the resolution that you would recommend.

Ambassador JEFFREY. Thank you, Senator.

To be specific, this is something that would be part of a package if, in fact, the Senate did not take—if we do get to an agreement—the first step, then, under the Iran Nuclear Review Act, you looked at the act, and you did not take action to stop the lifting of sanctions; thus, the agreement would go forward. This would be a measure to ensure that, if we do have this agreement, it is clear to all, including the Iranians and—but also including—to our friends in the region that this is not a watershed event in our relations with Iran, it is simply a deal to get them to stop moving towards nuclear weapons capability. So, therefore, if they were to try to break out—and they still could do this within a year under the agreement, as we understand it—that current U.S. policy laid out by the President repeatedly is that we will use military force to stop Iran from getting a nuclear weapon. Given recent events, in-

cluding the Syrian debacle, it would be helpful if we knew that the U.S. people, through the U.S. Congress, supported that action——

Senator MARKEY. Can I—may I just ask, just so I understand—you want us—you want this committee to authorize the use of military force against Iran explicitly in the event that they violate the agreement, or in the event that there is no agreement?

Ambassador JEFFREY. In the event, with or without an agreement, that Iran is on the verge of getting a nuclear weapon, and the—this administration nor no other administration has ever said what that red line would be; that is another issue—but, certainly it is U.S. policy that we would use all means at our disposal—it is euphemisms, but it is clear it means military force—to stop Iran from actually achieving a military capability. As that is our policy, but as there is some question to our willingness, given the Syrian experience, to carry out that redline policy, it would be helpful if the U.S. Congress were to do that. In particular——

Senator MARKEY. Well, again, it was not necessary—it was not necessary to carry out the redline policy, because Assad acceded to what it was that, in fact, the goal of the administration was, which was to put their chemical weapons under—so, in fact, we did not have to go beyond the redline, because Assad accepted the conditions. So, I guess—again, and I am trying to just zero in, here, on—in terms of what you are asking for. It—is it that we should be having this debate now, or should we have this debate after the administration concludes the deal with the Iranians?

Ambassador JEFFREY. After it concludes the deal with the Iranians. The other thing with the Syrian thing is——

Senator MARKEY. And if the—let me just understand—and if the deal is one that is acceptable to the United States and to Iran, should we still pass an Advanced Authorization for the Use of Military Force Against Iran?

Ambassador JEFFREY. Yes, I think so, because there are many people who think that, even with a deal, you are——

Senator MARKEY. Really?

Ambassador JEFFREY [continuing]. Going to have an Iran that either will cheat or will try to get around it.

Senator MARKEY. What do you think of that idea, Ambassador Indyk, that, even after we reach an agreement, then this body would pass an authorization?

Ambassador INDYK. It strikes me as a kind of a belt-and-suspenders approach. We do not need it.

I am wary about it, partly because it, in a sense, puts the Iranian finger on our trigger. And I am not sure that that is a wise path to go down. I think the President's statement that he is willing to use all means necessary to prevent Iran from getting a nuclear weapon is clear. We have deployed significant forces in the gulf, and taken measures with our gulf allies to ensure that the Iranians understand that there is a real capability. So, if we are trying to get at the question of will to actually use that, I think that there are other ways that it can be done without, in effect, producing a kind of automaticity to how we would respond.

Senator MARKEY. Well, I tend to agree with you. I think that obviously the goal of an agreement with Iran is to move toward a normalization of relations with Iran. Now, is that possible? We do not

know that, at this point. But, if there is going to be some attempt that is made towards a rapprochement between the Arab and Iranian Governments, then surely it is based upon an agreement that does not then lead to an automaticity of action that is already preapproved by this committee, in terms of use of military against Iran if there are some questionable activities, questions that are raised with regard to compliance with the agreement.

So, I just disagree with you, Ambassador Jeffrey. I just think that that would be a dangerous statement for us to be making at a point at which we have reached an agreement that is acceptable to the P5+1 and that is going to, I think, actually lead to a sigh of relief across the planet, and that this would be an unnecessary escalation, in terms of the dynamic that would have—potentially have been created between our country and Iran.

Ambassador JEFFREY. Senator, one word on this. I understand your point. Nonetheless, it is the policy of the U.S. Government that we would do this. That is announced repeatedly by the President at almost every opportunity when he does talk about the Iranian situation.

Secondly, the deal with Syria, the willingness of the Russians to try to negotiate a deal, I believe happened only after this committee passed a resolution authorizing the use of force by the U.S. Government against Syria.

Senator MARKEY. I would say, again, sir, that, while it is the kind of the sotto voce policy of our country that Iran would not be allowed to have a nuclear weapon, the premise of the treaty will be that they are not going to get a weapon, because there will be full-scope safeguards that are in place that will give us the tripwire that we need to know. To then have us act as though they are not in compliance or that they will not be in compliance, and that we are authorizing military force, I think, would complicate, dramatically, our ability to, in fact, gain the full benefits of the treaty that we are hoping can be negotiated.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ambassador Indyk, we fudged by 10 minutes. Usually, Secretary Kerry comes in and tells us he has a hard stop, but stays hours later. I did want to give you an opportunity to stay and make sure this is fair and balanced, until we end, or, if you need to leave and go to your board meeting, you are certainly welcome to do that, too.

Ambassador INDYK. Thank you very much, Senator. I apologize to all of you that I have to chair a meeting that I convened with 30 people, and I could not change that. And I really apologize that I have to leave.

The CHAIRMAN. Well, listen, thank you very much for your service, for being here today. And the record is going to remain open for some period of time. If you would answer questions, we would greatly——

Ambassador INDYK. With pleasure.

The CHAIRMAN [continuing]. Appreciate it. And, with great appreciation, you are dismissed.

Ambassador INDYK. Thank you very much.

The CHAIRMAN. With that, Senator Risch.

Senator RISCH. Thank you, Mr. Chairman.

Mr. Jeffrey, I guess I would like your thoughts on this. My problem with all of this is, I have a threshold question that I have trouble getting beyond and that we have made reference to it here today. And that is the fact that when we started these negotiations, I said, "This is great. We are going to sit down with the Iranians, we are going to get them to the point where they say, 'Well, we are going to—we want to be a normal country. We are going to give up meddling in other people's affairs. We are going to give up being sponsors of terrorism. We are going to actually quit doing acts of terrorism.'" And then I find out they say, "No, that is off the table. We are not going to talk about that at all."

And so, here is the problem I have got. If the—the negotiations are regarding what they are going to do over the next 10 years in developing a nuclear weapon, but, in so doing, if I vote for that, I am voting for a condition by which we, and everyone here who votes for it, is going to boost the Iranian economy by taking off these sanctions; and, secondly, we are going to release a whole lot more cash in oil. And we know for a fact—we know for an absolute fact that a portion of that money is going to go to sponsor terrorist activities, and are going to kill—releasing that money is going to kill fellow human beings. I do not know who they are, I do not know where they are, I do not know how many they are, but I know for a fact that my vote, in releasing the sanctions and releasing the cash, is going to result in the death of innocent human beings somewhere in the world.

On the other side, they say, "Oh, no, we need to vote for this because this is so wonderful. We are going to get them to stop building the nuclear weapon," et cetera, et cetera. Well, as they build a nuclear weapon, we do not know what is going to happen there. Israel, or we, may even get the spine to stop them from doing that, militarily. But, I know for a fact what is going to happen if I vote for this. How do you morally justify that kind of a vote?

Ambassador JEFFREY. That is a tough question, Senator. I think that if I would make the case for an agreement, it would be, first of all, it is separate from all of its other nefarious activities. As you have pointed out, and as we have discussed here today——

Senator RISCH. But, it is not separate.

Ambassador JEFFREY. Exactly. Because of the money.

Senator RISCH. It is tied closely and directly to that.

Ambassador JEFFREY. But, if the agreement is not only linked with very clear American willingness, with our friends and allies, to use force against Iran either on the nuclear account—what we just had this discussion a moment ago on—or to block their actions in the region to kill more people, and if that agreement gives us more international support to do just that, that would be a case for doing it. That is, in the end, we might be able to be more effective in stopping these guys if it is very clear to everybody that we are really in the business of stopping these guys. And I think what you have heard today, from at least me, is that it is not clear that we are in the business of stopping them. That is the thing I focus on.

Senator RISCH. I appreciate that. And I hope you can appreciate the dilemma that this puts us in.

But, the second dilemma that I have, when this whole thing started and I started drilling down into what we were actually

doing here, is that, you know, we are—two parties are sitting down at the table and wanting to get to a different point. I am yet to be convinced that the Iranians are negotiating to agree to get to a point where they will never have a nuclear weapon. Indeed, as I have analyzed this, it seems to me they are negotiating for a path and a timeframe on which they can count on being able to have a nuclear weapon.

Now, this is a 10-year deal. We are dealing with a culture that is 5,000 years old. I mean, 10 years to these people is absolutely—it is nothing in the overall scheme of things, even if you stretch it to 15, which people are—some people refer to. One of the things that concerns us, and I think it concerns the chairman, is, we are not getting the answers we want about what happens at the end of this 10-year period. Even in classified settings, they are not telling us things that we need to know, people who are going to—who are going to have to sign off on this thing.

So, if I were the Iranians, I would say, "Look, all right, let us cut the best deal we can. We will get the sanctions off, our economy grows, our people are happy, we are able to use the money to do the research that we need to do to get where we want to get at the end of this 10-year period." At the end of this 10-year period, they say, "Okay, world, we made an agreement, we kept our part of the agreement. Now you keep yours and leave us alone, because we are going to build a nuclear weapon."

Now, so far, no one has been able to assure me that this agreement is going to be such that the Iranians are going to say, "Okay, we are going to give up—we are never going to build a nuclear weapon." Everyone is saying, "Well, that probably is not what we are going to see." Well, if that is not what we are going to see, then they have effectively negotiated a path and a timetable towards which they can have a nuclear weapon. And so, you know, just putting this off for this period of time seems to me to be not a good bargain at all.

Your thoughts.

Ambassador JEFFREY. First of all, this agreement does not stop anything. It is an agreement all about a period of time. If everything that the administration, on the 2nd of April, said happens actually happens, you get approximately 1 year of notification, assuming that you have inspectors on the scene, during which you can react if they start violating the agreement. At the end of that year, they will be at a point where they can get a nuclear device.

At the end of 10 years, Senator, that time period shrinks, because two things happen. First of all, the restriction on 5,000 functioning centrifuges goes away. They can increase that to almost any number. Secondly, the limitation on the kind of centrifuges—there are far more efficient ones, the IR–4s, -6s, and -8s—that restriction goes away, too. I——

Senator RISCH. Along with even more efficient ones that will be developed over the next 10 years.

Ambassador JEFFREY. That, too, although there is a restriction in this—assuming, once again—the rules of my hypothetical case is that they adhere to all the rules. And there are rules that they cannot do any research on centrifuges during that period of time. In fact, that is a 15-year rule.

So, at the end of the 10 years, with unlimited centrifuges, because they are going to have 18,000 plus some of these new ones, I have seen indications that, within just a couple of months, almost as fast as where they are now, they could probably return to a nuclear weapons capability, a significant amount, for one nuclear device. So, you shrink very much at the end of that time. It does not mean they are going to do it. Once again, whether we have 1 year or 1 week, the question is, If they are moving to a nuclear weapon, what are we going to do about it? And, more importantly, what do they think we are going to do about it? Which is why I get to the importance of not just the President, any President, saying that he or she will use military force, but the importance of the U.S. people and the U.S. Congress saying that. That is, in the end, the only thing that is going to stop them from getting a nuclear weapon.

Senator RISCH. And I think that is well put. And the comment that was made, by either you or Mr. Indyk, that all this is doing is putting things in storage for 10 years, I think the American people need to understand that, they need to understand what we are taking on, here.

My time is up.

Thank you, Mr. Chairman.

Ambassador JEFFREY. But, Mr. Indyk was right about—and I am—let the record show that they do change the core of the plutonium heavy—well, the heavy water plant, and that is the one concrete thing that goes away in this entire agreement, as it is laid out.

Senator RISCH. For the period of time that the agreement is in effect.

Ambassador JEFFREY. For that period of time, exactly. For 15 years.

Senator RISCH. Thank you.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Thank you, Ambassador Jeffrey, for sticking with us.

Just one quick followup. So, we were never going to get a permanent agreement here, so it does not matter, when you are talking about, What is 10 years? What is 15 years? What is 20 years? Because we were always going to be talking about a certain period of time, and then the world being different after that period of time.

It is important to know that one of the 15-year restrictions is on the stored enriched content. That is a 15-year restriction. And so, you would agree that, even though they will begin to spin more centrifuges after the 10-year period, the fact that, should they abide by their continued restriction on how much capacity they have, is a significant limitation on their breakout capacity.

Ambassador JEFFREY. Absolutely, because then most of their feedstock would be pure uranium, and that does take longer. But, again, the 1-year period would drop to somewhere between one-half and one-third of that, I believe, in that period between 10 and 15 years. At the end of the 15 years, then almost all restrictions are off, because they can enrich up to 20, or any, percent from that period on, and the amount of stocks they can have is unlimited. But, I think, as Chairman Corker said, the President, himself, on NPR

some time ago, said it is 10 years. He has changed his mind since then, but I think the 10-year is basically—if you are going to make an argument for this agreement, you should hang your hat, I think, on 10 years, sir.

Senator MURPHY. And, of course, important to note that the inspections last well beyond the 10- to 15-year timeframe, which is why many of us would make the argument that it is not a 10-year deal.

But, I want to come back to this question of this comprehensive strategy to try to push back on Iran's growing influence in the region. I do think it is a rewrite of history to suggest that this set of sanctions on Iran to try to change their disposition on a nuclear weapons program was about all of their other behavior in the region. I certainly believed, when I was voting for those sanctions, that, should Iran choose a different path when it comes to a nuclear weapons future, that we would engage in a conversation about withdrawing some of those sanctions. And, in part, that is why we have a separate set of sanctions in place for some of their other behavior in the region, and we reserve the right to increase those sanctions, should they not change that behavior.

So, I understand the moral question Senator Risch is getting at, in that we do have to accept that part of this money may be used to support a group like Hezbollah or the Houthis. But, I think we are just not accepting the premise of the sanctions in the first place if we extrapolate and expand it to all sorts of other behavior in the region.

And so, let us talk about this more comprehensive approach that both you and Ambassador Indyk reference. And I guess part of my confusion is that it often seems to begin and end with a question of increased military capacity that we are going to give to our Sunni partners in the region to try to control the bloodshed once it starts happening, rather than talking about all of the ways in which we can try to tamp down on the reasons that groups like Hezbollah and ISIS and the Houthis have influence in the first place, which is deteriorating conditions of government, of rule of law. That does not seem to factor into a lot of our conversations about what we should be doing, in terms of growing a comprehensive strategy. And even, I think, your testimony is limited to a handful of military tools that you are recommending.

As we sort of grow this comprehensive strategy next to a nuclear agreement, is it not more important to be putting in place a set of nonmilitary tools so that the conditions are not so ripe for both Sunni and Shia insurgencies in these regions, instead of simply having conversations about what our military toolkit is?

Ambassador JEFFREY. You are absolutely right, Senator. The reason I focused on the military is that it is often the long pole in the tent in any administration, I would argue, parenthetically, particularly in this one; but, frankly, I have seen every administration, Republican and Democratic, have hesitations about using military force.

Military force is a necessary, but not sufficient, part of the package to deal with the Iranian threats to the region, which, again, are not mainly about direct military aggression on the gulf states or our other allies, which F–15s and F–16s and air defense missiles

might help, but infiltration in subtle actions. But, these subtle actions, be it in Ukraine or the South China Sea or in Iraq or Yemen, have a military component, and people are nervous about getting involved militarily if we are not backing them. And that requires some use of military force.

But, many other things are necessary. One of the concerns I have is, if we do not get engaged, our allies will go off on our own, and they will conduct policies and operations that will be too military, too one-sided, will simply lead to escalation. We tend to bring a certain amount of moderation. I am a diplomat by profession, not a soldier. And that is what people like me go out and do. We try to leverage our military, our sanctions, our energy and other policies to get people to sit down and resolve disputes, be it in Syria, be it in Yemen. And we are capable of doing that. Those are all part of the package.

But, the earnest money on the table, particularly now, but basically always, has to be a willingness, if necessary, to use military force. That has to be part of the package. And people do not think it is.

Senator MURPHY. Yes, I worry that you may misread where the reluctance lies in Congress today. There does not seem to be as much reluctance here to fund the military. The reluctance seems to funding all of the nonkinetic tools that are part of this comprehensive strategy.

What about our other sets of sanctions? So, we have the ability to increase—maintain or increase sanctions against Iran for the continued development of a ballistic missile program, for their support of terrorist groups in the region. What do you make of the potential for a separate set of sanctions and their potential expansion to be part of this comprehensive strategy that we are talking about?

Ambassador JEFFREY. To send a signal, it is always helpful when the U.S. Congress speaks with one voice and does something that is—that will get a lot of attention, such as impose sanctions. But, on Iran, the really effective sanctions are international ones. Those are the ones that brought it to the table. And those sanctions are, at this point, narrowly focused on the nuclear account. It would be hard to get U.N., or even EU, sanctions, and certainly global sanctions, on Iran for its activities. In Syria, of course, one of its allies is Russia. That is the problem right there.

Senator MURPHY. Well, and I think part of the reason that it has been hard to grow international support for those other activities is that the priority has been stopping Iran's nuclear ambition. And so, to the extent that you take that issue off of the table, at least for a short period of time, back to how Ambassador Indyk described it, it gives you the room in which to build a comprehensive set of international sanctions, with or without a country like Russia to influence their other behaviors.

Thank you. I am over time, Mr. Chairman.

Thank you, Ambassador Jeffrey.

The CHAIRMAN. Thank you.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

And thank you, Ambassador Jeffrey, both for being here and for staying for people like me who had another hearing and so I am late coming to this.

There has been a lot of speculation about if Iran gets a nuclear weapon, what that does to nuclear proliferation in there region, that the Saudis then follow, then other countries will feel like they need to do that. So, is there some reason to think that, if there is success in the final negotiations, that that could have the opposite effect for the region, that it would help to address some of the concerns that we have heard from other countries?

Ambassador JEFFREY. We have heard nonofficial gulf-state personalities openly, and more official ones behind the scenes, say, "This is an option if we are not happy with the result." I think it is a possibility. Ambassador Indyk, in his written testimony, took a somewhat different view that I urge you to take a look at, as well. What I think is, our friends in the region are going to look at everything we are doing. It is definitely not the policy of this administration, or any conceivable American administration, to have anybody in the region developing a breakout nuclear capacity, let alone actual nuclear weapons, so we are not going to be in favor of that.

The more we are doing things that they need for their security that are hard for us to do—and that gets to the long pole, the military, again—the more influence we are going to have to persuade them not to go down that road. The more they are feeling lonely, ignored by us, threatened by Iran—and there is a certain pride here, "Well, if Iran can have it, why can I not?"—then they are going to be more interested.

Again, Ambassador Indyk, in his testimony, talked about a possible nuclear guarantee over the region. That is another idea, that these kinds of things that involve American commitments, particularly military commitments, will give us more leverage to try to persuade these people not go down that route. But, it remains open to them. If they do not like what they are hearing, and particularly seeing, out of Washington and in our actions in the field, there is a real possibility that some of them might go in this direction, sure.

Senator SHAHEEN. Well, so talk a little bit more, if you would—I know it is Ambassador Indyk's idea, about the extension of the U.S. nuclear deterrent umbrella for some of the countries in the region, but do you see that as making a real difference? And how will countries like Iran react if we do that, post-negotiation?

Ambassador JEFFREY. I think, rather like my suggestion for an Advanced Authorization for the Use of Military Force, which Ambassador Indyk was a little bit equivocal about, I would be a little bit a equivocal about that. But, both of us are trying to do the same thing. We are looking desperately for ways for the United States to show symbolically that we are in the game for these people, be it by decisions by Congress, be it by nuclear commitments. There are other ways. One or the other should be tried to, among other things, deter these people from trying to get their own nuclear capabilities. People are not—I am talking to the—preaching to the choir, here—people in the region are not happy with this agreement.

Senator SHAHEEN. Well, to go back to Senator Murphy's line of questioning, you have suggested a range of other security supports for countries in the region. But, as we are looking at other potential ways to shore up the direction in which we would like them to go, what other options do you think are most important for us to be looking at? So, let us put the security situation on one side. But, what about on the economic, the other supports that we can provide? What is most important there?

Ambassador JEFFREY. Senator, I would say—Ambassador Indyk indicated this, and some members of your committee have—preserving the nation-states, preserving the stability of those states in the region against both local forces and these pan-Islamic forces, be it Shia or be it Sunni, that is the threat we are all facing. That has a military component. But, you rightly said, What are the other components? For starters, we should not pick fights with these people. We should be careful about talking about their internal situations, because, right now, in a crisis situation, we are not going to be able to do too much about it. And there are ways you can do this quietly, there are ways you can do it in an open and crude fashion. We should not do the latter. That is one thing.

Then, targeted economic assistance for refugees, for groups that are potential generators of instability, is another. Yemen leaps to mind. Syria leaps to mind. And more willingness to tie our military, which I have to keep coming back to, to a negotiated solution. There are ways to resolve Syria, but they require both sides being ready to start fighting. Right now, one is not.

Senator SHAHEEN. Well, I hear what you are saying, but it appears to me that this is what we have tried to do in a number of countries in the region. Yemen certainly is in that category. Egypt is in that category. I think Syria, early on, was in that category. And yet, it has not led to success. And so, what is the missing ingredient? Not enough military might? I think there has been—there is a lot of concern, that I hear from people in this country, about engaging in troops in the same way that we have done in Iraq and Afghanistan over the last 13 years. So, how do we get—what are the missing ingredients that need to be included in order to get to success?

Ambassador JEFFREY. In a somewhat happier period of my life, before I was totally involved in Near Eastern affairs, I was involved in the Balkans. And we had two conflicts there. And you remember, at one point Bosnia seemed to be more intractable than Syria, and almost as many people died there in a country one-tenth the size, right in the middle of Europe. When we went in, a lot of the attention was on our military, our bombing campaign—and again, later, in Kosovo, 4 years later—but, it was actually a whole series of international diplomatic efforts to mobilize the international community, parsing the claims of all of the sides so that everybody would get something out of this, offering for governance, economic support, caring for refugees. It was an entire package that was put together and led by the United States that had a—obviously, a flashy military element, but had many other elements, as well. And it worked in Bosnia. And when the Milosevic regime did not get it and tried the same thing again 4 years later, we did it again in Kosovo. And this time, the Serbian people decided they

had enough of him. But, these were limited conflicts. Our military use was restrained. And it was backed by diplomacy, by international legitimacy, through the U.N. in the first case, NATO in the second, and by economic and development programs that are continuing to this day. So, that is what I would point to.

Senator SHAHEEN. And again, you know, I do not—it appears to me that that is what we are—we have been trying to do in many of these countries. And yet, we have not seen the same level of success.

Ambassador JEFFREY. I said "happier days" because the Balkans, while they seemed intractable, are a lot more difficult than the Middle East. Any of us who are out there, who have spent a lot of time there, know there are no easy answers to the underlying problems. We point to the underlying problems as why you have these accelerants of violence, of instability, of social breakdown, but neither we nor the people of the region have figured out how to deal with them. And there is not going to be any final and complete solution without dealing with those. But, for the moment, we are in a crisis situation, and we have to put out the flames.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Ambassador, thank you for your testimony and your service to the country.

And, without objection, the record will remain open until the end of the day Friday. Hopefully, you and Ambassador Indyk will respond to questions that are asked.

We thank you, again. And the meeting is adjourned.

[Whereupon, at 11:35 a.m., the hearing was adjourned.]

LESSONS LEARNED FROM PAST WMD NEGOTIATIONS

WEDNESDAY, JUNE 24, 2015

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

The committee met, pursuant to notice, at 10:33 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Johnson, Flake, Gardner, Perdue, Cardin, Menendez, Shaheen, Coons, Murphy, Kaine, and Markey.

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

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee will come to order.

We certainly thank our witnesses for being here.

Today's hearing is the fifth in a series of six events [The total includes Closed Briefings held by the committee.] we are holding this month to prepare members of the committee to evaluate a possible nuclear agreement with Iran. The focus of this hearing is to examine the circumstances and outcomes of previous negotiations with countries engaged in weapons of mass destruction programs.

Our witnesses will help us look at what lessons have been learned by the international community about these programs, as well as understand what parallels can be drawn with the current negotiations underway with Iran.

Further, this hearing may help us more fully understand the importance of including critical elements such as full disclosure of possible military dimensions or anywhere/anytime access of any final deal with Iran.

While some may reject comparisons between negotiations with Iran and previous negotiations with North Korea, Libya, or Iraq, there are important lessons that can be drawn from reviewing those experiences, including the reasons for the country to engage in WMD research and development, the factors that brought the international community to the negotiating table, negotiating postures or pressures that worked and did not work, why an agreement was successful or not, and lessons learned from monitoring and the inspection of agreements.

Throughout the negotiations with Iran, I have been concerned that this administration has not learned from history and may repeat many of the same mistakes made during the North Korea negotiations. I fear that the administration may again provide the

green light for a slow and measured nuclear development program that does little to deter Iran from laying the foundation for a weapons program after it reaps the benefits of sanctions relief.

I hope our witnesses can provide us with some insight on the following questions.

What were the key circumstances that led to the collapse of agreements and negotiations with North Korea on its nuclear weapons program? Do you see any similar warning signs from Iran?

Did the United States enter negotiations on WMD programs with Libya, North Korea, and Iraq from a position of strength? Or did the desire to achieve an agreement overshadow key considerations that should have been taken into account?

Are there similarities that can be drawn between the negotiations that occurred with Libya, North Korea, and Iraq and the current negotiations with Iran? What specific similarities or glaring contrasts should Congress evaluate closest?

What political considerations led South Africa to fully dismantle their nuclear weapons program voluntarily? Is there anything about Iran's political calculus that should lead us to believe that they may take the same path?

Perhaps most importantly, I hope our witnesses will apply their personal experiences with past negotiations and assess the current state of play in the Iran negotiations. Do you believe the deal being negotiated will go far enough to assure the international community that Iran will never get a nuclear weapon? What components would be necessary in a deal for that to be the case?

As I have stated many times before, I want to see—and I think all of us here want to see—a strong agreement with Iran that will prevent them from obtaining a nuclear weapon and hold them accountable. Over the past month, this committee has been educating itself as much as possible so we can fairly evaluate any deal the administration may reach.

And as we have met with nuclear scientists, regional experts, and former administration personnel, I have become more and more concerned with the direction of these negotiations and the potential redlines that may be crossed. It is our responsibility to examine this issue and any final deal that may be reached with a skeptic's eye so that we can determine whether it will be in the best interest of our country and the world. I hope you will be able to provide some historical perspective on that.

And we thank you again for appearing before the committee, and I look forward to your testimony.

And now I will turn it over to our distinguished ranking member, Senator Cardin.

STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND

Senator CARDIN. Well, Chairman Corker, first thank you very much for arranging this hearing.

June is a busy month for Members of the United States Senate under any scenario. And we all serve on numerous committees. But the Senate Foreign Relations Committee has been particularly active in the month of June, and I want to thank you for the manner

in which we have prepared ourselves for whatever may happen in the negotiations taking place between the P5+1 and Iran.

And I think it is important to point out we have had incredible participation by all the members of our committee during this month. There is a real desire for us to be as prepared as we can to play the appropriate role for Congress if an agreement is reached.

So today we continue that. Tomorrow we have another opportunity for getting information, which I think can be helpful.

Today's hearing explores what lessons can be drawn from previous negotiations with other countries concerning weapons of mass destruction. Similar debates about the value of arms control occurred during the cold war. Between 1972 and 1991, the United States and the Soviet Union signed four treaties and one Executive agreement that limited offensive nuclear weapons and ballistic missile defenses. Arms control negotiations were often one of the few channels for formal communication between the two nations. The talks provided the United States and the Soviet Union with a forum to air their security concerns and raise questions about their plans and programs.

As the volume of shared information grew over the years, each side could replace suspicion about intentions of the other with confidence in its understanding of the capabilities of the other's nuclear forces. The limits also helped each side predict and plan for the future size and shape of the other's forces. To most observers, this process reduced the risk of nuclear war and strengthened U.S. security. It helped both sides avoid worst-case assumptions about the future that could fuel an arms race or undermine stability.

In spite of the predictions to the contrary, there was little evidence that the Soviet Union sought to evade the limits in the treaties in a systemic way. Instead, many of the concerns derived from ambiguities in the terms of the treaties were resolved and discussions held in compliance review commissions established by the treaties.

Arms control agreements do not mean that all disputes between the United States and the Soviet Union disappeared. Quite the contrary. The United States continued its efforts to reduce Soviet influence in Europe, Asia, Latin America, and the Middle East. The United States also continued its effort to highlight the wide range of human rights abuses occurring inside the Soviet Union.

One of the lessons I draw from the previous weapons of mass destruction negotiations such as the cold war interactions with the Soviet Union is that meaningful diplomacy, combined with pressures under the right conditions, can yield positive results for U.S. national security.

Our experience with North Korea further demonstrates why an agreement must include full disclosure of a country's activities and be combined with an ironclad inspection and verification regime. That is what we are now seeking with Iran. We need an agreement with Iran that requires the resolution of the possible military dimensions, transparency. An agreement must allow for intrusive inspections and sanctions that will snap back forcefully should Iran breach its obligations. I have said many times the agreement will be evaluated based on having ample time to discover through in-

spection if Iran is not complying with the agreement so that we can take effective action to prevent them from becoming a nuclear weapons state. That is how we will evaluate the agreement.

And I look forward to hearing from our witnesses as we further our own ability to evaluate any potential agreement.

The CHAIRMAN. Thank you, Senator Cardin.

And we will now turn to our witnesses. Our first witness is Mr. William Tobey, currently senior fellow at the Belfer Center for Science and International Affairs at Harvard University. Mr. Tobey previously served as Deputy Administrator for Defense Nuclear Proliferation at the National Nuclear Security Administration. I do not know how you ever introduced yourself. [Laughter.]

And on the National Security Council staff in three administrations in defense policy, arms control, and counterproliferation positions. We thank you for being here.

Our second witness today is Dr. Graham Allison, director of the Belfer Center for Science and International Affairs and Douglas Dillon Professor of Government at Harvard's John F. Kennedy School of Government. Even though I will note they are from the same institution, they have very differing views, which is helpful to us. Dr. Allison has also served as Special Advisor to the Secretary of Defense under President Reagan, as Assistant Secretary of Defense for Policy and Plans under President Clinton, and as a member of the Defense Policy Board for six Secretaries of Defense.

So both are obviously very experienced. I know their testimony is going to be very helpful.

If you could summarize, your written testimony will be entered into the record, without objection. And if you would go ahead and take about 5 minutes to give your opening comments, we look forward to your questions. Again, thank you for being here. And we will start with Mr. Tobey.

STATEMENT OF WILLIAM H. TOBEY, SENIOR FELLOW, BELFER CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA

Mr. TOBEY. Thank you, Senator Corker and Ranking Member Cardin and distinguished members of the committee. It is a real honor to be here to discuss a matter of surpassing importance to U.S. national security. And I appreciate that opportunity.

Applying the lessons of history to our present situation is a matter that is best approached with some humility, and I do. In reviewing the Iran, North Korea, Libya, Syria and Iraq cases, five lessons were suggested to me.

First, decisions to disarm or to comply with international obligations are often incremental and incomplete. Even in the case of Muammar al-Qaddafi, who initiated the discussions, Libya's path toward disarmament was full of fits and starts and was not a direct line.

Second, temporizing or deception can appear to be progress. The best example of this that I know of actually comes from the Iran talks themselves. In 2004, Iran entered into an agreement with the European nations that froze their activities. And 2 years later, Hassan Rouhani, then the negotiator, now the President of Iran,

was defending his decision, and he explained that Iran had created a, "calm environment it needed to complete the Isfahan uranium conversion facility." So those negotiations served the purpose, in that case anyway, of allowing Iran to advance its nuclear program.

Third, intensive verification combined with effective intelligence can deter cheating, while lax verification will in fact foster it. Libya again provides a useful example where the initial declaration of chemical bombs, unfilled chemical bombs, was in the range of 750 to 800 such systems. But Tripoli was confronted with an aggressive verification scheme and ultimately was forced to disclose some 3,000 such munitions.

The fourth lesson I would point to is that effective verification is not built on dramatic challenge inspections but rather on a declaration supported by documentary evidence, checked for inconsistencies, missing elements, and false information to verify its correctness and completeness. The process is exhaustive and painstaking, not dramatic and quick. And I think in some cases there has been a misunderstanding about the importance of anytime/anywhere inspections. That is the last step in the process. Far more important is a comprehensive understanding by international inspectors of the full dimensions of a particular program. And that is why I agree with the statements that the possible military dimensions of Iran's nuclear program are of great importance.

The fifth and last lesson I would draw is that inspections and verification are only as effective as their political support. The International Atomic Energy Agency depends on support in the United Nations Security Council. If the Council is divided, the IAEA will be handicapped. And we saw in previous instances their ability to get to the bottom of some of these issues was limited by lack of support from Council members.

Thank you.

[The prepared statement of Mr. Tobey follows:]

PREPARED STATEMENT OF WILLIAM H. TOBEY

Chairman Corker, Ranking Member Cardin, distinguished members of the committee, it is an honor to speak with you on a matter of surpassing importance to U.S. national security.

Attempting to gain knowledge from experience in nonproliferation negotiations is a laudable goal, but one that is best approached with humility. Alan Simpson, a late and distinguished historian—not your wise former colleague from Wyoming—cautioned regarding historical analogy that, "our present state of knowledge is one of mitigated ignorance. In such situations, the honest enquirer always has one consolation—his blunders may be as instructive as his successes." [1]

Bearing this warning in mind, the history of negotiations to prevent nuclear proliferation suggests interrelated five lessons.

1. Decisions to disarm or to comply with international obligations are often incremental and incomplete.

After Operation Desert Storm in 1991, Iraq faced a unified United Nations Security Council that imposed the most rigorous inspection regime yet devised to disband nuclear, chemical, and biological weapons programs, backed by comprehensive and devastating sanctions. In response, Saddam Hussein temporized. Recalled Charles Duelfer, who worked longer than anyone in the world to uncover Iraq's secrets, "Saddam's top goal was to get out of sanctions. He gave up as little as possible to satisfy the Security Council. And it was the Council, not just the inspectors, he was dealing with." [2] Key elements of the Iraqi program were divulged to inspectors only after Hussein Kamel, Saddam's son-in-law, defected to Jordan in 1995, and even then, the disclosure was grudging and incomplete.

A second example is provided by the case of Libya's disarmament. In March 2003, Muammar el-Qaddafi sent emissaries to Britain indicating a desire to "clear the air" on WMD issues. Despite having initiated the talks himself, Qaddafi repeatedly balked at full disclosure. It was only after the interdiction of the BBC China—and with it an illicit shipment of centrifuge parts to Libya—and having been confronted with incontrovertible evidence of detailed U.S. knowledge of the Libyan nuclear weapons program, that Qaddafi reluctantly made a final decision to come clean and abandon his nuclear and chemical weapons programs.[3]

2. Temporizing or deception by the proliferator may appear to be progress.

The case of Iran itself provides a salient example. In 2004, Iran agreed with Britain, France, and Germany to freeze its enrichment activities while the two sides negotiated a more permanent arrangement. In defending the deal in 2006, Iran's negotiator and now its President, Hassan Rouhani, made a stunning admission. He said in a speech not intended for Western ears: "At that time, the United States was at the height of its arrogance, and our country was not yet ready to go to the U.N. Security Council. While we were talking with the Europeans in Tehran, we were installing equipment in parts of the facility in Isfahan, but we still had a long way to go to complete the project. In fact, by creating a calm environment, we were able to complete the work on Isfahan."[4]

Thus, the negotiations with the Europeans bought time for Tehran to finish its uranium conversion facility.

A second example of temporizing and deception is North Korea's use of the 1994 Agreed Framework. To its credit, the Agreed Framework suspended Pyongyang's plutonium production program for about 8 years. Unfortunately, however, while halting the plutonium program, the DPRK went ahead with its uranium enrichment program while the Clinton administration was still in office. According to Ambassador Robert Gallucci, the U.S. negotiator: "[T]he Clinton administration concluded—at least I understand it did—that North Korea cheated on the agreed framework—that getting gas centrifuge components from Pakistan was inconsistent with the framework. The North Koreans did it. That's why they did it secretly. They cheated. And, the Clinton administration's response to that was to plan a new negotiation . . ."[5]

Although halting Pyongyang's plutonium production program was useful, the United States was far from halting the North's nuclear weapons program. The DPRK uranium enrichment capability was dramatically revealed to visiting Americans in 2010.

3. Intrusive verification, combined with effective intelligence collection can deter cheating—while lax verification and ineffective intelligence collection will foster it.

In Libya, U.S. and British teams insisted on complete access to all relevant facilities. Toward the end of their first visit, a Libyan scientist pulled aside the American team leader, Ambassador Donald Mahley, and explained that he knew of an additional 750 unfilled 500-kilogram chemical bombs that had not been declared. Previously, Libya had claimed possession of 750–800 of these weapons. Mahley told the Libyan that if that was the case, he should go back and review all the records and make a complete declaration, because inspections would reveal the truth. Libya eventually declared and destroyed nearly 3,000 such weapons—four times the original declaration.[6] Thus, fear of detection by intrusive inspections, backed by demonstrably effective intelligence induced more accurate declarations.

In North Korea, conditions were just the opposite. North Korea controlled where inspections would take place. With but a single exception, they were limited to just one declared site, Yongbyon. U.S. personnel resided there from the autumn of 2007 to the spring of 2009. By November 20, 2010, Dr. Siegfried Hecker, a former director of Los Alamos National Laboratory, reported on a "modern, small industrial-scale uranium enrichment facility with 2,000 centrifuges that was recently completed and said to be producing low enriched uranium." It is virtually impossible that North Korea could have built a successful centrifuge enrichment plant in the space of about 20 months, if had not first built a pilot or even full-scale facility elsewhere and moved the fruits of that experience to Yongbyon. Thus, immunity from intrusive inspections likely gave the DPRK the freedom to construct a pilot enrichment facility before the plant at Yongbyon.

4. Effective verification is not built on dramatic challenge inspections, but rather on a declaration, supported by documentary evidence, and checked for inconsistencies, missing elements, and false information to verify its completeness and correctness. The process is exhaustive and painstaking rather than dramatic and quick.

In 1991, Saddam Hussein was required to declare his programs, document the declaration, and then destroy the materials and equipment. Except in one case,

early in the process,[7] there were no significant discoveries of prohibited equipment or activities identified through challenge inspections. Rather, interviews, document reviews, material balance analyses, and intelligence data gradually forced more and more disclosures. Iraq's nuclear, chemical, and biological programs unraveled not because of any single dramatic discovery, but because of patient analytical work creating a mosaic of Iraqi activity.

As has been noted, conditions in North Korea are very different. The DPRK has effectively limited inspection activities to the area surrounding Yongbyon.

5. Inspections are only as effective as their political support.

One success and several failures offer evidence in support of this point. When Iraq was expelled from Kuwait and the Security Council was united, international weapons inspectors were backed by sweeping authorities and very strong sanctions. As support in the Council for those measures ebbed, inspectors found it more and more difficult to complete their mission. Finally, 1998, President Clinton was forced to order military strikes in Operation Desert Fox to induce Iraqi compliance. In preparation for that action, inspectors were withdrawn, not to return until there was renewed Security Council interest and action in November 2002. When a united Security Council backed inspectors, they had greater success; when the Council fragmented, Iraqi cooperation lagged.

In the North Korea case in 1993 and 1994, the International Atomic Energy Agency (IAEA) wanted to inspect a waste storage facility as part of a determination of how much plutonium the North had separated. Pyongyang resisted. In the judgment of the Clinton administration, this required a choice between a full, but probably not much more detailed understanding of the past and an agreement that would suspend the DPRK's plutonium production in the future. The United States chose the Agreed Framework, in effect undercutting the IAEA, which never was able to complete the work it sought to conduct.

To conclude, I would offer three observations about how these lessons apply to the Iran case:

- First, a complete and correct declaration including all nuclear activities is imperative.

  The established and effective process for international inspections is declaration supported by documentary evidence, review by inspectors for completeness and accuracy, and pursuit of any missing information, inconsistencies, or inaccuracies until the matters are resolved. In the Iran case, Tehran has never provided a complete and correct declaration of all its nuclear-related activities. So called anytime, anywhere inspections will be as ineffective as an Easter egg hunt if they are not backed by an orderly declaration and verification process.
- Second, unwillingness on the part of Iran to provide such a declaration is evidence (albeit not conclusive) of Iran's willingness to comply with an agreement.

  If experience is a guide, we are at the high water mark of international pressure on the issue. It will ebb after an agreement is completed and as time passes. If Tehran is not willing to disclose now the full extent of what the IAEA calls the "possible military dimensions" of its nuclear program, Iran will be even more unlikely to do so at a later date. Those activities would remain protected. Sacrificing knowledge of past and possibly present actions for a future agreement would signal to Tehran at the outset that verification and compliance will not be serious priorities.
- Third, a successful agreement requires vigilance over an extended period of time; it is not a matter that can be "solved" and forgotten.
- By the IAEA's reckoning, the Iranian nuclear program is about three decades old. Tehran has shown great patience and persistence in pursuing that program. It has made sacrifices in terms of moratoria or temporary restrictions, so long as it could continue its actions at a later date. The negotiators appear to be headed toward an agreement in which the central restrictions will last less time than the period it took to negotiate them. If an agreement is completed under the Joint Comprehensive Plan of Action, a future president and congress will likely face the very same dilemmas regarding the Iranian nuclear program, but without benefit of a sanctions regime, because Tehran will plausibly argue that was the deal it struck. As President Obama warned, "What is a more relevant fear would be that in year 13, 14, 15, they have advanced centrifuges that enrich uranium fairly rapidly, and at that point the breakout times would have shrunk almost down to zero."[8]

Notes

[1] Alan Simpson, "The Wealth of the Gentry, 1540–1660" (Chicago 1961), p. 21, quoted by David Hackett Fischer, Historians' Fallacies, (New York 1970), p. xviii.

[2] Charles Duelfer, "What Saddam Hussein tells us about the Iran nuclear deal," Fox News Opinion, April 6, 2015.

[3] William Tobey, "A message from Tripoli: How Libya gave up its WMD," Bulletin of the Atomic Scientists, December 3, 2014.

[4] Elaine Sciolino, "Showdown at U.N.? Iran Seems Calm," The New York Times, March 14, 2006.

[5] Robert L. Gallucci, "The Status of North Korea's Nuclear Issues," Institute for Corean-American Studies Spring Symposium, May 22, 2006.

[6] Tobey, 2014.

[7] The one exception is the 1991 discovery of calutrons, which the Iraqis attempted to prevent by firing warning shots over the heads of U.S. inspector David Kay's team and nearly running them off the road. Kay attributes this to a mistake by a local commander. David Kay, "Spying on Saddam," PBS Frontline, 1995–2014.

[8] "Transcript: President Obama's Full NPR Interview on the Iran Nuclear Deal," NPR, April 7, 2015.

The CHAIRMAN. Mr. Allison.

STATEMENT OF DR. GRAHAM ALLISON, DIRECTOR, BELFER CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, DOUGLAS DILLON PROFESSOR OF GOVERNMENT, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA

Dr. ALLISON. Thank you very much, Mr. Chairman, and it is a great honor for me to participate in this discussion. And I am happy to be here with my colleague, Will Tobey, with whom I agree almost entirely with his comments here, but we will also have some differences as we usually do when we have lively conversations at Harvard.

In any case, let me applaud the committee for its seriousness in trying to drill down on the most urgent, important issue on the agenda currently—namely, stopping Iran from getting a nuclear bomb—and also for the way in which you have been pursuing this as a bipartisan undertaking, as I think is exemplified so well in the Corker-Cardin legislation. I also commend you for stepping back from the news chatter of the day to ask about historical lessons that may be relevant for illuminating the challenge that you face.

So I took your assignment seriously and spent a few days reviewing essentially 50 years of history in efforts to negotiate and reach agreements to constrain arms, starting back at the Non-Proliferation Treaty of 1968.

I think the big takeaway from this was summarized best by Mark Twain who said, "History never repeats itself, but it does sometimes rhyme." So as you listen to the rhetoric about the current Iran discussion, you will hear many echoes from previous debates. And in my written testimony that I submitted, I gave you a number of examples.

But to take just one, a leading "Washington Post" columnist warned about a threat to the republic, he said, declaring that the President had "accelerated moral disarmament of the West" and predicting that actual disarmament will follow. So the columnist was George Will. But who was the President and what was the agreement? And it was Ronald Reagan and the INF agreement of 1987. As Reagan, for whom I worked enthusiastically, observed about this, he said, "some of my conservative supporters protested that in negotiating with the Russians I was plotting to trade away

our country's future security. I assured them that wasn't the case, but I got a lot of flak from them anyhow."

Secretary of State Shultz, who was Reagan's Secretary of State, put the point more vividly. He said, quote, "critics of the INF Treaty "felt that President Reagan and I were naive, that the Soviet Union was not changing as we thought it was, and that we should not go forward with the treaty. They were absolutely wrong, deeply wrong. And if they had had their way, it would have been a tragedy. President Reagan was right. Anyway, we stuck to our guns, the treaty was ratified, and the Soviet Union changed," and note it is not there anymore." That is George Shultz.

So what? My big takeaway is this, that if in the foreseeable future, Secretary Kerry and his team bring back a legally binding agreement for stopping Iran's nuclear aspirations and program, verifiably short of a bomb, there will be many good reasons to support it and many good reasons to oppose it, I can imagine. But they should not include these categorical claims that are made so frequently that simply do not wash, if you look at the record.

So in fulfilling your responsibility under the Corker-Cardin bill, it is going to be necessary to drill down on the details. And I, as I say, applaud the committee for trying to do that.

In the prepared statement, I offer four arguments that I do not think are worthy.

One argument claims that the United States cannot reach mutually advantageous agreements with regimes that are evil. And I cite Churchill who pointed out he was happy to ally with Stalin against Hitler, and Ronald Reagan who said he was perfectly able to deal with an empire he named and believed was the Evil Empire.

Secondly, claims that we cannot reach advantageous agreements with regimes that inherently lie and cheat and seek to violate the agreement sounds right but is wrong. Decades of experience with a lying, cheating Soviet Union showed that good-enough compliance was good enough to achieve our objectives.

Third, claims that we cannot reach advantageous agreements with regimes that are actively engaged in terrorism against us and even killing Americans have a ring of plausibility but turn out to be wrong on the historical record. Look at the fact during Vietnam when we were negotiating SALT I under President Nixon, Soviet-manned surface-to-air missiles were shooting down American pilots over Vietnam.

And finally the claim that we cannot reach advantageous agreements to constrain arms with regimes who you are secretly or seriously trying to contain, subvert, or overthrow again sounds right but turns out to be wrong. I attached to the submission the Executive summary of Reagan's strategy for dealing with the Soviet Union, which was deeply classified at the time but now declassified. Again, as he points out, we resist imperialism. We exert internal pressure to weaken the sources of Soviet imperialism, and we engage with the Soviet Union in negotiations to reach agreements where they can advance our interests.

So just to conclude, I would say, as we think about the debate in Iran, I think there are many lessons to be learnt from, among others, Ronald Reagan.

[The prepared statement of Dr. Allison follows:]

PREPARED STATEMENT OF DR. GRAHAM T. ALLISON

Mr. Chairman, Ranking Member Cardin, and members, it is my honor to address the Senate Foreign Relations Committee today on the question of lessons we can learn from earlier nuclear arms control negotiations and agreements to meet the current challenge posed by Iran's nuclear progress. Let me begin by applauding the leadership and members of the committee for your determination to assure that the U.S.-led campaign to prevent Iran from acquiring nuclear weapons is the most effective it can be, and for insisting that Congress plays its essential role in this process.

One of my favorite quotations comes from the German philosopher, Nietzsche, who observed that: "The most common form of human stupidity is forgetting what one is trying to do." I have a framed version of that quotation in my office and try to think about it every day.

In the case of Iran's nuclear challenge, what are we trying to do? In one line: to prevent a nuclear weapon exploding on the territory of the United States or our allies. When asked, "What was the single largest threat to American national security?" Presidents Obama and George W. Bush agreed 100 percent. As both have said repeatedly: The single largest threat to American national security is nuclear terrorism.

Most people cannot imagine terrorists successfully exploding a bomb in an American city. But few could imagine the 9/11 attack by al-Qaeda on the World Trade Center and the Pentagon—before it happened.

I have written a book about nuclear terrorism and am happy to provide copies to any members or their staff who would be interested. While it has one chapter on Iran, the book attempts to address the danger of nuclear terrorism as a whole. I applaud the committee's role in drilling down on the Iranian challenge. But I hope that when you complete that work, you will turn with equal determination to equivalent or even larger potential sources of nuclear weapons that terrorists could use to destroy New York or Washington or even Boston.

For perspective, it is worth pausing to consider: if in the next decade terrorists successfully explode a nuclear bomb devastating the heart of a great city in the world, where will the bomb have come from? Iran? Or: North Korea? Pakistan? Russia? Iran poses the most urgent nuclear threat today, but not, I believe, the most significant. If terrorists conduct a successful nuclear attack in the next decade, North Korea and Pakistan rank well ahead of Iran on my list of probable sources for the weapon or its components.

The purpose of today's hearing, however, is to explore lessons from past nuclear negotiations and agreements as you prepare to assess an agreement with Iran to ensure that Iran does not acquire a nuclear bomb. At your request, I have reviewed the history of negotiations and agreements over the past seven decades since the end of World War II. These include: the Non-Proliferation Treaty of 1968; strategic arms limitation talks and agreements from SALT to New Start; the North Korean accord of 1994; the agreements that helped eliminate nuclear weapons in Ukraine, Kazakhstan, and Belarus in the early 1990s; and the agreement that eliminated the Libyan nuclear weapons program in 2003, in which my colleague Ambassador Joseph played a significant role. For members who are interested in reading further, Appendix A provides a short reading list. Recognizing the realities of your schedules, let me summarize my top-ten takeaways from this review.

1. Negotiated agreements to constrain the spread and use of nuclear weapons have been an essential weapon in the arsenal of American national security strategy.

- Agreements contributed significantly to the fact that we survived and won the cold war without Armageddon.

2. Negotiated agreements to constrain nuclear weapons are not an alternative to military, economic, political, and covert instruments in geopolitical competition. Instead, they are one strand of a coherent, comprehensive strategy for protecting and advancing American national interests.

- "Peace through strength" means first and foremost military strength. But military strength rests on the foundation of economic strength. And military strength is most effective when used as a complement to diplomatic, economic, political, and covert tools—the entire arsenal of American power.

3. Because negotiated agreements are by definition negotiated—not imposed—they require give and take: compromise. As any parent or legislator knows well, the results of any negotiation invites a standard litany of criticism: from buyers'/sellers'

remorse about the possibility of a better deal, to more extreme charges of "appeasement" or "conspiring with the enemy."

4. The claim that the U.S. cannot reach advantageous agreements with a regime or government that is Evil has certain plausibility—but is false.

- No 20th century leader demonstrated greater strategic clarity in identifying the evil of Hitler's Nazism than Winston Churchill. No 20th century leader demonstrated a clearer-eyed view of Stalin's Communist Soviet Union than Winston Churchill. But Churchill eagerly allied with Stalin to defeat Hitler. When critics accused him of having made a deal with the Devil, Churchill replied: "If Hitler invaded hell I would make at least a favorable reference to the devil in the House of Commons."
- No American President was more determined to bury communism than Ronald Reagan. No American President was more eager to negotiate and reach agreements with what he rightly called the Evil Empire than Ronald Reagan. As he noted, "I didn't have much faith in Communists or put much stock in their word. Still, it was dangerous to continue the East-West nuclear standoff forever, and I decided that if the Russians wouldn't take the first step, I should."

5. Claims that the U.S. cannot reach advantageous agreements to constrain nuclear arms with governments that cannot be trusted, that inherently lie and cheat, and who will undoubtedly seek to deceive the U.S. and violate the agreement sound right—but are wrong.

- No regime was more inherently devious than the Soviet Union. According to Lenin's operational codes, it was the Soviet leader's duty to deceive capitalists and out-maneuver them. True to character, the Soviet Union cheated, for example, in placing radars in locations excluded by the ABM Treaty. But reviewing the history, it is hard to escape the conclusion that the cheating was marginal rather than material. The U.S. discovered the cheating, called the Soviets out for it, and engaged in a process that produced compliance good enough to achieve our objectives.
- To minimize cheating, agreements focused on parameters that could be verified by U.S. intelligence. Thus SALT and START limited not nuclear warheads, which we could not monitor, but launchers, which we could. While other nations' intelligence committees and international organizations like the IAEA have been important supplements, the U.S. has wisely not subcontracted verification to others.

6. Claims that the U.S. cannot reach agreements to constrain nuclear arms in ways that advance our interests in dealing with states that are actively engaged in terrorism against us or our allies, or even actively killing Americans in ongoing military conflict, have a ring of plausibility—but on the historical record are incorrect.

- During the Vietnam war, Soviet-manned surface-to-air missiles shot down American pilots over Vietnam, and Americans bombed Soviet air defense units. Despite these realities, President Nixon negotiated and concluded SALT I, imposing quantitative limits on the U.S.—Soviet missile buildup, and creating, as Henry Kissinger described it, "a platform of coexistence."

7. Claims that the U.S. cannot reach advantageous agreements to constrain nuclear arms with states we are seeking to contain, or subvert, or even overthrow, again sound right—but are, on the historical record, wrong.

- Again, see President Ronald Reagan. His administration's core national security strategy for competition with the Soviet Union has been declassified and is attached in Appendix C. It states that "U.S. policy towards the Soviet Union will consist of three elements: external resistance to Soviet imperialism; internal pressure on the USSR to weaken the sources of Soviet imperialism;" and "engaging the Soviet Union in negotiations to attempt to reach agreements which protect and enhance U.S. interests and which are consistent with the principle of strict reciprocity and mutual interest." At the same time his administration was negotiating and signing agreements, on the one hand, it redoubled efforts to undermine the Soviet regime, on the other. And in 1991 the Soviet Union disappeared.
- As President Reagan's Secretary of State, George Shultz noted, "Reagan believed in being strong enough to defend one's interests, but he viewed that strength as a means, not an end in itself. He was ready to negotiate with his adversaries. In that readiness, he was sharply different from most of his conservative supporters, who advocated strength for America but who did not want to use that strength as a basis for the inevitable give-and-take of the negotiating process."

- Washington Post columnist George Will accused Reagan of "accelerating moral disarmament—actual disarmament will follow." William Buckley's National Review called Reagan's INF Agreement a "suicide pact." About such criticism, President Reagan observed: "Some of my more radical conservative supporters protested that in negotiating with the Russians I was plotting to trade away our country's future security. I assured them we wouldn't sign any agreements that placed us at a disadvantage, but still got lots of flak from them—many of whom, I was convinced, thought we had to prepare for nuclear war because it was 'inevitable.'" Shultz put the point more vividly: Critics of the INF Treaty "felt that President Reagan and I were naive, that the Soviet Union was not changing as we thought it was, and we should not go forward with the treaty. They were absolutely wrong, deeply wrong. And if they had had their way, it would have been a tragedy. President Reagan was right. Anyway, we stuck to our guns, the treaty was ratified, and the Soviet Union changed. It is not there anymore."

8. From the record of arms control negotiations and agreements by both Republican and Democrat Presidents—from Nixon and Reagan and both Bushes, to Kennedy, Johnson, Clinton and Obama—one brute take-away is hard to deny: agreements have reduced risks of war, reduced the numbers of nuclear weapons, reduced uncertainties in estimating threats, and enhanced predictability.

- As Henry Kissinger said to this committee 5 years ago, "A number of objectives characterize arms control negotiations: to reduce or eliminate the danger of war by miscalculation, which requires transparency of design and deployment; to bring about the maximum stability in the balance of forces to reduce incentives for nuclear war by design, especially by reducing incentives for surprise attack; to overcome the danger of accidents fostered by the automaticity of the new technology."
- To see graphically what impact agreements (together with other strands of determined strategies) have had, see charts 1–4 in Appendix B. It is no exaggeration to say that the NPT bent the arc of history.

9. The case of North Korea is more complicated and is unquestionably a nonproliferation failure. The historical facts of the case, however, have been so swamped by narratives that they are now legend. I have a chapter in Nuclear Terrorism on North Korea. As you consider where policy failed, I suggested that you keep in mind four bottom lines:

- During the 8 years in which North Korea was constrained by the nuclear agreement of 1994, how many additional weapons or weapons equivalent of fissile material did North Korea add to its arsenal (according to the best estimates of the U.S. Intelligence community)?
- During the period of 2003–2008 when the U.S. confronted North Korea for cheating, abrogated the agreement, and sought to isolate and sanction it, how many additional nuclear weapons or weapons equivalent did North Korea add to its arsenal (according to the best estimates of the U.S. Intelligence community)?
- Under which treatment—agreements or confrontation—did North Korea conduct a nuclear weapons test?
- Under which treatment—negotiations or confrontation—both in the Clinton-Bush period and the Obama period did North Korea build its nuclear arsenal of the more than a dozen weapons that it has today (according to estimates of the U.S. Intelligence community)?

10. Negotiated agreements to constrain nuclear weapons are not good or bad per se. Assessments of a specific agreement—including in particular the agreement with Iran, if there is one—depend first on the specific details of the agreement and second on the feasible alternatives.

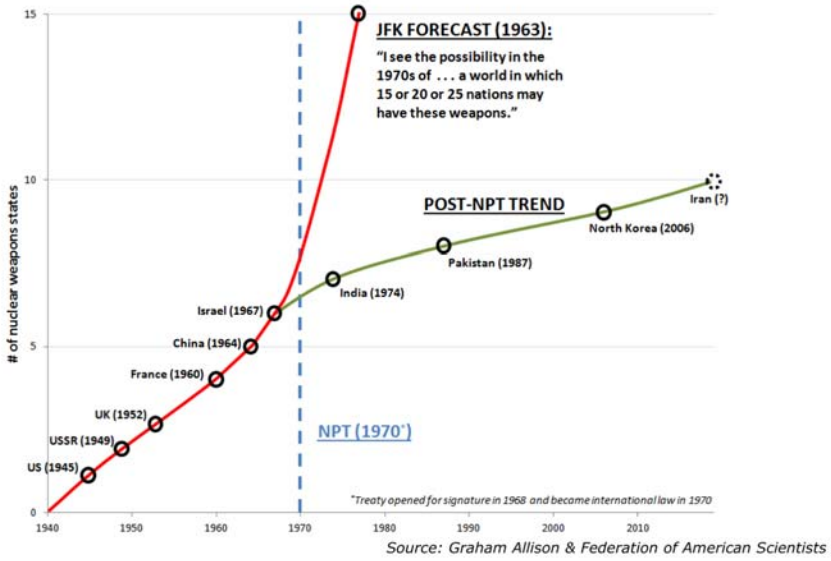
In sum, if Secretary Kerry and his team bring back an agreement that successfully translates key parameters of the Framework Accord reached by the P5+1 and Iran into legally binding constraints, including intrusive procedures for inspection, verification, and challenges, I believe it will be difficult to responsibly reject that agreement. The burden will be on those who propose to do so to describe a feasible alternative that will better protect and defend American national security.

Appendix A: Recommended Readings

- Graham Allison and Albert Carnesale, "Can the West Accept Da for an Answer?" (Daedalus, Vol. 116, No. 3, Summer 1987.)
  - Offers 10 propositions and principles as navigational aids in assessing arms control agreements.
- Avis Bohlen, William Burns, Steven Pifer, and John Woodworth, "The Treaty on Intermediate-Range Nuclear Forces: History and Lessons Learned" (Brookings Institution, Arms Control Series Paper 9, December 2012).
  - Focuses on 1987 INF treaty and provides several good insights in separate "lessons" section.
- George Bunn, "Arms Control by Committee: Managing negotiations with the Russians" (Stanford, CA: Stanford University Press, 1992).
  - Historical overview of past arms control agreements, arguing that continued attention to arms control still necessary in post-cold-war era.
- Robert G. Joseph, "Countering WMD: The Libyan Experience" (Washington, DC: National Institute Press, 2009).
  - First-hand account of Gaddafi's decision to eliminate its chemical and nuclear weapons programs.
- National Security Decision Directive 75, "U.S. Relations with the USSR"(White House, January 17, 1983) [full document attached below].
  - Declassified memo shows how Reagan sought to simultaneously undermine Soviets and engage them in arms control negotiations.
- Gary Samore, ed., "North Korea's Weapons Programmes: A Net Assessment," IISS Strategic Dossier (London: International Institute for Strategic Studies, 2004).
  - Provides assessment of North Korea's nuclear, chemical, biological, and missile programs.
- Joel Wit, Daniel Poneman, and Robert Gallucci, "Going Critical: The First North Korean Nuclear Crisis" (Washington, DC: Brookings Institution, 2004).
  - Proposes recommendations for resolving current North Korea crisis. Many recommendations are applicable beyond DPRK case.
- Amy Woolf, "Next steps in nuclear arms control with Russia: Issues for Congress" (Congressional Research Service, January 6, 2014).
  - Discusses cold war arms control precedent and includes section on role of Congress in arms control.

Appendix B: Charts

Chart 1



Source: Graham Allison & Federation of American Scientists

Chart 2

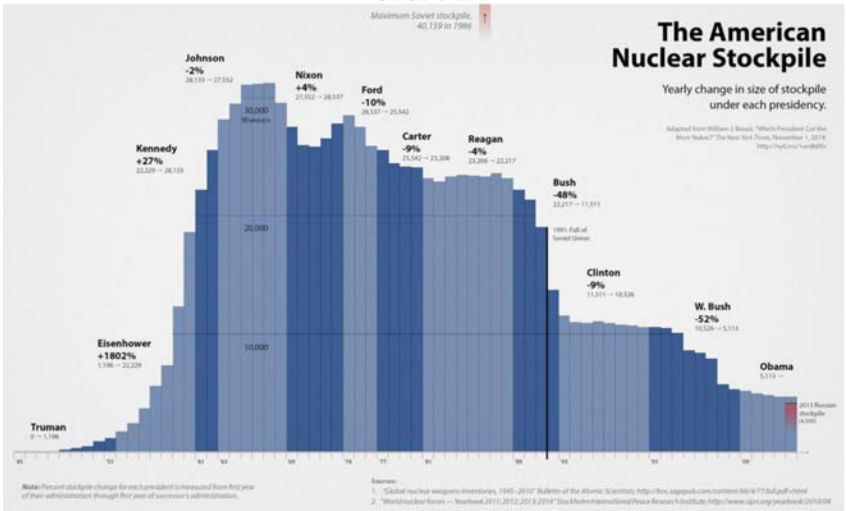


Chart 3

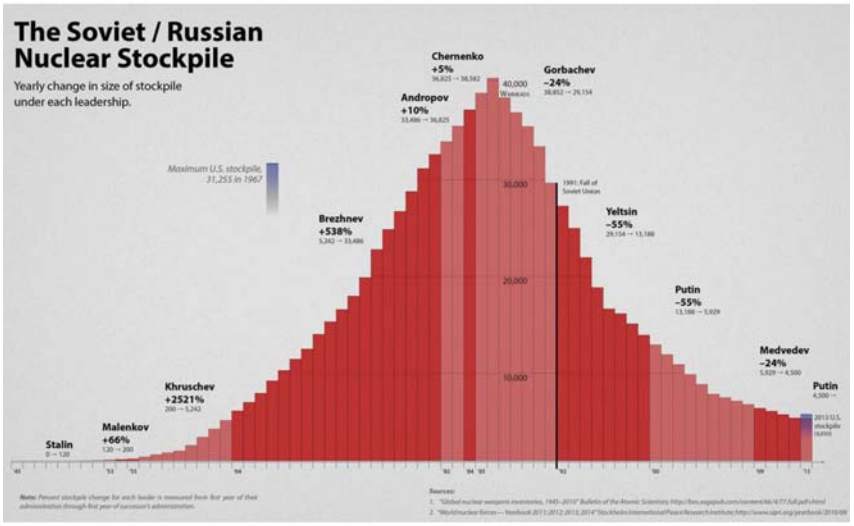
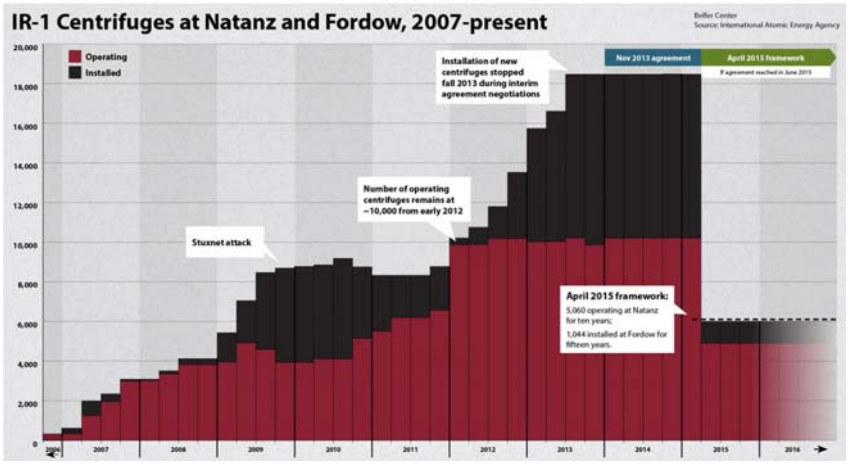


Chart 4



Appendix C: NSDD-75

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THE WHITE HOUSE

WASHINGTON

January 17, 1983

~~SECRET~~ ~~SENSITIVE~~

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS
CHAIRMAN, JOINT CHIEFS OF STAFF
DIRECTOR, UNITED STATES INFORMATION AGENCY

SUBJECT: NSDD 75 on "U.S. Relations with the USSR" (S)

The President has approved National Security Decision Directive on "U.S. Relations with the USSR". A copy is attached for your information. This is a sensitive document; distribution should be made only on a need-to-know basis. ~~(S)~~

FOR THE PRESIDENT:

William P. Clark

Attachment
NSDD-75

~~SECRET~~ ~~SENSITIVE~~
Declassify on: OADR

SECRET

~~SECRET~~ SYSTEM II 91001

THE WHITE HOUSE

WASHINGTON

~~SECRET~~ ~~SENSITIVE~~

January 17, 1983

National Security Decision Directive Number 75

U.S. RELATIONS WITH THE USSR ~~(S)~~

U.S. policy toward the Soviet Union will consist of three elements: external resistance to Soviet imperialism; internal pressure on the USSR to weaken the sources of Soviet imperialism; and negotiations to eliminate, on the basis of strict reciprocity, outstanding disagreements. Specifically, U.S. tasks are:

1. To contain and over time reverse Soviet expansionism by competing effectively on a sustained basis with the Soviet Union in all international arenas -- particularly in the overall military balance and in geographical regions of priority concern to the United States. This will remain the primary focus of U.S. policy toward the USSR.

2. To promote, within the narrow limits available to us, the process of change in the Soviet Union toward a more pluralistic political and economic system in which the power of the privileged ruling elite is gradually reduced. The U.S. recognizes that Soviet aggressiveness has deep roots in the internal system, and that relations with the USSR should therefore take into account whether or not they help to strengthen this system and its capacity to engage in aggression.

3. To engage the Soviet Union in negotiations to attempt to reach agreements which protect and enhance U.S. interests and which are consistent with the principle of strict reciprocity and mutual interest. This is important when the Soviet Union is in the midst of a process of political succession. ~~(S)~~

In order to implement this threefold strategy, the U.S. must convey clearly to Moscow that unacceptable behavior will incur costs that would outweigh any gains. At the same time, the U.S. must make clear to the Soviets that genuine restraint in their behavior would create the possibility of an East-West relationship that might bring important benefits for the Soviet Union. It is particularly important that this message be conveyed clearly during the succession period, since this may be a particularly opportune time for external forces to affect the policies of Brezhnev's successors. ~~(S)~~

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The CHAIRMAN. Well, thank you both for your testimony.

I assume what you are saying, Dr. Allison, is what matters then is the details of the deal, and that is obviously what we need to focus on. I guess Mark Twain had no idea he was going to be a part of nuclear negotiations at some point, but we thank you for pointing that out.

Mr. Tobey, in relation to concerns that the administration may not require Iran to adequately address possible military dimensions PMD, last week Secretary Kerry stated—this is a quote—"we know what they did. We have no doubt. We have absolute knowledge with respect to certain military activities they were engaged in," which to me is an incredible statement to be made when I know that we do not know those things.

But I would just ask you, without requiring Iran to adequately address the issue of PMD, can we be assured that we do, in fact, have absolute knowledge of their past military activities. Should the international community rely on intelligence that may be flawed? In what other circumstance has the United States and the broader international community relied on intelligence to inform us of its understanding of the nuclear program and that turned out to be flawed? I think you can point to a very specific example. But why is PMD so important to a final deal?

Mr. TOBEY. Senator, those are very important questions that cut to the core of the issue. Can we be assured that we have absolute knowledge of Iran's nuclear program without full disclosure of their so-called possible military dimensions? No. The answer is no. And the reason for that—and it gets to your second question about relying on potentially flawed intelligence—is that in order to have confidence in our ability to verify agreements, we need to be able to use both intelligence information and verification information. They work together and they can check each other.

One of the reasons why, in fact, the intelligence on Iraq was so flawed, I believe, was that after 1998 and Operation Desert Fox, inspectors were not allowed to be in Iraq. And in my opinion, the intelligence community largely just straight-lined the projections where they were headed from before. So without the benefit of the verification activities, they did not understand what was going on in Iraq.

Similarly, though, intelligence can help to inform inspection activities, and there are many instances in which that has happened.

But to your third question, are there instances in which intelligence has been flawed with respect to evaluating the nuclear programs of other countries, history is replete with them. And the first one that I know of were the projections of when the Soviet Union would get a nuclear weapon.

The CHAIRMAN. Dr. Allison, do you want to add to that?

Dr. ALLISON. Sure, thank you. It is a very good question.

As you could probably gather from my introductory comments, categorical claims I am usually suspicious of. So the fact that, quote, we know everything, I do not know any subject on which that is true, including Iran's nuclear program and activity.

But where Will and I differ slightly, because I think the PMD issue is an extremely important question—if I tried to think about: Do I have any doubt in the world that Iran has seriously pursued

a nuclear weapon? No. One hundred percent. One hundred percent. Do I have any doubt that some people in Iran continue to have that aspiration? No. I would put that down close to 100 percent. So if I am trying to understand how Iran can be constrained and kept from doing something that it very plausibly wants to do and would want to do, I think absent the danger of being bombed or perhaps even having its regime changed, if Iran could be assured that would never happen, it would have a bomb. And actually if you try to think about their perspective, there are quite plausible reasons for wanting a bomb. But the fact that they want something does not mean they should have it.

Our objective is to prevent them doing something that they might plausibly want to do, that they have been trying to do, that they will continue to try to do. That is just the definition of the problem.

And for that, for me, our national intelligence is 80 percent of the picture, and what they say and do for the IAEA is 20 percent. So I am interested in everything I can find because often when they provide a confession of some sort or some information or answer some questions, that gives you a speck of evidence that you can connect.

But I think if I look back at dealing with the Soviet Union, we knew a lot about them, but not very much. They tried to lie and steal when they could. We usually found them. There was a procedure for——

The CHAIRMAN. I am going to sort of short circuit this because I want to respect my other members' time. But what I think you are saying is the military dimensions piece is a very important element, and what we have found in other agreements is when those declarations take place, those little snippets of information that we get from scientists have actually helped us find and uncover programs. And for the United States to enter into an agreement with Iran that does not fully cause them to come clean on PMD on the front end would be a flawed agreement.

Dr. ALLISON. Almost. Okay? In my view, with respect. In the case of the Soviet Union, we did not have any equivalent of PMD. They did not give us any track of what the stuff they were doing. We were having to figure that out for ourselves.

In the case even of Iraq, after we defeated them in a war—so we defeated Iraq in 1991 in a very decisive war. We imposed on this country essentially semi-sovereignty, areas where they could not operate. They told us what they were going to tell us. Only when a brother-in-law defected, went to a different country, and told us more information, did we end up finding a treasure trove.

So I think it is a combination of the intelligence and every other source we can get, but the intelligence is the tall pole in the tent for me.

The CHAIRMAN. I will semi-filibuster beyond other questions. I will get those later. But thank you both for your fulsome answers.

And Senator Cardin.

Senator CARDIN. Again, Mr. Chairman, thank you for arranging this hearing.

I think everyone here agrees that our first priority is to resolve international conflicts through diplomacy and use our military as

the last resort. So, Dr. Allison, your comment about entering into agreements by necessity even if it is going to be with bad actors because that is how we avoid the need for our military—I think your observations are very much in keeping with the historic use of diplomacy to avoid military actions.

First, all of us, I hope, are remaining objective until we see an agreement. I mean, we are trying to get prepared. And as you point out, we are drilling down, and that is exactly what we are doing. We are trying to drill down to understand because we are going to be under, not only time restraints, but just the comprehensive aspects of any agreement.

Could you just share with us briefly, please, what you think the most vulnerable aspects of the framework agreement are that we should concentrate on, in order to make sure that this agreement will be the most effective in preventing Iran from becoming a nuclear weapons state? We could concentrate on all of the good things that are likely in the framework that will be accomplished, and I understand that. But where do you see the most challenging aspects of the framework agreement from the point of view of achieving our objective of preventing Iran from becoming a nuclear weapons state?

Dr. ALLISON. Thank you. So, again, to try to be brief, there are a half dozen, but I will just focus on one. I think the most important is the cluster of things that we call verification, inspection, and challenge. And as I say, I think this is only 20 percent of the information that I want. I want to work hard on the intelligence side too, and I think actually as you think about it, looking at that whole picture.

But if Iran gets a bomb in the next 10 or 15 or 20 years, what is the likelihood that it happens at the facilities that we are constraining at Natanz and Isfahan? I would say less than 1 percent. So they are going to get a bomb either by building a bomb covertly somewhere or buying a bomb or material for a bomb. So I worry about those way more than I worry about what happens at Natanz, and it is why I do not care so much whether there are 5,000 or 6,000 or 7,000 centrifuges.

But with respect to the inspection and verification regime—what we learned that can complement the intelligence picture that we already have—that is the place where I would look for the beef.

Senator CARDIN. That is very helpful.

Dr. ALLISON. So, for example, if the procedures call for continuous inspection and surveillance of every place where they make centrifuges and centrifuge parts, that excites me a lot because if they do not have centrifuges, they are not going to enrich uranium.

So the eyes on the whole set of steps from mining and milling right through are the pieces that I would push on.

Senator CARDIN. And, Mr. Tobey, the same question. What do you see as the most vulnerable part of the framework that we should be concentrating on?

Mr. TOBEY. I think there are two things that are vulnerabilities. First is the duration of the agreement, and some of the central limitations expire after 10 years, some of them last a bit longer. But as President Obama said, by year 13, the so-called breakout time may be back to zero. And at that point, of course, all sanctions will

be off and Iran will justifiably argue that they have fulfilled their obligations under the agreement and there should be no further sanctions imposed upon them.

The second issue—and it gets to what Graham alluded to—is the covert path. The main focus of the joint plan of action, as I understand it, has been on the overt path, the declared facilities. The covert path is a far more likely one for Iran to use in pursuit of a weapon. And that is one of the reasons why, again, I return to the importance, as you both have alluded to, of the so-called possible military dimensions because unless we understand who did what, where, when, we will not be able to keep track of those people, places, equipment, and sites and know that they are not being used in the future.

Senator CARDIN. That is very helpful.

And so looking from the historic perspective in previous negotiations to today, one thing that has changed is technology. We have greater capacity today to understand what is taking place in a country through the technologies that have been developed. Could you just briefly comment as to whether technology today can be used in a way to alleviate some of our concerns on the inspection and verification issues as compared to the previous negotiation agreements that we have entered into? Either one. Dr. Allison, briefly please.

Dr. ALLISON. Thank you.

Since the center that we both come from is called the Center for Science and International Affairs, we love that question, but I will try to be brief.

The answer is "Yes." The technologies have changed unbelievably and continue changing. And one of the reasons why the Iran case is easier than North Korea, for example, is that it is a fairly porous society and that in particular in the period after the false alarm about Iraq, the American intelligence community has devoted a lot of effort to it. I am sure you all have gotten private hearings about this. But I think the amount of information about what is going on inside Iran now is just not even—I mean, just a thousand times when I used to try to figure out what was going on in the Soviet Union, and mainly because of technology.

Senator CARDIN. Mr. Tobey.

Mr. TOBEY. I would say that technology helps, but it is not a perfect solution. And I would also note that it is a cat and mouse game. Iran has been caught with covert facilities now at their original enrichment facility at Natanz and then in Qom, and they are learning from these mistakes. An enrichment facility that would be capable of producing a weapon's worth of material in a year would fit into an average size supermarket and draw about the same amount of power. Iran is a big country. It is pretty easy to hide such a thing.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Flake.

Senator FLAKE. Thank you. Thank you, Mr. Chairman, for holding this hearing, and I appreciate the testimony.

Mr. Tobey, you talk about five lessons learned looking at other negotiations. To what extent do you think our negotiators are taking this experience and applying these principles?

Mr. TOBEY. I know it is an experienced team, and I know they are backed by professionals at the State Department who have been through a lot of these same negotiations. But I do not have any detailed insight into what the negotiators are thinking.

Senator FLAKE. Are there any red flags out there right now? What do you consider the biggest inconsistencies with past experience?

Mr. TOBEY. Well, again—and I hate to harp on this, but I do believe it is of central importance—it would be whether or not we do get through this issue of the possible military dimensions.

I would note that we had a similar instance in the North Korea negotiations. When the agreed framework was negotiated, the IAEA wanted to inspect a waste facility that they believe could have given them insight into the total amount of plutonium North Korea had produced. North Korea refused absolutely, said, no, we are not going to do that, similar to what Iran has said about possible military dimensions.

Ultimately the United States made the decision that in order to get an agreement, they had to drop insistence on that point, and the IAEA was undercut. So the decision in the 1990s was not to sacrifice the future for an issue of the past.

Senator FLAKE. Dr. Allison, I have sensed from your comments a bit of a caveat. You noted there is one with regard to PMD. I mean, there are important aspects of it, but you say we can make certain assumptions about their past program and about their desire for a future program. Beyond that, what is the most important part of PMD? Is it simply to provide a benchmark for the IAEA to go forward? Is it possible to move on without a full accounting? Could you elaborate a little more on that? I sense that you wanted to before.

Dr. ALLISON. So thank you very much.

So I think Will and I have a difference that you picked up on over how important what level of disclosure with respect to PMD will be, because I will assume that the Iranians—there are two things that are in the agreement, as I understand it now, that are demanded. One is interviewing the scientists. I would be very interested in that. And two is visiting some sites that have been off limits, and I would be interested in that.

But if you ask me what am I expecting to learn from them that really matters—not very much. Am I expecting them to confess that they have been beating their wife? No, I do not think they will. There is no doubt that they were. There is no doubt that they will in the future. But I do not think they will confess to this.

So what I am doing, though, is looking for, as Will said, any little pieces or specks of information that may add to the picture, and the more I get, the better. Now, similarly, every time there is a defector, this is a spectacular event.

So it is not different than the rest of the intelligence collection, and I think for the committee, if the negotiators bring back an agreement, you may want to drill down with folks from the intelligence community asking how many additional peepholes does this

provide for us with the system that is set up, and what are the other things that you believe you could learn if it were even more fulsome?

Senator FLAKE. Thank you.

There was a lot of discussion on whether or not—as we judge whether this is a good deal or not, what the alternative is. If we went ahead with current sanctions, the interim agreement went away, we were not able to reach a final agreement, breakout time we estimate is somewhere—2 months or so. Is that consistent with what you think? Some say, well, Iran would not go there because they know that we would strike and why try that when they can wait and legally do it in 10 or 12 years? Do you see it in that simple of terms, Dr. Allison? What in terms of Iran's motivation here—why would kicking the can down the road, a worst-case scenario, not be better than allowing them within 2 months to close the deal?

Dr. ALLISON. It is a difficult question, and it is a good one. Basically what happened over the last 10 years is that Iran went from being 10 years away from a bomb to 2 months away from a bomb. And they proceeded steadily whenever they had a chance. From time to time, there was a pause. When they felt threatened, you could see some little inflections in the line, but basically creeping, creeping, creeping. And whether this is for establishing the knowledge of how to do something in my covert site, if I were the Iranian planner, so this is mainly my overt facility, but it is my learning lab, and I have my more advanced centrifuges that I am going to operate somewhere, that would be possible. Or it would be possible they stay where they are.

I think the hardest part for us will be if there turns out to be an agreement and for whatever reason the U.S. decides we are not in favor of it in the end; what is going to happen to the sanctions regime? Because the sanctions regime we should not take for granted. It has been a pretty extraordinary thing to get the various parties to agree to the amount of constraints that they have, but you can already see it fraying at the edges. And I think in particular it will be a problem to imagine what will happen to the sanctions regime. We cannot simply hit the pause button and keep everything in place. Other dynamics will probably be at work undermining what we now think of as a sanctions regime.

Senator FLAKE. But even with the current sanctions regime, they have moved from, as you say, 10 years to within a couple of months.

Dr. ALLISON. Well, except that they moved at different paces. And the regime, if you look back at it, was kind of a nibbling regime or even, I would say, symbolic sanctions, for quite a long time. Not until the Senate actually put in the biting sanctions with the defense appropriation bill in 2012 did you see a sharp drop in their oil exports. So that was the place where it had the biggest impact. And then we had the good fortune of oil prices falling in half, which has therefore also impacted their income.

Senator FLAKE. Thank you.

The CHAIRMAN. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony.

You know, the agreed framework agreement with North Korea in my view failed in large part over something that was not explicitly covered, which was Pyongyang's covert development of a uranium enrichment program. While we assess it was against the spirit of the agreement and that they were obligated to reveal all details of its nuclear activities, it was not laid out as covered in the fine print.

So how likely is it that the P5+1 are making the same mistake in the proposed new agreement—permitting nonspecificity about Iran's nuclear activities—in order to get an agreement concluded? What sort of noncovered activities by Iran could undermine the basic purpose of an agreement? I would invite either one of you.

Mr. TOBEY. Well, that is an excellent question.

Senator MENENDEZ. Those are the only questions we ask here. [Laughter.]

I am just kidding. A little humor.

Mr. TOBEY. In the case of North Korea, the North-South Denuclearization Agreement and the Non-Proliferation Treaty did prohibit the actions that North Korea took.

I guess what I would say, though, is that there were essentially no verification features of the agreed framework that would have applied to the uranium path, uranium enrichment path, and of course, the North Koreans drove a truck through that loophole.

The question really is what will Iran have to declare and what will it not have to declare under the new agreement. And I do not yet know what that looks like.

I do know that Iran has not yet and has never submitted a complete and correct declaration of all its nuclear activities.

Dr. ALLISON. Again, the question is long and complicated, but just trying to do the brief of it, I think there is no doubt that the constraints constrain what we can see but do not constrain and do not erase an overall set of impulses or competition that is going on otherwise. That is what arms control was about with the Soviet Union. We would constrain an area very dangerous for us but continue competing with them on everything else, including undermining the regime. And that is what we were doing, I thought, wisely.

So in the case of North Korea, there was an agreement to shut down Yongbyon. It shut down. There was no additional plutonium produced in North Korea from 1994 to 2002. And that is a good thing because otherwise once it turned back on, there would have been six more bombs' worth of plutonium. They then proceeded in another path that neither the inspection regime nor, more importantly in my view, our American intelligence community, could discover. Eventually we discovered a piece of it and then we tried to deal with them. They are a particularly recalcitrant party to try to deal with. But I would say shame on our intelligence as much as on whatever——

Senator MENENDEZ. Well, here is part of the problem. First, you yourself said, Mr. Tobey, that we do not know the full verification of all of the sites, number one. We would have to depend upon our intelligence to know about undeclared sites. In the past that has not always worked in a timely fashion.

Thirdly, we have a set of circumstances under which—this is not about Iran just pleading guilty to their intent to pursue nuclear weapons. I think the world has come to that conclusion notwithstanding what they say. It is about understanding how far along they got in terms of their weaponization efforts. And even though I see the Secretary of State make rather definitive statements that we know how far they got, General Hayden, who was the CIA Director and had all of the access to all of the intelligence, including on this element of the portfolio, said that we have estimates, but we have no conclusive evidence of how far they got.

So the purpose of coming forth with and being clean on the possible military weaponization elements of it is not about admitting guilt. I am really not interested in that. But it is about how far they got along. And when I read that we have no definitive understanding of that, we have estimates, well, that is a dangerous conclusion because that all adds to your complicated equation of breakout time and other elements. So I think that is incredibly important.

The other thing is one of the prevailing presumptions behind the negotiation of an agreed framework agreement with North Korea was that the United States and South Korea would never have to deliver the civilian nuclear reactors called for under it because the North Korea regime was on its last legs and that there would soon be presumably a more peaceful regime in place. Now, that was unfortunately extremely wrong.

Are we not making the same mistake regarding Iran and the proposed new agreement? To what extent is there an assumption here that in 10 years or so the Iranian regime will either be significantly different in its quest for nuclear weapons capability or that it will have changed its mind-set, of which everything indicates to us that its mind-set is about regime preservation at any cost, it is about preserving the elements of the revolution, and it is about achieving nuclear weapons as a way of preserving the regime, in addition to supporting its hegemonic interests? That is a dramatic change that we are looking to see in 10 years. It seems to me very aspirational but not rooted in reality.

Can you comment on that?

Mr. TOBEY. Absolutely. I agree wholeheartedly with your point, Senator.

Secretary Kerry has understandably said that it is unacceptable that Iran be 2 months away from a nuclear weapon. I do not understand, if that is the case, why then it would be acceptable in 10, 12, or 15 years for Iran to be 2 months away or less from a nuclear weapon.

And to return briefly to one of your points about the so-called—they are often called past activities, but it is not at all clear they are past activities, the possible military dimensions. The administration itself sanctioned a number of Iranian individuals and entities on August 29, 2014. One of them went by an acronym SPND. It is headed by Mossen Fakrizideh, and the administration has alleged that he has been in charge of the Iranian nuclear weapons program. He has been sanctioned by the United Nations Security Council. The sanctions notice that went out on August 29, 2014, said that SPND was engaged in nuclear weapons development

work, current work. So there seems to be an understanding by the administration that that work is not something of the past, and until we understand exactly its extent, I do not understand how we can have a successful agreement.

Dr. ALLISON. So, again, you raised three different questions. Let me briefly.

First, are we going to have any confidence that Iran is not pursuing a nuclear weapon? No. And I would say we should take it to the bank. They are pursuing a nuclear weapon. We are trying to constrain some element of that.

For example, we do not know today that Iran has not bought a nuclear weapon or material for a bomb from North Korea. They are not going to confess that to us. We would have to discover that ourselves. I mean, if I were running the Iranian program, I might have had all this going on like a conjurer's act to keep you focused over here while I am doing my business over here. They are not going to confess that to the IAEA. The IAEA is not going to find it. We are going to have to find it from our intelligence. What would prevent them from doing that is their fear that we will discover them. And I am in favor of every conceivable source we can have.

But I think we should take it as a—I mean, the chairman started with the question, can we be assured that Iran never gets a nuclear weapon? The answer is absolutely not. This is a forever challenge for us. You cannot have this agreement, put a bow around it, and say, boy, this one is solved or this thing is in the box. Not in the box. I would say this is a continuing, long-term struggle. That is the first thing.

Secondly, on 1994 and Korea, yes, there was a belief from the U.S. Government—CIA said—John Deutch, our colleague and friend—the North Korean regime is going to collapse because, having not predicted the collapse of the Soviet Union 3 years before, the CIA in its usual form makes a countervailing error. Okay. So predict somebody else is going to collapse. It was not an incredible idea at the time, but it turned out not to be right. But we did not predict when regimes collapsed. 1991, the Soviet Union, that was not predicted by CIA. We did not predict correctly that North Korea was going to have the staying power that it does. So I would not make my judgment about the Iranian agreement on the basis of my forecast of whether the regime is going to collapse or not.

The CHAIRMAN. Thank you very much.

If I might just add before going to Senator Perdue, with North Korea we provided sanctions relief without causing them to comply on the front end, and it led to them getting a nuclear weapon. And I think there is a lot of concern at present about the type of sanctions relief we may allow here on the front end prior to many of the things we are raising being completed.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman. I want to thank you and the ranking member for the bipartisan nature of this effort over the last few months. I think we all agree the goal here is that we do whatever we can for as long as we can to make sure Iran does not have a nuclear weapon, not now, not in 10 years, not ever.

And, Dr. Allison, I could not agree more. I think this is an ongoing effort. There is no one document that is going to protect that.

Mr. Tobey, you mentioned the vulnerabilities and I agree with you.

The two things that worry me is if the agreement stands, as we understand it today, that in 10 years, as the President says, that the breakout time goes to zero for Iran to become a nuclear weapons state, let us assume for the moment that does not happen.

So then we move to your second concern of the covert nature. And I think, Dr. Allison, that is the area that long term is more concerning to me. I am not too concerned about what they declare they are doing in their overt effort. It is what they can do in their covert. Fordow is a good example. Natanz. I mean, the combination of our own inspection and our own intelligence failed us over the last 6, 7, 8, 10 years in that regard.

I want to go, though—before I ask more about Fordow and intelligence, I want to ask about Libya and North Korea. Can both of you give us your experiences of, one, being a reasonable success in Libya where we control weapons control—weapons development, and then in North Korea where it was a catastrophic failure? Mr. Tobey?

Mr. TOBEY. Sure. In Libya, I think the case was—one of the important differences with what seems to be going on in Iran was an insistence that Libya make a strategic decision not to pursue nuclear weapons. That was why there was an insistence that there be a statement by Qaddafi, and it was part of the negotiations that we wanted evidence that this was not merely temporizing on their part, but a watershed event that represented a real change in Libyan policy.

One of the things that disturbs me about the Iran agreement, if we get one, is that no one seems to believe that this would be a fundamental change in Iranian policy. It would delay some of their aspirations, but it would not end them.

With respect to North Korea, I think the opposite was the case. We were never able to get any assurance from the North that they had halted their nuclear weapons aspirations. And in fact, the negotiator of the agreed framework, Ambassador Gallucci, said that they understood—that the Clinton administration understood, even while it was still in office, that the North was cheating and pursuing a uranium path.

Senator PERDUE. Dr. Allison.

Dr. ALLISON. So they are both very interesting cases, and both I think quite different from the Iran case but worth looking at the lessons.

In North Korea, one needs to notice structurally, to start with, how different North Korea is from almost anything else. That is the hardest case. Structurally, first, there is no credible military threat against North Korea. Secondly, North Korea has a great power guardian who will not let it get squeezed too much. And thirdly, North Korea has an autarchic economy that is almost separated from the world. Let me go through the pieces very quickly.

So there is no credible military threat against North Korea. We have a treaty-bound alliance with South Korea who is deterred by North Korea. So whenever it comes to a choice between yielding

and threatening a war that would destroy Seoul, South Korea blinks. That is a problem. That is not the case with Iran. Actually the neighbors were encouraging us to act.

Secondly, North Korea has a great power guardian, China. So when one tries to squeeze them economically, China does not allow it to threaten the regime. That is not the case with Iran, unless Russia were come to be a really bad actor, which is one reason to keep your eye on Russia.

And thirdly, an autarchic economy. So I would say that situation is entirely different.

In the case of Libya, which is also interestingly different, Libya was a pipsqueak country to start with. It was isolated. It has got around 6 million people, was just basically pumping oil. And you had in Qaddafi a thug that was running the regime. After the Bush administration toppled Saddam, he was terrified, and there was talk around town, including by some of my friends who said, hey, we can just do Libya on the way home. It was not a big operation. So being terrified by a credible military threat, he was moved to act. I would say if we could imagine an equivalent situation for Iran, that would be a big motivator. I think it is hard to imagine after we seem exhausted from a couple wars we have already had.

Senator PERDUE. Dr. Allison, you said that inspection and verification, challenge—that is part of our inspection regime. You know, I am not too worried about what they are telling us and what we see in the inspection. What I am really worried about is longer term past this agreement over the next decade or so our ability to manage and watch and pick up through our intelligence efforts what they are doing covertly.

I have two questions. One is do you guys, both of you, believe that we have a third option here if this negotiation fails besides war, that doubling down on sanctions could in fact help us long term keep Iran from becoming a nuclear weapons state? And secondly, behind that, what is your experience and what is your confidence that our intelligence network today can help us maintain confidence that we know what is going on covertly within Iran? Mr. Tobey, quickly. I am about out of time. Sorry.

Mr. TOBEY. I do believe there is a third option. Of course, there are measures between capitulation and war. There are plenty of things that we could do.

With respect to intelligence, Iran is a hard target, and we have had some intelligence successes, but I do not think we can bet all that would be bet on whether or not Iran gets a nuclear weapon on our intelligence successes.

Dr. ALLISON. I agree with Will.

On the intelligence piece, I think that we will never know for sure, and that it will be very important, if there is an agreement reached, that we do not lose interest in Iran. So I think from the bigger perspective of the committee, making sure that the intelligence community keeps this as a top priority, assuming that this is a country that will get a nuclear weapon whenever it can.

With respect to the sanctions, I think it would be good to double down on sanctions, though I cannot imagine the political strategy that would keep the rest of the parties together for doing so unless Iran should walk away from the table.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman, and thanks to the witnesses for your interesting and provocative testimony.

A number of folks in this country and with our allies who are fairly harsh critics of starting the negotiation with Iran have, at least to me, grudgingly said that they think actually the activity since November 2013 and particularly under the JPOA has been better than the status quo ante, that the concerns that Prime Minister Netanyahu was raising before the U.N. about the 20-percent enriched uranium stockpile, et cetera, that there has been an improvement in the status quo as a result of the JPOA.

Before we get to a final deal, do you share the view that the JPOA period was an improvement over what was existing before?

Mr. TOBEY. My view is that it was neither a historic agreement nor an historic mistake. It was a standstill agreement that allowed talks to continue, and the value of that standstill agreement is best assessed when we find out what the final agreement is.

Senator KAINE. And the standstill compared to an earlier period where there was not standing still, where there was forward progress on the nuclear program. Correct?

Mr. TOBEY. Correct, yes. And certainly there were some elements like the reduction in 20 percent uranium that were quite constructive.

Dr. ALLISON. I agree. In fact, there is a little brochure that the Belfer Center put out on the facts about the agreement. And if you look at it, there is a curve that is going steadily up from 10 years ago until 2 months, and then it freezes. So the agreement actually succeeded in freezing and also rolling back with respect to the 20 percent activity that you would otherwise think would have just continued along the trend line.

Senator KAINE. I agree with what both of you said in earlier questions that there is not two options here of an acceptable diplomatic agreement or war. There is also some middle grounds, and middle grounds may include doubling down on sanctions. Middle grounds may include continuing under a JPOA framework with a standstill and modest relief of escrowed funds. So there are other options. I do believe that.

You both talked about the inspections. The thing that I am most interested in that I am going to jump right to when there is a deal is looking at the intrusive nature of the inspections and particularly with respect to giving us any confidence about the covert nature of the program.

But I want to talk about inspections in the context of having a credible military threat. A credible military threat in my view toward stopping Iran from getting a nuclear weapon is composed of sort of capacity, backbone, but also the degree of information you have. Would you agree with me that we have a more credible military threat the more information we have about the scope of an Iranian nuclear program? So that seems easy enough, kind of almost a truism.

And in terms of information, we have intel right now. We have used intel. It has been widely reported that we have taken steps

with others that have slowed down the Iranian nuclear program based on intel. But would you agree with me that intel plus what you get from an intrusive inspections regime is better than just intel?

Mr. TOBEY. Yes.

Senator KAINE. And so to the extent that an agreement that is put on the table has an inspections regime that is a significant one and to the extent we do what Dr. Allison said, which is maintain and maybe even grow our intel capacities, intel plus the information we get out of intrusive inspections will help have us have a more credible military threat because we would be able to more precisely target military activity—God forbid—should we ever need to to stop Iran from getting a nuclear weapon.

Dr. ALLISON. Absolutely, and I think the way you put it is very logical. So we are working an intelligence problem all the time, and intelligence is essential for having a credible military threat.

A question to ask about the agreement, if it comes to you, is: what does the inspection and verification regime add to our current intelligence? What else are we getting that we do not already have? It is good for the IAEA to get it even if we already have it because that adds to the international legitimacy? But for us, because we have to take care, in the first instance, of this as our own problem, what else would we have in terms of a picture of what is going on in Iran, particularly in the covert arena, if we get a deal that has the parameters as described for verification and inspection? And I—having listened to a briefing on what people think they are going to bring back, that would be a big plus, if I were sitting back in the intelligence community, for my picture of what is going on. But I think the devil will be in those details, and if we listened to the Supreme Leader yesterday, a lot of those details do not seem to be settled.

Senator KAINE. The inspection regime laid out in the April 2 framework included some components that were 10, 15, 20, and 25 years. But one of the items in the framework was the acceptance of the IAEA additional protocol, which was listed to be a permanent accession to that additional protocol. And so these are the kinds of things that I know I am going to be looking at to see what kind of information are we going to get through this inspections regime that will add to the intel that we can already develop.

And Mr. Tobey, your testimony—one of your five lessons is the better the inspection regime, the more we can deter cheating together with existing intel, and I would say a caveat to that or maybe a corollary, the better the inspections regime plus our intel, the more we can have a credible military threat, or at least that is an element of a credible military threat.

What lessons do you draw from the kind of earlier WMD negotiation experiences in terms of the nature of the regime you are dealing with? You know, you talked about Libya as a pipsqueak regime. Iran has more of an imperial—I think Iran is on kind of a historic rejuvenation project where they are trying to reclaim an element of social greatness that they have had in the past. And that is kind of part of what motivates the regime right now. And becoming part of the nuclear club in the modern parlance is one of the ways you

show you are at the cutting edge of science and technology in a leading society.

But talk about earlier WMD negotiations and the nature of the regime itself and how that makes you view this particular negotiation.

Mr. TOBEY. I think you are exactly right. At the strategic level, Iran is looking for regional resurgence. At a more tactical level, in terms of the insight into the regime, I think that there is important insight, maybe not determinative insight, offered into Iran's willingness to comply by how they treat this disclosure issue. So if in fact they continue to stiff the IAEA, I think we gain insight into whether or not they are likely to comply with a future agreement.

Dr. ALLISON. So I agree that the regime issue matters a lot. I think in the case of the Soviet Union, people who saw it clearly had no illusions about the regime because it was a regime that was determined to bury us. So the agreements were agreements to constrain the competition simply in one arena in order to intensify the competition in other areas. If you were betting in the long run that we were going to be stronger because we have a free society, we have a market economy, we have a dynamic society—that was Ronald Reagan's bet—lo and behold, in the end this is going to turn out badly for them. So I would say, again if I try to think about it, the fact that the regime is inherently evil is perfectly fine to deal with; that is international relations.

With respect to your first question, which I think is an extremely good one, how does the intelligence relate to credible military threats? And it is very interesting. I should have put it in my testimony, but I will send it to you. So the person who was a colleague of ours, an Israeli, Amos Yadlin, who led the attack on Osirak, who planned the attack on Syria, and who was Bibi's head of military intelligence planning for Iran—here is what he says about the agreement. He says, military action against the Iranian program in 2025—that is, if the agreement in 2025—would in all probability not be much more complicated or difficult than in 2015.

Senator KAINE. Thank you, Mr. Chair.

Thank you to the witnesses.

The CHAIRMAN. Thank you.

Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

Can you just talk a little bit about Iran and how they view their need to have a nuclear weapon, given what happened in Libya and what happened in Iraq and the lesson drawn that we do not attack North Korea, we do not attack countries that have nuclear weapons, but we do attack those that we are sure do not because we absolutely verified that they do not? So what lesson did they draw from that in terms of the confidence that we can have that any inspections regime can be successful?

Dr. ALLISON. I do not think we are allowed to talk about this in public. I am teasing.

Eric Edelman, who is a friend and who was President George W. Bush's Under Secretary for Policy in the planning for the attack on Iraq, has said the following, and I am quoting. He said, in terms of what lessons we have taught, if you are like Iraq and you do not have nuclear weapons, you get invaded. But if you are like Libya

and you give up your nuclear weapons, we will only bomb you. Again, it is hard for Americans to say.

Here is what the Supreme Leader said—he was doing the lessons after Libya—he said Qaddafi wrapped up all his nuclear facilities, packed them on a ship, and delivered them to the West, and said, take them. Look what position he is in now. So I think we have to take it as a fact that regimes that fear being attacked by us, on the basis of the record, would therefore be motivated to have nuclear weapons. That makes the problem harder for us. It does not mean they should succeed.

Senator MARKEY. So can you talk about that, Mr. Tobey? Essentially Qaddafi and Saddam wound up in the same situation, pretty much in the same ditch after they gave up their nuclear weapons programs.

Mr. TOBEY. Well, I think you have made the important point—you and Graham and Eric Edelman. I think it is something to be regretted that what had been a nonproliferation success in Libya may be tarnished because it taught lessons to others around the world that it will be painful for us.

Senator MARKEY. So then if I can go back to you, Dr. Allison. You draw an important distinction between material cheating and marginal cheating in your testimony. And there is no question that on this committee if there is, in fact, material cheating which is found, that this committee will act quickly if there is no action which is taken by our Government or the world. We will move quickly to reimpose sanctions.

How do we deal with marginal violations? That is going to be the gray area, and what do you recommend to us if we cannot find the material but there is enough suspicion of a marginal violation? What should the American response be?

Dr. ALLISON. An extremely hard question. So I think in the negotiations, folks have been trying to figure out what are the procedures for dealing with cases of known or suspected violations, both marginal and material. And in the case of dealing with the Soviet Union—or now, Russia—this continues to be an issue.

So we have to, I think, first depend on our own intelligence, but we are happy for any other help we get from anybody else for discovering such cases. For example, in the case of the Soviet Union, they were building radars at Kresnyarsk, you will remember, back in the cold war. And we called it out. There came to be an issue of what our recourse would be, because if we could not impose some equivalent pain or punishment, it would be very hard even if a person has cheated or violated the agreement to get them to come back into compliance. In that case in the end, they had to give up the radars, and they did.

So I would say in this case, it would be worth it, as you see the final details of the agreement, to see what process they have for doing this because I know they have attempted to address it. I do not know whether they will do so successfully.

Senator MARKEY. So just following on the issue of Iran and how they perceive us. How does a perception that the United States still supports regime change inside of Iran complicate the P5+1 negotiations knowing that we still harbor our—some in America still harbor this ambition that the entire government be toppled? What

does that do to the negotiations and our ability to get intrusive inspections successfully completed?

Dr. ALLISON. Well, again, my take on it is that as another colleague—Bob Kagan wrote a book. He said the dangerous nation—I mean, the train that you are on. You know, we are a dangerous nation in that we do believe that these are bad regimes, and we do believe that they should change. This is a problem in dealing with Mr. Putin. It is a problem in dealing with President Xi. And we cannot say that we do not think that they are bad regimes or we do not think that there are violations of human rights. And I think as he looks at us, when we talk verification, he thinks we are doing target acquisition. So I think that produces an extreme struggle.

But I am saying in the case of the Soviet Union, it was a struggle. We should not assume anything other than the worst, and we should try to deal with the worst. That is the task.

Senator MARKEY. But do you think, given what happened in Iraq, given what happened in Libya, that the toppling actually led to a worse case scenario unfolding rather than a best case. Do you think we should be more humble in terms of our public pronouncements of the goal to topple the Iranian Government and just be happy if we can get an intrusive nuclear weapons regime and then to isolate it in its regional ambitions, its terrorist activities, or should we allow this kind of cloud to still be over the discussions at the back of our minds? And they are looking at Libya, obviously, and the Ayatollah has talked about that. Iraq. That we make it more difficult for ourselves to get true compliance with an inspections regime.

Dr. ALLISON. Again, I would say two things quickly.

The first, that even if we said that we were not trying to topple the regime, they would not believe it, and it might not be true.

And secondly, I think that the idea of being more humble about our aspirations to change regimes by use of force is a lesson that we are trying to learn and that we should learn because if we are betting, Reagan's argument was a very interesting argument. He said we are on the right side of history. If we have our society perform effectively, lo and behold, most of these other societies will not perform because of all their inherent contradictions. And in the end, it is going to turn out okay. So I would go back to a bet more of that sort than trying by force to change the regimes.

And I think actually in the case of Libya, I agree with Will. We have debated this at Harvard a lot. Yes, Qaddafi was a horrible, horrible person. Yes, he was doing horrible, horrible things. But if you look at Libya today, it is hard to say it is better.

Senator MARKEY. Iraq, the same way. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Welcome. So nice to have both of you here today and always nice to see you, Dr. Allison.

And I apologize for having missed your testimony because I had another commitment. So if you have addressed some of these issues, I hope you do not mind doing it again.

I wonder, Dr. Allison, if you could talk about how the Iranian negotiations differ from the North Korean negotiations because I know there are often comparisons to the two and the fact that we negotiated with North Korea and we were not successful and now they are on a path to producing more weapons.

Dr. ALLISON. We discussed it a little earlier. I said I think in thinking about North Korea and Iran, one needs to start with three big structural factors in the case of North Korea. First, against North Korea, we did not have a credible military threat. Secondly, North Korea has a great power guardian. And third, North Korea has an autarchic economy that basically struggles and survives by a little bit of dealing with China but mainly on its own.

We do not have a credible military threat because we have a defensive alliance with South Korea and South Korea has been effectively deterred by North Korea's ability to destroy Seoul.

China is not prepared to see North Korea squeezed to the point that it collapses. So whenever the sanctions begin to bite, China violates them.

And thirdly, the North Korean economy barely survives anyhow.

Fortunately, in the case of Iran, these structural conditions are not the same. With respect to Iran, there is a credible military threat not only from us but from Israel. So the reason why I saw this line that was producing 20 percent enriched uranium in Iran—it went flat when Bibi put out a redline that said 250 kilos and we are going to act. And it approached 200 and then it went flat. Now, actually by the agreement, it has been reduced and is going to be eliminated, which is a good thing.

Secondly, in the case of—there is no great power that is providing guardianship for Iran.

And thirdly, its economy actually is connected to the rest of the economy.

So I think those situations are, fortunately, different, which is good news for the Iranian case.

Senator SHAHEEN. Do you agree, Mr. Tobey?

Mr. TOBEY. I do. I think the most salient point is that Iran differs from North Korea in that North Korea is a weak state surrounded by strong states, the largest economies, the largest populations, the largest land masses in the world, whereas Iran is a regionally strong power surrounded by relatively weak states.

Senator SHAHEEN. So that would argue in my mind for—well, no, I guess not. I was going to say for why they would be more interested in holding onto weapons than in giving them up.

I am also interested, Graham. In your testimony—and you referred to it a little while ago that the claims that we cannot reach advantageous agreements with governments that cannot be trusted is just not correct. And I wonder if you could talk about that a little bit more because that is one of the biggest concerns I hear from people who look at the negotiations with Iran and they say, well, how can we negotiate with them. We just cannot trust them.

Dr. ALLISON. So I may be too much of an old cold warrior, but I think of Iran more or less like the Soviet Union as a first approximation. There are many, many differences, and I am sure many Iranians will take offense. But basically a society—not the Iranian society; in the same way, not the Russian people, but the regime,

which is a regime that makes no sense and which is pursuing objectives inimical to the U.S. and to most of its neighbors. So that is just I take as a fact.

So when I then look at the situation, I say that is where I start. So will such a regime lie, steal, and cheat when it can? Yes. I think even Ronald Reagan said this is in their character for the Soviet Union, and Lenin explained that it was the nation's duty. So when you were tricking somebody, that was when you were a good Leninist. So I would say as a first approximation assume that the party is not trying to be forthcoming, is not trying to be—is trying to trick you, trying to deceive you, trying to cheat.

So then the obligation for us is not to be deceived and not to be naive, but to expect behavior—the agreements need to be about items that we can see visibly and verify through the inspection regime with the expectation that for everything else that we cannot see, we are way back to ourselves and to intelligence independent of this constraint. So the reason why in the old cold war we constrained launchers, not warheads, even though warheads were the things that would kill us, was because we could only see launchers, and we could not get any inspection or any regime that would constrain the warheads.

So that is why, again, if I look at the Iranian case, closing down Arak so that it is not going to produce plutonium—that is one of two ways for Iran to get a bomb. Great. I would say that is a good one. And similarly with respect to the enrichment, I have got that constrained enough, though I did not think that was where they were going to be acting before. So that drives me, as we were discussing earlier, to the covert route. And so it is what this agreement adds to our current national intelligence and that of our allies that will be, for me, the beef in the agreement.

Senator SHAHEEN. So as we think about the covert route, because that is the other concern that I hear, that it is fine to address what we already know about what they are doing to build a weapon, but we are not going to know what we do not know. And so how do you build into these kinds of negotiations ways to address the potential to build other covert operations that we would not be aware of until too late?

Dr. ALLISON. Well, in the fact sheet that was passed out, it was suggested—and now we will have to look to see what finally they bring home—that there would be continuous surveillance of Iran's uranium mills for 25 years. If that is the case, then they cannot be producing additional uranium, that there would be continuous surveillance of production of centrifuges and their storage facilities. Again, if they cannot produce centrifuges, they cannot enrich uranium. That there would be a dedicated procurement channel where all the things they bought that were dual-use would have to be reported. That is a very interesting one because they will go off buying some other stuff to be helpful to their program, and so that is an easy one to find them violating, if they do, that there would be a mechanism for challenge inspection. So there are a half dozen things of that sort. And if those were added, those seem to me to be likely to be big pluses to where we would be in the absence of an agreement.

Senator SHAHEEN. But if I could just ask one final question.

But opponents of the negotiations would say, well, there are not going to be any guarantees on all of those things because the IAEA is not going to get access to all of Iran at any time to be able to determine whether there are other efforts going on, whether there are other centrifuges being built, whether there are other—whether things are being smuggled in that could have an impact. So how do you address those kinds of concerns, or should we not be worried about that?

Dr. ALLISON. Well, I think we should certainly be worried about it. And Will has something to say about that because, I mean, he has been thinking about what you would learn from the PMD might contribute to this.

For myself, I would say, first, it is a requirement for American intelligence. Either we are successful—not only American. Israeli, French, others that are looking and who are looking intensely about the other activities that are not reported. And if it is an illegal activity, if they are buying material for a bomb from North Korea, they are not going to report that. They will proceed. So I would say the first is looking at it for ourselves.

Secondly, the challenge mechanism will be very relevant for this. So if, as the Supreme Leader said yesterday, military facilities are off limits, and if something is going on in a military facility, IAEA cannot go inspect it, I would say that is a show stopper. No. The terms of the agreement is that it cannot be just fishing expeditions, but with the challenge inspection mechanism, one has got to be able to go to a place where there is probable cause. And we have to remember Fordow was built in a military facility. So if military facilities were off limits, this would be a loser's game. So I would say that is the way I would go with it.

Senator SHAHEEN. Will, did you want to add to that?

Mr. TOBEY. Sure. With respect to—I would say that it is important to remember the process of verification is like constructing a mosaic. There are some tiles that are going to be missing and the inspectors need to go pursue those. There are some tiles that may be inaccurate. You may have a red tile that appears in the seascape that should all be blue and green, and they have to figure out why that has appeared.

I believe if there is a complete and correct declaration, it is difficult to actually hide a covert program. Now, you could say, well, they will just lie in their declaration. But if there is access to documents and people and other things, which are actually less important than the anytime/anywhere inspection—it is really a much more mundane process that involves detective work—then you identify inconsistencies. Now, you may not identify the exact site that you are dealing with, but those inconsistencies lead you to other things. And if they are forced to answer those inconsistencies, it becomes difficult for them to actually maintain this lie. It also helps to deter them from pursuing that program because they know eventually they will either have to answer those questions or be caught stonewalling.

Senator SHAHEEN. Thank you, Mr. Chairman. Sorry to run over.

The CHAIRMAN. Thank you.

Listen, we appreciate very much your testimony. I have just a few closing questions.

Would it be fair to say that—back to PMD and I want to be fairly brief here—would it be fair to say that our insistence on the PMD piece would be indicative to Iran as to how thorough we are going to be as we move along with adherence to the agreement and just the inspections process in general? From the standpoint of us forcing that on the front end, they will take that, will they not, as an indication of how seriously we are going to try to enforce any agreement that takes place? Is that a fair statement?

Mr. TOBEY. Yes, absolutely. If we allow them to flout IAEA requests for data now, they have every reason to believe they will get away with that in the future.

The CHAIRMAN. And do you agree with that, Dr. Allison?

Dr. ALLISON. I am less clear. I would say that all of these things are being haggled about, and I think we have insisted that there be interviews with identified individuals and there be visits to sites. But if I were running the Iranian program, can I find a way to do that that still does not, quote, "full disclosure?" I do not think you will ever have, quote, "full disclosure." So I think it will be a back and forth.

The CHAIRMAN. Would it be fair to say that had we had anytime/anywhere inspections with North Korea, there is no way they would have advanced as far as they did unbeknownst to us?

Mr. TOBEY. I am actually not sure that is the case. If we had anytime/anywhere inspections but did not have the cooperation in terms of a declaration and access to people and documents, I am not sure that would have worked. And there is an historical example. The Clinton administration became suspicious of a facility called Kumchang-ri and actually forced an inspection of that place, and it turned out basically to be an empty underground facility. And that shows the weakness of relying too much on the anytime/anywhere concept as opposed to this building of a mosaic concept.

The CHAIRMAN. Dr. Allison.

Dr. ALLISON. I would go back: to the tall pole in the tent is American intelligence. So if we have good intelligence, we are going to find the things. If we do not, shame on us.

The CHAIRMAN. Would it be fair to say that large amounts of sanctions relief without Iran being in full compliance could lead to the—that is exactly what we did, I guess, in North Korea—could lead to a similar outcome?

Mr. TOBEY. Yes, I believe so.

Dr. ALLISON. I agree, but I would say that the sanctions relief needs to come as they implement the particular terms of the agreement. That is what the administration said they were going to insist on, and I think that is what they should do.

The CHAIRMAN. And then this is somewhat controversial. I am going to phrase it. We have had, as you know, five briefings, three of which were private. And in those briefings, by the way, we had almost full attendance and a lot of debate.

One of the more controversial statements that was made in those meetings by witnesses—Dr. Allison, you alluded to the fact that Iran believes there is a military threat today. Our intelligence says that is not the case. They do not believe there is a military threat by the United States. And so some of the witnesses have responded

by saying there are multiple things we need to be looking at, much of which was asked about today.

But another component, a fourth component, would be Congress weighing in now relative to our intentions militarily if they did not adhere to an agreement. And of course, you get into some qualitative issues as to whether it is marginal or whether something is in great violation. I can say it a little bit more strongly, but I do not want my question to be misinterpreted by people onlooking.

But how important is it with an agreement in place for Iran to believe that if they do not comply, there will be military consequences?

Dr. ALLISON. I believe there is a credible military threat. I believe that our Israeli friends provide an even more credible military threat. And I believe the fear of a military threat, if Iran should try to go the last mile, is a huge factor in their calculations about not going the last mile. About the current intelligence on whether today they fear a threat, given that we are negotiating with them, I would say that is on the side.

The CHAIRMAN. But would you feel that Congress should somehow weigh in on that fact on the front end relative to an agreement being reached, that during the entirety of this agreement, that the Congress feels strongly that if it is violated, there should be a military threat? Is that something that you consider to be important?

Dr. ALLISON. I would have to think hard about that, but I would myself think that if we had—not for some minor violation, but if we received evidence today that Iran was trying to dash the last 2 months to a bomb, would I be urging us to bomb them to prevent that happening? And I personally would.

The CHAIRMAN. Will.

Mr. TOBEY. I think that expressions of unity by the U.S. Government always get the attention of foreign powers. And if the Congress were going to take such an action, it would likely attract attention in Tehran.

The CHAIRMAN. I see Senator Coons has arrived. I am going to step out. I have such great trust for the ranking member I am going to leave it in his hands.

I do want to say on the front end that the record will remain open, without any objection, until Friday, and if you all would answer questions up until that time, I would appreciate that very quickly.

We thank you for being here today. We thank you for your testimony.

And with that, I am going to defer to Senator Coons.

Senator COONS. Thank you, Chairman Corker and Ranking Member Cardin, for holding not just this hearing but a whole series of very valuable hearings as we consider whether or not there will be a deal between the P5+1 and Iran about their illicit nuclear weapons program.

And thank you to Mr. Tobey and Dr. Allison. It is a great honor to be with you today and get your insights on previous experiences and attempts at nonproliferation.

Let me first just talk a little bit about what Iran is doing and their tactics and how you appraise their current tactics.

There was, as you well know, an effort by some of our European allies in 2004 to negotiate a halt to Iran's enrichment activities. And since then, Rouhani has publicly remarked that they were negotiating with our European allies on a halt to their enrichment activities at the same time that they were completing the installation of some key components of their illicit nuclear program.

In your view—and I would be interested in both your answers—is that essentially what they are doing now? They are negotiating for a 10-or-15-year pause or restructuring of their nuclear program fully intending that they will either continue the research and development vital to the next stage of their nuclear weapons acquisition during that 10-or-15-year period or intending to find other paths towards a sneak-out or breakout, or do you assess that they actually seriously are willing to give up on a nuclear weapons program?

Mr. TOBEY. I think all of their past activities and statements point to the former of your possibilities.

Senator COONS. Dr. Allison.

Dr. ALLISON. I believe that Iran has had serious ambitions to have nuclear weapons, does have serious ambitions to have nuclear weapons, will have serious ambitions to have nuclear weapons. So we should assume that as a constant. And the question in this is not can we convert them, but it is rather we can constrain them in ways that advantage us.

Senator COONS. Exactly. So what we have heard, I think, from Senators on both sides of the aisle in these hearings is that distrust but verify is probably a better watchword for our negotiations with them.

Dr. Allison, you are in many ways best known for a model of analysis of the actions of nations that presumes that they act as rational actors. Let us assume—and I know this is a big assumption—that the regime in Tehran within their own framework and their own ideology is behaving rationally in their negotiations. What piece of the proposed architecture of this agreement do you think they would be most likely to exploit in a determined, persistent effort to break out or sneak out? I agree with you that I am convinced they have nuclear weapons ambitions, and they are only engaging in these negotiations with us for tactical purposes for a temporary cessation. So let us imagine they are a rational actor. How would you assume they might try to break out, given the structure of the likely agreement as known to date?

Dr. ALLISON. Again, a very good question. So an Iran that had serious nuclear ambitions would think of all the ways to get a bomb. So one way is to make them at an overt site, but of course, there are people watching. And the second way is to get them at a covert site, build them in a covert site. And the third way is to buy a bomb or material for a bomb from North Korea.

So as I say in my written testimony that I submitted, I worry more about North Korea and Pakistan when I think about a bomb going off in the United States in the next 15 years than I do about Iran, though I think Iran is a worthy challenge and is the most urgent of them.

So a rational Iranian could conceivably be engaged in this whole set of activities as a conjurer's act. It could easily be the case that

this is what is going on with this hand while the other hand is actually doing the work. How will we know that? Only if American intelligence discovers it, not likely from IAEA—or one of our friendly intelligence colleagues. So do we need to be alert, looking, taking every possible source, assuming that something may be happening? Yes. I would say that would be reasonable.

The buy option, again, is not much discussed, but would be a very interesting option. So what does North Korea need? Money. What does it have? Fissile material and bombs. What does it do? As Bob Gates testified here once before to Armed Services, what we know about North Korea is they sell anything they have to anyone who will pay. So why dismiss that possibility? I would not dismiss it for a second. So I would look at that as another possible route to be worried about. And the agreement will not solve all of those problems, though some aspects of the agreement, including the inspection and challenge mechanism, may again provide a few more peepholes.

Senator COONS. So let us turn to that, if I could, for my last question, Dr. Allison. And I agree with you that the prospect of North Korea being willing to share, trade, sell both its proliferation knowledge and its actual weapons is a very sobering possibility.

But to the inspection regime, one of the things that is held up as the most possibly beneficial-to-us component of an agreement, P5+1 with Iran, is actual inspections. So as you mentioned, if Iran continues its nuclear ambitions, it is most likely to do so at a covert site and our ability to get inspections anytime/anywhere of sites of any type is an absolutely critical piece of this. Previous inspection efforts with other regimes have faltered when the Security Council was no longer united in insisting on inspections.

The proposed structure that is rumored in the press to be on the table would be a commission where, as long as our European allies stayed with us, the Iranians and even the Russians and Chinese, if they happened to come together in opposing an inspection, could not block an inspection. Do you think this sort of a commission structure could function, could function well, and could allow us some confidence that we would have the opportunity for meaningful inspections even of military sites, even of suspected sites? And what is your view on a possible 30-day timeline? Again, I am just working off of suggestions in the public sources about what might be on the table.

Dr. ALLISON. Well, I can make a short comment and then Will actually addresses the question of anytime/anywhere and has been trying to drill down on that.

I would say that from what I can understand about the negotiations that are now going on, they have recognized the problem that you point to, which is—one of Will's lessons is that the inspection regime is only as strong as the political support for it. So if the political support in the Security Council gets split, lo and behold, the inspection regime becomes weakened. So what they have tried to do is design around that risk. And if they design around it successfully, that would be a big plus. That would be a new step forward. Whether they will actually have that and how it will work in the agreement, I am not sure.

Mr. TOBEY. With respect to the unity of the political support for inspections, we had a rare moment in 1991 when Saddam was the undeniable aggressor against Kuwait. The Soviet Union was faltering at that point. And we really did enjoy an international consensus that was mustered against him. And even in those circumstances and even in circumstances in which there was undeniable evidence of nuclear, chemical and biological weapons work, the consensus eventually faded. And so I think that it will be very difficult to maintain such a consensus.

Senator COONS. And is the structure that I described that may or may not be on the table one that you think might be sufficient to sustain that inspection regime or would you be very concerned about it?

Mr. TOBEY. I think it is a good idea. And a structural answer to that problem is helpful. But ultimately, you know, nations are independent actors, and Russia can make its own choices.

With respect to paths that Iran might take, your previous question, as I noted earlier, if it is a problem that Iran is 2 months away from a nuclear weapon today, I do not know how we can be comfortable with an agreement that allows them to be in that position in 10, 12, or 15 years.

Senator COONS. Agreed.

Thank you very much for your testimony. I appreciate the insights.

Thank you, Senator Cardin.

Senator CARDIN [presiding]. Well, let me thank both of you for your testimonies.

What we do know is what is in the framework agreement. What we have been informed about through hearings are some of the challenges in the negotiations. We have been briefed in a classified setting as to the status of intelligence information and the status of our negotiators, all of which goes into the equations of us being prepared to deal with the challenges that we will confront later this month or early next month, assuming an agreement is reached, or what we need to do if an agreement is not reached.

But we also can learn from our past experiences, and I think both of you have been very helpful to us in sharing your insight as to previous circumstances and how it can be relevant to our analysis of an effective agreement with Iran to prevent it from becoming a nuclear weapons state.

So on behalf of the committee, we thank you for your candor and for your testimony here today and advancing our ability to review a potential agreement.

And with that, the committee stands adjourned.

[Whereupon, at 12:20 p.m., the hearing was adjourned.]

EVALUATING KEY COMPONENTS OF A JOINT COMPREHENSIVE PLAN OF ACTION WITH IRAN

THURSDAY, JUNE 25, 2015

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

The committee met, pursuant to notice, at 10:25 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senator Corker, Risch, Flake, Perdue, Isakson, Cardin, Menendez, Coons, Kaine, and Markey.

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

The CHAIRMAN. Today's hearing is the final in a series of six events we are holding to prepare members of the committee to evaluate a possible nuclear agreement with Iran.

This month, we have heard from Secretary Moniz, from nuclear lab directors on technical aspects of Iran's nuclear program, and from retired diplomats on the regional implications of concluding an agreement with Iran. We held closed briefings on sanctions relief and the ability to verify an agreement.

Yesterday, we held a hearing to examine lessons learned from past WMD negotiations.

Today, our witnesses can cover a range of topics, from technical aspects of the Iranian program, to the interior politics of Iran.

One common theme from these events is that Senators have left the events—I believe this to be true—with more questions and concerns about the agreement than answers.

In the last few days prior to an agreement being reached, I think it is important for Senators to voice the concerns they have in hopes that those concerns will improve the deal. I think it is clear that the negotiators pay attention to what we say, so it is important that we say that now.

I wish to call the committee's attention to the importance of PMD disclosure requiring the Iranians to address all of the IAEA PMD concerns prior to relieving sanctions. It is not just an issue about Iranian national pride. It is essential to properly verifying an agreement.

I would appreciate it if the witnesses would comment on why PMD disclosure is important and, more specifically, why it is necessary to properly verify an agreement.

The second issue I would like to highlight is the need for anytime, anywhere inspections. This issue goes hand in hand with PMD disclosures. If we do not know what Iran is capable of, and we do not have complete access to any and all suspect sites, I do not see how we can reasonably claim to know what Iran is doing.

I would also appreciate your comments on the importance of inspector access and what level of access we should require in an agreement. I fear the administration may again provide the green light for a slow and measured nuclear development program that does little to deter Iran from laying the foundation for a weapons program after it reaps the benefits of sanctions relief. As I have stated many times before, I want to see, and I think all of us here want to see, a strong agreement with Iran that will prevent them from obtaining a nuclear weapon and hold them accountable.

As we have met with nuclear scientists, regional experts, and former administration personnel, I become more and more concerned with the direction of these negotiations and potential red lines that may be crossed. It is our responsibility to examine this issue and any final deal that may be reached with a skeptic's eye so that we can determine whether it will be in the best interest of our country and the world.

Thank you again for appearing before the committee. I look forward to your testimony.

And with that, I will turn to our ranking member, Senator Cardin.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Mr. Chairman, thank you very much.

This hearing concludes a month of committee engagement on the nuclear talks and various elements of a possible deal, as well as Iran's role in the region and necessary considerations on United States foreign policy. I thank you very much for the manner in which I think our committee has prepared for the outcomes of the negotiations between the P5+1 and Iran. We, certainly, value the time.

When we reconvene after this recess, we should know the status of those talks.

President Obama and his administration deserve praise for boldly pursuing the diplomatic path. One of the consensuses that I think we have determined is that all of us agree that the right diplomatic path, the right agreement, would be the best course for us to pursue to prevent Iran from becoming a nuclear weapons state.

The other area that I think has been broadly agreed to not only by the Congress and the American people, but by all of the surrounding states in the region, is that this world will be much safer if we can prevent Iran from becoming a nuclear weapon power, that that would be a game changer in the region.

I want to underscore a couple important points, and that is that I will not reach a decision as to whether we should support or not support a potential agreement until I have seen that agreement, have seen the exhibits and have had a chance, in both an open and closed setting, to understand all of the information so that we know exactly what the agreement is and what the commitments will be

and what the consequences will be, if those terms are not agreed to.

I will evaluate the agreement on whether it achieves its objectives. Will this deal sufficiently extend the breakout time it would take for Iran to produce a nuclear weapon? Does the deal cut off all Iranian pathways, including a covert one to nuclear weapons? We know that they will try to do things in a covert setting. Will the inspection and verification regime be sufficiently robust to ensure that all possible pathways are cut off? Will this agreement require that Iran respond to all of the allegations that the IAEA has made about the possible military dimensions of a nuclear program? Does the agreement provide a path for the international community to respond to Iran's violations of an agreement?

In other words, will we have adequate time in order to take the appropriate steps, if Iran does not comply with a potential agreement, to make sure that they do not become a nuclear weapons state?

We have an important role to play, but we are not in the negotiating room, and we should not prejudge the outcome of the talks. What is clear to me is that we need an agreement with Iran that requires the resolution of possible military dimensions; demands verifiable, transparent, intrusive inspections; and ensures that the sanctions will snap back forcefully, should Iran breach its obligations.

I look forward to the witnesses' testimony, and just as importantly, our ability to interact in questioning in order to further our capacity to appropriately review any potential agreement.

The CHAIRMAN. Thank you, Senator Cardin.

We will now turn to our witnesses. Our first witness is Mr. David Albright, certainly no stranger to this committee, the president of the Institute for Science and International Security.

We thank you for being here.

Our second witness is Dr. Ray Takeyh, senior fellow at the Council of Foreign Relations, also no stranger to this committee. We appreciate him being here.

Our third witness is Dr. Jim Walsh, research associate for the Security Studies Program at the Massachusetts Institute for Technology.

We want to thank you all for being here. This is our sixth briefing and/or hearing. We hope that you all are going to cap this off in a very appropriate way. We look forward to your testimony. If you would, I think you all know this, summarize your comments in about 5 minutes. Without objection, your written testimony will be entered into the record. And we look forward to our questions.

Again, thank you very much for waiting through a business meeting, for being here today, and concluding our session on this prior to a potential agreement. Thank you very much.

I will start with you, David.

STATEMENT OF DAVID ALBRIGHT, PRESIDENT, INSTITUTE FOR SCIENCE AND INTERNATIONAL SECURITY, WASHINGTON, DC

Mr. ALBRIGHT. Thank you, Mr. Chairman, Ranking Member Cardin, and other Senators.

I particularly thank you for inviting me to testify today. It is a very technical agreement. It is very difficult to understand. And I think it does require a considerable amount of attention.

It also is a very momentous agreement, if it comes to pass. And I think as Senators think about how to evaluate a nuclear deal, I would recommend that one model to follow is the procedure used when the President submits a treaty to the Senate for ratification.

Now clearly, this is not a treaty and an Executive agreement, but because of the significant impact on U.S. national security, this agreement warrants special and extraordinary congressional scrutiny. And this scrutiny should not only lead to an up or down vote, but it should also result in legislation that enshrines and elaborates on its provisions and its implementation over time, makes key interpretations of its provisions, and establishes robust administration reporting requirements.

More specifically, in evaluating a deal, Senators should use a set of criteria. And in my testimony, I have listed 11. I will not cover this now. I am sure other witnesses would add to that, but I would like to emphasize several.

One is, I think it is clear that a breakout time has been a very important criteria in driving the negotiations. I think it has turned out to be extremely useful in establishing limitations on the Iranian program and has been used very effectively in the negotiations to, in a sense, corner the Iranians and get them to agree to the kinds of reductions in their centrifuge program that have been necessary.

The administration has chosen to have a 12-month breakout time, and I think that on the basic deal of numbers of centrifuges that would remain, the amount of 3.5 percent low-enriched uranium, at my institute we agree with their assessment that a 12-month breakout time has been satisfied.

There are concerns, however, that there is other low-enriched uranium that will probably stay in Iran under the current negotiating trajectory, namely the near 20 percent. We think that, if that material stays, that can lower the breakout times below 12 months and that the 20 percent material needs to leave Iran. I hope the administration would work to do that in the time remaining.

There is also concern that Iran not be able to reconstitute its dismantled centrifuges. There will be over 10,000 declared excess, and under the Lausanne interim agreement, they would be dismantled and stored. The question is how quickly could they be brought back into play. I have no idea, but I think that is another area that needs scrutiny.

Now, it has been brought up about the inspectors needing access, and I cannot emphasize that enough. And under the additional protocol, access to military sites would be guaranteed. And Iran's intransigence on this point is very disturbing, because it understands how the IAEA does its business. It does not distinguish between civilian and military sites. It needs to go to the sites it needs to go to. So I think if this issue is not resolved in a favorable light, then I do not see how there can be a deal, without access to sites that are suspicious anywhere and promptly.

We use "anytime" as the term. In practice, it means promptly. Again, I do not see how you can verify this agreement. And Iran's recent statements about this have to worry everybody.

As to Iran's recent comments and ongoing comments about the possible military dimensions of the PMD, the IAEA needs to know what Iran knows. How much progress did it make on nuclear weapons? Has it put that capability on the shelf to pull out? The IAEA learned in a very hard way that if they do not pay attention to the past, they cannot know what is going on now, and particularly they cannot determine that the program is peaceful.

They learned this the very hard way in Iraq in the early 1990s. They could not verify South Africa's denuclearization, and South Africa was put under tremendous pressure to reveal its past work on nuclear weapons, which it eventually did, and the IAEA was able to wrap up its investigation and declare that South Africa had given up all its nuclear weapons and was not hiding anything.

So I think that without knowing the past, the IAEA cannot verify that Iran's program is peaceful.

Again, the fact that Iran is becoming more and more intransigent on this point, it has to make one pessimistic about this deal.

Another issue, and this will be the last one I cover, I see my time is up, is a very hard one to deal with. And I think Congress has a special role to play on this. This deal was set up, in essence, to limit Iran's program for a certain period of time. And I think I was disappointed that 10 years was really the baseline, not 15 to 20, as when you would have a very harsh limitation on the centrifuge program.

With that being said, I think Congress needs to wrestle with this because if you have harsh limitations for 10 years, and they are good ones, unfortunately, the way this deal works, is that years 10 to 13, Iran is preparing for development and deployment. And after year 13, it is full-scale deployment. And by year 15, they could be having the capability that has breakout times far less than what we have now, and they could have some of that capability in the very deeply buried Fordow site.

So in a sense, we would be worse off than we are now, and I think that this deal has to include in it some assurance to the United States that, if Iran is going to build up its nuclear program in the future, that it is guaranteed to be economically justified and consistent with a civil nuclear need.

I think in the legislation that I mentioned, I think there needs to be some conditions put in on how the United States interprets this situation. I would argue it is unacceptable unless those kinds of conditions are met. And in that sense, if Iran does build up, as people fear, that would be seen as a violation of the intention of this deal and would allow the United States to act at that time.

So thank you very much.

[The prepared statement of Mr. Albright follows:]

PREPARED STATEMENT OF DAVID ALBRIGHT

The U.S. administration and its partners in the P5+1 are poised to conclude a momentous agreement with Iran designed to limit its nuclear programs in exchange for significant sanctions relief. Congress has a special responsibility to evaluate this agreement and judge its adequacy to protect U.S. national security interests in the short and long term. As part of this process, it should create legislation to codify

the agreement, its implementation processes, critical interpretations of the agreement, reporting requirements, clarifications about violations and consequences of noncompliance, and steps needed to mitigate weaknesses in the agreement.

The legislative branch must determine if the agreement is adequate to achieve the goal it originally set out to achieve—namely instituting international confidence in the peaceful nature of Iran's nuclear programs, not just for the duration of the accord, but for the foreseeable future. Special attention should be given to an agreement whose nuclear limits sunset after 10–15 years, potentially leaving the world with an even more insecure and heightened situation in Iran in terms of a greatly reduced Iranian breakout timeline, and more advanced centrifuges spinning and capable of creating weapon-grade uranium (WGU) within shorter periods of time.

The United States and its allies cannot be certain about their ability to rely mainly on intelligence after the extraordinary arrangements in an agreement end, long after sanctions are removed, and Iran has more freedom to augment its nuclear program. Iran's regional neighbors would likely not wait to develop their own threshold nuclear capability in the face of an Iran that only a decade or two from now would be on the cusp of rapid breakout, capable of producing many nuclear weapons and within a shorter time period than it is today. Thus, Congress needs to proactively consider the implications of this deal for an "enrichment race" in the Middle East that could lead several countries to nuclear weapons capabilities in the next 10–15 years.

Congress should evaluate the technical limits and verification measures set out in the deal to ensure they adequately constrain Iran's nuclear activities and capabilities and its ability to violate the agreement. In particular, the verification arrangements should ensure the reaching of an understanding about past and possibly ongoing Iranian work on nuclear weapons and ensure prompt access to any Iranian sites, whether military or civilian. Enforcement will require maintaining leverage against Iran if it cheats, yet reliance on a snapback of sanctions as the only leverage in the case of an Iranian breakout appears deeply ineffective to pressure Iran to reverse course. In addition, the deal needs to be carefully scrutinized in how it guards against incremental and more ambiguous violations and set out procedures to address this type of cheating.

As Senators think about how to evaluate a nuclear deal, one model is to follow procedures used when the President submits a treaty to the Senate for ratification. Although a Joint Comprehensive Plan of Action (JCPOA) is clearly an Executive agreement by nature, it will have a significant impact on U.S. national security and warrants and deserves extraordinary congressional scrutiny. This scrutiny should not only lead to an up-or-down vote of the agreement, it should result in legislation that enshrines and elaborates on its provisions and its implementation over time, and makes key interpretations of its provisions. While the Iran Nuclear Agreement Review Act of 2015 satisfies some of the following provisions, Congress should ensure that any new legislation includes those provisions and additional measures and supporting reporting requirements that go further, such as:

- A detailed description of the motivation, intent, and scope of the agreement;
- Key technical and policy interpretations of major provisions;
- Assessments about the adequacy of the agreement's verification regime;
- Clear statements of what constitutes violations, both material and incremental;
- National and international mechanisms to determine a violation and course of remediation;
- Consequences in case of Iranian noncompliance, in particular those that go beyond or complement the snapback of sanctions; and
- Procedures for addressing Iranian unwillingness to comply with remediation or cease the disputed activity.

While a full discussion of such legislation is beyond the scope of this testimony, a few examples would help clarify such an approach. It is important to state that the need for this agreement results from Iran's pursuit of nuclear weapons and secret nuclear capabilities and to provide details about these efforts. It would be useful that legislation lay out Iran's violations of its nonproliferation commitments and describe its history of noncooperation with the International Atomic Energy Agency (IAEA).

The legislation could contain key interpretations of the deal. The Obama administration has already stated one interpretation, namely that uranium enrichment is not a right of Iran under the Nuclear Non-Proliferation Treaty. Another it has articulated is that any production of uranium enriched over 5 percent after the end of the explicit prohibition on such production in the agreement (at year 15) would be viewed as a significant threat to U.S. and international security. Likewise, an interpretation by Congress could be that Iran's expansion of its nuclear program

after year 10 of the agreement must be clearly related to the practical need for nuclear energy and consistent with a legitimate and economic, peaceful nuclear requirement.

The legislation could include reporting requirements that require more detailed reports than laid out in the Iran Nuclear Agreement Review Act. Examples include requirements for the administration to produce annual unclassified compliance reports, including review and determination of the ongoing adequacy of the agreement's verification regime. More frequently, the administration should report on the adequacy of Iran's cooperation with the IAEA. Congress should be informed quarterly about the size of Iran's low enriched uranium (LEU) stocks, both less than 5 percent and less than 20 percent enriched, and whether the breakout timelines remain as they should. The administration should also inform Congress in detail about the status of Iran's centrifuge research and development programs.

The legislation could also establish implementation steps. Some have suggested that there should be a senior administration official responsible for implementation. The IAEA's verification efforts in Iran should be supported with additional funding and other types of U.S. support. In addition, there should be actions to strengthen U.S. export control and counterproliferation efforts against Iran's illicit procurements for its missile and military programs and its potential illicit nuclear or nuclear-related procurements. As part of that effort, it is important to improve U.S. programs for the timely detection of Iran's illicit procurement attempts, utilizing and developing new technologies, and to expand cooperation with allies to improve timely detection of Iran's illicit trade.

The remainder of my testimony seeks to address specific questions posed by the chairman in his invitation letter. Because of the complexity of some of the questions, a few of the responses are more technical than usually presented in congressional testimony. Nonetheless, I hope the testimony is useful. If desired, I can provide additional supporting information or elaborations.

(1) WHAT CRITERIA SHOULD SENATORS USE TO EVALUATE A PROSPECTIVE NUCLEAR AGREEMENT WITH IRAN?

In particular, criteria weighing the adequacy of an agreement should include:

- The blockage of the four main pathways to the bomb: the Arak/plutonium production pathway, Natanz/enrichment and Fordow/enrichment pathways, and covert pathways.
- Achievement of a 12-month breakout timeline during the first 10 years of the agreement and a 6-month breakout timeline remaining at year 13.
- The size of the near 20-percent LEU stock is consistent with a 12-month breakout timeline. In particular, is the administration making assumptions to unreasonably exclude portions of a remaining stock of near 20 percent LEU?
- The methods, and their effectiveness or timeliness, in reducing Iran's 3.5 percent LEU stockpile from its current level of about 10,000 kg to the 300 kg cap agreed in the April 2015 interim agreement. How will this cap be maintained during the agreement?
- Adequate verification, including the adequacy of Additional Protocol Plus arrangements.
- Inspector access to Iranian sites where suspicious activity may be occurring, including military sites, anywhere and promptly, or "anytime," and certainly within 24 hours. In particular, if the agreement creates a P5+1 deliberative body that has the authority to decide upon IAEA access in case of an Iranian refusal, the length of the proceedings should not increase access time significantly or create a process that Iran can exploit to buy time to hide or destroy evidence at suspect sites.
- An Iranian commitment not to conduct illicit nuclear and nuclear-related trade.
- A procurement channel under a United Nations Security Council resolution that controls a sufficient number and type of goods and includes adequate monitoring. As part of verifying Iran's compliance with this condition, the IAEA should ensure that Iran's procurement of nuclear and nuclear-related goods is within this channel and be mandated to investigate violations. The IAEA should be able to have access to the actual end users of goods imported by Iran through this channel and those who have illicitly procured outside this channel.
- The deal can survive stress tests, namely assessments of the durability and adequacy of the agreement against a variety of scenarios that project the status and behavior of the Iranian regime in the future, such as 10 and 15 years after the agreement is signed. It is critical to evaluate the agreement's projected goals and endpoints against an Iranian regime that acts more responsibly than today as well as less responsibly. The durability, strength, and value of any deal

is truly measured against an Iranian regime that remains as it is today or worsens in terms of impact on U.S. interests regionally and internationally.
- Understandings that at year 13 after implementation of the deal, and in particular at year 15, any Iranian nuclear expansion of uranium enrichment efforts or building of heavy water reactors will be based on legitimate economic rationales and clearly needed for civilian purposes. Any indications, based on Iranian statements in the negotiations or learned by U.S. intelligence, that Iran intends to enrich over 3.67 percent after year 15 of the agreement should be weighted negatively.
- Evaluating the implications of the deal establishing a new norm that legitimizes uranium enrichment despite the lack of need for the enriched uranium and a history of noncompliance and noncooperation with the IAEA. Will the deal herald an "enrichment race" that threatens U.S. interests regionally and more broadly? Congress should evaluate this threat of the spread of dangerous nuclear technologies and develop remediation steps to mitigate damages.

(2) WHAT CONCERNS DO YOU HAVE ABOUT THE INTERIM AGREEMENT ANNOUNCED ON APRIL 2, 2015?

Overall, the interim agreement achieved many U.S. objectives; however, it also raised several concerns. In an ISIS report published on April 11, 2015, we outlined in fuller terms the agreement's accomplishments, several weaknesses, and a number of unresolved issues.[1]

The interim agreement succeeded in limiting the Arak heavy water reactor sufficiently, reducing Iran's centrifuge program in size, and increasing transparency and monitoring of a long-term deal. Other important provisions contained in the Fact Sheet of the interim deal include:

- No new enrichment facilities for 15 years;
- The removal and monitored storage of excess centrifuges and associated equipment and not their disablement in place, as was discussed in the past as a preferred possibility by the U.S. negotiators;
- In particular, the removal and monitored storage of the roughly 1,000 IR–2m centrifuges at the Natanz Fuel Enrichment Plant and the removal and storage of the several hundred IR–2m and IR–4 centrifuges at the Natanz pilot plant;
- The removal from Iran[2] or blending down of most of Iran's stock of about ten tonnes of 3.5 percent LEU and a long-term cap of 300 kg of LEU hexafluoride enriched no more than 3.67 percent (Iran can possess other chemical forms of this LEU but these amounts must fall within the cap, after calculating their hexafluoride equivalent);
- Excess centrifuges and associated equipment can be used only as replacements for operating centrifuges and equipment, removing any need for further operation of IR–1 and IR–2m centrifuge manufacturing operations and procurements;
- Containment and surveillance of centrifuge component manufacturing plants; and
- A procurement channel for goods needed in authorized nuclear programs.

Concerns:

- There are numerous concerns about whether the deal adequately addresses limits on Iranian enrichment which have implications for maintaining the 12-month breakout timeline.

  —The U.S. Fact Sheet about the interim agreement makes no mention of Iran's stock of near 20 percent LEU, in particular its fate. How much near 20 percent LEU will Iran retain? How will the excess be determined? Will that excess be shipped out of Iran or diluted to natural uranium? Maintaining a 12-month breakout timeline depends critically on the size of Iran's remaining stock of near 20 percent LEU and its accessibility in a breakout (see also question 6). As of June 30, Iran will retain a dangerously large stock of near 20 percent LEU, namely about 230 kilograms (kg) of near 20 percent LEU. This LEU will be in three principal categories, namely about 45 kg projected to be in oxide powder form, approximately 135 kg in waste, in scrap, or in-process and roughly 50 kg in fuel elements for the Teheran Research Reactor (TRR).[3] ISIS has recommended the stocks of oxide powder and in waste/scrap/process be blended down to natural uranium or shipped out of Iran. The LEU in fresh or unirradiated TRR fuel should also be made less usable in a breakout. One method to do that is to irradiate all the TRR fuel, at least partially, to increase the complication of extracting the LEU from the fuel. On the other hand, the administration appears willing to allow Iran to keep the bulk of this near 20 percent LEU, as long as it is mixed with aluminum, a step in

the manufacturing process of TRR fuel. The JCPOA should be carefully scrutinized as to whether, or how, these recommendations are implemented and in particular it should be assessed as to whether the breakout calculations should include near 20 percent LEU recovered from LEU/aluminum mixtures. We believe they should.

—The interim agreement does not provide the mechanisms to reduce Iran's 3.5 percent LEU stockpile from its current level of about 10,000 kg to the 300 kg cap. Excessive stocks of 3.5 percent LEU also negatively impact the 12-month breakout timeline. About 4,000 kilograms of this LEU are slated to be converted into oxide powder, albeit far behind the schedule implied in the Joint Plan of Action (JPOA). In fact, Iran has not met its commitments at the end of the first period of the JPOA and its first extension to turn newly produced 3.5 percent LEU into oxide form. It is doubtful it will do so at the end of the current extension that ends on June 30, 2015. The administration has publicly downplayed this condition in the JPOA, focusing on a weaker condition that Iran feed the newly produced LEU into the uranium conversion plant, a technically simple step to accomplish. The result is that this 4,000 kg of LEU will likely be in several chemical forms, most not amenable to blending down to natural uranium without further chemical processing. Some of the LEU could be in chemical forms that may not be amenable to either blending down or shipping out of Iran. Congress should carefully scrutinize the arrangements in a deal to achieve a cap of 300 kg of 3.5 percent LEU hexafluoride equivalent.

- Of concern is the lack of a "soft landing" or slow return to shorter breakout timelines after year 10 and up to year 15. Iran will also be able to deploy advanced centrifuges after year 10. In fact, one senior negotiator described the arrangement for centrifuges as a reversed program in years 1 to 10, preparation for full development in years 10 through 13, and full development after year 13. A major concern is that Iran can return to short breakout timelines, likely far shorter than the 2 months or so projected today.

  —Lack of limits on Iran augmenting its enrichment capacity after year 10. ISIS has recommended that breakout time should decrease no faster than 1 month per year, resulting in a breakout time of 7 months at year 15. During this 5-year period, no IR–2m, IR–4, or more advanced model centrifuges should be deployed.

  —Lack of a "sunset clause" for the agreement authorizing the path forward for Iran, or at year 13 the ability for the P5+1, collectively or individually, using IAEA findings and other, nationally developed information, to determine if Iran's nuclear program is consistent with a peaceful program, exclusively for peaceful purposes, and expected to remain so. Such a positive determination would then free Iran to deploy large numbers of its centrifuges and thereby lower breakout timelines.

  —Lack of a condition that explicitly states that Iran would not enrich beyond the 3.67 percent indefinitely, rather than the current provision to ban such enrichment for just 15 years. Iran is unlikely to have a civilian justification for producing enriched uranium above 3.67 percent after year 15. Iran enriching at near 20 percent would undoubtedly risk increasing international concerns about its intentions and create precedents for other nations to follow.
- The weakness of provisions limiting centrifuge research and development (R&D) during the first 10 years of the agreement.

  —No bans exist on Iran's research and development of the IR–6 and IR–8 centrifuges, the latter of which is up to 16 times more powerful than the IR–1 centrifuge. Failing to achieve such bans, the interim agreement does not appear to mitigate the risks of Iran being able to deploy these more powerful centrifuges after year 13, other than some negotiators stating that they believe that Iran will have trouble actually deploying them in the future.
- Lack of additional conditions on Iran's allowed work at the Fordow site for the indefinite future, because of its sensitive nature of being deeply buried and difficult to access or penetrate in the event of cheating or breakout.

  —An existing loophole in the interim agreement allows Iran to operate advanced centrifuges at Fordow after year 10, albeit not enriching uranium. ISIS has recommended that a deal should prevent Iran from ever using Fordow to enrich uranium or only allow it to enrich in IR–1 centrifuges.

  —After year 15, Iran could deploy any of its centrifuges at Fordow to enrich uranium, allowing it to reestablish Fordow as a uranium enrichment cen-

trifuge plant with a capacity far in excess of its current capacity. Unless additional limits are included in the agreement, Fordow could reemerge as a substantial uranium enrichment plant after year 15, housing advanced centrifuges 10 to 16 times more capable than the IR–1 centrifuge. So, instead of a plant with a current capacity of about 2,500 separative work units (swu) each year, the plant would have a capacity of 25,000–40,000 swu per year. Since bans to produce near 20 percent LEU also sunset at year 15, this heavily fortified plant would be capable of producing enough weapon-grade uranium for a nuclear weapon within a few weeks, or enough WGU for two weapons in less than a month.

Unresolved issues:

- The interim deal was largely silent on verification conditions of key importance, including (described in detail under question 4):
  - —Anywhere, anytime access to Iranian military sites;
  - —The need for a broad centrifuge-related declaration;
  - —A raw uranium import declaration;
  - —Key import and export declarations of sensitive or dual-use goods; and
  - —A plutonium related declaration.

Our concerns about the interim deal outlined above should not be construed as opposition to the deal, particularly since the deal has yet to be finalized. Our judgement about a deal has to await the final details. Our concerns, however, provide another measuring stick upon which to evaluate a final agreement.

(3) WHAT REDLINES DO YOU BELIEVE SENATORS SHOULD HOLD IN EVALUATING A PROSPECTIVE NUCLEAR AGREEMENT WITH IRAN?

The U.S. Government's redlines have been difficult to identify. Iran has been far clearer about its redlines. Nonetheless, if a redline is defined as a condition that if unmet would immediately mean that the deal would be rejected, several key ones that should be considered are:

- Estimated breakout time, or the time to produce one significant quantity of fissile material for a nuclear weapon, is adequate to allow enough knowledge and time for action or intervention to stop Iran. In the words of Under Secretary of State Wendy Sherman: "We must be confident that any effort by Tehran to breakout of its obligations will be so visible and time consuming that the attempt would have no chance of success."
- The rollback of Iran's centrifuge program and Arak reactor modifications are irreversible during the duration of the agreement, or at least not significantly reversible within 12 months of Iran's initiation of a reversal.
- A clear, timely pathway exists whereby the IAEA's concerns are addressed about the possible military dimensions of Iran's nuclear program, both in the past and those possibly ongoing today. Ambiguity over Iran's nuclear weaponization accomplishments and residual capabilities risks rendering an agreement unverifiable by the IAEA. This pathway cannot simply involve Iran checking boxes and the IAEA or the United States accepting Iranian explanations. It must be accompanied by full Iranian cooperation with an IAEA investigation, including access to sites, people, and documents related to its past or possibly ongoing efforts.
- Prompt IAEA access is guaranteed to all sites in Iran, whether military or not, if suspicious activities are reported.

(4) ARE THERE REQUIREMENTS ON INSPECTIONS OR POSSIBLE MILITARY DIMENSIONS (PMD) THAT YOU BELIEVE ARE ESSENTIAL TO A SUCCESSFUL AGREEMENT? DO YOU BELIEVE THERE ARE OTHER REQUIRED ELEMENTS OF A SUCCESSFUL AGREEMENT?

A prerequisite for a comprehensive agreement is for the IAEA to know when Iran sought nuclear weapons, how far it got, what types it sought to develop, and how and where it did this work. Was this weapons capability just put on the shelf, waiting to be quickly restarted? The IAEA needs a good baseline of Iran's military nuclear activities, including the manufacturing of equipment for the program and any weaponization related studies, equipment, and locations. The IAEA needs this information to design a verification regime and determine if Iran's nuclear program is peaceful today.

One important aspect of this issue has been the IAEA gaining access to a site at the Parchin military complex. This site is the alleged location of high-explosive testing linked to nuclear weapons development prior to 2004. Since the IAEA asked to visit this site in early 2012, Iran has reconstructed much of it, making IAEA verification efforts all but impossible. Tehran has undertaken at this site what looks

to most observers as a blatant effort to defeat IAEA verification. Because of such extensive modifications, the IAEA, once allowed access, may not be able to resolve all its concerns. Thus, access to Parchin alone is no longer sufficient to resolve the issues underlying the IAEA's original request to access this site. The IAEA will need to visit related sites. One needs to now think of IAEA access to Parchin as including a list of actions that would involve the need for access to additional sites and individuals. More broadly, Iran will need to allow access to a range of sites as part of addressing the IAEA's PMD concerns.

For a deal to be verifiable, Iran will also need to agree to IAEA requests to interview key individuals, such as Mohsen Fakhrizadeh, a reputed leader of Iran's nuclear weapons efforts, and Sayyed Abbas Shahmoradi-Zavareh, former head of the Physics Research Center, alleged to be the central location in the 1990s of Iran's militarized nuclear research. The IAEA interviewed Shahmoradi years ago about a limited number of his suspicious procurement activities conducted through Sharif University of Technology. The IAEA was not fully satisfied with his answers and its dissatisfaction increased once he refused to discuss his activities for the Physics Research Center. Since the initial interviews, the IAEA has obtained far more information, some supplied by my institute, about Shahmoradi and the Physics Research Center's procurement efforts.[4] The need to interview both individuals, as well as several others, remains.

There had been an expectation, or at least a hope, that Iran would address the IAEA's PMD concerns prior to the June 30 deadline. However Iran has become more intransigent on this issue over the last several months, eliminating any such hope. Because this issue is fundamental to resolving the nuclear issue, Iran's intransigence requires extra assurance early on in any deal that it will comply with its safeguards obligations and meet the fundamental goal of a long term deal that Iran's nuclear program be strictly peaceful.

The administration has reportedly proposed to Iran that it allow access to a list of many sites and persons that are relevant to the IAEA's PMD concerns, prior to the lifting of key financial and economic sanctions. As of late last week, Iran had not accepted this list. But even if it does, it could mechanistically allow the IAEA access to these sites and persons while showing no real cooperation. As discussed above, the risk is too high that Iran would treat the exercise as simply checking a box, leaving the IAEA no further along in its effort to address its PMD concerns. If Iran can do this before the removal of sanctions, one can have little confidence that it will address the IAEA's concerns afterward.

If Iran successfully stonewalls the IAEA prior to the lifting of sanctions, the IAEA's credibility will be undermined. Further, Iran may be able to maintain all of the knowledge and capabilities related to nuclear weapons that it has acquired and developed for a future date when it may want to break out of its nonproliferation obligations. Leaving Iran's past accomplishments in the shadows would solve nothing if in the future it can muster nuclear weapons capabilities unknown to the IAEA and the international community, to make nuclear weapons. As a result, Congress should look for more from the deal, namely prior to the lifting of sanctions, Iran should resolve in a significant and concrete manner the IAEA's concerns about its past and possibly ongoing work on nuclear weapons. Although Iran addressing all of the IAEA's PMD concerns would be ideal, that process will likely take years. The following aims to identify a sufficient set of conditions that are straightforward and realistic to achieve in the initial implementation period of an agreement. These conditions, or equivalent ones, should be included in a set of requirements that Iran must meet before key financial and economic sanctions are lifted:

- Iran accepting a robust list for visits to sites where nuclear weapons-related activities are alleged to have taken place (such as Parchin but involving at least a half a dozen sites); and access to key equipment, companies, and individuals identified by the IAEA as associated with past military nuclear related activities. Congress should, on a classified basis, compare this list to earlier proposed ones by the administration and its allies and require the administration to provide an explanation for which specific items were removed and why. (The list should not in any way be considered a final list; the IAEA will need to reserve the right to go to other sites, interview the same or different people, and obtain other documents as it seeks to finalize its PMD investigation, some of which will likely have to occur after the lifting of sanctions).
- The IAEA receiving full cooperation from Iran in its efforts to conduct a rigorous investigation of PMD issues.
- Prior to the lifting of key sanctions, the IAEA having time to assess the results of these visits and access and make a preliminary determination over whether it has made concrete progress. Such a positive IAEA determination would be necessary to lift sanctions.

- If appropriate, the IAEA issuing a provisional determination, and Iran not disagreeing, that it had a nuclear weapons program prior to 2004, parts of which may have continued after 2004.
- The U.S. intelligence community issuing a detailed unclassified dossier describing to the best of its knowledge, albeit incomplete, Iran's past nuclear weapons program and more recent activities that are useful for the development of nuclear weapons or that are associated with research in fields of nuclear weapons development, such as those conducted by the Organization of Defensive Innovation and Research (SPND), headed by Mohsen Fakhrizadeh.[5]
- After the lifting of sanctions and the implementation of the deal, a lack of Iranian cooperation with the IAEA on the remaining PMD issues would be considered a material breach of the JCPOA. It should be noted again that the IAEA investigation of the PMD issues could last well past the date when key sanctions are lifted. This ongoing IAEA investigation will require access to additional sites, individuals, and documents.

Olli Heinonen, former chief of IAEA safeguards and now at Harvard University's Belfer Center, has pointed out that Iran checking off a list is "not sufficient to provide understanding on how far Iran got in various parts of its weapons related R&D."[6] Such a list could be useful for the IAEA to establish "choke points," he added, which can be monitored to ascertain that a nuclear weapons program is not restored. This would require ongoing, periodic access to these sites and individuals.

In addition, the IAEA investigation into PMD should be iterative, according to Heinonen. That means that new persons, sites, and documents may arise during the discussions. Access to those persons, sites, and documents should also be provided. One also has to keep in mind that some activities could have been moved or will be moved to other military sites. If any new suspicions arise, the IAEA will need access to those sites as well.

Heinonen also notes that it is important to dismantle any single use (nuclear weapon) capability in Iran, if they still exist. The agreement may go further, however, according to several negotiators, and ban certain nuclear weaponization-related activities. Examples of such activities include uranium and plutonium metallurgy and certain types of neutron generator and high explosive work. Achieving these bans and their verification conditions in the final deal is challenging but important to achieve.

A difficult verification area is whether Iran has obtained nuclear weapons assistance from other countries or cooperated with other countries on sensitive nuclear matters. The Khan network is suspected of having provided Iran with nuclear weapons designs. There are suspicions that Iran and North Korea are cooperating on nuclear matters. As a result, a challenge is how to verify that Iran is not outsourcing nuclear technology or cooperating with other countries on sensitive nuclear issues.

Verification conditions of key importance, some of which were outlined above, that are not addressed in the framework agreement or not addressed in much detail include:

Anytime, Anywhere Access: The IAEA will need anywhere, prompt, or "anytime" access to all relevant sites, facilities, material, equipment, people, and documents in Iran.

Centrifuge Related Declarations: In addition to the broader declarations needed to address the IAEA's PMD concerns, the verification arrangements will also depend on Iran declaring how many centrifuges, of all types, that it has made and its inventory of raw materials and equipment for its centrifuge program. This baseline is necessary if the agreement is to provide assurances about the absence of secret centrifuge activities and facilities now and in the future.

With regard to establishing a baseline on the number of centrifuges made by Iran, verification of centrifuge manufacturing is necessary, including the declaration and verification of key raw materials and components. The declaration needs to include the origin and amounts of key raw materials and the total number of major components, including the number held in stock, the number manufactured or procured, and their fate. A description of the locations used to produce these goods will also be needed.

Without knowledge of past centrifuge manufacturing activities, centrifuge-related equipment and raw material inventories, and centrifuge-related procurements, verification cannot be adequate. Covert stocks of centrifuges and related equipment and materials could exist and be kept outside the purview of the inspectors. Ensuring a full declaration of the past should be a priority.

Raw Uranium Declarations: Another element is the rigorous verification of uranium obtained from abroad and produced domestically, via any method in the past, present, and future. The framework deal signed in early April provides for the con-

tinuous surveillance of uranium mills over a 25 period. A final deal also needs to ensure that Iran cooperates with the IAEA in making a full, verified accounting of past uranium purchases and production.

Key Import/Export Declarations: Iran should also provide the IAEA with details of past and future imports, exports, and uses of key items listed under INFCIRC 254 parts 1 and 2 and other critical goods that are used in Iran's nuclear programs. These declarations would go beyond the ones in the Additional Protocol and Iran's commitment to make these declarations should be in the comprehensive deal.

Plutonium Related Declarations: As part of broader declarations, the JCPOA should also include a provision for verification of any past activities related to the separation of plutonium. These declarations should include information on any actual or attempted procurements related to acquiring capabilities to separate plutonium from irradiated material.

(5) WHAT EFFECT DO YOU BELIEVE A PROSPECTIVE AGREEMENT WOULD HAVE ON THE NUCLEAR NONPROLIFERATION TREATY (NPT)? ON REGIONAL PROLIFERATION?

The Iran deal may have the unintended consequence of stimulating a uranium "enrichment race." In expectation of an Iran deal, Saudi Arabia is already indicating that it will match Iran's nuclear capabilities. Prince Turki bin Faisal, the 70-year-old former Saudi intelligence chief, has toured the world with the same message: "Whatever the Iranians have, we will have, too," he said at a conference in Seoul, South Korea. Other Sunni states apart from Saudi Arabia may accelerate their drive to develop their own domestic nuclear programs, even programs to enrich uranium, as they too seek to counterbalance Iran. Iran's other regional rivals such as Egypt and Turkey may seek to initiate or expand domestic nuclear enrichment programs in order to preserve their regional influence.

The deal, rather than curbing the spread of dangerous nuclear capabilities, could as one aftereffect create a new norm that legitimizes uranium enrichment programs almost anywhere, even when unneeded for a civilian nuclear program and conducted by a country posing a clear proliferation risk. Instead of a deal that sets conditions that are so onerous that no one would want to follow that path, the conditions on Iran may be seen as bearable to other states. Moreover, if they first act by placing their programs under IAEA safeguards, they may avoid the burdensome sanctions that Iran has faced, despite being in regions of tension such as the Middle East.

Congress and the administration must critically assess where the agreement will leave Middle East regional security after year 10 of a deal and ascertain whether the agreement would leave the region in greater turmoil or actually succeed in reigning in future proliferation. A sound agreement that introduces unprecedented transparency for the foreseeable future into Iran's activities and intentions, while limiting its ability to expand its program immediately after the agreement sunsets, may be an agreement that Iran's neighbors could live with and exercise restraint over regarding their own nuclear development. However, the net result of this deal may leave the Middle East facing a greater nuclear proliferation danger from the spread of sensitive technologies stimulated by a new, dangerous norm legitimizing enrichment almost anywhere. As part of evaluating an Iran deal, Congress should evaluate this threat of the spread of dangerous nuclear technologies and develop remediation steps to mitigate damages.

In terms of impact on the NPT, the agreement's effects may be that nonnuclear weapon states (NNWS) more generally will exercise less restraint on developing fuel cycle capabilities that are of proliferation concern. They may view Iran's legitimized nuclear program as a new standard that can be reached by all NNWS. The Nuclear Suppliers Group and strong U.S. diplomacy will be required to convince additional states not to pursue the Iran path, which they may attempt through safeguarded means instead of trying to build covert advanced fuel cycle facilities, but with similar results for creating insecurity internationally and within their regions.

(6) HOW DO YOU BELIEVE THE ADMINISTRATION IS CALCULATING BREAKOUT TIME? ARE THEY TAKING INTO ACCOUNT ALL FORMS OF URANIUM THAT COULD BE USED TO WORK TOWARD A WEAPON?

The administration's method of calculating breakout is classified and not available publicly. For many years we have also calculated breakout timelines in collaboration with centrifuge experts at the University of Virginia. Our understanding from U.S. officials is that the U.S. methods and ours are similar in approach. In some cases, we agree with the U.S. breakout estimates, particularly when we start from the same number and type of centrifuges and the same quantity and enrichment level of LEU. However, in other cases we have disagreements over the amount of LEU available for use by Iran in a breakout. In particular, we assess that Iran would

have available more near 20 percent LEU in a breakout than does the U.S. Government. As a result, in that case, our timelines are less than 12 months. We are also concerned that prior to a breakout Iran would accumulate more 3.5 percent LEU hexafluoride than allowed, namely 300 kg of LEU hexafluoride, enabling a faster breakout. The short-term consequences for exceeding this cap appear minimal.

In addition, we have concerns over whether the agreement will sufficiently ensure that Iran cannot reinstall excess, dismantled IR–1 and IR–2m centrifuges. In particular, we are worried that Iran will be able to reinstall about 1,000 IR–2m centrifuges and some number of IR–1 centrifuges in several months, a timeframe we assess as sufficient to allow these centrifuges to significantly reduce the breakout timeline below 12 months.

After the limitations on centrifuge deployments start to end in year 10 of the agreement, we believe that breakout timelines will begin to decrease steadily and too rapidly. In addition, Iran has significant potential to master advanced centrifuges by this time and thus reduce breakout timelines more rapidly than expected after year 13 of the deal.

Several of these issues are still in play in the negotiations and hopefully will be resolved to achieve and guarantee a 12-month breakout timeline during the first 10 years of the deal and create a soft landing for breakout timelines afterward. Nonetheless, during Congress' evaluation of an agreement, these issues should be closely scrutinized and evaluated and, if necessary, mitigation strategies called for and developed.

Similar Breakout Results as the Administration

Our similarity in result to the U.S. administration's breakout estimates can be seen when considering the centrifuge limits Iran has accepted in the interim deal of April 2015. In the case of about 6,000 IR–1 centrifuges and a stock of 300 kilograms of 3.5 percent LEU hexafluoride and no available near 20 percent LEU hexafluoride, our breakout estimate would have a mean of about 12–14 months, where the minimum breakout time would be 11–12 months.[7] We have used the mean as the best indicator of breakout time and interpret the minimum time as a worst case. Thus, our estimate of breakout would confirm the United States assessment that these limitations satisfy a 12-month breakout criterion.

Iran's Stock of Near 20 Percent LEU[8]

However, breakout estimates depend critically on Iran's usable stock of near 20 percent LEU. For example, Iran can significantly lower breakout times by inserting into the cascades a relatively small amount of near 20 percent LEU. If it recovers only about 50 kilograms of near 20 percent LEU hexafluoride (or 34 kg of LEU (uranium mass), or about 15 percent of its current stock of near 20 percent LEU) within the first 6 months of breaking out, and we assume the same conditions as above, the mean breakout time becomes about 10–11 months, with a minimal time of about 9 months. As a result, minimizing or ensuring that the near 20 percent LEU stock is unusable in a breakout is a necessity. The breakout times would be expected to be even lower, since if Iran decided to break out, it may have access to more near 20 percent LEU and it could also be expected to have accumulated additional 3.5 percent LEU above the cap of 300 kg (see below).

The accumulation of 34 kg of near 20 percent LEU (uranium mass) represents only a small fraction of Iran's inventory of this LEU. Despite the fact that Iran no longer has a stock of near 20 percent LEU in hexafluoride form (UF6), it continues to retain a significant portion of this material in the form of oxide (U3O8) and in scrap and waste. As discussed earlier, in total, Iran possesses about 228 kg of near 20 percent LEU (uranium mass). Extrapolating to the end of June 2015, which is the end of the second extension under the JPA and the target date for a comprehensive agreement, Iran is estimated to have about 43 kg remaining in near 20 percent LEU oxide powder and about 130–134 kg in scrap, in waste, and in-process (all uranium masses). Only about 50 to 54 kg of this LEU are expected to be in Tehran Research Reactor (TRR) fuel, or only about 22–23 percent of the total near 20 percent LEU. This extrapolation assumes that Iran will fulfill its commitments under the second extension to use all 35 kg of LEU oxide to make fuel. If it does not, then the estimate of oxide powder will be slightly greater and the amounts in fuel slightly less that projected.

Much of this LEU material is in forms where the LEU could be recovered in a straightforward manner. Iran has stated that it intends to recover near 20 percent LEU from scrap. According to the May 2015 IAEA safeguards report on Iran, "In a letter dated 28 December 2014, Iran informed the Agency [IAEA] of the operational schedule for FPFP [Fuel Plate Fabrication Plant at Esfahan] and indicated its intention to establish process lines for the recovery of uranium from solid and

liquid scrap. In its reply dated 19 January 2015, the Agency requested that Iran provide further clarification. On May 19, 2015, the Agency observed that the process lines had yet to commence operation and that Iran has continued its R&D activities related to the recovery of uranium from solid scrap." It is unknown how much near 20 percent LEU scrap Iran intends to recover. However, Iran moving to institute a scrap recovery capability poses a challenge to the deal, since the recovered LEU and the knowledge and experience gained by operating a scrap recovery operation would potentially allow Iran to speed up breakout.

The Obama administration has been reluctant to discuss publicly the near 20 percent LEU and the media has largely missed this controversy. The April U.S. Fact Sheet does not discuss its fate at all. It does discuss a cap of 300 kg of LEU hexafluoride in Iran but this cap refers to LEU enriched under 3.67 percent and not the near 20 percent LEU.

U.S. officials have stated that the near 20 percent remaining in Iran would need to be mixed with aluminum, a step in making the fuel, or be in TRR fuel elements. Once so mixed, U.S. officials have stated that they remove this near 20 percent from consideration in breakout calculations. However, is this condition justified? The U.S. condition in fact may undermine its claim that the limits on Iran's centrifuge program achieve a 12-month breakout.

The near 20 percent LEU stock, unless largely eliminated or rendered unusable in a breakout, could be an important reserve in reducing the time to produce the first significant quantity of weapon-grade uranium and/or rapidly producing a second significant quantity of weapon-grade uranium (WGU).

The U.S. assessment is apparently that recovery of the near 20 percent LEU from aluminum, its subsequent conversion to uranium hexafluoride, and further enrichment would take so long that this LEU could not contribute significantly to a breakout in 12 months, or at least not to the first significant quantity of weapon-grade uranium. However, recovery of the near 20 percent LEU can be straightforward and the U.S. evaluation requires greater scrutiny. In Iraq's crash program to a nuclear weapon in 1990–1991, it put in place a capability to recover about 33 kilograms (uranium mass) of safeguarded unirradiated and slightly irradiated highly enriched uranium (HEU) from research reactor fuel. Based on Iraqi declarations and IAEA Action Team evaluations, which we possess, Iraq covertly installed the necessary equipment at the Tuwaitha nuclear site in 4 months. It would have needed about a month to test the equipment with dummy fuel and another 5 months to recover the HEU from the fuel. This effort was stopped at the point of testing dummy fuel elements by the Gulf War bombing campaign which started in January 1991. Because of its far greater experience with uranium conversion, Iran is likely able to recover unirradiated near 20 percent LEU at a similar or faster rate from TRR fuel elements than Iraq. If Iran were to break out, it would undoubtedly secretly install and test the recovery equipment prior to breakout. Such activities would be very difficult for the IAEA or intelligence agencies to detect. Thus, the Iraqi experience suggests that Iran could be recovering near 20 percent LEU from LEU/aluminum mixtures, scrap, and fresh TRR fuel soon after starting its breakout and recover tens of kilograms within several months. This recovered LEU could be converted quickly into hexafluoride form in facilities also prepared in secret prior to breakout.

Iran may already be gaining experience in separating LEU from aluminum. In addition to making TRR fuel, Iran notified the IAEA on December 28, 2014, that it would start manufacturing miniature fuel plates for the Molybdenum, Iodine and Xenon Radioisotope Production (MIX) Facility, for the production of Molybdenum 99 in the TRR. As of May 13, 2015, the IAEA confirmed that one fuel plate containing a mixture of U3O8 enriched up to 20 percent uranium 235 and aluminum were at the MIX Facility after transfer from the Fuel Plate Fabrication Plant and was being used for R&D activities for the production of specific isotopes, namely molybdenum 99, xenon 133, and iodine 132. According to the IAEA reports, since July 24, 2014, Iran has used 0.084 kg of near 20 percent uranium oxide for the purpose of producing molybdenum 99. As can be seen, the amounts of LEU used to make targets so far are very small. However, the processing of such targets after irradiation in the TRR can also provide experience in developing a capability to recover the LEU. Although the targets are processed to recover key isotopes, the processing provides experience in separating LEU from the aluminum.

In summary, the amount of Iran's near 20 percent LEU, in any form, should be reduced as much as possible to ensure that breakout periods remain at least 12 months, whether discussing overt or covert routes to a nuclear weapon. It is a mistake to leave large inventories of near 20 percent LEU in Iran in the form of scrap or in-process. The deal should require Iran to remove or blend down to natural uranium most of its near 20 percent LEU outside of TRR fuel. The obvious target is

the expected 43 kg in oxide powder and the 130–134 kg in the form of scrap, waste, and in-process. These amounts total to 173–177 kg and represent roughly three quarters of Iran's stock of near 20 percent LEU. However, this step should be supplemented by irradiating any fresh TRR fuel. One method to do that is to irradiate all the TRR fuel, at least partially, to increase the complication of extracting the LEU from the fuel for use in a breakout.

Effect of 3.5 Percent LEU[9]

Another consideration is that Iran may accumulate additional up to 3.67 percent LEU over the limit of 300 kilograms LEU hexafluoride (equivalent). After the deal is implemented, Iran will produce 3.5 percent LEU each month. How will this material be disposed of so that the limit is not exceeded? Based on past performance, with about 5,000 IR–1 centrifuges enriching at Natanz, Iran will produce about 100 kg of 3.5 percent LEU hexafluoride each month. In order to avoid potential monthly violations of the 300 kg provision, the P5+1 and Iran must agree on what to do with the monthly product; e.g., whether to ship out or dilute to natural uranium the newly produced LEU every month. The accumulation of a few hundred kilograms of 3.5 percent LEU over the limit will lower the breakout times to near or just below 12 month, assuming no availability of near 20 percent LEU. Accumulations of more than 500 kilograms of 3.5 percent LEU hexafluoride start to lower breakout times more significantly, particularly with access to even relatively small amounts of near 20 percent LEU hexafluoride, namely 25–50 kg, or 17–34 kg LEU (uranium mass), which is only about 7–15 percent of Iran's stock of near 20 percent LEU.

The impact of large excess stocks of 3.5 percent LEU and the availability of residual stocks of near 20 percent LEU should also be considered. If Iran accumulates stocks of 3.5 percent LEU hexafluoride above 1,000 kilograms and can access relatively quickly only 50 kilograms of near 20 percent LEU hexafluoride, it could reduce breakout times to less than 6 months.

Effect of Redeployed IR–2m Centrifuges

A major gain in the April 2015 interim agreement is that Iran must dismantle its excess centrifuges and place them in monitored storage. For a time, negotiators considered leaving the centrifuges in place and disconnecting their piping. The latter option had the disadvantage of allowing a relatively rapid reinstallation of centrifuges, if Iran decided to breakout, with the result that it could lower breakout times below 12 months. Fortunately, this option was dropped.

However, in the former, better option, reinstallation also needs to be evaluated. Beyond the general provision, few details are available about this dismantlement and storage arrangement. A question is whether Iran could redeploy a significant number of these centrifuges within several months of deciding to breakout. Armed with thousands more IR–1 centrifuges, or 1,000 of the more powerful IR–2m centrifuges, Iran could lower breakout times well below 12 months. It is important for Congress to obtain answers to the following questions: Where will the dismantled IR–2m centrifuges be stored and under what conditions? How quickly does the administration assess that these IR–2m centrifuges could be brought back into operation at the Fuel Enrichment Plant or elsewhere? What is the basis for such an estimate? What would be the effect on the breakout timeline of the successful reestablishment of the 1,000 IR–2m centrifuges at Natanz or elsewhere during the first 6 months of a breakout? Without answers to these questions, the information is not sufficient to allow us to analyze the possibility of significantly lowering breakout timelines via reinstallation of excess centrifuges, particularly IR–2m centrifuges. In evaluating a final deal, this issue needs to be carefully scrutinized.

Breakout Estimates in Years 10–13 and afterward

There is little information in the Fact Sheet or elsewhere about the numbers and types of centrifuges the agreement allows Iran to install in from years 10 through 13. Based on discussions with negotiators, these values will be controlled by limitations on the numbers and types of centrifuges and on the separative work output. According to one negotiator, the goal is to allow a buildup in Iran's centrifuge capability that will reach an agreed breakout time of 6 months in year 13. The centrifuge arrangements from years 10 through 13 are said to be complex, particularly since Iran will undoubtedly want to deploy advanced centrifuges and will unlikely want to deploy IR–1 centrifuges. A shift to deployment of advanced centrifuges complicates the analysis because so little is known about their capabilities and performance. There is scant independent information about Iran's advanced centrifuges, such as the type of information about IR–1 centrifuges available from the IAEA. In any case, information about these centrifuge arrangements in years 10 through 13 is unavailable at this time. Breakout evaluations must await this information, although they may be far more uncertain than ones involving IR–1 centrifuges.

The Fact Sheet mentions very few restrictions past year 13 of any deal. An important question is what will Iran's breakout time be at year 14 and 15 and afterward? There appears to be no limitations that would prevent Iran from reducing its breakout time significantly after year 13 of a deal. In fact, Iran could quickly develop breakout timelines in years 14 and 15 that would be measured in less than a few weeks.

(7) WHAT CHALLENGES DO YOU FORESEE IN VERIFYING IRANIAN COMPLIANCE WITH A PROSPECTIVE AGREEMENT?

Verifying Iran's compliance with an agreement could be straightforward, but history suggests that it will not. Several challenges that could be faced include:

- Ensuring that sneak out to produce weapon-grade fissile material is detectable quickly;
- Iran's historically poor track record on adherence to its safeguards agreement and ongoing noncooperation with the IAEA could reoccur during the deal, complicating verification and the determination of either compliance or violations;
- Coping with incremental cheating on the provisions of the deal, in particular getting Iran to backtrack or stop such cheating;
- Guaranteeing that Iran's stock of LEU goes down to 300 kg and stays there. There are many potential problems. Equipment problems, whether real or faked, could delay blend down operations. Iran could delay shipments overseas because it cannot find buyers willing to pay Iran's price or use the LEU to make fuel;
- Reducing Iran's stock of unirradiated near 20 percent LEU. In addition to the breakout concerns discussed earlier, if this LEU stock is not reduced significantly in size, it may be difficult to prevent Iran from recovering near 20 percent LEU from scrap for use in the Tehran Research Reactor. Iran may argue that it does not have enough fuel to operate the reactor. Moreover, if stopped from recovering this LEU from scrap, Iran may press to enrich new near 20 percent LEU to fuel the TRR. To head off this potential development, the agreement should commit and facilitate Iran buying near 20 percent fuel from abroad;
- Assuring a P5+1/Iran dispute resolution or violation resolution mechanism functions quickly and adequately to address problems. The P5+1/Iran mechanism may clash with the IAEA's dispute resolution method, which typically involves taking problems or noncompliance to the Board of Governors. Iran may seek to exploit these differing dispute resolution methods to its advantage;
- Ensuring prompt IAEA access to suspicious sites without undue delays, assuming that the Iran will commit to IAEA access of all sites;
- Iran seeking to weaken or reverse agreed upon transparency arrangements;
- Ensuring that Iran is abiding by the rules of the procurement channel. Moreover, it may be difficult to persuade other states, such as China, to implement and enforce these rules;
- Detecting and thwarting any unauthorized imports for a covert Iranian nuclear program or to accumulate goods for use in surging centrifuge production once the deal's provisions end or Iran decides to walk away from the deal;
- Convincing other countries to enforce new or ongoing controls and sanctions aimed at preventing Iran from making unauthorized imports of goods;
- Unauthorized research and development, and experimentation at declared or undeclared sites;
- Iranian military constituencies, or even civilian ones, not treating the obligations in the deal as seriously as the Atomic Energy Organization of Iran. These Iranian constituencies or entities may not view the consequences the same way, and they may be more willing to violate aspects of the deal in pursuit of their own aims. This problem may arise in particular with regard to the procurement channel but it could also occur if a military entity seeks to undertake work useful for the development of nuclear weapons;
- Maintaining implementation and verification of a deal as a major U.S. priority; and
- Guarding against downplaying future violations of a long term deal for the sake of generating or maintaining political support for the deal.

Notes

[1] Albright et al., "P5+1/Iran Framework: Needs Strengthening," ISIS Report, April 11, 2015.

[2] Iran may be reconsidering the option of sending LEU to Russia for fabrication into fuel for subsequent return to Iran for use in the Bushehr nuclear power reactor.

[3] David Albright and Serena Kelleher-Vergantini, "The U.S. Fact Sheet's Missing Part: Iran's Near 20 Percent LEU, (Updated June 5, 2015 with new IAEA data)," ISIS Report, June 5, 2015.
[4] See for example, Albright, Paul Brannan, and Andrea Stricker, "The Physics Research Center and Iran's Parallel Military Nuclear Program," ISIS Report, February 23, 2012.
[5] U.S. State Department, "Additional Sanctions Imposed by the Department of State Targeting Iranian Proliferators." Media Note, Office of the Spokesperson, Washington, DC, August 29, 2014. The State Department note states: "SPND was established in February 2011 by the UN-sanctioned individual Mohsen Fakhrizadeh, who for many years has managed activities useful in the development of a nuclear explosive device. Fakhrizadeh led such efforts in the late 1990s or early 2000s, under the auspices of the AMAD Plan, the MODAFL subsidiary Section for Advanced Development Applications and Technologies (SADAT) and Malek Ashtar University of Technology (MUT). In February 2011, Fakhrizadeh left MUT to establish SPND. Fakhrizadeh was designated in UNSCR 1747 (2007) and by the United States in July 2008 for his involvement in Iran's proscribed WMD activities. SPND took over some of the activities related to Iran's undeclared nuclear program that had previously been carried out by Iran's Physics Research Center, the AMAD Plan, MUT, and SADAT."
[6] Personal communication with Olli Heinonen.
[7] More recent ISIS calculations that assume a more efficient average arrangement of the cascades lower our previous estimates somewhat compared to earlier ones. This reflects a view that Iran may keep under a deal its cascades that are the more efficient ones.
[8] For additional detail and sources see David Albright and Serena Kelleher-Vergantini, "The U.S. Fact Sheet's Missing Part: Iran's Near 20 Percent LEU, (Updated June 5, 2015 with new IAEA data)," ISIS Report, June 5, 2015.
[9] For additional detail and sources see: Albright and Kelleher Vergantini, "Iran's Stock of Less than Five Percent Low Enriched Uranium, June 2015 Update" ISIS Report, June 2, 2015.

The CHAIRMAN. Thank you very much.
Ray.

STATEMENT OF DR. RAY TAKEYH, SENIOR FELLOW FOR MIDDLE EASTERN STUDIES, COUNCIL ON FOREIGN RELATIONS, WASHINGTON, DC

Dr. TAKEYH. Thank you, Chairman Corker, for inviting me back to the committee, and I come to you not just as a witness, but as a constituent of Senator Cardin, a longtime constituent.

I would say that since the beginning of serious negotiations in 2013, Iran's basic redlines have remained fairly consistent. Upon inauguration of President Hassan Rouhani, Supreme Leader Ali Khamenei laid out his parameters for an acceptable deal. Those parameters were that Iran has the right to enrich; that enrichment right has to be acknowledged and, at some point, industrialized; that research and development would continue in advanced technologies; and no facility will shutter.

In recent weeks, Ali Khamenei has added to these conditions by claiming that inspectors will have no right to have access to military facilities and scientists, and he has disputed the already short duration of the agreement of 10 years.

The American position has undergone an impressive set of transitions. In December 2013, President Obama insisted, "In terms of specifics, we know they do not need to have an underground fortified facility like Fordow in order to have a peaceful nuclear weapons program. They, certainly, do not need to have a heavy water reactor in Iraq in order to have a peaceful nuclear program. They do not need to have some advanced centrifuges that they currently possess in order to have a limited, peaceful nuclear program."

A careful reading of the Joint Plan of Action and the Lausanne framework reveals that none of these expectations have come to fruition. The underground Fordow facility will remain open and house 1,000 centrifuges. The Arak heavy water plant is to remain open, but will presumably undergo modifications whereby it produces less fuel. A vast portion of Iran's enrichment infrastructure will not be dismantled. Iran's expanding fleet of ballistic missiles,

for which there is no function other than delivering a nuclear payload, will remain unaddressed. The issue of Iran's military experimentation with nuclear technology is unlikely to be resolved. The sanctions architecture will be attenuated, and snapping back is problematic.

Thus far in the negotiating process, Iran has carefully advanced its objectives and sustained its mandates. Conversely, the United States has made a series of concessions that make the possibility of a good deal difficult at this point to envision. The question is what constitutes a good deal, and I will outline some brief parameters.

Number one, I think we should restore the original principles of negotiations prior to 2014. The notion of national need should replace the 1-year breakout period.

Prior to 2014, the basic U.S. position and the 5+1 position was that Iran's national needs should constitute the scope of its atomic infrastructure. In simplest terms, uranium is enriched to make fuel rods that then power reactors.

Given the fact that Iran has no reliable capacity to make fuel rods or construct reactors, it was decided that they should have a modest enrichment program of a few hundred centrifuges. Such a program would offer Iran a face-saving measure of suggesting it is enriching uranium, but it would not necessarily be misused for military purposes.

This sensible precaution was abandoned and replaced by the notion of a 1-year breakout, which is not static. President Obama has said in his NPR interview that by year 13, the breakout period will be zero. A zero breakout period is undetected weapon capability.

Instead of a sunset clause, we should go back again to the pre-2014 position, namely that Iran cannot become a member of the NPT community in good standing unless it satisfies the international community that its program is strictly for peaceful purposes. This means certification by the IAEA and a vote at the Security Council, whereby the United States has the veto power. Thus, we would determine when Iran advances and expands its program and not some arbitrary time clock.

Possible military dimensions have already been discussed. It should be resolved as a prelude to a final agreement. This issue deals with important topics such as undeclared procurement activities and work on triggering devices. These issues are indispensable for understanding the full scope of Iran's military experimentation with its nuclear program technologies.

Anytime, anywhere inspection must be implemented. The Islamic Republic tends to view international law as a conspiracy and all evidence marshaled against it by the IAEA as manufactured and fraudulent. The regime's distain for global norms and views itself is unbound by legal strictures. The only possible means of ensuring compliance with such a regime is to grant inspectors unfettered access to all sites and scientists. Any agreement that falls short of that inspection modality will not be able to deal with a country with such a sordid history of concealment and deception.

Iran's ballistic missiles, which are an important aspect of a nuclear weapons program, have to be part of an agreement. It was the Obama administration itself that insisted on inclusion of bal-

listic missiles. A U.N. Security Council Resolution 1929 that passed in June 2010 is a redline that the administration has itself drawn, and it should not be allowed to abandon yet another one of its own prohibitions.

Finally, I will say the success of any agreement hinges on whether it can permanently and reliably arrest momentum toward proliferation of dangerous technologies. At this point, there is no indication that the contemplated deal would achieve these objectives.

Thank you.

[The prepared statement of Dr. Takeyh follows:]

PREPARED STATEMENT OF RAY TAKEYH

In the near future, the Obama administration is likely to transact a deficient nuclear agreement with Iran. The parameters of the accord that have already been publicized should give all cause for concern. The agreement is permissive in terms of the technologies that it allows. The sunset clause ensures that after a passage of time Iran can build an industrial-sized nuclear infrastructure. Its much-touted inspection regime relies on the leaky confines of the Nuclear Non-Proliferation Treaty (NPT). During the process of negotiations, Iran has cleverly sustained its essential redlines while the United States has systematically abandoned the sensible prohibitions that have long guided its policy toward this important security challenge.

EVOLVING POSITIONS

Iran's nuclear position and its basic redlines have remained fairly consistent. Upon the inauguration of President Hassan Rouhani and the advent of serious negotiations between the United States and Iran, Supreme Leader Ali Khamenei outlined his parameters for an acceptable deal. Khamenei insisted that Iran's right to enrich had to be acknowledged and that its enrichment capacity had to be industrialized. "The issue of research and development should definitely receive attention," stressed the Supreme Leader. Nor was Khamenei prepared to close any facilities as he insisted on "preserving organizations and sites that the enemy cannot destroy." In essence, Iran's position was that it will enrich uranium at an industrial scale, it will continued to develop cutting edge nuclear technologies, and that none of its installations would shutter.

The American position has undergone a remarkable set of transitions. In December 2013, President Barack Obama insisted: "in terms of specifics, we know that they don't need to have an underground, fortified facility like Fordow in order to have a peaceful nuclear program. They certainly don't need a heavy-water reactor in Arak in order to have a peaceful nuclear program. They don't need some of the advanced centrifuges that they currently possess in order to have a limited, peaceful nuclear program."

As late as March 2014, Secretary of State John Kerry similarly stressed, "At Fordow, yes, if it's a secret and it's hidden and it's under a mountain and all of that, it raises questions about why would a peaceful program need that." During his tenure as the White House press secretary, Jay Carney, assured his audience that as "part of a comprehensive solution, we will require that Iran dismantle a significant portion of its nuclear infrastructure related to uranium enrichment."

A careful reading of both the Joint Plan of Action and the Lausanne framework reveal that none of these expectations have come to fruition. The underground Fordow facility will remain open and house a thousand centrifuges. The Arak heavy-water plant is to remain in place, but will presumably undergo modifications whereby it produces less fuel. Moreover, a vast portion of Iran's enrichment infrastructure will not be dismantled. Iran's expanding fleet of ballistic missiles for which there is no purpose other than delivering a nuclear payload will remain unaddressed. The issue of Iran's military experimentation with nuclear technologies is unlikely to be resolved. The sanctions architecture will attenuate and the notion of snapping back sanctions is delusional. The agreement itself is term-limited and once it expires there will be no restrictions on Iran's nuclear program.

In essence, during the negotiating process, Khamenei has carefully advanced his objectives and sustained his mandates. Conversely, the United States has made a series of concessions that make the possibility of reaching a good deal difficult to envision.

PRINCIPLES THAT THE UNITED STATES RELINQUISHED

In the coming weeks, there will be much debate about Iran's enrichment capacity, the nature of the inspection regime and the possibility of restoring America's coercive leverage. The proponents of the deal will insist that all their concessions were born out of pragmatism and that the final deal still imposes meaningful restraints on Iran's nuclear program. They will portray their critics as insisting on unrealizable terms. This debate should not lose sight of the fact that the final agreement contradicts principles that have underwritten long-standing U.S. policy.

National Needs

Since the disclosure of Iran's illicit nuclear plants in 2002, the international community wrestled with the question of what type of civilian nuclear program Iran is entitled to. At that time, the United States contrived the notion of national needs as determining the scope of Iran's atomic infrastructure. In the simplest terms, uranium is enriched to make fuel rods that then power reactors. Given the fact that Iran does not have a reliable capacity to make fuel rods or reactors, it was decided it should have only a modest enrichment program comprised of few hundred centrifuges. Such a program would offer Iran a face-saving claim that it is enriching uranium while ensuring that its small program could not be misused for military purposes.

It is precisely this important principle that the Obama administration abandoned in 2014 for sake of a 1-year breakout timeline. Suddenly, Iran could sustain its vast enrichment capacity so long as its breakout potential was delayed by 1 year. Even this 1-year breakout period is not static and will be impacted by Iran's installment of advanced centrifuges in the latter stages of the impending deal. As President Obama conceded recently, "What is a more relevant fear would be that in year 13, 14, 15, they have advanced centrifuges that enrich uranium fairly rapidly, and at that point the breakout times would have shrunk almost down to zero." It is important to note that a zero-breakout period means that Iran's surge to the bomb would be undetectable.

Trust and Confidence of the International Community

The second principle that was abandoned during the process of negotiations is the point at which Iran can rejoin the NPT community. As a signatory of the NPT Iran does have certain rights and privileges. However, given its history of concealment and fraud, there had to be a balance between its rights and its obligations. The position of the United States was that once Iran convinced the international community that its nuclear program was strictly for peaceful purposes, only then could it expand its capacity. For that to happen, the International Atomic Energy Agency (IAEA) had to certify that it is satisfied with Iran's compliance record and the United Nations Security Council had to vote to allow Iran to rejoin the NPT community. This was indeed a high bar.

Once more, the Obama administration jettisoned this sensible precaution for the sake of a sunset clause. Under the impending agreement, after the expiration of the sunset clause Iran has the right to build up its nuclear program to whatever size it wishes. In essence, Iran can become like Japan, a nation whose massive nuclear program puts it inches away from a bomb. As a peaceful, democratic state, Japan can be trusted with such a capability. As a dangerous, revisionist regime, the Islamic Republic cannot be offered such forbearance.

Since the advent of nuclear arms in the late 1940s, the policy of the United States—both Republican and Democratic administrations—has been to restrict the expansion of sensitive nuclear technologies, such as reprocessing plutonium and enriching uranium. The United States has worked aggressively to stop allies such as South Korea and Taiwan from obtaining such capabilities. At times, Washington had to strain its alliances in order to sustain its proliferation principles. One alliance that was damaged as the result of nuclear ambitions was America's ties to the Shah of Iran.

It is the standard Islamic Republic talking point that the United States looked the other way and indeed assisted the Shah as he sought to develop a nuclear weapons capability. This nonsensical claim has been accepted as a truism by many U.S. policymakers and analysts. The historical record belies such claims. Successive U.S. administrations rejected the Shah's quest for completion of the fuel cycle and refused to given him access to sensitive nuclear technologies. The United States insisted that Shah forgo the capacity to either enrich uranium or reprocess plutonium. And these demands were made of a regime that was a reliable U.S. ally. The Obama administration has conceded to an adversarial theocracy bend on upending the regional order what previous U.S. administrations refused to grant to a strategic ally.

WHAT KIND OF ISLAMIC REPUBLIC EMERGES AFTER THE AGREEMENT EXPIRE?

The credibility of any nuclear agreement between the United States and Iran depends on the type of Islamic Republic that emerges after the sunset clause expires. Those favoring the accord hint that a more benign Iran is inevitable as temptations of commerce and benefits of global integration will empower pragmatic elite inclined to set aside the pursuit of the bomb. As with other hopes of Iranian moderation, the latest plea is likely to evaporate in the paradoxes of clerical politics. The most likely outcome of the deal is not just a more hawkish theocracy but one in command of an industrial-size nuclear infrastructure.

Supreme Leader Khamenei's natural affinities are with the reactionary elements of his regime. As he contemplates his own succession, he will need to safeguard not just his republic but also its revolutionary values. For Khamenei and his cohort, the Islamic Republic is the custodian of a mandate from heaven and its task remains to press on with its Islamist mission. This, after all, is a revolution without borders. Khamenei is not interested in a prosperous state that has forfeited its ideological claims and takes its place in a region at ease with American power. He appreciates that the best way of ensuring the revolution is to entrust the state to his loyal disciples.

In the aftermath of the fraudulent Presidential election of 2009, the Islamic Republic teetered on collapse. The system was suddenly faced with not just popular disaffection, but also elite fragmentation. In the meantime, Iran's nuclear truculence was resulting in debilitating sanctions and a severe economic crisis. As an astute student of history, Khamenei has carefully assessed the collapse of Soviet satraps in Eastern Europe and how prolonged financial stress undermined the foundations of those republics. The fortification of the regime required an arms control agreement, but one that preserved its nuclear apparatus while abrogating all essential sanctions. Khamenei is insistent on his redlines, stressing the need for an "instant annulment of sanctions." And as far as intrusive monitoring is concerned, the supreme leader is similarly dismissive, "One must absolutely not allow infiltration of the security and defense realm of the state under the pretext of inspections."

For now the moderates such as President Hassan Rouhani and his aides serve Khamenei's purpose. They are the attractive face of the Islamic Republic, seemingly pragmatic and always reasonable. They are in power to transact an arms control agreement and their utility will diminish, if not disappear, once the accord is reached. The cagey supreme leader must have known that his hardliners were unsuitable interlocutors for Western powers looking to come to terms with sensible Iranians. The concessions granted to Rouhani by the West would be unthinkable to reactionaries such as the former lead negotiator, Saeed Jalili. After an agreement is reached, however, Khamenei will need the help of the hardliners to protect his republic. Far from ushering the age of moderation, an agreement is likely to presage a sharp right-wing shift in Iran's domestic politics.

Once the sunset clause expires and Iran gets to the edges of nuclear arms, will its hawkish rulers choose to restrain their atomic appetite? The lessons of North Korea are indeed instructive. It is beyond doubt that the possession of nuclear arms has contributed to the prolongation of the Kim dynasty. Every time a dear leader dies, the entire international community hopes for a smooth transition to another dear leader for sake of maintaining central control of North Korea's nuclear arsenal. The deliveries of fuel and food, which are the lifeblood of the hermitic republic, persist in the hope of ensuring stability.

Iran can count on similar forbearance even if it just limited itself to becoming a threshold nuclear state. The great powers are as likely to be concerned about its longevity and the disposition of its nuclear network as they are about North Korea's. Any democratic opposition will likely be greeted with caution if not indifference. The Islamic Republic will become too dangerous to fail.

PARAMETERS OF AN ACCEPTABLE AGREEMENT

As the negotiations unfold, it is important to insist on a number of points to assure that the agreement will be an advantageous one for the United States and the international community:

1. Restore the original principles that have long guided U.S. policy. This means that the scope of Iran's program has to be defined by national needs and that the sunset clause has to be replaced with the notion of Iran satisfying the international community that its program is strictly for peaceful purposes before it becomes a member of the NPT in good standing.

2. The Possible Military Dimensions (PMD) of the program must be categorically resolved as a prelude to a final agreement. This issue deals with important topics such as undeclared procurement activities and work on triggering devices. These

issues are indispensable for understanding the full scope of Iran's military experimentation with nuclear technologies.

3. "Anywhere, Anytime" inspections must be implemented. The Islamic Republic tends to view international law as a conspiracy and all the evidence marshalled against it by the IAEA as manufactured and fraudulent. It is a regime that disdains global norms and views itself as unbound by legal strictures. The only plausible means of ensuring compliance with such a regime is to grant inspectors unfettered access to all sites and scientists. Any agreement that falls short of such inspection modality will not be able to deal with a country with such a sordid history of concealment and deception.

4. Iran's ballistic missiles, which are an important aspect of its nuclear weapons program, have to be part of the agreement. As mentioned, these missiles have no function other than delivery of a nuclear payload. It was the Obama administration itself that insisted on the inclusion of ballistic missiles in the U.N. Security Council Resolution 1929 that it crafted in June 2010. It is the redline that the administration itself drew and it should not be allowed to abandon yet another one its own prohibitions.

The success of any arms control agreement hinges on whether it can permanently arrest the momentum toward proliferation of dangerous technologies. It may also be hoped that such an accord will inject a measure of responsibility in impetuous leaders and perhaps empower those prone to accede to international mandates. There is no indication that the contemplated deal with Iran will achieve any of these objectives. The impending agreement, whose duration is time-limited and sets the stage for the industrialization of Iran's enrichment capacity, places Tehran inches away from the bomb. Paradoxically such a state may yet be governed by hardline actors nursing their own hegemonic regional designs.

The CHAIRMAN. Thank you.

Jim.

STATEMENT OF DR. JIM WALSH, RESEARCH ASSOCIATE, SECURITIES STUDIES PROGRAM, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, CAMBRIDGE, MA

Dr. WALSH. Mr. Chairman, Mr. Ranking Member, members of the committee, it is an honor to be with you today and to be sitting next to these accomplished gentlemen and friends to discuss a possible Iran agreement.

Absent congressional leadership, we would not be where we are today in the negotiation. And absent congressional leadership in the future, we will not be where we need to be.

Let me begin with the obvious. We do not have a final agreement, so I cannot really judge that. And as negotiators often say, nothing is agreed until everything is agreed. But I am prepared to keep an open mind.

Now, there has been all sorts of speculation about potential problems, but I think we should wait until we actually have the agreement to judge that. And I think it is worth remembering that at every junction so far, American negotiators have beat expectations.

The Joint Plan of Action I think was stronger than people anticipated. It got our number one nonproliferation concern at the time, which was 20 percent enriched uranium, plus expanded verification that many did not expect.

The framework announced in April, people thought that was going to be a vague piece of paper, one paragraph, two paragraphs. It turned out to be much more detailed and have many more provisions than people expected. And even critics and skeptics of the process had to admit that that was a pretty impressive result.

My summary judgment is that inspections, PMDs, and breakout are all issues that policymakers will want to consider carefully. I judge that the risk posed by these challenges are real but manage-

able and not in excess of what similar agreements have been successfully able to navigate.

I also judge that an agreement is likely to bolster nonproliferation, the cause of nonproliferation, both in the region and globally.

I will briefly touch on a few of these points.

Let me begin with criteria for evaluating the future agreement. First, a bit of context.

As contemporary scholars of nuclear studies have repeatedly pointed out, the historical record of nonproliferation is a surprising story of success. Dark predictions of nuclear spread did not come true. We do not live in a world of dozens of nuclear weapons, as had been predicted. In fact, the rate and pace of proliferation has steadily declined since the 1960s, with fewer and fewer countries joining the nuclear weapons club in each ensuing decade.

Of course, not all of the news is good—North Korea, A.Q. Khan. But the unambiguous evidence to date suggests that it is possible to prevent and reverse proliferation.

The data also suggests that negotiated agreements are a powerful tool for achieving nonproliferation objectives. In my written testimony, I outline several criteria policymakers might use to evaluate an agreement. Let me touch on a few.

Is an agreement sustainable? Using broad, simple measures, how does an agreement compare with the status quo? For example, under the JPOA, Secretary Amano indicated that inspections in Iran would double. How does the agreement compare with other successful and unsuccessful nuclear agreements? How does the agreement compare with other alternatives for dealing with Iran's nuclear program?

And finally, assessment should avoid making the perfect the enemy of the good. In public policy, there are always risks, risks from action, risks from inaction. If perfect were the standard, we would have no NPT, we would have no arms control agreements with the Soviet Union, we would have no nuclear deal with Libya, all of which have advanced American national security. As we have seen, good enough can produce great results.

Now, as to the challenge of verification, it makes sense to step back and put it in some historical context. Verification has grown progressively stronger over time. This is true legally and institutionally, and also with respect to the science and technologies available for verification. I think the current conditions are favorable for a verification regime. I could go into that in some detail.

But remember, Iran is the most watched country in the world, a fact unlikely to change anytime soon. Many, including Iranian opposition groups, will be looking under every haystack for the first signs of noncompliance on possible military dimensions. On possible military dimensions, let me be clear, no comprehensive agreement with Iran is possible without resolving these concerns.

Let me go on to say that perfect knowledge is both unlikely and unnecessary. I have personally studied the nuclear weapon efforts of more than a dozen countries, and no one ever knows everything, especially about a program that is years old.

The objective should be sufficient information about Iran's past activities such that an agreement can be effectively verified. The

P5+1 does not need to know everything before it can do anything, and the truth is we know a great deal about Iran's program.

As regards proliferation impacts, an agreement that prevents Iran from acquiring weapons will represent a significant win for the nonproliferation regime. A successful agreement sends the message that violating the NPT carries significant cost. But if a country abandons its nuclear ambitions, it can avoid those costs.

It also appears an agreement will break new ground with respect to safeguards and verification. Now some analysts have expressed concern that a residual enrichment capability will cause proliferation. I do not think that is true.

First, in 70 years of nuclear history, there is not a single case of proliferation caused by safeguarded enrichment programs. If limited enrichment infrastructure was viewed as a great proliferation tripping threat, then why have countries in the region done nothing for 10 years? Iran has had centrifuges since 2003. And frankly, the set of countries discussed—Saudi Arabia, Turkey, and Egypt, particularly Egypt, which I have spent years, decades studying—appear far from a weapons option.

In conclusion, I cannot render a final judgment until seeing the provisions of an agreement. But if an agreement is concluded along the lines of the framework described in April, this may well constitute one of the strongest multilateral nonproliferation agreements ever negotiated.

It is a great honor to be before this august body. If I can be of service in the future, I stand ready to do so.

Thank you very much.

[The prepared statement of Dr. Walsh follows:]

PREPARED STATEMENT OF DR. JIM WALSH

Mr. Chairman, Mr. Ranking Member, and members of the committee, it is an honor to be with you today to discuss a possible Iran nuclear agreement.[1] I sit here with this distinguished panel, whose members I have known for many years, and whose work I have admired. I want to personally thank you for your efforts to address the Iranian nuclear issue. I can say with confidence that sustained congressional leadership is a key reason why we have a negotiation in the first place, and why we may yet have a long-term agreement on Iran's program. Absent congressional leadership, we would not be here today, and absent congressional leadership in the future we will not be where we need to be.

I come to this topic as a scholar of nuclear weapons decisionmaking and someone who has provided assessments to Republican and Democratic Presidents, as well as to Republican and Democratic Members of Congress, as they have wrestled with proliferation challenges. As regards Iran in particular, I have studied and written about its nuclear program for more than 15 years. I have been to Iran many times and have spent hundreds of hours in meetings with Iranian officials, including three Iranian Presidents, discussing nuclear and regional issues. Much of my work has been with a group of colleagues associated with the Iran Project, and over the years we have produced a number of reports that have been signed by more than 40 of America's most senior, retired military, diplomatic, and national security officials, including Gen. Anthony Zinni, Brent Scowcroft, Michael Hayden, and Tom Pickering.[2] Of course, my comments today are mine alone.

In my testimony, I want to directly address the set of questions you have put to me. My answers are organized around four topics:

(1) The appropriate criteria for evaluating a future agreement;

(2) The minimum requirements that any agreement should meet;

(3) The challenge of verification, including inspections, Possible Military Dimensions (PMDs) issues, and breakout time; and

(4) The impact of an agreement on nonproliferation in the region, and more generally.

My summary judgment is inspections, PMDs, and breakout are all issues that policymakers will want to carefully consider. For the reasons described below, I judge that the risks posed by these challenges are real but manageable and not in excess of what similar agreements with similar kinds of countries have been able to successfully navigate. I also judge that an agreement is likely to bolster the cause of nonproliferation, both in the region and globally.

I. CRITERIA FOR EVALUATING A FUTURE NUCLEAR AGREEMENT WITH IRAN

Selecting the appropriate criteria for assessing an agreement requires that one step back and be clear about the intended objective and the context in which an agreement will operate, both as it relates to Iran in particular and to nonproliferation more generally.

I.1. Objective

The simplest and most sensible objective is to prevent Iran from acquiring nuclear weapons, whether by indigenous manufacture or via the transfer of material and equipment from third parties. This includes both uranium- and plutonium-based nuclear weapons.

I.2. Context

Assessment is more than simply listing the things that could go wrong or right with an agreement. In theory, lots of things can happen, but in practice few of those possibilities come true. Experience and data enable analysts to distinguish between what is more likely and what is unlikely. This, in turn, makes it possible for policymakers to weigh costs, benefits, and tradeoffs.

In this case, the context is defined, in part, by Iran's past and present nuclear behavior. The most authoritative guides to Iran's nuclear program are the International Atomic Energy Agency (IAEA) reports and the Director of National Intelligence's (DNI) testimony and statements. According to the DNI, Iran had a structured nuclear weapons program that began in the late 1990s and was halted in 2003. In 2012, the DNI reported that: "Iran has the . . . capacity to eventually produce nuclear weapons, making the central issue its political will to do so. . . . We assess Iran is keeping open the option to develop nuclear weapons, . . . should it choose to do so. We do not know, however, if Iran will eventually decide to build nuclear weapons." [3]

He goes on to say that Iran's nuclear choices will reflect a cost-benefit approach.

Each of these findings has important implications for a nuclear agreement with Iran. The fact that the Islamic Republic once had an illicit nuclear program reinforces the possibility that it might again consider that option and underlines the importance of verification.

The fact that Iran possesses a basic nuclear capability, and that political will, not technical capacity, will determine the nuclear endgame suggests that any agreement will need buy-in from Iran, if it is to be successful. Iran knows how to build a centrifuge, and neither sanctions nor military strikes can change that. In the long-term, the best way to insure than Iran does not acquire nuclear weapons is for Iran to embrace its nonnuclear posture.

Perhaps most importantly, the DNI has assessed that Iran has not yet made a decision to pursue nuclear weapons and may or may not make such a decision in the future. This would imply that the moment is ripe for an agreement that would lock Iran into a political decision and a policy path that takes it down a nonnuclear road.

Selecting appropriate criteria for assessment should also be informed by the broader nonproliferation context. Iran is not the first country to violate its NPT obligations. It is not the first country to have an enrichment program. It will not be the first country to enter into a nuclear agreement, if there is one. The United States and the IAEA have decades of experience with preventing and reversing proliferation. That experience can help policymakers make informed determinations of risk.

As contemporary scholars of nuclear studies have repeatedly pointed out, the historical record for nonproliferation is a surprising story of success.[4] Dark predictions of nuclear spread did not come true; we do not live in a world of dozens of nuclear weapons states. In fact, the rate or pace of proliferation has steadily declined since the 1960s, with fewer and fewer countries joining the nuclear weapons club each decade. The pool of potential proliferators is the smallest it has ever been, and since the end of the cold war, more countries have given up their weapons assets than joined the nuclear club. In short, nonproliferation is one of America's greatest policy successes. Congress can take a major share of credit for that outcome, from the

efforts of Senator McMahon and later Senator Pastore and on through the work of this committee today.

Of course, not all the news is good. North Korea and the A.Q Kahn network are reminders that there is still difficult work to be done, and that success requires continued effort. The unambiguous evidence to date suggests, however, that it is possible to prevent and even reverse proliferation.[5]

The data also suggests that negotiated agreements are a powerful tool for achieving nonproliferation objectives.[6] There is scholarly debate about the causes of America's nonproliferation success, and one should assume that a variety of factors contribute, but my own research suggests that, contrary to my expectations, nonproliferation agreements can have a profound effect. From the Nuclear Nonproliferation Treaty to the Libya nuclear agreement, negotiated agreements are among the most important tools governments have for preventing and reversing proliferation.

In summary, the selection of appropriate criteria for an agreement should be informed by Iran's past cheating, the fact that Iran already possesses a basic nuclear capability, the opportunity presented by the absence of an Iranian decision to pursue nuclear weapons, and the success of past nonproliferation efforts.

I.3. Evaluation Criteria

Given the objective, what we know about Iran in particular, and what we know about the track record of nonproliferation agreements in general, it is possible to outline several criteria that policymakers can use to evaluate a nuclear agreement with Iran.

These criteria take the form of both questions and principles.

A. Does an agreement substantially advance the objective of preventing Iran from acquiring a nuclear weapon?

This is the most important criterion, though others are also important. No agreement can be perfect, and there is no such thing as zero risk, but agreements can dramatically reduce the risks of proliferation.

B. Is the agreement sustainable?

It is not enough to simply get an agreement. If a good agreement immediately falls apart, it is a bad agreement. Sustainability requires that all sides follow through on their commitments. It means minimizing the reasons why an agreement might fail (e.g., cheating) and maximizing the reasons an agreement will succeed (e.g., all parties see timely benefits). Most of the discussion so far has focused on minimizing the causes for failure, and indeed even more narrowly on breakout. But there are many ways agreements can fail (failure to launch, disagreements over the meaning of terms, etc.), and prudent policymakers should be attentive to all of them.

What has been completely ignored is the other half of the equation: maximizing causes for success. Coercion and threats alone will not be sufficient. If Iran or the other parties feel that they are not getting anything out of the agreement, it will collapse. There has to be buy-in. It is again worth noting the DNI's assessment. Whether Iran acquires a nuclear weapon or not depends, not on technical issues, but on its political will to do so. It has not yet decided to go for the bomb, so this agreement provides a chance to put Iran on a path, where it never makes that political decision. For that to work, the agreement must produce benefits for Iran. It is these benefits that will create new political incentives, new political winners and losers within Iran, and a consolidation of its nonnuclear status.

C. Using simple, broad measures, how does an agreement compare to the status quo?

One quick and dirty way to get a general picture of an agreement is to ask how an agreement compares with the period before the agreement. The metric most commonly invoked in this regard has been breakout time, but there are other important measures as well. A simple one is the number of IAEA inspectors/inspections/inspection hours deployed to Iran. Secretary Amano suggested after the JPOA that the IAEA would have to double the number of inspectors in Iran. A comprehensive agreement could require that IAEA again increase the number of inspectors to support an enhanced level of verification. A third metric is the relative transparency achieved by the verification measures. Does the agreement expand the number of sites and activities subject to inspection, the amount of data being gathered for verification, the kinds of data being collected for verification, and/or the degree to which different kinds of information are combined for the purpose of verification?

D. How does the agreement compare with other successful (and unsuccessful) nuclear agreements?

Are its provisions stronger or weaker than previous agreements? What provisions does an agreement have that are different from previous agreements? Are there elements of past agreements that are missing from this agreement?

E. How does an agreement compare to the other alternatives for dealing with Iran's nuclear program?

The basic alternatives include doing nothing, imposing new sanctions, use of military force, and walking away from the negotiations with the hope that Iran will return to the bargaining table to make new concessions. Analysts will debate the merits of these alternatives, but the point is that no agreement can be evaluated by itself, without reference to the costs and benefits of the other courses of action.

F. Avoid myopically focusing on any single number.

The history of nonproliferation and arms control agreements is littered with domestic debates that devolved into fights over a single number. During the cold war, it was often the number of launchers. For the Iran negotiations, it has typically been the number of centrifuges or breakout time. This is not to suggest that launchers, centrifuges, and breakout are unimportant, but they are each one piece of a larger constellation of issues. Myopically focusing on one number rarely tells us anything useful about an agreement. Doing so strips away other important metrics and hides from discussion the important political factors that are more likely to determine the ultimate outcome. Again, as the DNI has said, Iran's nuclear future is essentially a political question, and so ignoring the political variables and instead focusing on a narrow technical issue is likely to yield a flawed evaluation.

G. Adopt a "whole of agreement" approach.

A rigorous evaluation would not only avoid a myopic focus on a single number, it would affirmatively seek to assess the agreement as an interconnected whole. There are good technical reasons for an integrated approach. Virtually every aspect of the agreement is related to other parts of the agreement. Looking at the number of centrifuges is perfectly reasonable, but it does not tell you much unless you also know the type of centrifuges that will be allowed, how the centrifuges will be operated, the final form of enriched material, and so on. Members of Congress should resist the strong and natural temptation to cherry pick or focus on one aspect of the agreement, and considering it apart from the rest of the agreement.

H. Assessment should avoid making perfect the enemy of the good.

There is no such thing as a perfect agreement, free of risk. In public policy there are always risks—risks from action, risks from inaction. But as history has repeatedly demonstrated, an agreement that greatly advances nonproliferation and U.S. national security does not have to be perfect. If perfect were the standard, we would have no NPT, no arms control agreements with the Soviet Union, no nuclear deal with Libya, no Proliferation Security Initiative, and the like—all of which have advanced American national security.

The Nuclear Nonproliferation Treaty, arguably the single most important and effective nonproliferation tool ever devised, has numerous flaws. It has no enforcement clause; it provided for nuclear testing (for peaceful purposes); it did nothing to limit the fuel cycle or nuclear material. Safeguards arrangements in 1970 were a pale, weak cousin to what we have today. Had the NPT been up for consideration today rather than 45 years ago, it might have been rejected for its flaws. And doing so would have been a gigantic error of enormous consequence. The NPT, like all nonproliferation and arms control agreements, was not perfect and did not eliminate all risk, but it was spectacularly successful. It helped prevent the cascade of proliferation that virtually every government and academic analyst had predicted in the years prior to its passage.

In today's discussions on Iran, advocates of perfection are everywhere. Some critics want the nuclear agreement to include important but nevertheless unrelated issues such as terrorism and human rights—a burden that no effective nonproliferation agreement has previously been required to meet.

Others will accept nothing less that the dismantlement of Iran's nuclear program and want to "prevent" Iran from having a nuclear weapons capability. Setting aside the fact that the DNI assesses that Iran already has that capability, and the fact dismantlement is a political impossibility, this approach would be disastrous. Eliminating facilities would not eliminate Iran's knowledge of how to build a centrifuge. Absent facilities to inspect, the IAEA would have no justification for inspections and monitoring. Dismantlement would mean that thousands of nuclear scientists and engineers would suddenly be out of work and thus available to other countries with

nuclear ambitions or for an Iranian clandestine program—one that would then be more difficult to detect as inspections declined.

The dangers of insisting on the "perfect" extend beyond the issue of dismantlement. On verification, PMDs, and other issues some analysts have advocated for nothing less than perfect, zero risk outcomes. Doing so increases the danger that there will be no agreement, and that Iran will be left unconstrained to pursue whatever nuclear ambitions it has or may have in the future.

I.4. Summary

Evaluating an agreement is not about listing all the things that could go wrong (or right) with an agreement. All actions carry risk, including not acting at all. The task for policymakers is to determine which risks are more likely, find ways to minimize those risks, and weigh tradeoffs between risks and actions intended to minimize them. As we have seen with the NPT and other nonproliferation agreements, "good enough" can produce great outcomes.

II. MINIMUM REQUIREMENTS

Any final agreement will take the form of a highly complex, interconnected set of technical and political obligations. As suggested above, requirements in one part of the agreement will likely have implications for other parts of the agreement. And since we do not yet have a final agreement, it is not yet possible to make complete and specific judgments about what an agreement should contain. Still, one can offer some examples as well as some general principles.

It seems to me that any agreement would have to include the following elements: [7]

1. Adherence to what might be called Additional Protocol "Plus," that is, Iran would implement the requirements of the Additional Protocol but for some period of time go beyond the Additional Protocol in terms of the level of transparency provided;
2. Adherence to the revised Code 3.1 of the Subsidiary Arrangements to its safeguards agreement;
3. Changing the design for the Arak reactor;
4. No reprocessing;
5. Limits on the level of enrichment;
6. Limits of the number of centrifuges;
7. Limits on the types of centrifuges that operate;
8. Limits on the size of the material stockpile;
9. Limits on the composition of the material stockpile;
10. Iran must resolve all outstanding issues with the IAEA, and the agency must certify that it is satisfied with the results of its inquiry;
11. Prompt but reciprocally proportioned sanctions relief;
12. A process for the timely investigation of alleged violations; and
13. Provision for the reintroduction of sanctions following a material breach of the agreement by Iran.

III. CHALLENGES TO VERIFICATION

III.1. Verification in Context

Verification will be central to any agreement, and three challenges in particular have received attention: inspections, PMDs, and breakout time.

Before considering each, it makes sense to step back and put verification in a broader historical context.

III.1.A. The United States and the international community have decades of experience with nuclear verification. The prospect of an agreement with Iran is not the first time policymakers have had to address questions about breakout and sneak out. As with all policy instruments, there is no perfection, but past verification instrumentalities—ones not nearly as robust as those available today—have proven in practice to be highly effective tools for nonproliferation.

III.1.B. Verification has grown progressively stronger over time. This is true legally and institutionally, as the mandate for international safeguards and inspections has expanded and become more intrusive over time. (It would be inconceivable to someone at IAEA in 1970 that an inspector could go to military sites.) Progress has also been made operationally. The science and technologies available for verification today are far more powerful than were available in the past. The combination of strong international data collection and advanced national technical means represents a new era in verification.

III.1.C. According to U.S. Government assessments, Iran has no structured nuclear weapons program, has not made the decision to build nuclear weapons, operates no clandestine nuclear facilities, and will now open itself to the most intru-

sive multilateral verification arrangement ever negotiated. Those are favorable conditions for a verification regime.

III.1.D. Verification will be enhanced by the fact that Iran is probably the most watched country in the world—a fact unlikely to change any time soon. The U.S., Russia, France, Britain, Germany, Israel, Saudi Arabia (and the other Gulf States) all have their eyes on Iran. Many, including Iranian opposition groups, will be looking under every haystack and in every corner for the first signs of noncompliance.

III.2. Inspection

Inspection is a critical piece of the verification architecture. It is not the only piece,[8] but any IAEA inspection regime has to provide inspectors with a mandate sufficient to accomplish their mission. That mission or objective is the timely notice of possible noncompliance with the agreement.

Achieving the objective of timely notice does not require that IAEA have instant or all encompassing knowledge of everything that Iran does. Rather it requires the ability to collect information on potential violations such that the United States and the international community can take actions to end and reverse noncompliance, before Iran is able to acquire a nuclear weapon. Meeting that requirement does not require that inspectors take up residence at all of Iran's nuclear facilities. Instead, it requires, as Mark Fitzpatrick of Britain's International Institute for Strategic Studies has suggested, "access where needed, when needed."[9]

One reason the Additional Protocol is a minimum requirement for any agreement is that it already provides the legal authority for the agency to go to any facility about which it has cause for concern. Of course, inspectors cannot simply run around the country visiting any sensitive site they want for no reason. No country would accept that and in any case, it would be counterproductive.

The Additional Protocol, with its concepts of complementary and managed access—together with all the other types of information the agency collects, and augmented by whatever new arrangements are agreed to—will provide the IAEA, the U.S., and the international community with information and insight into Iran's nuclear program at a level never previously achieved.

III.3. Possible Military Dimensions

Unresolved questions about Iran's nuclear weapons program in the late 1990s and early 2000s prevent the IAEA from closing Iran's nuclear file. The core outstanding issues involve Iran's experiments with neutron transport and high explosives. No comprehensive agreement with Iran is possible without Iran resolving these concerns with the agency.

Since November 2013, the agency and Iran have made progress on part of the PMD portfolio and many of the other items in the Framework for Cooperation, the plan of action negotiated between IAEA and Iran. Of the 18 practical measures Iran is obliged to carry out under the Framework, Iran has carried out 16, but the 2 that remain concern PMD and are the most sensitive. The IAEA also invited Iran to propose additional practical measures to address all resulting questions.[10]

My guess is that these will be satisfactorily resolved but not before a comprehensive agreement has been reached in principle. From a bargaining perspective, it does not make sense for Iran to settle these awkward issues absent a comprehensive agreement.

Recently there has been some debate about what is required for the PMD file to be closed. Some have argued that the agency needs to know virtually everything about the past program and talk to all of its personnel in order to establish a "baseline" for verification.

Perfect knowledge is both unlikely and unnecessary. Even if one could interview every Iranian nuclear official or scientist, it is improbable they would be forthcoming. Some of the information that dates back more than a decade may simply be out of date or irrelevant or irretrievable (e.g., having gone to the grave with a particular official). I have personally studied the nuclear weapons efforts of more than a dozen countries, and one never knows everything, especially about programs that occurred years ago.

The objective should be sufficient information about Iran's past nuclear activities, such that an agreement can be effectively verified. More information is almost always preferred, but it is important to distinguish what is necessary from what is useful.

One should also weigh the relative value of any one piece of information with information collected from other sources. Information collected by IAEA, the U.N. Panel of Experts, the U.S. Treasury, national intelligence, and other sources provide a detailed picture of Iran's program, one that has enabled the sanctioning of individ-

uals, government organizations, and private concerns involved in Iran's nuclear program.

The IAEA has considerable experience with these kinds of investigations. Iran is not the first country to have its nuclear program investigated. South Korea, Egypt, and Taiwan have been scrutinized for illicit or undeclared research activities.[11] In South Africa, Ukraine, Kazakhstan, and Belarus, the IAEA had to verify the exclusively peaceful nature of nuclear programs in countries that had once possessed nuclear weapons or inherited weapons assets. In Libya, the international community did the same in circumstances where the country gave up its program voluntarily through negotiation and in Iraq with a country where the process was involuntary. Given the agency's experience and expertise, it is in a strong position to assess what information is required to close Iran's file.

In summary, the P5+1 does not need to know everything before it can do anything, and the truth is that we already know a great deal about Iran's program. The IAEA should be left to its job. If they are unable to close Iran's file, because Iran lacks the political will to take the necessary steps, then there will be no agreement.

III.4. Breakout Time

The issue of breakout time, the time required for a country to produce one bomb's worth of material, has been a central theme in discussions about a nuclear agreement for some time. It is a traditional concern, being an issue requiring consideration for most nonproliferation and arms control agreements, and it makes sense—up to a point—to extend breakout time as far as reasonably possible.

Nevertheless, I do have concerns about the use of the concept in recent discussions. As the members of the executive branch have readily admitted, the definition of breakout time is flawed. It does not include the time needed to take a lump of fissile material and fashion it into a useable, reliable nuclear weapon. The DNI and others in the U.S. Government and in the Israeli atomic and military establishments have suggested that this would require an additional year or more.[12]

It also has to be said that no country in the history of the nuclear age has broken out in order to build one bomb, a notion that does not actually make a lot of sense. Two bombs worth of material would be a little more realistic, though a deeply conservative estimate, and that alone would double the breakout time calculations.

And while every policymaker who evaluates a nonproliferation or arms control agreement should take seriously the possibility of successful breakout, it is worth keeping in mind that it is quite rare, with North Korea being really the only example. That does not mean that one should ignore the risk—far from it. But neither should one exaggerate the risk. Nor should policymakers focus on breakout to the exclusion of other risks to an agreement.

A final concern about the breakout discussion is that it appears to be a game of moving the goalposts. When Prime Minister Netanyahu gave his famous speech at the U.N. General Assembly in 2012, he argued that the redline should be: "Before Iran gets to a point where it's a few months away or a few weeks away from amassing enough enriched uranium to make a nuclear weapon."[13]

Later, when discussing a prospective nuclear agreement, Secretary of State Kerry referred to a 6-month breakout time, significantly beyond the Prime Minister's "few months or weeks." Critics shifted their stance and insisted that nothing less than a year would do. Then, when the framework for a comprehensive agreement was announced in April, and it included 1-year of breakout time, opponents shifted yet again, saying that a year was insufficient. One imagines that if a new comprehensive agreement in announced in the coming weeks, and it promises a year and a half of breakout time, opponents will say that only 2 years will do. And again, none of these estimates include the additional year plus it would take to weaponize the fissile material.

Again, the broader context suggests that the near- and medium-term risks are low. Breakout is exceedingly rare. The DNI has said that even under the standards of the JPOA, "Iran would not be able to divert safeguarded material and produce enough WGU [weapons-grade uranium] for a weapon before such activity would be discovered."[14] And again, the DNI has assessed that Iran has not made the decision to acquire nuclear weapons.

And it is worth underlining again that preventing breakout depends not only on the deterrence that comes from verification and timely notice, but fundamentally and for the long term, from Iran buying in—seeing that the benefits of nuclear abstention are greater than the benefits of nuclear weapons, and locking in that political commitment for decades to come.[15]

III.5. Concerns Going Forward

Inspections, PMDs, and breakout are all verification issues that policymakers will want to carefully consider. For the reasons described above, I judge that the risks posed by these challenges are real but manageable, and not in excess of what similar agreements with similar kinds of countries have been able to successfully navigate.

Nevertheless, I do have two concerns going forward.

First, verification could be more challenging in the out years of the agreement if Iran decides to vastly expand its nuclear infrastructure. It is simply a fact of nuclear life that the bigger the nuclear enterprise the more difficult it is to assure that small amounts of material have not been diverted.

That does not mean, axiomatically, that verification will be insufficient or that Iran will cheat, but it is something policymakers will want to be attentive to. For example, it would be to everyone's interest, particularly Iran's, if Tehran takes its resources and invests them in natural gas production rather than a large nuclear infrastructure. Polices might be pursued that encourages that choice. A future administration should also consider developing and negotiating a follow-on agreement with Iran, one whose verification regime will be best suited to the size of Iran's program some 20 years out.

Second, the IAEA has to have the financial and technical support to carry out its expanded mandate. More inspectors, more inspections, more analysts to follow procurement or open sources, the deployment of new technologies—this all costs money. The director of the IAEA estimated that the JPOA would require the agency to double its number of inspectors. The agency's 2014 costs to its extrabudgetary account increased by a third (⅓) in 1 year just to cover the cost of new verification in Iran. A dollar for an IAEA inspection is a dollar well spent, and the U.S. Congress, keeper of the purse, should take a leadership role in providing IAEA with the resources it needs to not only implement today's safeguards but to develop and deploy advances in safeguards technology and methodology.

IV. AN AGREEMENT'S IMPACT ON GLOBAL AND REGIONAL NONPROLIFERATION

A comprehensive agreement that prevents Iran from acquiring nuclear weapons will represent a significant win for the nonproliferation regime and will have positive nonproliferation effects in the region. The alternative, an Iran with an unconstrained nuclear program, would have a contrary effect, adding unwanted pressure on the nonproliferation regime.

A successful agreement sends the message that violating the NPT carries significant costs, but that if a country abandons its nuclear ambitions, it can avoid those costs. Often analysts focus on the first message (imposing costs) and forget the second, which is a mistake. The history of the nuclear age includes dozens of countries that started down the path to nuclear weapons but that stopped and reversed course. If countries, having decided to purse nuclear weapons, believe that there is no off-ramp or alternative, then they will conclude that they have no choice but to continue down that path toward nuclear weapons.

In addition, it appears that this agreement will break new ground with respect to safeguards and verification. As new precedents, they offer the possibility of more widespread adoption and becoming a standard feature of the nonproliferation regime.

A nuclear agreement might also add modest momentum to international efforts to establish a Weapons of Mass Destruction Free Zone in the Middle East.

Some analysts have expressed the concern that a nuclear agreement that leaves Iran with any centrifuges will spur countries in the region to develop their own enrichment capabilities and following that, nuclear weapons.

This outcome appears unlikely for several reasons.

First, in 70 years of nuclear history, there is not a single case of proliferation caused by a safeguarded enrichment program. There have been 10 nuclear weapons states. Some weapons programs began in response to another country's nuclear weapons program, others not until nuclear tests, but none to a safeguarded enrichment program. Governments tend to be reactive by nature—not proactive—and nuclear weapons are not a small undertaking. Nonnuclear weapons states that have safeguarded enrichment programs, like Japan and Brazil, have not caused neighboring countries to acquire nuclear weapons.

Second, if a limited enrichment infrastructure was viewed as a grave, proliferation-tripping threat, then why have the countries in the region failed to do anything for the last 10 years. Iran has had centrifuges since 2003, but Saudi Arabia and others have done virtually nothing. It is difficult to believe that after curtailing its

centrifuge program and submitting to new and rigorous verification, the governments in the region would then decide to respond.

Third, the set of countries cited as potential proliferation threats—Saudi Arabia, Turkey, and Egypt—appear far from a nuclear weapons option.[16] There are many reasons for this conclusion, not least being that since the Iran-Iraq war, many countries have come to believe that a strong military alliance with the United States is their preferred route to security. A bomb program would put that directly at risk.

V. CONCLUDING THOUGHTS

A nuclear agreement with Iran, should it be concluded, could represent a pivotal moment for American nonproliferation policy, if not for the nuclear age. There are risks, as there are risks with inaction and with other policy alternatives. I cannot render a final judgment until seeing the provisions of the final agreement, but if an agreement is concluded along the lines of the framework described in April, this may well constitute one of the strongest multilateral nonproliferation agreements ever negotiated.

Even is that is true, however, it will mark the beginning, not the end. The real task ahead is locking Iran into a nonnuclear future such that it never again makes the decision to pursue nuclear weapons. That task will require the energetic efforts of both the executive branch and the U.S. Congress, and not least the Foreign Relations Committee.

It has been a great honor to appear before this august body. If I can be of service in the future, I stand ready to do so.

Thank you.

Notes

[1] I would like to thank the many people who helped with my testimony, including Angela Nichols, Angela Canterbury, Ed Levine, Michelle Lee, Tim MacDonald, Jen Greenleaf, and Tom Collina, to name a few.

[2] See, for example, "Weighing Concerns and Assurances about a Nuclear Agreement with Iran: A Briefing Book," New York: The Iran Project, June, 2015; "Weighing the Costs and Benefits of Military Action Against Iran," New York: The Iran Project, September, 2012.

[3] James R. Clapper, "Unclassified Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community for the Senate Select Committee on Intelligence," Office of the Director of National Intelligence, January 31, 2012, p 6.

[4] On the surprising success of nonproliferation efforts, see Mitchell Reiss, "Without the Bomb: The Politics of Nuclear Non-proliferation," (New York: Columbia University Press, 1988); Mitchell Reiss, "Bridled Ambition: Why Countries Constrain Their Nuclear Capabilities," (Washington: Woodrow Wilson Center Press/Johns Hopkins University Press, 1995); Jim Walsh, "Bombs Unbuilt: Power, Ideas, and Institutions in International Politics," (Cambridge, MA; MIT Doctoral Dissertation, May, 2000; Robert J. Einhorn, Mitchell B. Reiss, and Kurt M. Campbell, eds., "The Nuclear Tipping Point: Why States Reconsider Their Nuclear Choices," (Washington, DC : Brookings Institution Press, 2004).

[5] Some 30 countries started down the path to nuclear weapons and reversed course. In some cases the pursuit was exploratory; in other cases it involved full-blown weapons programs. Countries that considered nuclear weapons acquisition include Taiwan, South Korea, Egypt, Libya, Iraq, Iran, Germany, Italy, Japan, Yugoslavia, Romania, Brazil, Argentina, Sweden, Switzerland, Australia, Canada, Indonesia, and Spain, among others.

[6] On the effectiveness of nonproliferation agreements, see Matthew Fuhrmann and Yonatan Lupu, "Do Arms Control Treaties Work? Domestic Politics and the Constraining Power of the Nuclear Nonproliferation Treaty," January 7, 2015 [Working Paper.]; Jim Walsh, "Learning From Past Success: The NPT and the Future of Nonproliferation," Paper no. 41, Oslo: Weapons of Mass Destruction Commission, 2006. Contrary to popular understanding, the rate of proliferation peaked in the 1960s and has declined in every ensuing decade.

[7] This list is intended as illustrative, not all-inclusive.

[8] IAEA also has a variety of other, important tools, including material accountancy, open source analysis, environmental sampling, and the like.

[9] Mark Fitzpatrick, "Inspecting Iran Anywhere, But Not Anytime," IISS, June 16, 2015.

[10] IAEA, SIR (Safeguards Implementations Report) 2014, GOV/2015/30, p. 7.

[11] See, for example, IAEA Press Office, "IAEA Board Concludes Consideration of Safeguards in South Korea," November, 2004; Paul Kerr, "EA Investigating Egypt and Taiwan," Arms Control Today, January 1, 2005.

[12] Paul Kerr, "Iran's Nuclear Program: Status," Congressional Research Service, 7–5700, October 7, 2012.

[13] http://www.algemeiner.com/2012/09/27/full-transcript-prime-minister-netanyahu-speech-to-united-nations-general-assembly-2012-video/.

[14] Paul Kerr, "Iran's Nuclear Program: Status," Congressional Research Service, 7–5700, October 7, 2012.

[15] Efraim Halevy, "Obama Was Right, Iran Capitulated," May 6, 2015.

[16] On Turkey see, Mark Hibbs, "The IAEA's Conclusion About Turkey," Arms Control Wonk, April 16, 2015. On Saudi Arabia, see Colin H. Kahl, Melissa G. Dalton, and Matthew Irvine, "Atomic Kingdom: If Iran Builds the Bomb, Will Saudi Arabia Be Next?", Center for New American Security, February 2013; Zachary Keck, "Why Pakistan Won't Sell Saudi the Bomb," Na-

tional Interest, November 18, 2013. On Egypt, see Dina Esfandiary and Ariane Tabatabai, "Why Nuclear Dominoes Won't Fall in the Middle East," Bulletin of Atomic Scientists; Jessica C. Varnum, "Middle East Nuclear Race More Rhetoric Than Reality," World Politics Review, May 14, 201; Jim Walsh, "Egypt's Nuclear Future: Proliferation or Restraint?", In "Forecasting Proliferation," William Potter, ed, Palo Alto: Stanford University Press, 2010.

The CHAIRMAN. Thank you. Thank you all three for your testimony.

We have had six briefings. In many of those, I have deferred asking questions until other members have had the opportunity to do so. I am just going to ask one and then move on, so everyone else has an opportunity to weigh in.

But, succinctly, could each of you, especially because Secretary Kerry has mentioned that we do not want to upset Iran's national pride by causing them to have to deal with PMD because we already know everything, which we all know we do not, but could you all express succinctly to each of the members here why the PMD issue on the front end is so important to all of us who want to make sure that we have a strong agreement?

Mr. ALBRIGHT. I think one of the most important parts of dealing with this, at least in a concrete manner, I mean you cannot do everything that the IAEA wants to prior to lifting of sanctions, because a PMD investigation could go on for years, but you need to do enough so that the IAEA maintains its credibility. I mean, there is a real risk that if this is not settled satisfactorily that the main verification entity will have suffered a serious blow to its credibility, and that will call into question the verifiability.

What I am saying now is what I hear from negotiators. I have heard it from three different teams or negotiators from three different countries that this is taken very seriously.

But I will say Secretary of State Kerry's statement last week muddied this issue. The administration, I know, has tried to go around and say their position has not changed on PMD. They want concrete progress.

But listening to what he said, it has raised questions of whether the United States is going to stick to its commitment to ensure concrete progress and make sure that Iran demonstrates cooperation with the IAEA and the IAEA can report that there is progress made before the lifting of key economic or financial sanctions.

The CHAIRMAN. Thank you.

Ray.

Dr. TAKEYH. I think I largely agree with David. The first and IAEA–EU work plan regarding the previous military activity was negotiated in 2006 with Ali Larijani and has remained unfulfilled since. There are 12 areas which IAEA would like to have answers on, and none of those have been completed in the intervening decade.

So this is the issue that has been long deliberated and long found unsatisfactory.

Also, there are some issues such as weaponization design, which is basically four guys in a room. I do not think we can determine that activity has stopped without having access to designs and other such information. So some of these weaponization activities may, in fact, be ongoing, because they are extremely difficult to detect and impossible to justify moving forward without actually hav-

ing access to some of those depositories and scientists and so forth that are indispensable.

Second of all, Iran is in violation of the safeguard agreement today. It is not letting inspectors into Parchin. It has done much to cleanse it, to the dissatisfaction of Director General Amano.

So as it is negotiating a future verification plan, it is in violation of its current verification plan.

The CHAIRMAN. Jim, do you want to add to that?

Dr. WALSH. First, Mr. Chairman, I am obliged to say that I will be visiting the Volunteer State next week with my new bride, and we will be going to the great town of Mascot right outside of Knoxville. They are all watching online, I think, as we carry on, so please do not embarrass me. That is my fundamental question here, since I just got married.

The CHAIRMAN. Very good. Just like when you bring children here with you, we try not to embarrass you.

Dr. WALSH. I appreciate that. I will keep that in mind.

Let me say that I agree with David, that there has to be some standard here. You are not going to be able to find everything. Even the Iranians probably cannot find out everything that happened 15 years ago. That is the nature of these things. But you have to find that which is relevant to going forward.

Let me be clear about my view. Unless IAEA is satisfied, I will not be satisfied. I have confidence in the agency. They have a lot of experience with this problem, as I say in my testimony, having done it with several different countries, weapons shenanigans.

And I would respectfully disagree with my friend Ray. There has been progress here. The progress has been slow, but it started in 2013, sort of coinciding with the Joint Plan of Action. There is still a long way to go, but I think the focus has to be, what is it that we need to know about the program that is relevant to the future? Not everything. I think IAEA is more than capable of being able to assess that.

The CHAIRMAN. I am going to reserve the rest of my time for interjections.

We will turn to our ranking member.

Senator CARDIN. Well, let me thank all three of our witnesses.

I, certainly, as I indicated in my opening statement, plan to keep an open mind until we get the agreement and all of the attachments to that agreement. And there is good reason for that, not just so that we see what is there, but also because there have been conflicting accounts of the interpretation of the framework by Iran and the P5-plus-1. There have been different negotiating positions.

For example, we have been told over and over again, there will not be sanction relief until there is compliance with the agreement. Iran has said that their position is immediate sanction relief. We will find out, if there is an agreement, what relief there is. Rather than speculate, let us see what the agreement says.

There has been a difference on the military dimension, the PMD. We have been assured that we understand the covert risk factors and that will be cut off. Therefore, the military access will be absolutely critical. That is what the P5-plus-1 have been saying. Iran says no to that. Once again, the agreement will tell us what, in fact, it does.

So I do not think we can reach judgment until we see the agreement.

But as I said at yesterday's hearing, we want to drill down on the vulnerable parts or the most challenging parts of the framework, so that we are prepared to be able to evaluate that.

So my question to you is a similar question I asked the panel yesterday. We know the framework. You saw it. It has been out there. It has been written. You have seen some of the interpretations given. What gives you the greatest concern in the framework, as to the United States being able to achieve its objective of preventing Iran from becoming a nuclear weapon state if, in fact, an agreement is entered into under that framework? What is your greatest concern?

I would like you to limit it to one, if you could.

Mr. ALBRIGHT. Well, it is hard.

Senator CARDIN. We all have to set priorities in life.

Mr. ALBRIGHT. I think making sure the breakout is consistently obtained I think is very important. There are a lot of moving pieces, and it has been a very hard negotiation, and I think some things have slipped.

I think verification, I think the administration is highly committed to intrusive verification, but I think achieving that is very difficult. And I do not think the Lausanne deal dealt with it at all. It just was not resolved in any meaningful way.

When they talk about watching the uranium supply chain, from a verification point of view, that is interesting and important but hardly critical. And so many of the basic verification issues were not resolved.

Senator CARDIN. Thank you.

Dr. TAKEYH. I would say that one of the unusual aspects of this agreement is that it has a sunset clause of 10 years when all of the restrictions evaporate. At that time, Iran can embark on having an industrial-sized nuclear program similar to that of Japan's.

And when it gets to that level of industrialization, then I think there is no inspection modality that can ensure that its nuclear resources will not be misused for military purposes.

As far as I know, this is the only agreement that is sunsetted, the only final agreement that is sunset. Salt I had a 15-year sunset clause, but the idea was that it would be replaced by SALT II. This is the only agreement that I can think of that actually stabilizes the file and then envisions a vast increase in the capacity of the country at some later point.

There is not a single Iranian official from whatever political tendency that suggests it will not embark on an industrial-sized nuclear program upon expiration of the sunset clause, and they even dispute the duration of the sunset clause.

Senator CARDIN. Thank you.

Dr. WALSH. I would say, quickly, resources for enforcement and sustainability. I do not disagree with my colleagues. I disagree with some of the things, but in large measure, I do not disagree. But I would point to these other things.

IAEA has had to double the number of inspectors in Iran, had its budget increased by a third just to deal with Iran. If the comprehensive agreement comes to pass, it is probably going to double

that again. Who is going to pay for it? It is great to announce things, but someone has to come up with the dollars to make this a real deal.

And then sustainability, and that is for both sides. If either side feels like this deal is not working for them, as a sovereign state, they are going to pull out. So the United States has to get satisfaction and Iran has to get prompt sanctions relief, certainly not all sanctions relief, but it has to get something that gives sustenance and sustainability to this process or it will fall apart.

Senator CARDIN. Thank you.

Mr. Chairman, my own views have changed on this over this past month. I think I probably started this month solely focused on the framework on inspections and verification as being the most challenging part. Maybe it is because a Marylander responded to me, but I am starting to believe the time issues could be the most challenging moving forward, because technology is going to change over the next 10 to 15 years. And, yes, Iran does have certain obligations of nonproliferation that have no time limits at all on it, and inspection issues would have no limits as to the inspection regimes. But I do think there is a challenge, and I know that our chairman has been asking for further clarification on Iran's civil and nuclear game plan, which is a document that we must have in reviewing this.

But the inspection verification regime is challenging under the framework. There is no question about it. Technology can help us deal with some of that. Intelligence can also help us deal with some of this. But I think as we look at permanently preventing Iran from becoming a nuclear weapons state, we need to have an understanding as to how the different time period transitions take place and the other protections that are in place against Iran and whether that is going to be adequate enough to prevent Iran from becoming a nuclear weapons state.

Those are some of the issues I am going to be looking at, assuming we get an agreement. But I think these hearings have been extremely helpful.

The CHAIRMAN. Thank you.

Senator FLAKE. Thank you, Mr. Chairman, for convening all of these hearings. It has been very helpful.

And I, too, have an open mind on this. I supported the negotiations. I think they are important to go through.

I believe that the only reason Iran is at the table is because the sanctions have bitten pretty hard, and those sanctions have bitten pretty hard because they are multilateral and our coalition partners have been with us. Certainly, the P5+1 group is important to keep together.

In the context of whether or not we judge this is a good deal in the end, it is not just is this a good deal overall. It is, what is the alternative? I would love to have some discussion there.

If we turn this deal down, if our partners stay with us, and we maintain the current sanctions regime or even toughen it, would that prohibit Iran from moving ahead, if they are really determined to do so? It seems, over the past 10 years, they have moved from a situation where in 2003 they had very little capability to now a 2-month breakout period.

Mr. Albright, do you want to discuss that a bit? If this does not go through, even if we maintain the current sanctions, what is the likelihood of Iran pushing through?

Mr. ALBRIGHT. I think you, certainly, want a deal. I think that is the best outcome.

I agree with Jim that negotiated deals can really make a difference.

Senator FLAKE. I am sorry, they are we? You say that we want deal? They want a deal?

Mr. ALBRIGHT. Let me just say I. I think a deal is good. I had an organization so I use "we" too frequently, so forgive me for that.

I believe it is not as dire as some have predicted, if there is no deal. I think the United States has to consider walking away, if its redlines or its basic goals are not met.

I think what would happen is more pressure would be brought to bear on Iran. I think Iran would respond by increasing its program. And I think the United States would have to try to work to try to win at escalation.

But I do not see that war is inevitable. I do not see this as a stark choice between a deal and war. I think that is kind of a Washingtonian game that is played in order to try to intimidate people.

I think some of the members of your committees have been called warmongers. I think that is part of that same game.

I think realistically what would happen is that the United States would move to increase pressure with its allies, and China and Russia would have to be kind of brought along. It will be tough, but I think the idea would be to increase pressure and see if you could get back to negotiations on a better basis.

Senator FLAKE. Mr. Takeyh.

Dr. TAKEYH. As everyone has noticed, Ali Khamenei gave a speech, I believe it was 2 days ago. Some aspects of the speech have been highlighted. Some have not.

In his speech, he said something very interesting that everyone should listen to. He says, and I quote, it is a rough translation, "I may have said this before," which is not true actually, "that in the movement of nuclear enrichment, the important and hard part is moving from 3 percent to 4 percent to 20 percent. It is very easy to move from 20 percent to 90 percent. When a person reaches 20 percent, the next stages are very easy."

Ninety percent is weapons grade uranium. It is the first time that I have heard him, and I have read every one of his speeches. I am not trying to show off because they are in English. They translate them. This is the first time that he has looked at his enrichment program within the context of weaponization and weapons grade uranium.

Now, something to improve the agreement as it goes forward, because as we mentioned here, we do not have an agreement, on the sunset clause, one of the things that we should do potentially is go back and suggest that after 10 years, the 5+1 and Iran get to vote on whether to extend those restrictions for another 10 years.

There is a precedent for that. It is called the NPT. After 25 years, all the members of the NPT voted to extend its restrictions.

So there should be measure and mechanism for extension of the timeline.

If you look at this agreement, the restrictions that it has on the plutonium are actually quite sound because they are permanent in nature. It tends to be more permanent and intrusive on the plutonium route than it is on the enrichment. Enrichment has always been the most important Iranian path forward.

Finally, I agree with what David and Jim have said. There is no tolerable outcome to this than a negotiated settlement, which is why we should be very careful about the type of settlement we negotiate.

Senator FLAKE. Mr. Walsh.

Dr. WALSH. Senator Flake, I think a lot of different things could happen, and the question is, which are more likely?

Now some of the evidence for what to expect we have in history. In 2005, those negotiations broke down, and Iran went from 164 centrifuges to 19,000 centrifuges. And it went from 3 percent enrichment to 20 percent enrichment.

So a lot of it depends on how the thing breaks down. If it breaks down and Iran is blamed, that is one scenario. If it breaks down because people perceive the United States has been the obstacle, that is another scenario.

But I am guessing that if the thing breaks down, Congress is going to move to impose sanctions, which is totally understandable, and I would support that. But the enemy gets a vote. So when it breaks down and you impose sanctions, they are going to respond, which has been the game back and forth, each side shoveling and digging deeper. I, certainly, hope that we avoid that.

I do not think war is inevitable, but I think the use of military force, the probability of that does increase, right? I mean, we have people calling for bombing today, in the middle of a negotiation. Certainly, those voices will grow louder if Iran pulls out and we go back to trying to beat each other with sticks.

So I do not think it is a guarantee, but I think we should be aware that it is among the possibilities.

Senator FLAKE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman.

Thank you to both of you for doing these hearings. I think they have been very, very valuable. Obviously, when we embraced in the committee and in Congress the Corker-Menendez-Cardin review process, the important thing is to not prejudge. We actually have a path where we can procedurally dig in and then judge a deal, so we need not prejudge based upon hearing one statement or the reporting of one particular item.

But because the timeline we will be on will be an aggressive one, these hearings will help us get our own mental centrifuges turning, so that we will be able to address the issues with the depth that they need. I appreciate the fact that we have had these hearings.

I have been asking witnesses this question during the hearings, and I would be curious as to your views: Has the period under the JPOA since November 2013 been better than the status quo ante?

Mr. ALBRIGHT. I think it has been better. It froze many things. It did not freeze everything. There has been growth in the pro-

gram, the stock of low enriched uranium 3.5 percent has gone up. Centrifuge R&D has advanced. There have been some problems and questions of compliance by Iran. But overall, I think it has been a positive development and provided time to negotiate a long-term deal.

Dr. TAKEYH. I will just say one thing. JPOA has two particular components, the restrictions that David talked about and the salutary nature of those restrictions. But those restrictions were purchased by two concessions that the United States made. Number one, acknowledging Iran's right to enrich and accepting that that enrichment capacity will at some point be industrialized.

Since the advent of atomic weapons, it has been the United States policy across 70 years that we are against proliferation of sensitive nuclear technology. Sensitive nuclear technologies are identified as reprocessing plutonium and enriching uranium. As a pathway to restricting proliferation of technologies in the 1960s after China detonated, we established the multilateral framework called the NPT.

After India detonated in 1974, we established the nuclear supplier group, an attempt to restrict other countries having indigenous fuel cycles. When the Shah of Iran tried to have an indigenous fuel cycle by enriching uranium, the Ford, Carter, and Nixon administration before that prohibited him from doing so. That is why he went to the French.

So it has been a steady American policy that we are against——

Senator KAINE. No, I understood all that before you answered the question. I want to make sure I understand your answer.

I think your answer is that between November 2013 and now, existing under the JPOA has had some positive effects but you are predicting that down the road there could be an industrialization of this program at some point in the future, because of a concession that was made as part of the JPOA?

Dr. TAKEYH. I am not predicting it. Every Iranian official is saying it.

Senator KAINE. But we have not seen it today. You are saying that this is something you think will happen at some indeterminate time in the future.

My question was, from November 2013 to today, have what we seen under the JPOA been better than the status quo ante? And I think your answer is to today, yes, but down the road, there may be some——

Dr. TAKEYH. Well, I think my answer is, on the specific operation of the entire program, there have been some restrictions and restraints built in which have been useful. In terms of the purchase price of those restrictions, namely acknowledgment of enrichment capacity and acknowledgment of industrialization——

Senator KAINE. Those could lead, down the road, to some significant——

Dr. TAKEYH. Those are titanic concessions in the history of the United States.

Senator KAINE. Dr. Walsh.

Dr. WALSH. I do not think this is a hard question.

Senator KAINE. I do not either. I do not think Prime Minister Netanyahu thinks it is a hard question.

Dr. WALSH. Remember, it was the Prime Minister who said this was the worst deal in history and invokes Chamberlain and the sky was going to fall, and now it is Israel that wants to see the JPOA extended.

I think we got our number one nonproliferation issue, 20 percent. Did they get their number one sanction relief issue? No, they did not.

Senator KAINE. Well, let me just say, I met with the Prime Minister in his office in February 2014, and he said the negotiation was a historic mistake. And when we met with him again in January 2015, not only the Prime Minister but others, they grudgingly acknowledged that, well, maybe JPOA was not such a bad idea. Now, they had huge concerns about future developments of the kind that Dr. Takeyh mentioned, and I think we have concerns about as well.

The reason I ask that question is to set up my next question. I am following up on some things that Senator Flake asked about. I also do not believe that the options are a deal that we think is a great deal or war. I think that is a false choice. There is just some Washington rhetoric in that, and people are trying to negotiate using that. I do not think those are the options.

One option is if there is not a deal, I do think the risk of military action increases. I do think that is the case. But one option is both sides go back to their corners. We increase the pressure of sanctions, and Iran makes their own decision. The enemy gets a veto. They can do what they want.

But another option that I have heard discussed, and the Israelis put it on the table when I spoke with them in January, is continuing to live under the JPOA for some period of time. For example, if there are terms that either they will not accept or we will not accept, for example, if we cannot inspect military facilities, we would say, well, no, that is not an acceptable deal.

Is that a realistic option? We might think it is an acceptable one. But I do not know, from the Iranian standpoint, is that a realistic option that until we find a deal, we could continue to live under the terms of the JPOA with the provision of modest release of escrowed funds in exchange for Iran continuing to operate under the restraints that have been generally viewed as salutatory, at least at the present?

Mr. ALBRIGHT. I think it is workable. I mean, it is not desirable, but from the United States point of view, what I have always heard is there is worry about the covert side, that the Joint Plan of Action really does nothing on the whole question of undeclared activities. So you have to worry about that.

Senator KAINE. So that would be a weakness.

Mr. ALBRIGHT. And genuine worry about whether U.S. intelligence can catch something. They have been pretty good with Iran, but they do not know everything by any means.

Can I add one thing on the previous question? I think one of the important things Congress can do is to clearly state that Iran does not have a right to enrich. I think the administration agrees with that. I have heard Wendy Sherman testify to that, I think in front of this committee, that there is no right to enrich under the NPT, and we should not give that up.

We should also recognize that this new norm that has been established of countries violating agreements, being able to enrich even when they do not need it. And that is one of the things that the Lausanne deal shows. Iran has zero need for enrichment, yet it gets to enrich in a region of tension after violating all kinds of agreements.

So I think it is a very dangerous norm, and I know negotiators are aware of that. But I think that there is a need to think through that and what it could mean in terms of others deciding to do the same thing, and the United States being in a weakened position to stop it.

Dr. WALSH. May I briefly respond?

Senator KAINE. Mr. Chairman, is that okay?

The CHAIRMAN. Sure.

Dr. WALSH. I would say it is a theoretical possibility that would be a lot better than some of the other alternatives. I wonder if it is a political possibility. I wonder if Congress would be willing to go along with that.

I wonder if Rouhani would be willing to go along with that because each day he grows weaker as critics say, look, he gave in, he sold the store. At some point, he may feel compelled to withdraw rather than continue to take that sort of heat, because he will be caught in a no person's land.

On right to enrich, the JPOA does not say that Iran has a right to enrich.

And as far as Iran's future plans, they have said that they plan to expand. I do not take a lot of Iranian statements at face value. They said that they are going to build 12 nuclear power plants 10 years ago. They have not done it. Lots of countries in the region make grand plans. I think we have to plan for that as a possibility, but I do not think it is a guarantee that that is what is going to happen.

I think actually causing them to pause may take some air out of the balloon.

Dr. TAKEYH. If I could say one thing, JPOA acknowledges the practice of enrichment, if it does not acknowledge the principles. If that makes you feel better, then that makes you feel better.

So the United States does not acknowledge it has a right to enrich. That is not what we do. But in JPOA, we respected Iran's continued enrichment activities irrespective of violations of Security Council resolutions.

Number one, whether they industrialize or not, that is what they say they are going to do. Everybody, if you show me one single Iranian official that says we are not going to industrialize, I would like to see who that is.

Now, you can say they are all lying. And if that makes you feel better——

Senator KAINE. You are making a strawman argument. I did not say that. I asked you a simple question, and you were asking my question and another one. That is great, but it just was not the question I was asking.

And I am not maintaining that they are not going to industrialize.

The CHAIRMAN. If I could, I will briefly interject.

There is this document, and the political agreement that came out on April 2 referred to it. It is the Iranian nuclear development program.

I think once we read it, my sense is, and I could be wrong, I think it will acknowledge, in fact, what Ray is saying. And that is that they are going to industrialize, and it lays out the pathway toward doing that.

So I believe that to be correct today.

Senator KAINE. But I was not challenging that. I was asking——

The CHAIRMAN. But I will say that I did feel like it was glossed over to a degree.

I think it is acknowledged that after year 10, they are geometrically going to be adding centrifuges. I think that is what led to the President's comment on NPR that, in year 13, there would be zero breakout.

Jim, you are the optimist.

Dr. WALSH. I am just skeptical. I studied the Middle East a long time, and I have had a lot of countries come out and say they planned to build nuclear infrastructures and nothing ever happens.

The CHAIRMAN. No, they have built infrastructure.

Dr. WALSH. And the Iranians have done more than their compatriots. But they have also said that they were going to do a lot of things they did not do in this nuclear arena.

So, yes, a prudent policymaker should plan for that, that that might happen. But I would not say it is a guarantee. Ten years, 15 years is a lifetime in a nuclear weapons program where a lot of things can happen.

The CHAIRMAN. Ten years is not a lifetime in a country with a 5,000-year history. I would say they have gone through a whole lot of pain if they are not planning to do that. It is not a rational process. So you would think that they are probably going to industrialize, especially I think when we read this document, which lays out what their program will be.

I would just say one more thing. I am not understanding the right to enrich piece, stating it versus the practical: We are saying they have the right to enrich. We are, by virtue of the actions of the JPOA, and, certainly, what this agreement is going to say: They are going to be enriching uranium, are they not?

Mr. ALBRIGHT. Yes, I am the one who has argued for it. I think I understand the difference. But I think it is important for the United States to not concede on this, because if there is going to be industrial development in Iran, it has no practical need. There is no practical need for them to enrich uranium.

I think we need to strengthen our hand to oppose it and to say upfront that any movement in that direction is a violation of the intention of what is intended for this deal. It is not going to be in the deal. I wish it would be in the deal.

But I think we need to strengthen our hand in order to fight that development, which I do not think will be needed at all and could pose the basis for Iran getting nuclear weapons.

Let me just add one thing. I think it is even worse. I mean, this was a very big disappointment to me in the Lausanne agreement. The prohibition on making 20 percent disappears in year 15, and I was told by people in the negotiations that Iran said we intend

to go above 3.67 percent. So we are back to where we were but with many more centrifuges, more advanced ones.

So I think it is incumbent upon us to head off that future and not to accept it. I would argue to strengthen our hand to make those arguments.

The CHAIRMAN. Thank you.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

Dr. Walsh, as a freshman Senator, I can tell you one thing. Just relax. You are an amateur. You will never compete for the world record of forgetting to turn on your mike. [Laughter.]

Dr. WALSH. Thank you. Makes me feel much better.

Senator PERDUE. The second thing is, I agree with you and the ranking member and Senator Flake, Senator Kaine, and others have said this. I have an open mind to this negotiation.

We do not know what we do not know yet. It has not been fully released. It is not finalized, and so forth.

But I do not think, and I think Senator Kaine hit on this, these hearings have been very helpful for us to get our heads wrapped around, or a mental centrifuge as you say—I like that and have not heard that before—to think about this in terms of what we feel like are the minimum requirements.

I am impressed with the testimony today. Very impressed. We were told just yesterday that there are two ways that Iran is going to potentially develop a nuclear weapons capability. One is through just waiting us out through a 10-year deal, as we just we were discussing. And the second is through a covert exercise.

So we have inspections and verification to enforce the rules of negotiation, whatever it turns out to be. So we all know we have to have a verification regime.

The second is intelligence. We heard yesterday that we do not have a high confidence level right now that our intelligence capability is such that it can actually deter that. We have evidence of that. I mean, Fordow was created and in operation for years before we discovered what they were doing there.

We also know that today Iran is in violation of the current inspection regime. We just discussed that. I want to talk about the State Department but before I do that, just this weekend on Sunday, Iran's Parliament approved the outlines of a bill—this is formal now; this is not just a comment by the Ayatollah—to ban inspections on military sites and require the lifting of all sanctions under any nuclear deal. This passed 199–14. I have two questions. I want to know who the 14 people are. [Laughter.]

Exactly. Who are those 14? I would like to recruit them to the Republican side.

But in all seriousness, in backing that up, the Ayatollah made a speech just Sunday on Iranian state television to demand that sanctions be lifted before Iran dismantles any of its nuclear infrastructure.

Combine that with the evidence that we now have. We have a report.

And the other thing that is coming out of this is that this is not a static situation. It is a dynamic situation. If we really want to achieve the goal of not allowing Iran to become a nuclear weapon

state, not now and not in 10 years, not ever, then this has to be an ongoing thing past 10 years. It has to be a dynamic situation of inspection, verification, and intelligence efforts to make sure that they do not do this.

So one of the things that we have to rely on as the Senate are reports back to us. I think this agreement right now, the bill, the Corker-Menendez-Cardin bill, has in there that the State Department reports back to us I think every 6 months.

And yet we have a GAO report here just released in May 2015 and its nonproliferation, the State Department should minimize reporting delays that may affect sanctions on trade with Iran and North Korea and Syria. So they are not just talking about Iran.

In the reports that they have been providing to us over the last 6 years, they average 22 to 36 months delays in an environment where we are all in agreement that 36 months can be a lifetime.

I am very concerned about our ability to keep up with what we are learning as a government with regard to Iran.

Dr. Takeyh, would you respond to that and give me your observations? I would like all of you to give me a brief response to this trust that we are now having. The State Department is basically saying in the GAO report that there are certain things like political concerns and other delays that might delay the process in notifying Congress. But I personally find that unacceptable, as does the GAO.

I would love your response to this idea of an ongoing involvement in this and the dependency we have on any State Department, whether it be this administration's or any to keep us involved.

Dr. TAKEYH. I would say, in terms of any arms-control agreement, there are two aspects of it. There is verification, and people have talked about verification. But there is also enforcement. Verification is a burglar system. It tells you there is a burglar in your house. The question is what you do about it.

Historically, arms control agreements have been difficult to enforce. I mean, as this committee knows, the Russian Federation has been in violation of the IMF agreement for how many years? Historically, that is not unusual, by the way. The international community becomes invested in the agreement.

There are two types of violations that arms-control specialists talk about, and Jim and David can talk about this more authoritatively. One is simple irregularities and small-scale violations, which they tend to resolve through adjudication. This arms-control agreement will have what every other one has, a verification and compliance committee.

The second is material breach, so when do you say we have to get out of this. It almost never gets to material breach because there so many international actors invested in perpetuation of the agreement. And the argument at that time will be, if you walk away from this agreement, they are going to go from 200 centrifuges to 25,000 centrifuges.

It is an unfortunate talking point. The first time I heard it was in 2007 in Shahbaz Sharif's office. He told me that. That is the first time I heard it. We should not appropriate that, because they paid a heavy price for that.

Finally, I would say that this agreement can be measurably improved if they address the issue of the sunset clause. I have never seen anybody defend a sunset clause. Mr. Walsh, not Senator Kaine, my dear friend Mr. Walsh, did not actually defend the sunset clause. He said that they are not going to do it, afterward.

So I would say there are things you can do to improve the agreement. But actually enforcing an arms-control agreement, we have about 50 years of experience with this. It is very difficult to do. Remobilization of the international community, reconstituting any kind of sanctions regime, establishing a military deterrent, I think that is—this agreement should not be violated.

And Iranian violations always tend to be incremental and never egregious, so a series of cascades of violations could actually lead them to increase their capacity without significant punitive measures.

Finally, I say this, if you look at the Islamic Republic's foreign policy for the last 35 years, they have what we sometimes call a crisis approach. They push, they push, they push, they push, and they retreat. The idea is that as you push, once you retreat, you still have derived some dividends.

So that is how they kind of approach their foreign relations. And if that is how they approach their nuclear program, then it does not auger well for its longevity, much less its viability.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. This is a very important hearing.

I want to follow up on a series of things, and so I am going to ask you to cooperate with me in terms of how much I want to get in here.

Let me start off with you, including my dear friend from Virginia's very often refrain that, "aren't we better off under JPOA?" I think there is a follow-on question to that, and I want to ask that in a moment.

I want to read from something you said, Mr. Albright. I just want to make sure you have not changed your mind on it. You are referencing the question of the nuclear fuel that was increased by 20 percent, and you went on to say, "Based on the IAEA's reporting to member states, the problems in making enriched uranium oxide were apparent by the fall of 2014. But the administration decided not to make a major issue about the lack of oxide production." You go on to say, "Concluding that Iran has met the Joint Plan of Action condition to convert to oxide newly enriched up to 5 percent, is incorrect. In this case, the potential violation refers to Iran not producing the enriched oxide at the end of the initial 6-month period of the Joint Plan of Action and again after its first extension. The choosing of a weaker condition, which must be met, cannot be a good precedent for interpreting more important provisions in a final deal. Moreover, it tends to confirm the view of critics that future violations of a long-term deal will be downplayed for the sake of generating or maintaining support for the deal." And finally, it says the administration relied on a technical remedy that Iran has not demonstrated it could carry out.

Is that still your view?

Mr. ALBRIGHT. It is.

Senator MENENDEZ. So we basically have a violation of the agreement. For some of us, it is not insignificant. It seems to get explained away, and it sets a dangerous precedent, from my perspective, of what we are looking at as we try to build confidence in whatever final agreement that takes place.

And when we are relying on technical remedies that Iran has not been able to show can be successfully used in order to meet the verification and the reductions that we want, we are in trouble.

Let me ask you something else. With reference to the possible military dimensions, you said, "Whenever confronted with Iranian intransigence, they fold. It is going to be hard for a lot of people to support this deal if they give in on past military dimensions. Addressing the IAEA's concerns about the military dimensions of Iran's nuclear program is fundamental to any long-term agreement. An agreement that sidesteps the military issues would risk being unverifiable. Moreover, the world would not be so concerned if Iran had never conducted weaponization activities aimed at building a nuclear weapon."

Is that still your view?

Mr. ALBRIGHT. The part on the fold, I said that right after Secretary Kerry had made his comment. The administration came to me subsequently and said that they had not changed their position, but the rest——

Senator MENENDEZ. We are trying to figure out what the position is.

Mr. ALBRIGHT. The rest of what I said I agree with.

Senator MENENDEZ. Someone else, the former deputy director general of the IAEA, Olli Heinonen, said: "Without addressing those questions, the possible military dimensions, that the IAEA Secretariat would not be able to come to a conclusion that all nuclear material in Iran is in peaceful use, which is essential in building confidence in the international community over Iran's nuclear program. A comprehensive deal can only be reached if uncertainties over Iran's military nuclear capability are credibly addressed. This should be an unambiguous condition to achieving a final accord that is meaningful in safeguard terms."

Now, this was the number two at the institution on which we are overwhelmingly relying, if we have an agreement to largely do the verification and the ultimate determination on the question of possible military dimensions.

Dr. Takeyh, is that something you would agree with? His assertion?

Dr. TAKEYH. As I mentioned, in my testimony, Senator Menendez, I think the resolution of the PMD issue is indispensable to the viability and credibility of this agreement.

Senator MENENDEZ. Now, let me ask you something. I was taken aback when I read in the interim framework agreement that, as it relates to Iran, they would implement the modified code 3.1 to its existing IAEA safeguard agreement, in essence, the additional protocol. However, as with the additional protocol, Iran may only be required to abide by, as opposed to ratifying, the additional protocol.

To me, that is problematic, since Iran is the only NPT signatory to have suspended these measures in the past. Should we accept an agreement in which Iran is not required to ratify the modified code of the additional protocol?

Mr. ALBRIGHT. I thought they would be required to ratify it.

Senator MENENDEZ. That is what we thought. But if you read, so far, it says that they will abide by it.

So, should a final agreement not say that they must ratify it?

Mr. ALBRIGHT. I would think ratify. That needs to be checked. That is a good question.

Senator MENENDEZ. What about you, Dr. Takeyh?

Dr. TAKEYH. My understanding is that one of the deputy negotiators has said that compliance to additional protocols, I think he was talking about that, 3.1 as a conjunction of that, would only come about if there is ratification. If there is no ratification then I guess they go back to the fallback position of adherence pending ratification.

Now, I do not have a whip count in the Iranian parliament. I cannot tell you if they are going to ratify it or not. But the full compliance would have to be with ratification.

Senator MENENDEZ. And compliance for us should mean ratification as well, should it not?

Mr. ALBRIGHT. Yes.

Dr. TAKEYH. Yes.

Senator MENENDEZ. Now, let me go to my esteemed colleague's question. He asked a good question, are we better off now with JPOA than we were.

The question for me is, what are we going to be better off with in the long term? And in that respect, I look at a letter that was just released by five former members of President Obama's inner circle of Iran advisers, who wrote to him and they said, "Precisely because Iran will be left as a nuclear threshold state and has clearly preserved the option of becoming a nuclear weapon state, the United States must go on record now, that it is committed to using all means necessary, including military force, to prevent this."

Is it not essential for us to be able to make it clear that even after the expiration of the agreement with Iran that we would not permit it to possess enough nuclear fuel to make a single weapon?

Mr. ALBRIGHT. I think it is very important. I mean, the JPOA, there is a clause in there that the nuclear program should be judged as under criteria of practical need. I think it has been lost in this whole negotiation, but I think it is fundamental.

Iran does not need a centrifuge program. It does not need it today. It is very unlikely to need it 15 years from now. If it can demonstrate that it needs it, then okay. But if not, then that program should not be accepted, and the United States should be clear that it should not be accepted.

Senator MENENDEZ. Mr. Chairman, can I have one final question?

The CHAIRMAN. Of course.

Senator MENENDEZ. So this is what I am concerned about, is where we are headed on all of these elements, as to any final agreement. And then we can make that judgment, are we truly better off?

I probably would not dispute with my colleague that, in the interim, to the extent that we have stopped forward progress, we are better off. It has bought us time. But by the same token, what is the long term?

Several witnesses have come before the committee and basically said, look, we are not solving the problem, we are delaying the problem, at the end of the day. That is aspirational, that the regime is going to change its mind over the next decade and move in a totally different direction.

My last concern, in January 2014, the U.S. Government Defense Science Board issued a remarkably frank report entitled "Assessment of Nuclear Monitoring and Verification Technologies." Their conclusion was pretty shocking to me.

They concluded that the U.S. Government tools are either inadequate or, more often, do not exist for a list of current challenges that read like the challenges that will be posed by an agreement with Iran.

I do not know if you have had the opportunity to read that report, but is it your professional experience that we have a capacity, now, to deal with all of the elements of what is envisioned in an Iran agreement, to make sure?

Mr. ALBRIGHT. I think there are always limitations in intelligence. If you look at many proliferation cases, you cannot just depend on intelligence for timely detection. That is, in fact, why people in this country, around the world, invest so much in the IAEA. In a sense, they are the boots on the ground, and you want to empower them to get the information that can then detect a violation. They have proven that ability over and over again.

I think in this deal, they are critical. Certainly, they work synergistically with member state intelligence agencies, and the intelligence agencies benefit tremendously from the results of the IAEA.

But I think you cannot depend on intelligence to verify this deal. I mean, I think the U.S. intelligences has done a remarkably good job in discovering secret programs in Iran. I think the IAEA was able to use that information gained in some cases from Iranian defector groups in order to, on the ground, press Iran really hard to reveal secret activities and in that sense stop them where the intelligence information was incomplete but had no power really to stop the Iranian movement forward on their nuclear program. But the IAEA confronting them on one lie after another in a 2003 was a very powerful tool.

So you do need them fully empowered verifying this deal.

Senator MENENDEZ. Thank you.

Mr. Chairman, I do not know if we are going to have any more briefings along the way, but I would commend to your attention this Defense Science Board report; it is about a year old. Maybe a lot has changed in a year, but if you read the report, it leaves you with real concerns about what our abilities are to do a lot of what we are expecting in any framework agreement.

Thank you for the courtesy.

The CHAIRMAN. Thank you. And thanks for your very good questions and, certainly, years of focus on Iran's nuclear program.

Just to close out, I think there may be some additional questions. We have had some interesting briefings, and they have been in-

credibly well attended, especially the private ones. The discussion has been pretty fascinating.

But if you look at where we are—we will see when this is all over. Ray you said some things today that probably cannot happen because we have already gone beyond. You talked about some of the qualities of an agreement that should be included, but I think we have sort of moved beyond those.

In essence, it looks like we could have a 10-year agreement where during that 10 years Iran can continue to do the research and development they wish on centrifuges. I want to get back to that in just a second.

They also have the ability to continue to develop their already well sophisticated ballistic missile program. And then after that 10-year period, it appears, based on what we know today, it appears that it is likely that their whole program will hugely progress.

So we are going to be faced with a qualitative decision about whether a 10-year pause is worth giving up probably 20-years-worth of sanctions that have been put in place. That is going to be an interesting decision, I think, for most to make.

Is it your sense that within Iran the thinking among the people that matter within the country do view this as simply a 10-year pause, and to quote one Senator, these were private meetings, that instead of a very poor country achieving nuclear weapons capability, we will now allow a very rich country to do that, because we have will have alleviated all of our sanctions, possibly, in the next 10 years. So you have a country whose economy is growing, $150 billion in relief will have taken place. They are exporting the extra 40 percent that has been diminished relative to their oil.

Is it your sense within the country that they do see this as simply a 10-year pause, and that they really are getting everything that they wish? And 10 years is not a long period for a country like Iran, and they are going to be sitting in a place that virtually assures them being a threshold country.

Mr. ALBRIGHT. Ray, you go first. I have some comments.

Dr. WALSH. Mr. Chairman, what I would like to do is respectively offer an alternative view.

I know this committee is steeped in the details of this agreement, but folks watching on TV or online might not fully understand that the agreement entails restrictions that are indefinite in some cases. Ray referred to the fact that if you redesign the reactor, you cannot go in after it is hot and change it. Shipping out the spent fuel. The additional protocol I believe will be in perpetuity. The NPT obligations continue in perpetuity. The subsidiary code 3.1 continues in perpetuity. Access to mines for 30 years. Other things for 20 years.

It is true that some of the important restrictions are only 10 or 15 years, and 10 years is not a long time in Iranian history. But it is a long time for a nuclear program. That is the difference.

Often in these programs, the more you stretch them out, the likelier they are to die. And I say as a summary thing here, the DNI tells us that Iran has a nuclear weapons capability. You cannot bomb the knowledge of how to build a centrifuge out of their heads. That horse has left the barn. That is the situation we deal with.

The DNI has also said that they have not yet made a decision to pursue nuclear weapons. It seems if they have the capability and they have not decided that now is the time to lock them into a road where they become like the other 30 states that started down the path toward nuclear weapons, stopped and reversed course, part of this incredible record of success that I refer to. Now is the time to do that to put them on a path, rather than the alternative, which is more centrifuges, the hardliners are emboldened. That is a path toward nuclear, in my view.

The CHAIRMAN. Thank you.

Mr. ALBRIGHT. Let me make a comment. I think 10 years, to me, is not long enough. I mean, in engineering, it may be a generation, but you can pass down the knowledge in that. Twenty years would have been much better.

Iran also made a decision. I think you see this in what Salehi brought to the negotiations, that they were willing to sacrifice the IR1s, but they were not willing to sacrifice their work on advanced centrifuges. They paused the work on the IR2M and the IR4, but they were going to continue working on the better machines. And they are incrementally better.

The CHAIRMAN. The IR6 and the IR8, generations after that.

Mr. ALBRIGHT. That is right. So one of the concerns I have is what if they succeed with those machines. I know in the discussions by the U.S. administration, and I have heard it from another country, they have kind of downplayed it. They will not get these machines to work. But what if they are?

What you would have is not a crazy scream by Iran to say, look, we started with these IR1s. We built zillions of them. They worked very poorly. Incredibly expensive. We are now retrenching to build much better machines and be able to deploy those after this 10-year period.

So I think it is worrisome. That is all I can say. And if Iran fails, great, from our point of view. But if it succeeds, then I think we have a real problem.

The CHAIRMAN. Ray.

Dr. TAKEYH. I will just a few things. If you come up thinking about the political discourse and political landscapes in the Islamic Republic's elite sectors today, and you see this since 2011, the primary priority of the state today is projection of power in the Middle East.

Khomeini today is the most successful imperialist in the history of modern Iran. The Shaw never had control of the Iraqi state and the deep state, that sort of influence.

He never was a material player in Syria. As a matter of fact, the Assad regime was resistant to him. Khomeini is probably the most important external actor in Syria.

Previous Iranian regimes were never main players in Lebanon. Through Hezbollah, Iran has the ability to manipulate Lebanese politics as well as a lethal militia it can deploy in various war fronts.

And, of course, in the Persian Gulf, the battered alliances of the United States make that particular subregion a bit more susceptible to Iranian subversion.

Imperialism is financially costly. The economy of 2013 could not have sustained the imperial surge that Iran has embarked upon. So in terms of national priority, whether expansion of the nuclear capacity or projection of influence in corners of the Middle East where Iran had never had any power, I think outweighs the latter.

So right now the priority of the state is threefold. Number one, consolidation of the regime at home, in light of the 2009 Green Revolution, which I think continues to haunt the Islamic Republic. Number two, consolidate and make the economy more resilient to be able to sustain this vast imperial surge, which gives Iran a measure of expansionist influence unprecedented in 500 years of Iranian history.

The CHAIRMAN. And this agreement, certainly——

Dr. TAKEYH. This agreement enables both consolidation of power at home, the imperial surge in the region, as well as establishes a pathway for industrialization upon which they can decide whether they have a nuclear weapon or not.

The CHAIRMAN. So if I could paraphrase, it allows them to meet their shorter term goals of consolidation.

Dr. TAKEYH. It allows them to exploit remarkable opportunities they have in the region.

The CHAIRMAN. And still reach their longer term goals of being a nuclear threshold country within a short amount of time.

Dr. TAKEYH. Yes, that is right.

The CHAIRMAN. If I could, I know that Senator Coons has just come in, and I, certainly, want to give him time for questioning.

There was a letter by a distinguished group of people yesterday that was released, people on both sides of the aisle that have served under the administration and obviously served under others. They are, certainly, people that I think are respected in our country.

They mentioned five issues that need to be addressed, certainly, in these closing days. The monitoring and verification piece, which we spent a great deal of time talking about here and exploring; the possible military dimensions, which today we discussed fairly thoroughly; and advanced centrifuges. Again apparently there still may be room to limit the amount of advanced centrifuge research and development that takes place. We have not seen that, but maybe that is an area that is open. Sanctions relief, obviously ensuring that sanctions relief does not occur until they have actually done the things that need to be done to provide that.

But the consequences of violations is something that as we move into potentially dealing with an agreement, I would just say to members on both sides of the aisle, maybe that is something that if an agreement is reached, Congress needs to speak with strong support toward real consequences.

We had a very controversial briefing. One of our witnesses suggested going ahead and authorizing the use of military force in the event they violate. Obviously, as you can imagine, there was a lot of debate around that issue. I am not necessarily suggesting that that is the right consequence today. I am just saying, that debate, I think, should be a part of whatever we do, should an agreement be reached. But I'm obviously very concerned.

With that, Senator Coons.

Senator COONS. Thank you very much, Mr. Chairman. Thank you for the many hearings and briefings that you and Ranking Member Cardin have convened and led us through. I think this is critical for the Foreign Relations Committee, its members, and the rest of the Senate, to be well-informed, particularly in these last days or weeks, in the conclusion of a possible P5+1 agreement with Iran.

I will take up where you were just leading this bipartisan letter that raises five key issues. There are two I will talk about, consequences of violations and the possibility of a future breakout of the role of centrifuge R&D, and see if we can get some more insight from our terrific panel.

If I could, Mr. Albright, on snapback sanctions, there is reported possibly an agreement between the P5+1, in terms of the mechanism by which sanctions would be reinstated if Iran violates a final agreement, should one be reached, and exactly how a dispute resolution panel would work and how it would be composed and so forth has been discussed in the press. I would just be interested in your assessment of the strength or weakness of that proposed mechanism, and any suggestions you might have for improving it, and what other ways you think we might bolster our leverage to pressure Iran in the event of future noncompliance with a potential agreement.

Mr. ALBRIGHT. I am by no means an expert on sanctions. My own view, and I have heard this from people who are experts in other countries' negotiation teams, the snapback is pretty good as a deterrent, but if it actually is invoked, it is not very likely it will significantly affect Iran's behavior.

So you do not really have a mechanism to enforce. And the lack of that, not to throw it back at you, I think is a major challenge for Congress to think through what happens if there are material breaches.

I can understand. I guess going to a military option is an attempt to short circuit that issue. I do not think it is sufficient, by any means, to throw out the last resort as your only resort, or throw it out on the table, not to get rid of it.

But I think it needs to be thought through. I do not have any good suggestions, I must confess. I think one of the areas to also worry about is how they are going to take away the U.N. Security Council sanctions and then bring back a lot of them, and then how do you then snap that back? Maybe there is an easy mechanism to do it, but I think it does need to be thought through.

The other thing is that with Iran, the way it has been played out the last many years, with the exception of Fordow, they have tended to go with small violations. And there is no mechanism other than the political mechanism of the United States going to Iran and saying stop that is really on the table. And I think that also has to be thought through, because sometimes we know it works. On the IR5, the United States went to Iran and said knock it off, and they did.

But on the PMD, everyone has gone to Iran outside of Iran and said knock it off. And they have simply ignored it.

So I think that again also has to be one issue that is thought through.

Senator COONS. Mr. Albright, on this point, if I might, I agree with you that a lack of clarity on exactly how U.N. sanctions would be restored in a way that would not allow a veto by one of the primary U.N. Security Council members as a future barrier is one of the, I think, key unresolved questions about snapback for the U.N. sanctions. It is my hope that the mechanism adopted, if this all takes place, by the U.N. Security Council in a replacement resolution would allow for a more streamlined consideration of that.

And I would agree, we have a wide menu of sanctions, both U.S. and multilateral and U.N., that need to be clearly articulated and put in place in a gradual way that gives us a series of responses. But if there is a determination by the Iranians to break out or sneak out, having those snapback sanctions may not be sufficient deterrent.

Let us get to the future breakout for the few minutes I have left. There are competing assertions in the press and the public by advocacy groups and the administration.

One assertion is that this agreement, should it come to pass, will leave Iran with a zero breakout time when roughly 15 years expires, and that they will get to a place where it will be virtually impossible to detect the breakout, in large part because there are projections about future centrifuge R&D and the potential strength and speed and capacity of their centrifuges 10 to 15 years from now.

The counternarrative that is being offered by the administration and others in support of this agreement say the continuous inspection of their centrifuge production facilities and uranium mines and mills for 25 years, and the additional protocol, which it is presumed Iran will adhere to, will provide the international community with plenty of warning of a breakout attempt beyond the 15 years.

Please, if all three of you would just comment on these contradictory explanations and what the breakout time in your view would be if Iran installed more advanced centrifuges after 15 years, and what kind of restrictions would the additional protocol provide, and the ongoing ability to monitor mines and mills provide, because many have proffered the possibility that what Iran will do is seek the gradual accumulation of ambiguous evasions. I think that is a particularly powerful phrase. Not just direct assault breakout, but a whole series of accumulated attempts at ambiguous evasions. And particularly in the area of centrifuge R&D, it is a concern that that might then lead to a quick breakout capability.

So if all three of you would talk about these competing narratives about what happens in years 10 to 15, and then 15 and beyond.

Mr. Albright, if you would start us off?

Mr. ALBRIGHT. We did just a quick model. It is very hard to work that far in advance, but we looked at Fordow where if they did deploy advanced centrifuges like the IR6, the IR8, that in Fordow itself, you would have the ability to break out, probably within a week at year 15 or 16.

It would depend also on producing 20 percent enriched uranium. So we took the Iranian statements at face value and assumed they would. So you could have a situation there where breakout could happen.

And the verification is going to be better, there is no doubt about it. But the thing that you worry about in this particular scenario is that they just do not let the inspectors in, or they cripple the remote monitoring. And people are scratching their head about what is taking place.

And if they can break out in a few days, in a week, they can make, one, two, three bombs worth of material in a month. So you worry that they will interfere in the inspection effort and disrupt it while they try to break out so you want to look at that.

On the sneak out, you worry that Iran may weaken the conditions over time, that some of these mechanisms may be undermined, just the way you put it. It was an elegant way to put it. And the advanced centrifuges allow for the building of smaller facilities that may not be detected.

So again, these are projecting in the future. The purpose of these exercises is to come up with a strategy now that can deal with these, and I think we have to be very clearheaded and look at the strategy or scenarios that are the most threatening to us and then make sure that the deal or what Congress or others do to implement the deal deals with these things.

Senator COONS. Thank you, Mr. Albright.

Mr. Chairman, do you mind if we have the rest of the panel answer the question?

The CHAIRMAN. No, as matter of fact, what I might do, to interject just one moment, our committee, first of all, has had some outstanding hearings. I am going to step out, and I am going to let you guys finish up.

We have passed multiple pieces of legislation on a 19–0 vote, so there is huge trust on this committee, and I am going to turn it over to Chairman Kaine in just a second. I know he will handle the closeout well.

But without objection, I would like for the record to remain open through the close of business Monday and would hope that unless you are traveling to Tennessee you will answer the questions promptly.

I just want to say that I think this has been an excellent way to close a month of tremendous due diligence by the committee. I hope you all will stay and ask questions as long as you wish.

I would like permission, without objection, to enter in the letter that you are referring to and that Senator Menendez referred to by members of the Washington Institute and others who have raised questions.

[EDITOR'S NOTE.—The article mentioned above can be found in the "Additional Material Submitted for the Record" section at the end of this hearing.]

The CHAIRMAN. I think one of the functions of passing the Iran Review Act, there were two functions. One that gives a seat back at the table, which we had given away by granting the President national security waivers. But importantly to be able to ask the kind of questions that we are asking now to hopefully shape the negotiations and hopefully raise concerns that can be alleviated by stronger negotiations.

So it is my own hope, obviously, that we end up with a very strong agreement. I think most people here want to see that happen. Obviously, I have a lot of concerns, and there are some remaining issues that I hope we will hold firm on.

And just for the record, I believe we would be so much better off because JPOA has been what it is. We would be so much better off if we just continued to negotiate and not rush to some artificial deadline on June 30 and try to shortcut some of these very, very important issues.

But we thank you very much, not only for your input today but throughout the course of this whole discussion. I will enter this into the record.

I am sorry to give a pause to your answers. And with that, I am out of here. Chairman Kaine is in charge.

Senator COONS. Thank you, Chairman Corker.

And I agree that the purpose of that strong bipartisan vote and enactment by Congress was to ensure that Congress has the opportunity to weigh in, to shape the negotiations, and to set up the structure for ongoing oversight and engagement in the event there is an agreement. And the purpose of hearings such as this is for us to get better and better information about some very technical areas, like centrifuge R&D or future inspections, and to think through some things that are not comfortable to think about, which are scenarios in which this all might be unsuccessful in the long term.

Dr. Takeyh.

Dr. TAKEYH. I will just say a little to complement what David said, and Jim can also talk about the technical aspect of this far more superiorly than I can.

I would say that one of the Iranian negotiators—and when Iranian negotiators go home, they tend to be very talkative about what happened. They tend to do TV interviews, university symposiums. When he was asked about the issue of advancement of the Iranian nuclear program, he said, look, the Atomic Energy Organization told us that they need 8 years to develop the most advanced centrifuges that we need and, therefore, we are trying to get an agreement that conforms with that timeline.

So he essentially was saying the sunset clause has to conform with the R&D requirements that were reported by the Atomic Energy Organization. Of course, at that time when Iran becomes a more industrial-sized nuclear power, it is very difficult to detect systematic diversions of resources and establishment—as David said, small installations operating high-velocity centrifuges is very difficult to detect. So industrialization of the program makes the verification regime challenges more acute if not impossible.

Second, I just want to say one thing briefly about the snapback measures that you suggested. This agreement, as you noted, will have a dispute verification committee that will essentially hear out the disputes, and then they will go to the Security Council.

The Security Council is not a country. It cannot impose economic sanctions. It can recommend and establish the legal predicate for national measures. At that time, U.S. Treasury and other representatives have to go to the Europeans, so that the current sanctions regime may not be able to come back. I think it will be very

difficult to get the Europeans to reconstitute the oil embargo unless there is a real breakout for the Iranians. So I think Italians are waiting to go back and resume oil purchases because of the economy. I think the current sanctions architecture is not going to be snapped back.

Once the U.N. Security Council advises its member states to restrict their trade, then you have to go back to South Koreans and the Japanese and the Indians and that whole elaborate effort that we have seen for the past several years.

In terms of the fact that this agreement, as I mentioned, the sunset clause makes it disturbing, but I yield to Jim for additional technical explanation of your question.

Senator COONS. Thank you.

Dr. Walsh.

Dr. WALSH. I do have some concerns about breakout in the outyears, if, in fact, they build a very large infrastructure because the larger it is, it introduces some complications.

But let me back up for a moment. Again, this committee knows these details backward and forward, but I am not sure the watching public does. Let us be clear about what breakout is. Breakout is the time it takes to produce one bombs worth of material. And so far, there is no country in the history of the nuclear age that has broken out with the purpose of developing one bomb. You test it and then you do not have any material left over.

It does not include the time for weaponization. Unless you are going to take that softball and throw it at someone, you have to make it into a weapon. And both the DNI, Secretary Panetta and my friends in the Israeli Atomic Energy Agency, all say they expect that will take at least a year.

So breakout time actually does not measure the time it takes to get to a weapon. It measures the time you have to produce one softball of highly enriched uranium or plutonium. And breakout is incredibly rare, right? It will require a change in Iranian policy.

The DNI says Iran has not decided to pursue a nuclear weapon, so they would have to change the policy they currently have in order to do that.

Now, especially in the absence of details, it is easy to think of things that could go wrong, or think of things that could be better, right? I would like total information on everything in the world, but that is not what this is about.

As I said in my testimony, the decision criteria are, does it advance our objective in preventing Iran from acquiring a nuclear weapon? Is it better than the alternatives? How does it compare to other agreements?

This is, according to a former head of Mossad, a historic agreement. I view it as being the strongest multilateral nonproliferation agreement yet negotiated. And again, the track record here is really, really great.

Now, are there risks? Of course, there are risks. But there are risks to inaction, and there are risks to sanctions, and there are risks to other actions. But when you compare this to the alternatives and compare it to other agreements that have been successful, the NPT, for example, deeply flawed but overwhelmingly successful.

So I think yes, the charge of the committee should be to go through in fine detail and try to specify what the problem is and try to fix them. We also need to step back and have a bigger picture here when we try to evaluate where we are going.

As I say, the Israeli military and intelligence people, distinct from the political people, have a very positive view of this. And, in fact, in public statements, the Israeli military is saying that they see their threat levels declining in coming years, and they are including Iran in that assessment. So that would seem to speak to the fact that this is an agreement that will have positive effects for Israel national security.

Let me say in closing, with respect to the letter and I read the letter, it reminds me of that problem you have when the headline says one thing and the article says something else. This is a letter that has more bark than bite.

As I read that letter, I agree with 90 percent of it. I think the sections on verification are completely consistent with my testimony. I agree completely with that. And on the possible military dimensions, I will remind you that yesterday you had testimony from Graham Allison, who is a signatory of that letter and who supports the agreement and said positive things about a potential agreement.

So I think when you get down to the meat of it in the details, the letter is helpful, but it mostly offers criteria that most of us would agree with that feel that we can achieve.

Senator COONS. Can I ask one more question, Chairman Kaine?

Mr. ALBRIGHT. Can I say something? I would like to disagree with some of the things Jim said.

One is, breakout is used in the negotiations as criteria to limit Iran's program. It has nothing to do with whether in a breakout Iran would be producing just one weapon. I mean, why would Iran break out? If they are going to break out, you would expect that they would be planning to build many weapons, but you want to stop the first one and stop the infrastructure that gives them the ability to not only make the first, but also the second.

So I do not know what to call it, it is a misunderstanding of what the use of breakout is, and I think I need to respond to that.

Also, there are many people who do not think it would take Iran at least a year to build a nuclear explosive device. In the IAEA deliberations internally, they said that Iran knows enough based on their assessment to build a crude fission weapon. They assess they did not know enough to build a deliverable system by a missile, like the Shaheen-3, but they were working on it. And when they would succeed is a question of time.

But in terms of building a crude explosive device, I think some people think it could be—Israel, too—think it could be done within a few to several months.

Again, it is not going to be delivered by a missile. It could be tested underground. It could be used in a crude delivery system. But I think we have to be clear that Iran can do these things, according to IA assessments and Israeli assessments. I would assume some of these are shared in the United States. It is not that hard to do it.

And we also have to understand that if they get this 25, we use 25 kg of weapon grade uranium in our calculations, if they get that, we do not really know where they will take it. We do not know how to respond. We do not know if it is a couple months or a year before they have a weapon.

And so if you going to design a verification regime, design a deal, you have to go with what you can affect. That is why breakout always looks at how much weapon grade material is needed for a bomb, because those facilities, in essence, in the worst case, can be bombed. Once the weapon grade uranium leaves those facilities and, in essence, is produced, you do not know what to bomb.

Again, I am saying this because I disagree with some of the things Jim is saying. I think in the public debate, particularly, not within the governments, but within the public debate, I think there has been real misunderstanding about how breakout is used and what it what it means.

Senator COONS. Thank you, Mr. Albright.

If I might, back to Dr. Walsh, on centrifuge R&D, I think many of us have a fairly clear grasp of what the 1-year breakout time means. And I would agree with you that the broader watching public may misunderstand it as the ability to go from the accumulation of fissile material to the development of a deliverable, functioning, advanced nuclear weapon. And those are easily conflated and should not be.

But one of the core issues we are being asked to consider is whether or not the structure of the agreement as proposed leaves Iran with too much freedom to develop advanced centrifuges, and whether it is technically possible in a decade to develop centrifuges that are an order or two orders of magnitude more effective operationally than their best current models.

Some experts suggest that that is just not feasible, that the barriers to their testing them in cascade, the barriers to them actually knowing how they work, are fairly significant in this agreement, that the monitoring provisions are fairly significant, and that even the most advanced engineering and industrial societies, ours included, have found centrifuges tricky things to modernize significantly.

Others argue that that is not the case, that this is widely distributed knowledge, that the engineering challenges of decades ago have now largely been transcended, and that they may, in fact, in the intervening decade, be able to make dramatic orders of magnitude advances.

Where do you come down on this? What advice would you have for us on this as yet unresolved component?

Dr. WALSH. I think I come down somewhere in the middle. I do not think it is as easy as some might portray it.

I am reminded of the fact that Iran has made a series of announcements over the years that it was just about to introduce an advanced centrifuge 5, 6, 7, 8, and all these great advances that were all press releases and had nothing to show for it years after the fact. So I think it is a technical challenge.

I am reminded of the fact that the 18,000 of the 19,000 are still Pakistani first order centrifuges.

So that would seem to indicate that their progress has not been as great as one might imagine. But I think it is worthy of concern because it is true that, if they could build an advanced centrifuge, it would increase the efficiency and reduce the breakout time. I think that is right.

I think it is a tough issue, though, because as the United States has certainly insisted in its arms control agreements, most agreements provide for research and development, most nonproliferation and arms control. You stop the thing itself, but you allow countries to R&D. But it is very hard to police, in any case.

But I think it is worth looking at it in the out-years. But I do not think it is going to be easy, nor will it be quick for them to do that.

If I can bring it back to a final point here, part of what this process is about is trying to consolidate the Iranian decision not to pursue a nuclear weapon. If a country is determined to get a nuclear weapon, it does not matter what agreement you have. Pakistan said it would eat grass. North Korea, I do not know what its GDP is, but it was able to build a nuclear weapon because of its political priority, political commitment.

That is the difference between being a nuclear weapon state and a nonnuclear weapon states, when it comes to a technology that is 70 years old.

So while we focus on the technical and that is important, we want to build as good of an architecture as we can, we need to focus on the core issue. The core issue is political. As the DNI says, Iran's nuclear future is a political decision, not a technical one, because they know how to build a centrifuge, whether it is an IR1 or an IR9.

So if we are going to live in a future without a nuclear weapons Iran, which we all want, then we need to have an agreement that puts Iran on a political track where they never revisit that decision, that keeps them in the decision they have made right now, which is not to pursue a nuclear weapon. That is really what this is about.

Senator COONS. I appreciate the frame you put on it. I appreciate the chairman's indulgence in time.

I do think that in order for us to have a reasonable assessment of what level of risk we are taking, having more thorough, more broad knowledge of the prior military dimensions, access to scientists interviews that allow the international community to assess how far they got when they were pursuing actively a nuclear weapon, and what the contours are of their potential program, are critical. Having an inspection regime that allows for ready access to suspect sites, having some real limits on centrifuge R&D, having a capacity to return to sanctions in a multilateral and muscular way relatively promptly, and having real consequences for violations, are all important parts of the architecture of an agreement. And I know we will all be watching this very closely.

Thank you, gentlemen, for your testimony today.

Senator KAINE [presiding]. And I would like to thank the witnesses as well.

Your testimony today, you have given us a number of important thoughts about the way to analyze a deal, if there should be one.

You have given us some important thoughts about alternatives, if there is not a deal. And you have also given us some important thoughts about if there is a deal that is accepted, what are some additional steps that Congress might be able to take on the enforcement or consequences side. Those are all important.

Just to remind you, if members want to submit questions for the record by the close of business Monday, we would ask that you try to respond to those promptly.

The last thing I will just put on the record, there was a colloquy between the witnesses and Senator Menendez around this issue of whether the additional protocol around succession of that that was announced in the framework on April 2, is something that has to be ratified by the Iranian parliament or is there just going to be a claim that we will abide by that. I think that is a very important question.

There was testimony before this committee in January by Tony Blinken that such a provision would require under Iranian law the Iranian Parliament to ratify it.

That was something that was mentioned and that became important as we debated the role of the Corker review bill. If the Iranian Parliament has to ratify the deal, then so should Congress. So that has been a claim that has been made often.

I think to the extent that these hearings are being observed by folks within the administration and even folks connected to the negotiators, that notion that the accession to the additional protocol, which in the April 2 framework was a permanent accession, it was not to run out after 20 years or 30 years, would have to be ratified by the parliament. That is something that we are going to be looking at very, very carefully. And if they back away from ratify and just say, oh, do not worry, we will abide by it, that would be a weaker agreement, I think according to the entire committee.

So that colloquy surfaced an issue that could be an important one.

I thank you again for the testimony.

With that, the hearing is adjourned.

[Whereupon, at 12:20 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Public Statement on U.S. Policy toward the Iran Nuclear Negotiations

- Endorsed by a Bipartisan Group of American Diplomats, Legislators, and Experts

JUNE 24, 2015

Over the last three years, members of this bipartisan group have convened regularly under the auspices of The Washington Institute for Near East Policy to discuss the status of the Iran nuclear issue, frequently benefitting from the input of current Administration officials. Last week, at its most recent meeting, the group determined that it could usefully contribute to the public debate on the ongoing negotiations by presenting its consensus view of critical issues. This statement reflects that broad consensus.

The Iran nuclear deal is not done. Negotiations continue. The target deadline is June 30. We know much about the emerging agreement. Most of us would have preferred a stronger agreement.

The agreement will not prevent Iran from having a nuclear weapons capability. It will not require the dismantling of Iran's nuclear enrichment infrastructure. It will however reduce that infrastructure for the next 10 to 15 years. And it will impose a transparency, inspection, and consequences regime with the goal of deterring and dissuading Iran from actually building a nuclear weapon.

The agreement does not purport to be a comprehensive strategy towards Iran. It does not address Iran's support for terrorist organizations (like Hezbollah and Hamas), its interventions in Iraq, Syria, Lebanon, and Yemen (its "regional hegemony"), its ballistic missile arsenal, or its oppression of its own people. The U.S. administration has prioritized negotiations to deal with the nuclear threat, and hopes

that an agreement will positively influence Iranian policy in these other areas.

Even granting this policy approach, we fear that the current negotiations, unless concluded along the lines outlined in this paper and buttressed by a resolute regional strategy, may fall short of meeting the administration's own standard of a "good" agreement.

We are united in our view that to maximize its potential for deterring and dissuading Iran from building a nuclear weapon, the emerging nuclear agreement must – in addition to its existing provisions – provide the following:

1. ***Monitoring and Verification.*** The inspectors of the International Atomic Energy Agency (the "IAEA") charged with monitoring compliance with the agreement must have timely and effective access to any sites in Iran they need to visit in order to verify Iran's compliance with the agreement. This must include military (including IRGC) and other sensitive facilities. Iran must not be able to deny or delay timely access to any site anywhere in the country that the inspectors need to visit in order to carry out their responsibilities.

2. ***Possible Military Dimensions.*** The IAEA inspectors must be able, in a timely and effective manner, to take samples, to interview scientists and government officials, to inspect sites, and to review and copy documents as required for their investigation of Iran's past and any ongoing nuclear weaponization activities ("Possible Military Dimensions" or "PMD"). This work needs to be accomplished before any significant sanctions relief.

3. ***Advanced Centrifuges.*** The agreement must establish strict limits on advanced centrifuge R&D, testing, and deployment in the first ten years, and preclude the rapid technical upgrade and expansion of Iran's enrichment capacity after the initial ten-year period. The goal is to push back Iran's deployment of advanced centrifuges as long as possible, and ensure that any such deployment occurs at a measured, incremental pace consonant with a peaceful nuclear program.

4. ***Sanctions Relief.*** Relief must be based on Iran's performance of its obligations. Suspension or lifting of the most significant sanctions must not occur until the IAEA confirms that Iran has taken the key steps required to come into compliance with the agreement. Non-nuclear sanctions (such as for terrorism) must remain in effect and be vigorously enforced.

5. ***Consequences of Violations.*** The agreement must include a timely and effective mechanism to reimpose sanctions automatically if Iran is found to be in violation of the agreement, including by denying or delaying IAEA access. In addition, the United States must itself articulate the serious consequences Iran will face in that event.

Most importantly, it is vital for the United States to affirm that it is U.S. policy to prevent Iran from producing sufficient fissile material for a nuclear weapon – or otherwise acquiring or building one – both during the agreement and after it expires. Precisely because Iran will be left as a nuclear threshold state (and has clearly preserved the option of becoming a nuclear weapon state), the United States must go on record now that it is committed to using all means necessary, including military force, to prevent this. The President should declare this to be U.S. policy and Congress should formally endorse it. In addition, Congressional review of any agreement should precede any formal action on the agreement in the United Nations.

Without these features, many of us will find it difficult to support a nuclear agreement with Iran.

We urge the U.S. administration not to treat June 30 as an "inviolable" deadline. Stay at the negotiating table until a "good" agreement that includes these features is reached. Extend the existing Joint Plan of Action while negotiations continue. This will freeze

Iran's nuclear activity and international sanctions at current levels. While the United States should extend the Iran Sanctions Act so it does not expire, it should not increase sanctions while negotiations continue. U.S. alternatives to an agreement are unappealing, but Iran's are worse. It has every incentive to reach an agreement and obtain relief from sanctions and international isolation well in advance of its elections next February. If anyone is to walk out of the negotiations, let it be Iran.

Some argue that any nuclear agreement now simply further empowers bad Iranian behavior. And there is a lot to this argument. This is why we believe that the United States must bolster any agreement by doing more in the region to check Iran and support our traditional friends and allies.

This does not mean major U.S. ground combat operations in the Middle East. But it does mean taking initiatives like the following:

1. ***In Iraq:*** Expand training and arming not only of Iraqi Security Forces but also Kurdish Peshmerga in the north and vetted Sunni forces in the West. Allow U.S. Special Forces to leave their bases and help coordinate air strikes and stiffen Iraqi units. Sideline Iranian-backed militia and separate them from Shiite units ("popular mobilization units") that are not under Iranian control.
2. ***In Syria:*** Expand and accelerate the U.S. train and equip programs. Work with Turkey to create a safe haven in northern Syria where refugees can obtain humanitarian aid and vetted non-extremist opposition fighters can be trained and equipped. Capitalize on Bashar al-Assad's increasing weakness to split off regime elements and seek to join them with U.S. trained opposition elements. Interdict the transshipment of Iranian weapons into Syria in coordination with the Kurds and Turkey, and consider designating as terrorist organizations Iranian-backed Shiite militias responsible for egregious atrocities.
3. ***In Yemen:*** Expand support for Saudi Arabia and the UAE in pressuring the warring parties to the negotiating table while seeking to split the Houthi elements away from Iran.
4. ***Regionally:*** Interdict Iranian arms bound for extremist groups and continue to counter its efforts to harass commercial shipping and our naval forces. Reaffirm U.S. policy to oppose Iran's efforts to subvert local governments and project its power at the expense of our friends and allies.

Collectively, these steps also strengthen U.S. capability against Daesh (the misnamed "Islamic State"). Acting against both Iranian hegemony and Daesh's caliphate will help reassure friends and allies of America's continued commitment. And it will help address Israel's legitimate concerns that a nuclear agreement will validate Iran's nuclear program, further facilitate its destabilizing behavior, and encourage further proliferation at a time when Israel faces the possible erosion of its "qualitative military edge." We urge the U.S. administration to create a discreet, high-level mechanism with the Israeli government to identify and implement responses to each of these concerns.

Taking the actions we propose while the nuclear negotiations continue will reinforce the message that Iran must comply with any agreement and will not be allowed to pursue a nuclear weapon. This will increase, not decrease, the chance that Iran will comply with the agreement and may ultimately adopt a more constructive role in the region. For the U.S. administration's hopes in this respect have little chance so long as Iran's current policy seems to be succeeding in expanding its influence.

(CONTINUED)

GRAHAM ALLISON, director of the Belfer Center for Science and International Affairs, Harvard University

HOWARD BERMAN, U.S. House of Representatives (D-CA), 1983-2013

ROBERT BLACKWILL, deputy assistant to the president and deputy national security advisor for strategic planning under President George W. Bush, 2003-2004

GENERAL JAMES CARTWRIGHT, vice chairman of the Joint Chiefs of Staff, 2007-2011

PATRICK CLAWSON, Morningstar Senior Fellow, director of research, The Washington Institute

PAULA J. DOBRIANSKY, undersecretary of state for global affairs, 2001-2009

ROBERT EINHORN, special advisor to the Secretary of State for nonproliferation and arms control, 2009-2013

NORMAN EISEN, U.S. ambassador to the Czech Republic, 2011-2014

MICHAEL EISENSTADT, Kahn Fellow, director of the Military and Security Studies Program, The Washington Institute

STEPHEN HADLEY, national security advisor to President George W. Bush, 2005-2009

OLLI HEINONEN, deputy director general of the International Atomic Energy Agency, 2005-2010

JAMES JEFFREY, U.S. ambassador to Iraq, 2010-2012, deputy national security advisor to President George W Bush, 2007-2008. Philip Solondz Distinguished Fellow, The Washington Institute

JOSEPH LIEBERMAN, U.S. Senate (I-CT), 1989-2013

DAVID MAKOVSKY, senior policy advisor to the U.S. special envoy for Israeli-Palestinian negotiations (2013-2014). Ziegler Distinguished Fellow and director of the Project on the Middle East Peace Process, The Washington Institute

DAVID PETRAEUS, director of the Central Intelligence Agency, 2011-2012

DENNIS ROSS, special assistant to President Obama and National Security Council senior director for the central region, 2009-2011. Counselor and William Davidson Distinguished Fellow, The Washington Institute

GARY SAMORE, coordinator for arms control and weapons of mass destruction under President Obama, 2009-2013

ROBERT SATLOFF, Howard P. Berkowitz Chair in U.S. Middle East Policy and executive director, The Washington Institute

This statement reflects the broad consensus of the group; not every member of the group endorses every judgment or recommendation. Members of the group endorse this statement in their personal capacities; institutional affiliations are for identification purposes only. This statement has not been endorsed by the Washington Institute for Near East Policy, its Board of Trustees or its Board of Advisors, and it should not be construed as representing their views.

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IRAN NUCLEAR AGREEMENT REVIEW

THURSDAY, JULY 23, 2015

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

The committee met, pursuant to notice, at 10:09 a.m., in room SD–G50, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Risch, Rubio, Johnson, Flake, Gardner, Perdue, Isakson, Paul, Barrasso, Cardin, Boxer, Menendez, Shaheen, Coons, Udall, Murphy, Kaine, and Markey.

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

The CHAIRMAN. The Foreign Relations Committee will come to order. I want to thank the witnesses for being here today, and we look forward to a fulsome hearing.

I want to thank all of those also who are in attendance. I know there was a little bit of an outbreak prior to us convening. We thank you for being here. Now that the meeting is in order outbursts of any kind are unwarranted. We do hope that you will respect the democratic process that is taking place here. So, again, we thank you for being here. We also thank you for your courtesy as we move ahead.

I know the witnesses have agreed to be here as long as we wish, so we will start with 7-minute questions. I do know, based on last night's presentation, there is sometimes a tendency for witnesses to want to interject. And what I would say is obviously we conduct our meetings with a lot of respect and courtesy, and I would just ask the witnesses, if they would respond directly to the questions from Senators on both sides of the aisle as if they ask it—when you ask it directly to a witness, get them to respond. If someone else wants to interject, they can indicate they want to do so, but Senators should feel free to say, no, I just wanted that witness and move on to the next to make sure that we do not end up in a somewhat filibustered situation and we are able to get our questions answered.

I want to start by thanking our committee. We would not be here today, we would not have the information that we have today, if we had not passed the Iran Nuclear Agreement Review Act. This would not be taking place. I think the American people now understand what this debate was all about.

When Congress put in place sanctions to bring Iran successfully to the table as we did, we granted the executive branch something

called a national security waiver. And what that meant was the executive branch had the ability to waive our congressionally mandated sanctions, to suspend them until such a time as we permanently waive them down the road.

And as you know, unfortunately over the objections of Senator Cardin and myself, unfortunately the executive branch went directly to the United Nations this Monday morning, something that certainly was not in the spirit of this but this is what was always intended. And I do want to say that while Secretary Kerry has often said, well, Congress will have the ability to weigh in at some point in time prior to this law being passed and causing this hearing to happen today, we now read the agreement and realize that what he meant was 8 years from now we would have the opportunity to weigh in because that is what is stated in the agreement.

So I want to thank everybody, all 19 members, for coming together unanimously making that happen, and giving us a role. It is a heavy lift as we know, but a role that did not exist prior to that bill passing.

I have to say we had a briefing last night— and I left there— as I talked to Members on both sides of the aisle—fairly depressed after last night's presentation. With every detail of the deal that was laid out, our witnesses successfully batted them away with the hyperbole that it is either this deal or war. And, therefore, we were never able to appropriately question or get into any of the details because every time we did, it was either this deal or war. So I believe that to be hyperbole.

I know the Secretary last night pulled out a letter that was written in 2008 by the prior administration. I do not know if he will refer to that today. But as I thought about it lying in bed last night, I realized that what he was really pointing out with that letter is unless we give Iran what they want, "X," will happen. I mean, that is what really that letter was used for last night. So let me just walk through that.

We have been through an incredible journey. We began 20 months or so ago with a country that was a rogue nation that had a boot on its neck, and our goal was to dismantle their program. We have ended up in a situation where the deal that is on the table basically codifies the industrialization of their nuclear program. It is an amazing, amazing transition that has occurred. And yet everyone here, not a person in this room, including our witnesses, everyone here knows there is not one practical need for the program that they are billing. Not one. Not one. We have not had a single scientist, and not a single witness can lay out any reasoning, not a single reason, for Iran to be developing this program from the standpoint of what it means to them from a civil standing. Not one.

Nine months after this agreement goes into effect, we realize that after Monday's U.N. adoption, unless Congress intervenes, in 90 days this will be implemented. And then 6 months after that and a total of 9 months from now, all of the sanctions that exist against Iran will be lifted. Incredible. Now, there will be a few remaining sanctions, but the big ones that matter will be lifted. So they will have access to billions and billions of dollars. Their economy will be growing. They will be shipping oil around the world. It is an amazing thing.

And so, what happens—I think all of us figured this out as we went through the deal—right now we have some leverage, but 9 months from now the leverage shifts to them because we have a sanctions snapback. What they have, if we ever try to apply that, is what is called a "nuclear snapback." The way the deal is structured, they can immediately just begin. They can say, well, if you add sanctions we are out of the deal. They can immediately snap back. So the leverage shifts to them.

The PMD, the possible military dimensions—I think most of us call it the previous military dimensions because we know they were involved in that—basically that has no bearing—no bearing—per the agreement. And I know our witnesses will say, well, if they do not deal with this properly, we will not implement. But according to the agreement, it has no bearing whatsoever on whether the sanctions are removed or not. And yet that was such an important piece for everyone to know.

Anytime, anywhere inspections. Last night we had witnesses saying, I never said that. It has been a part of our mantra from day one. It has been a part of their mantra from day one, anywhere, anytime inspections. Now we have a process that they are declaring is 24 days, but we all know that is not right. The 24 days begins after, by the way, the IAEA has found violations that they are concerned about, and then you give Iran time to respond to that. And then by the time it kicks in, there is a 24-day process, but it could be months.

And as we know, in laboratories when you are developing a nuclear warhead that is about this big, it is very easy to cover things up like that. And all the focus has been on finding uranium. There are other aspects of this that are very difficult to find.

I know they have said this is the most comprehensive inspection regime that we have ever had. That is not true. That is not true. I have talked to Secretaries of State and others. We had a far more comprehensive and rapid inspection program in Iraq. Far more. And that certainly did not serve us particularly well.

Ben and I have written a letter asking for additional materials that we do not now have. One of the items we do not have is regarding the agreement between Iran and the IAEA. And my sense is that we are never going to get that letter, so the inspection entity that we are relying upon to find out whether Iran is cheating, we are not even going to have access to that agreement.

But let me just say this. We do know one of the characteristics is very interesting. We have a professional athlete in Chattanooga that spends about a month there. He is incredibly a role model. He has got incredible integrity. He is a role model to the world. And I was talking to him a couple of weeks ago about the program that professional athletes go through for drug testing. It is incredible. That is anytime, anywhere. There are qualities to this that unfortunately I am told I cannot get into. But there are qualities to this program that would not be unlike causing athletes to just mail in their own urine specimens in the mail and us believing that it came from them.

So, look, I have got some questions. I want to talk a little bit about who we are dealing with here. Most of us have been to Iraq many times, and I will never forget visiting General Odierno in

Baghdad. And every time we visit General Odierno in Baghdad, he has on his coffee table the IFPs that were used to maim and kill Americans. They were laying out. They were made, the IEDs. They were laying on the coffee table, every single one of them made by Iran.

Once we develop the technology, by the way, to counter that, what they did next was develop something called an EFP, explosively formed penetrator. Now, what they do is they have an explosion that heats up copper to go through a piece of machinery to maim and dismember Americans. This was all Iran, every single bit of it.

We have all been out to Walter Reed, and we visited these incredible heroes that have lost in some cases two arms and a leg, in some cases two legs and two arms. We see them all over the country. They are living with this today. This is the country that we are dealing with, a country that created some of the most disturbing types and methods of maiming Americans that have ever been seen. They tried to kill an ambassador here in Washington, DC, not long ago. I mean, we know that.

The other day, Ben and I went over with others to see something the Holocaust Museum had put together. A young man named Caesar had taken photographs of the Syrian prisons, Syrian prisons, which, by the way, Iran supports. Bashar al-Assad would not even be in office today if it were not for Iran.

We went over and envisioned the torture that is happening, that has been photographed and chronicled. Many of you have seen it on the Internet. It is an amazing thing. It is happening right now, by the way, as we sit here. Some people might say, well, that was Iraq, and I do not know, should we have been there or not. This is happening this very second with the support of Iran. Do you understand that? People's genitals right now are being amputated. People are being electrocuted. This is happening this very second in a prison in Iran—I mean, in Syria that Iran is supporting. Some would say we have not done as much as we could to stop it because of these negotiations.

When I was in college, I was not a particularly good student. The first part of college I was in sports. The latter part I was interested in working. I learned one thing. I learned about the critical path method, and I ended up building buildings all over our country. And I learned that you start with something like this and you lay out a vision, and you build it out. And you begin with the end in mind, and you put first things first. It is sort of the critical path.

And what I have seen our Secretary do is—I know he is has a developed a tremendous warmth with Iran's Foreign Minister, Zarif, and he talks about it often. But what I think you have actually done in these negotiations is codify a perfectly aligned pathway for Iran to get a nuclear weapon just by abiding by this agreement. I look at the things that they need to do, the way it is laid out, and I do not think you could more perfectly lay it out.

From my perspective, Mr. Secretary, I am sorry. Not unlike a hotel guest that leaves only with a hotel bathrobe on his back, I believe you have been fleeced. In the process of being fleeced, what you have really done here is you have turned Iran from being a pariah to now Congress—Congress—being a pariah.

A few weeks ago you were saying that no deal—no way—is better than a bad deal. And I know that there is no way that you could have possibly been thinking about war a few weeks ago. No way. And yet what you say to us now and you said it over and over yesterday—and I have seen you say it over and over on television—is that if somehow Congress were to turn this down, the only option is war. Whereas a few weeks ago for you—for you to have turned it down—the only option is not war. I do not think you can have it both ways.

Let me just say this. If Congress were to say these sanctions cannot be lifted, it would not be any different than the snapback that we now have where in essence the United States, on its own, can implement snapback. But my guess is the other countries, as you have stated before, would not come along. So we have got to decide which way that it is.

I know you speak with a degree of disdain about our regional partners when you describe their reaction to this deal. But one of the things we have to remember is that if we had actually dealt with dismantling their nuclear program, they would not be responding in the way that they have. But not only has this not occurred, we are lifting the ballistic missile embargo in 8 years. I have no idea how that even entered into the equation, but it did at the end. We are lifting the conventional weapons embargo in 5 years, and in a very acute way with hortatory language in the agreement. Unbelievably, we are immediately lifting the ballistic missile testing programs. We are lifting that ban.

So I would have to say that based on my reading, I believe that you have crossed a new threshold in U.S. foreign policy where now it is the policy of the United States to enable a state sponsor of terror to obtain a sophisticated industrial nuclear development program that has, as we know, only one real practical need.

That is what you are here today to ask us to support. I look forward to your testimony and the appropriate questions afterward.

Senator Cardin.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Well, first, Mr. Chairman, thank you very much for convening this hearing. I want to thank Secretary Kerry, Secretary Moniz, and Secretary Lew, and your entire negotiating team—Wendy Sherman and many others—who have devoted the last 2 years to negotiating with Iran. And we thank you very much for your dedicated service, your hard work, and your service to America.

The Iranian Nuclear Agreement Review Act that Senator Corker referred to earlier was an effort by Members of Congress to set up the appropriate review for a potential deal with Iran. We are extremely pleased that after very difficult negotiations, we were able to get a unanimous vote of this committee, get the support of the White House and pass the bill.

And we believe we accomplished two major objectives in passing that statute. First, of course, we set up the appropriate review for Congress. It allows us to take action if we wish. It recognizes the fact that the sanction regime was passed by Congress, and that we

have a role to play in regards to implementing any agreement as we now see in the JCPOA. So it sets up an orderly process, and this hearing is part of that process.

It took you 2 years to negotiate this agreement. It took you 2 months in Vienna to get to the final details. We are on day 4 of our 60-day review. I have not reached a conclusion, and I would hope that most members would want to get all the information and allow those who are directly involved to make their case.

We have hearings set up next week and the following week, and we will hear from outside experts. Many of us have taken advantage of that opportunity in the past, and I would hope that we will all use that opportunity before drawing a conclusion. This is a very important agreement from the point of view of U.S. foreign policy. Iran and that region is critically important to the United States security.

But there is a second objective to the Iran Nuclear Review Act, and that was to concentrate all of our efforts on the bad guy, Iran, and speak with unity as much as we could so that our negotiators could concentrate on Vienna and not on Washington and get the very best possible agreement. And I just want to tell you, Mr. Chairman, I looked at the framework that was agreed to in April, and looking at the final agreements that we have gotten today, our negotiators got an awful lot, particularly on the nuclear front, which is beyond my expertise. There were many rumors during these last couple of months as to what was going to be in this agreement and how it was going to be weakened from the April framework that, in fact, have been strengthened since the April framework. So I just want to applaud our negotiators for taking the strength of our unity and turning it into results in Vienna. And we will be talking a little bit about that as we go forward.

The objective of an Iranian nuclear agreement is to prevent Iran from ever becoming a nuclear weapon state. That is our simple objective. We know who we are dealing with. This is a state sponsor of terrorism. This is a country that abuses human rights. We know all that. But we are trying to prevent Iran from becoming a nuclear weapon power because we know that is a game changer in the region. That is the objective of this agreement.

And that is the standard that we have to use when evaluating this agreement, because there is no trust with Iran. The Supreme Leader, on Friday after the agreements were entered into, said "we will trample upon America." We do not trust Iran, but we have got to leave emotion out of this. We have got to look at the agreements, and we have got to determine whether this agreement will put us on a path that makes it less likely or more likely that Iran will become a nuclear weapon power. That has got to be the test that we use.

So, Mr. Chairman, I have many questions that I hope we will get answers today. I hope those answers will provoke a debate among us in Congress and the American people and help us make the right decisions. Since there is no trust, the inspection enforcement regime is particularly important. We need to understand how it works.

Do we have sufficient time to discover if Iran is violating the terms of this agreement in order to take effective action to prevent

Iran from becoming a nuclear weapon power? That is a question that we need to understand. We need to know the breakout times. We need to know what happens after certain time limits conclude. Do we have sufficient opportunity to prevent Iran from ever becoming a nuclear weapon state, the commitment that they make under this agreement? Are the inspections robust enough to deter Iran from cheating, and if they do, will we discover and be able to take action?

Mr. Chairman, you raised the 24-day window. I think all of us recognize there is going to be a protocol for inspection. That does not get us by surprise. But we need to know whether the 24-day delay, knowing what Iran is likely to do, will compromise our ability to have effective inspections? And I hope our witnesses will deal with that today because that is a matter of major concern. We need to know the answer to that.

Have we cut off all pathways for Iran to obtain a nuclear weapon, particularly covert military use operations? We know that is a major concern. That is why the PMD is particularly important. The chairman mentioned the PMD and the work of the IAEA—the IAEA are our inspectors, our international inspectors. They have great credibility in this area, but we would want to know whether they have the capacity to do what we are asking them to do. Will they have the access that we need because we do need to know about their prior military dimension in order to be able to go forward and make sure that we can contain any opportunity they may use for covert activities? Will we discover it and be able to take action?

These are questions that we are going to ask. We have read the agreement, and we still have questions, and we hope we will get answers as to whether this agreement effectively prevents Iran from using covert activities to develop a nuclear weapon.

Will this agreement provide us, the IAEA, with sufficient access to the people, places, and documents so that we know their prior military dimension? Are the snapback provisions for reimposing sanctions adequate if Iran violates this agreement? That is an issue that I hope we will have a chance to talk about. At the end of the time limits in the agreement, Iran will have the capacity to expand, as the chairman rightly pointed out, to an industrial capacity. They can get there in nuclear enrichment, in uranium enrichment. That they can do.

Do we have sufficient capacity, knowing their commitments for nonproliferation, knowing the requirements of the additional protocols, to prevent Iran from becoming a nuclear power? Do we have enough break-out time and sufficient tools to prevent Iran from becoming a nuclear weapon power should they try to become one after the time limits lift? These are questions that we need to have the answers to before we can make our judgments.

There are other areas. I want to be reassured that the United States still has the flexibility to impose nonnuclear sanctions on Iran for its support of terrorism, human rights abuses, and in response to its ballistic missile program. No one expects Iran's bad behavior to change on implementation day. We know who we are dealing with. Will we be able to use the powers we have used in the past and build upon them to take action against Iran, particu-

larly since they will have additional resources? Can we do that? And can Congress work with the administration to strengthen those tools without violating the JCPOA?

I want to know how the administration is updating its regional deterrence strategy against nefarious and destabilizing Iranian activities, and how we are going to work with our partners to build up their capacity to counter Iran, especially Israel. The chairman mentioned the lifting of the international arms embargo. That is of great concern as to what impact it will have on our regional partners. How will it impact an arms race in that region of the world? These are questions that we need to get the best information we can in making our decisions.

And lastly, let me mention this because I think it is critically important. What are our options if the United States walks away from this? How will we be received internationally? Will we be able to maintain effective enforcement of sanctions with our international partners, and will Iran come back to a negotiating table with a country that has walked away from an agreement? These are questions that we need to understand. We need to know that the options are right do—we go forward or not, and what are the consequences if we do not go forward?

So, Mr. Chairman, we have a full plate, and I look forward to hearing from our witnesses. And I hope that the members of this committee will use the information that we get today to debate the issue, take the time that we have, and do what is right for the American people, and ultimately make the decision that we think is best to prevent Iran from becoming a nuclear weapon power.

The CHAIRMAN. Thank you, Senator. I appreciate so much the way we have worked together on so many issues and the entire committee.

With that, I know that our witnesses here today need no introduction. They are well known not only here, but around the world. In spite of our policy differences, I think each of us deeply appreciate the witnesses that make up this panel. There may not be policy differences in some cases, but we deeply appreciate the tremendous effort that you put out on behalf of our country. We thank you for being here today. And we thank you for being willing to be here today as long it takes for everybody to get their answers.

And with that, I would like to introduce collectively Secretary John Kerry, who used to serve with us and sit on this side of the dais; Secretary Ernie Moniz, who has been incredibly helpful to all of us in understanding the technical aspects of the deal, and someone that I think we all appreciate deeply; Secretary Lew, who has served in multiple positions here, has been certainly affirmed by this committee several times. We thank you all for your great service to our Nation in spite of some of the concerns that we have here today.

I think you all understand the drill. Take five minutes or so to explain. As I have looked at your testimony, I know it is very brief. Just to warn people in advance, I am going to defer my questions, Ben, and move to you immediately thereafter, and use my time to interject as things move along.

So with that, Secretary Kerry.

STATEMENT OF HON. JOHN F. KERRY, SECRETARY OF STATE, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Secretary KERRY. Well, thank you, Mr. Chairman, Ranking Member Cardin, members of the committee, and friends, and former colleagues. We really do appreciate the chance to discuss with you the comprehensive plan that we and our P5+1 partners have developed with Iran regarding the future of its nuclear program.

And let me emphasize to everybody here, this is not just the United States of America. These are other nuclear powers: France, the United Kingdom, Russia, China. They have a pretty good understanding of this field and of the challenges, and I appreciate the way in which they and Germany, which was the plus-one, all came together, all contributed, all were part of this debate.

So you are not just looking at what this table negotiated. You are looking at what the international community, the P5+1 under the auspices of the U.N. negotiated. And they are not dumb. They are experts, every one of them, in nuclear technology, in ratification, in verification. They are smart people who have spent a lifetime at this. And they have signed off on this agreement.

Now, I am joined by two Cabinet Secretaries whose help was absolutely invaluable in reaching this deal, and I thank all of you for the role that Congress played. I was privileged to be the chairman of this committee when we passed the Iran sanctions effort, and we all remember the debate. We passed it unanimously, and it played a very significant role in bringing Iran to the table and in helping to make clear that we needed to bring about a serious and productive negotiation with Iran.

From the day that those talks began, we were crystal clear that we would not accept anything less than a good deal—and we defined it up front as a deal that closed off the four pathways to a bomb, the uranium pathways, the one plutonium pathway, and the covert pathway. So we set our standard, and we believe we have achieved that standard. After almost 2 years of very intensive talks, the facts are also crystal clear: that the plan that was announced last week in Vienna is, in fact, a deal that does shut off those pathways, and provides us with guarantees for the lifetime of the NPT that we will know what they are doing.

Now, the chairman mentioned in his opening comments some phrase about unless we give Iran what they want. Folks, they already have what they want. They got it 10 years ago or more. They already have conquered the fuel cycle. When we began our negotiations, Iran had enough fissile material for 10 to 12 bombs. They had 19,000 centrifuges, up from the 163 that they had back in 2003 when the prior administration was engaged with them on this very topic.

So this is not a question of giving them what they want. It is a question of how do you hold their program back, how do you dismantle their weapons program, not their whole program. Let us understand what was really on the table here.

We set out to dismantle their ability to be able to build a nuclear weapon, and we have achieved that. Nobody has ever talked about actually dismantling their entire program because when that was being talked about, that is when they went from 163 centrifuges to 19,000. Everybody here at this dais knows what the options are for

actually stopping that. It is called military action because they are not going to stop it otherwise. They have already proven that. They proved it during all those years.

So under the terms of this agreement, Iran has agreed now to remove 98 percent of its stockpile voluntarily. They are going to destroy 98 percent of their stockpile of enriched uranium. They are going to dismantle two-thirds of their installed centrifuges, and they are going to take out the existing core of an existing heavy-water reactor and fill it with concrete.

Iran has agreed to refrain from producing or acquiring highly enriched uranium and weapons-grade plutonium for at least 15 years. And if they begin to do that, Ernie Moniz will tell you we will know it immediately.

Iran has also agreed to accept the Additional Protocol, and the Additional Protocol is an outgrowth of the failure of the North Korea experience, which put in additional access requirements precisely so that we do know what Iran is doing. And they have to ratify it before the U.N. sanctions are lifted. At the end of this process, they have to have ratified—they have to have passed it. They have agreed to live by it from day one. They are going to live by the Additional Protocol. In addition, there are additional transparency measures that we can go into in the course of this hearing.

Now, if Iran fails to comply, we will know it, and we will know it quickly, and we will be able to respond accordingly by reinstating sanctions all the way up to the most Draconian options that we have today. None of them are off the table at any point in time.

So many of the measures that are in this agreement are there for not just for 10 years, not just for 15 years, not just for 20 years, not just for 25 years—of which there are measures for each of those periods of time—but they are for life, forever, as long as Iran is in the NPT. By the way, North Korea pulled out of the NPT. Iran has not pulled out of the NPT.

Remember that, 2 years ago, when our negotiations began, we faced an Iran that was enriching uranium up to 20 percent at a facility that was secret and buried underground. And they were rapidly stockpiling enriched uranium and had installed nearly 20,000 nuclear centrifuges. They were building a heavy-water reactor that could produce weapons-grade plutonium at the rate of enough to produce one or two bombs a year. And experts assessed that the breakout time—the interval required to rush to be able to produce enough fissile material for one nuclear weapon—was about 2 to 3 months.

If this deal is rejected, we return immediately to this reality, except that the diplomatic support that we have built with all these other countries, that we have accumulated, would disappear overnight.

Now, let me underscore, the alternative to the deal that we have reached is not what I have seen some ads on TV suggesting disingenuously. It is not a "better deal," some sort of unicorn arrangement involving Iran's complete capitulation. That is a fantasy, plain and simple. And our own intelligence community will tell you that. Every single agency of our intelligence community will reinforce that to you.

The choice we face is between an agreement that will ensure Iran's nuclear program is limited, rigorously scrutinized, and wholly peaceful, or no deal at all. That is the choice. The fact is that there are 189 nations that live by the NPT. Five of them are, as we know, the main nuclear powers of the U.N., and 184 of them are non-nuclear-weapons states in power. But they live by it. And we have lived by what the IAEA does with respect to ensuring the surety of what all of those 184 nations are doing, including 12 that enrich.

Now, if the U.S. Congress moves to unilaterally reject what was agreed to in Vienna, the result will be the United States of America walking away from every one of the restrictions that we have achieved. And a great big green light for Iran to double the pace of its uranium enrichment, proceed full speed ahead with the heavy-water reactor, install new and more efficient centrifuges, and do it all without the unprecedented inspection and transparency measures that we have secured. Everything that we have prevented will then start taking place, and all the voluntary roll backs of their program will be undone.

Moreover, if the United States—after laboriously negotiating this multilateral agreement with five other partners—were to walk away from those partners, we are on our own. Our partners will not walk away with us. Instead they will walk away from the tough multilateral sanctions regime that they have helped to put in place, and we will have squandered the best chance we have to solve this problem through peaceful means.

Now, make no mistake. President Obama has made it crystal clear that we will never accept a nuclear-armed Iran. He is the only President who has developed a weapon capable of guaranteeing that, and he has not only developed it, he has deployed it. But the fact is that Iran now has—we all do not like it, but whether we like it or not, Iran has developed experience with a nuclear fuel cycle. They have developed the ability to produce the fissile material for a bomb, and we cannot bomb that knowledge away, nor can we sanction the knowledge away.

Remember, sanctions did not stop Iran's nuclear program from growing steadily, to the point that it had accumulated enough fissile material to produce those 10 nuclear weapons. By the way, they did not choose to produce them. Unlike North Korea, which created a nuclear weapon, and exploded one, and pulled out of the NPT, Iran has done none of that.

The truth is that the Vienna plan will provide a stronger, more comprehensive, and more lasting means of limiting Iran's nuclear program than any alternative that has been spoken of. And to those who are thinking about opposing the deal because of what might happen in year 15, or 16, or 20, remember if we walk away, year 15 or 16 or 20 starts tomorrow, and without any of the long-term verification or transparency safeguards that we have put in place.

Now, over the past week I have spoken at length about what exactly this deal is. I also want to make clear what this deal was never intended to be. First of all, as the chief negotiator, I can tell you I never uttered the words "anywhere, any time," nor was it ever part of the discussion that we had with the Iranians.

This plan was designed to address the nuclear issue alone, because we knew that if we got caught up with all the other issues, we would never get where we needed to stop the nuclear program. It would be rope-a-dope, staying there forever, negotiating one aspect or another. And the highest priority of President Obama was to make sure that Iran could not get a nuclear weapon, so we were disciplined in that.

We did not set out, even though we do not like it, and I have extensive plans that I will lay out to you if you want them about how we are going to push back against Iran's other activities, against terrorism, its support, its contributions to sectarian violence in the Middle East and other things. All of those are unacceptable. They are as unacceptable to us as they are to you. But I have got news for you. Pushing back against an Iran with a nuclear weapon is very different from pushing back against an Iran without one. And we are guaranteeing they will not have one.

So we are working very closely with the Gulf States. Just today in Saudi Arabia—Ash Carter was there yesterday—the Foreign Minister said that the nuclear deal appears to have all of the provisions necessary to curtail Iran's ability to obtain a nuclear weapon. That is Saudi Arabia. The Emiratis are supportive. The foreign minister of Iran is going to be in the United Arab Emirates this weekend.

So I would suggest respectfully that we are going to continue to press Iran for information about the missing American and for the immediate release of Americans who have been unjustly held. And there is not a challenge in the entire region that we will not push back against if Iran is involved in it. But I will tell you, none of those challenges will be resolved if Iran gets a nuclear weapon.

So the outcome cannot be guaranteed by sanctions alone. I wish it could, but it cannot be. And by the way, it also cannot be guaranteed by military action alone. Our own military tells us that. The only viable option here is a comprehensive diplomatic resolution of the type that was reached in Vienna, and that deal, we believe—and we believe we will show you today and in the days ahead—will make our country and our allies safer.

It will ensure that Iran's nuclear program remains under intense scrutiny forever, and we will know what they are doing. And it will ensure that the world community is united in ensuring that Iran's nuclear activities are and remain wholly peaceful even as we also stay united in pushing back against its other activities in the region which we object to.

We believe this is a good deal for the world, a good deal for America, a good deal for our allies and friends in the region. And we think it does deserve your support.

[The prepared statement of Secretary Kerry follows:]

PREPARED STATEMENT OF SECRETARY OF STATE JOHN F. KERRY

Chairman Corker, Ranking Member Cardin, members of the committee, friends and former colleagues—I appreciate the chance to discuss with you the comprehensive plan that we and our P5+1 partners have developed with Iran regarding the future of its nuclear program.

I am joined by the two Cabinet Secretaries whose help was invaluable in reaching this deal—Treasury Secretary Jack Lew and Energy Secretary Ernie Moniz.

I want to thank all of you for the role that Congress has played in getting us to this point and particularly for this committee's hard work in enacting sanctions that

achieved their purpose—by bringing about serious, productive negotiations with Iran.

From the day those talks began, we were crystal clear that we would not accept anything less than a good deal—a deal that shuts off all of Iran's pathways toward fissile material for a nuclear weapon and resolves the international community's concerns about Iran's nuclear program.

After 18 months of intense talks, the facts are also crystal clear: the plan announced last week in Vienna is the good deal we have sought.

Under its terms, Iran must get rid of 98 percent of its stockpile of enriched uranium, two-thirds of its installed centrifuges, and the existing core of its heavy-water reactor.

Iran will be barred from producing or acquiring both highly enriched uranium and weapons-grade plutonium for at least the next 15 years.

Iran will be subject to the most comprehensive and intrusive verification and transparency measures ever negotiated—so that if Iran cheats, we will know it quickly and be able to respond accordingly. And many of these measures will be in place not just for 10 or 15 or 20 years, but for the lifetime of Iran's nuclear program, which will enable us to verifiably ensure it remains exclusively peaceful.

Remember that, 2 years ago, when our negotiations began, we faced an Iran that was enriching uranium up to 20 percent at a facility built in secret and buried in a mountain; was rapidly stockpiling enriched uranium; had installed nearly 20,000 nuclear centrifuges; and was building a heavy-water reactor that could produce weapons-grade plutonium at a rate of one to two bombs per year. Experts tabbed Iran's so-called breakout time—the interval required for it to have enough fissile material for a bomb—at 2 to 3 months.

This is the reality we would return to if this deal is rejected—except that the diplomatic support we have been steadily accumulating in recent years would disappear overnight.

Let me underscore—the alternative to the deal we have reached is not a better deal—some sort of unicorn arrangement involving Iran's complete capitulation. That's a fantasy—plain and simple.

The choice we face is between a deal that will ensure Iran's nuclear program is limited, rigorously scrutinized, and wholly peaceful—or no deal at all.

If we walk away from what was agreed in Vienna, we will be walking away from every one of the restrictions we have negotiated, and giving Iran the green light to double the pace of its uranium enrichment; proceed full speed ahead with a heavy-water reactor; install new and more efficient centrifuges; and do it all without the unprecedented inspection and transparency measures we've secured.

If we walk away, our partners will not walk away with us. Instead, they will walk away from the tough multilateral sanctions regime they helped us to put in place. We will be left to go it alone and whatever limited economic pressure from sanctions would remain would certainly not compel Tehran to negotiate or to make any deeper concessions.They would instead push the program ahead potentially forcing military conflict. And we will have squandered the best chance we have to solve this problem through peaceful means.

Make no mistake: we will never accept a nuclear-armed Iran. But the fact is that Iran has extensive experience with nuclear fuel cycle technology. We cannot bomb that knowledge away. Nor can we sanction that knowledge away. Remember that sanctions did not stop Iran's nuclear program from growing steadily, to the point it had accumulated enough low-enriched uranium that, if further enriched, could be used to produce about 10 nuclear bombs.

The truth is that the Vienna plan will provide a stronger, more comprehensive, and more lasting means of limiting Iran's nuclear program than any realistic alternative.

And to those who are thinking about opposing the deal because of what might happen in year 15 or 16—remember that, if we walk away, year 15 starts tomorrow—and without any of the long-term verification or transparency safeguards that we have put in place to ensure that we prevent Iran from acquiring a nuclear weapon.

Over the past week, I have spoken at length about what, exactly, this deal is. But I also want to make clear what this deal was never expected or intended to be.

This plan was designed to address the nuclear issue alone, not to reform Iran's regime, or end its support for terrorism, or its contributions to sectarian violence in the Middle East. Those are all issues about which we remain deeply concerned and will continue to take real steps, which is why we are upholding our unprecedented levels of security cooperation with Israel; why we are working so closely with the Gulf States and continue to maintain a robust military presence in the region and countering Iran's destabilizing activities; why we will keep striving to prevent

terrorist groups—including Hamas and Hezbollah—from acquiring weapons; and why U.S. sanctions related to human rights, terrorism, and ballistic missiles will remain in place. It is also why we will continue to press Iran for information about the missing and for the immediate release of Americans who have been unjustly detained.

The fact is, there is not a challenge in the entire region that would not become much worse if Iran had a nuclear weapon—and that is exactly why this deal is so important. Its provisions will help us to address the full range of regional challenges without the looming threat of a nuclear-armed Iran.

That outcome cannot be guaranteed either by sanctions alone or—on an enduring basis—by military action. The only viable option is a comprehensive diplomatic resolution of the type reached in Vienna. That deal will make our country and our allies safer. It will ensure that Iran's nuclear program remains under intense scrutiny. And it will ensure that the world community is united in ensuring that Iran's nuclear activities are and remain wholly peaceful. It is a good deal for the world—a good deal for America—and it richly deserves your support. Thank you.

The CHAIRMAN. Thank you.

Secretary Moniz.

STATEMENT OF HON. ERNEST MONIZ, SECRETARY OF ENERGY, U.S. DEPARTMENT OF ENERGY, WASHINGTON, DC

Secretary MONIZ. Thank you, Mr. Chairman, Ranking Member Cardin, and members of the committee. I do appreciate the opportunity to come here to discuss the JCPOA reached between the E–3/EU+3, and Iran. The agreement prevents Iran from getting a nuclear weapon, provides strong verification measures that give us time to respond if Iran chose to violate the terms, and fundamentally takes none of our options off the table.

I want to stress that America's leading nuclear experts at the Department of Energy and our National Laboratories were involved throughout these negotiations. Argonne, Livermore, Los Alamos, Oak Ridge, Pacific Northwest, Sandia, Savannah River, the Y–12 National Security Complex, and the Kansas City plant all played important roles.

These nuclear experts were essential to evaluating and developing technical proposals in support of the U.S. delegation. As a result of their work, I am confident that the technical underpinnings of this deal are solid, and the Department of Energy stands ready to assist in the implementation.

The deal meets the President's objectives: verification that the Iranian nuclear program is exclusively peaceful and sufficient lead time to respond if it proves otherwise. The JCPOA will extend for at least 10 years the time it would take for Iran to produce just the fissile material for a first nuclear explosive to at least 1 year—from the current breakout time of 2, perhaps 3 months.

The deal addresses the uranium enrichment, plutonium, and covert pathways to a nuclear weapon. The first point I would like to make is that the Lausanne Parameters, as the ranking member mentioned, are maintained and, in fact, strengthened—not weakened, but strengthened—in the final agreement.

This means restricting the number, type, and location of centrifuges, dialing back the R&D program, dramatically reducing Iran's enriched uranium stockpile from 12,000 to 300 kilograms of low enriched uranium hexafluoride, and prohibiting introduction of any fissile materials to Fordow. Excess infrastructure is also removed from both Natanz and Fordow. All these reasons taken to-

gether establish the one-year breakout timeline for accumulating highly enriched uranium.

And something that we have not stressed, but I do want to add, at the end of these 10 years, Iran will have far fewer than 19,000 centrifuges because they acknowledge the breakage rate, if you like, of our IR–1s, and they will not have a large replacement capacity because of the agreement.

In addition, Iran will have no source of weapons-grade plutonium. The Arak reactor is transformed under international oversight and participation to produce far less plutonium than their current design, and no weapons-grade plutonium in normal operation, and essentially immediate recognition if they try to deviate from that practice. Furthermore, all of the irradiated fuel, plutonium-bearing fuel, from that reactor goes out of the country for life, the life of the reactor.

This deal goes beyond the parameters in Lausanne in a number of ways. One area is that Iran will not engage in several activities that could contribute to the development of a nuclear explosive device, including multiple point explosive systems and special neutron sources. These commitments are indefinite. And in addition, for 15 years, Iran will not pursue plutonium, or uranium, or uranium alloy metallurgy. Because Iran will not engage in activities needed to use weapons-grade material for an explosive device, an additional period should be added to our stated breakout timeline.

To be clear, the deal is not built on trust. It is pretty hard-nosed—hard-nosed requirements that will limit Iran's activities and ensure inspections, transparency, and verification. I can assure you this is not what Iran wanted. It is a substantial dialing back of their—of their program.

To preclude cheating, international inspectors will be given unprecedented access to all of Iran's declared nuclear facilities. I guess we could make an exception if there were military occupation, but that is not the case here or with any other sites of concern. As well as the entire nuclear supply chain from the uranium supply to centrifuge manufacturing and operation. And this access to the uranium supply chain comes with a 25-year commitment. And beyond 25 years, even after a quarter century of compliance with a peaceful program, assuming we get there, we still have, as we have said many times, the additional protocol in place to monitor Iran's nuclear activities.

But another thing that we have, also in perpetuity, is their adherence to Modified Code 3.1, which means that they must notify the IAEA even before they start building any nuclear facility. This eliminates a loophole where one could do something covertly and then say, you know, oops, we were planning to notify before we bought nuclear material. They must do this now in the planning stage, so it is another thing that we have beyond 25 years.

The IAEA will be permitted to use advanced technologies, and, again, this was nailed down after Lausanne, including things like real time enrichment monitoring, which I might say is a technology developed by our DUE Laboratories. In this case, by the way, Oak Ridge played a major role, Mr. Chairman.

If the international community suspects Iran is trying to cheat, the IAEA can request access to any suspicious location. Much has

been made about a 24-day process for ensuring IAEA inspectors can get access. I would say that, unlike Secretary Kerry, I did say the words "any time, anywhere," and I am very pleased that yesterday a member of your caucus acknowledged, however, that the full sentence was "any time, anywhere in the sense of a well-defined process with a well-defined end time." So I am pleased that we have established that.

In fact, the IAEA can request access to any suspicious location with 24 hours' notice under the Additional Protocol, which Iran, again, will implement. The deal does not change that baseline. The issue is there then if agreement is not reached, then when the IAEA requests access, this 24-day clock will start. And this is a new tool, a finite time, a new tool for resolving disputes within what we think is a short period of time, and "short" is defined because of our confidence in environmental sampling that we will then be able to implement to detect microscopic traces of nuclear materials, even after attempts are made to remove the evidence of activities with nuclear material.

And, in fact, Iran's history provides a good example. In February 2003, the IAEA requested access to a suspicious facility in Tehran. It was denied. Negotiations dragged out for 6 months, but even after that long delay, environmental samples taken by the IAEA revealed nuclear activity even though Iran had made a substantial effort to remove and cover up the evidence. And we have, in addition, conducted our own experiments to verify the ability to detect very, very small traces of uranium.

The agreement will be implemented in phases, as has been said already: some 10 years, 15 years, 20, 25 years, and then, as I have already described, the key transparency measures that stay beyond 25 years, of course, as long as Iran is in the NPT. And if they were not in the NPT, every alarm would go off all over the place and appropriate actions would, of course, be taken.

In closing, I just want to acknowledge the tireless work of the negotiating team lead by my colleague, Secretary Kerry. The U.S. Multi-Agency delegation worked together seamlessly. And the E–3/EU+3 displayed remarkable cohesion throughout this very complex endeavor. The continued collaboration and cooperation among the leading nations, in particular, the P+5 of the U.N. Security Council, is really crucial to ensuring that Iran complies with the JCPOA so as to avoid the reimposition of a major international sanctions regime, and probably other responses as well.

I just want to say again the deal is based on science and analysis. Because of its deep grounding and exhaustive technical analysis carried out largely by our DOE scientists and engineers, again, I am confident that this is a good deal for America, for our allies, and for our global security.

And just to respond to Ranking Member Cardin's criterion, Iran will be farther from a nuclear weapon capability all the time with, rather than without, this agreement.

So, again, thank you for the opportunity to be here. I look forward to the discussion.

[The prepared statement of Secretary Moniz follows:]

PREPARED STATEMENT OF SECRETARY OF ENERGY ERNEST MONIZ

Chairman Corker, Ranking Member Cardin and members of the committee, thank you for the opportunity to discuss the historic Joint Comprehensive Plan of Action (JCPOA) reached between the E3/EU+3 (China, France, Germany, Russia, the United Kingdom, the European Union, and the United States) and Iran.

The JCPOA prevents Iran from getting a nuclear weapon, provides strong verification measures that give us ample time to respond if Iran chose to violate its terms, and takes none of our options off the table.

America's leading nuclear experts at the Department of Energy were involved throughout these negotiations. The list of labs and sites that provided support is long, including Argonne National Laboratory, Lawrence Livermore National Laboratory, Los Alamos National Laboratory, Oak Ridge National Laboratory, Pacific Northwest National Laboratory, Sandia National Laboratory, Savannah River National Laboratory, the Y–12 National Security Complex, and the Kansas City Plant.

These nuclear experts were essential to evaluating and developing technical proposals in support of the U.S. delegation. As a result of their work, I am confident that the technical underpinnings of this deal are solid and the Department of Energy stands ready to assist in its implementation.

This deal clearly meets the President's objectives: verification of an Iranian nuclear program that is exclusively peaceful and sufficient lead time to respond if it proves otherwise. The JCPOA will extend for at least 10 years the time it would take for Iran to produce enough fissile material for a first nuclear explosive device to at least 1 year from the current breakout time of just 2 to 3 months.

Let me take a moment to walk through how the JCPOA blocks each of Iran's pathways to the fissile material for a nuclear weapon: the high enriched uranium pathways through the Natanz and Fordow enrichment facilities, the plutonium pathway at the Arak reactor, and the covert pathway.

Iran will reduce its stockpile of up-to-5-percent enriched uranium hexafluoride, which is equivalent now to almost 12,000 kg, by nearly 98 percent to only 300 kilograms of low (3.67 percent) enriched uranium hexafluoride, and will not exceed this level for 15 years. In particular, Iran will be required to get rid of its 20-percent enriched uranium that is not fabricated into fuel for the Tehran Research Reactor. This is important because excess 20 percent enriched uranium could be converted into feed for centrifuges, which would be about 90 percent of the way to bomb material.

Iran's installed centrifuges will be reduced by two-thirds, leaving it with just over 5,000 operating centrifuges at Natanz—its only enrichment facility—under continuous IAEA monitoring. For the next 10 years, only the oldest and least capable centrifuges, the IR–1, will be allowed to operate.

Iran has an established R&D program for a number of advanced centrifuges (IR–2, IR–5, IR–6, IR–8). This pace of the program will be slowed substantially and will be carried out only at Natanz for 15 years, under close International Atomic Energy Agency (IAEA) monitoring. Iran will not pursue other approaches to uranium enrichment.

The underground uranium enrichment facility at Fordow will be converted to a nuclear, physics, and technology center where specific projects such as stable isotope production are undertaken. There will be no uranium enrichment, no uranium enrichment research and development, and no nuclear material at the site at all for 15 years. In cooperation with Russia, Iran will pursue a limited program for production of stable isotopes, such as those used for medical applications. And the IAEA will have a right to daily access at Fordow as well.

All of these reasons taken together establish the 1 year breakout timeline for accumulating high enriched uranium.

In addition, Iran will have no source of weapons-grade plutonium. The Arak reactor, which according to its original design could have been a source of plutonium for a nuclear weapon, will be transformed to produce far less plutonium overall and no weapons-grade plutonium when operated normally. All spent fuel from the reactor that could be reprocessed to recover plutonium will be sent out of the country, and all of this will be under a rigorous IAEA inspection regime.

This deal goes beyond the parameters established in Lausanne in a very important area. Under this deal, Iran will not engage in several activities that could contribute to the development of a nuclear explosive device, including multiple point explosive systems. These commitments are indefinite. In addition, Iran will not pursue plutonium or uranium (or its alloys) metallurgy for 15 years. Because Iran will not engage in activities needed to use weapons grade material for an explosive device, an additional period can be added to the breakout timeline.

To be clear, this deal is not built on trust. It is built on hard-nosed requirements that will limit Iran's activities and ensure inspections, transparency, and verification. To preclude cheating, international inspectors will be given unprecedented access to all of Iran's declared nuclear facilities and any other sites of concern, as well as the entire nuclear supply chain, from uranium supply to centrifuge manufacturing and operation. And this access to the uranium supply chain comes with a 25 year commitment.

The IAEA will be permitted to use advanced technologies, such as enrichment monitoring devices and electronic seals. DOE national laboratories have developed many such technologies.

If the international community suspects that Iran is trying to cheat, the IAEA can request access to any suspicious location. Much has been made about a 24-day process for ensuring that IAEA inspectors can get access to undeclared nuclear sites. In fact, the IAEA can request access to any suspicious location with 24 hours' notice under the Additional Protocol, which Iran will implement under this deal. This deal does not change that baseline. The JCPOA goes beyond that baseline, recognizing that disputes could arise regarding IAEA access to sensitive facilities, and provides a crucial new tool for resolving such disputes within a short period of time so that the IAEA gets the access it needs in a timely fashion—within 24 days. Most important, environmental sampling can detect microscopic traces of nuclear materials even after attempts are made to remove the nuclear material.

In fact, Iran's history provides a good example. In February 2003, the IAEA requested access to a suspicious facility in Tehran suspected of undeclared nuclear activities. Negotiations over access to the site dragged on for 6 months, but even after that long delay, environmental samples taken by the IAEA revealed nuclear activity even though Iran had made a substantial effort to remove and cover up the evidence. This deal dramatically shortens the period over which Iran could drag out an access dispute.

The JCPOA will be implemented in phases—with some provisions in place for 10 years, others for 15 and others for 20 or 25 years. Even after 25 years, key transparency measures, such as the legal obligations Iran will assume under the Additional Protocol, remain in place indefinitely as part of its adherence to the Nuclear Nonproliferation Treaty regime.

In closing, I want to acknowledge the tireless work of the negotiating team, led by Secretary Kerry. The U.S. multiagency delegation worked together collegially and seamlessly, and the E3/EU+3 displayed remarkable cooperation and cohesion throughout this complex endeavor. The continued cooperation among leading nations, in particular the permanent members of the U.N. Security Council and the EU, is crucial to ensuring that Iran complies with the JCPOA so as to avoid the reimposition of a major international sanctions regime.

This deal is based on science and analysis. Because of its deep grounding in exhaustive technical analysis, carried out largely by highly capable DOE scientists and engineers, I am confident that this is a good deal for America, for our allies, and for our global security.

Thank you for the opportunity to be here. I look forward to answering your questions.

The CHAIRMAN. Thank you very much.

Secretary Lew.

STATEMENT OF HON. JACOB LEW, SECRETARY OF THE TREASURY, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Secretary LEW. Thank you, Mr. Chairman. Chairman Corker, Ranking Member Cardin, members of the committee, thanks for the opportunity to speak today about the Joint Comprehensive Plan of Action. A foreign policy decision of this significance deserves thorough review. I am confident that a full and a fair debate on the merits will make it clear that this deal will strengthen our national security and that of our allies.

The powerful array of U.S. and international sanctions on Iran constitutes the most effective sanctions regime in history. These measures have clearly demonstrated to Iran's leaders the cost of flouting international law, cutting them off from the world's mar-

kets and crippling their economy. Today the Iranian economy is about 20 percent smaller than it would have been had it remained on a pre-2012 growth path.

The United States Government stood at the forefront of this effort across two administrations and with the bipartisan support in Congress and of this committee. Together we established a web of far-reaching United States and international sanctions that ultimately persuaded Iran's leadership after years of intransigence to come to the table prepared to roll back its nuclear program.

International consensus and cooperation to achieve this pressure is vital. The world's major powers have been and remain united in preventing a nuclear armed Iran. That unity of purpose produced four tough U.N. Security Council resolutions and national level sanctions in many countries, and secured adherence to U.S. sanctions by countries around the world.

The point of these sanctions was to change Iran's nuclear behavior while holding out the prospect of relief if the world's concerns were addressed. Accordingly, once the IAEA verifies that Iran has completed key steps to roll back its nuclear program and extend its breakout time to at least 1 year, phased sanctions relief would come into effect.

There is no signing bonus. To be clear, there will be no immediate changes to U.N., EU, or U.S. sanctions. Only if Iran fulfills the necessary nuclear conditions will the United States begin suspending nuclear-related secondary sanctions on a phased-in basis, sanctions that target third country parties doing business with Iran.

Of course, we must guard against the possibility that Iran does not uphold its side of the deal. That is why if Iran violates its commitments once we have suspended the sanctions, we will be able to promptly snap back both U.S. and U.N. sanctions. And since preventing the U.N. snapback requires an affirmative vote from the U.N. Security Council, the United States has the ability to effectively force the reimposition of those sanctions.

Even as we phase in nuclear-related sanctions relief, we will maintain significant sanctions that fall outside the scope of the nuclear deal, including our primary U.S. trade embargo. With very limited exceptions, Iran will continue to be denied access to the world's largest market, and we will maintain sanctions targeting Iran's support for terrorist groups, such as Hezbollah, its destabilizing role in Yemen, its backing of the Assad regime, its missile program, and its human rights abuses at home. Just this week, Treasury sanctioned several Hezbollah leaders, building on designations last month targeting the group's front companies and facilitators, and we will not be relieving sanctions on Iran's Revolutionary Guard Corps, its Quds Force, any of their subsidiaries, or their senior officials.

Some argue that sanctions relief is premature until Iran ceases these activities, and that funds Iran recovers could be diverted for malign purposes. I understand the concern, but Iran's ties to terrorist groups are exactly why we must keep it from ever obtaining a nuclear weapon. The combination of those two threats would raise a nightmare scenario. A nuclear armed Iran would be a far

more menacing threat. If we cannot solve both concerns at once, we need to address them in turn.

JCPOA will address the nuclear danger, freeing us and our allies to check Iran's regional activities more aggressively. By contrast, walking away from this deal would leave the world's leading sponsor of terrorism with a short and decreasing nuclear breakout time.

We must also be measured and realistic in understanding what sanctions relief will really mean to Iran. Iran's $100 billion in restricted foreign reserves, which many fear will be directed for nefarious purposes, constitute the country's long-term savings, not its annual budgetary allowance. We estimate that after sanctions relief Iran will only be able to freely access around half of these reserves or about $50 billion. That is because over $20 million is committed to projects with China where it cannot be spent, and tens of billions in additional funds are non-performing loans to Iran's energy and banking sector.

As a matter financial reality, Iran cannot simply spend the usable resources as they will likely be needed to meet international payment obligations, such as financing for imports and external debt. Moreover, President Rouhani was elected on a platform of economic revitalization, and faces a political imperative to meet those unfulfilled promises. He faces over half a trillion dollars in pressing investment requirements and government obligations.

Iran is in a massive economic hole from which it will take years to climb out. Meanwhile, we will aggressively target any attempts by Iran to finance Hezbollah or use funds gained from sanctions relief to support militant proxies, including by enhancing our cooperation with Israel and our partners in the gulf.

Backing away from this deal to escalate the economic pressure and try to obtain a broader capitulation from Iran would be a mistake. Even if one believed that extending sanctions pressure was a better course than resolving the threat of Iran's nuclear program, that choice is not available. Our partners agreed to impose costly sanctions on Iran for one reason: to put a stop to its illicit nuclear program. If we change our terms now and insist that these countries now escalate those sanctions and apply them to all of Iran's objectionable activities, they would buck, and we would be left with neither a nuclear deal, nor effective sanctions.

So it is unrealistic to think that additional sanctions pressure would force Iran to totally capitulate, and impractical to believe we could marshal a global coalition of partners to impose such pressure after turning down a deal our partners believe is a good one.

The Joint Comprehensive Plan of Action is a strong deal with phased relief only after Iran fulfills its commitments to roll back its nuclear program, and a powerful snapback built in later if they break the deal. Its terms achieve the objective they were meant to achieve, blocking Iran's path to a nuclear bomb. That is an overriding national security priority, and it should not be put at risk, not when the prospects of an unconstrained Iranian nuclear program presents such a threat to America and the world.

Thank you, and we look forward to answering your questions.

[The prepared statement of Secretary Lew follows:]

PREPARED STATEMENT OF SECRETARY OF THE TREASURY JACOB J. LEW

Chairman Corker, Ranking Member Cardin, thank you for the opportunity to speak today about the Joint Comprehensive Plan of Action (JCPOA) between the P5+1 and Iran, a historic deal that will ensure that Iran's nuclear program will be exclusively peaceful. A foreign policy decision of such significance deserves careful, detailed, and public analysis and hearings like this one are central to that review. I am confident that a full and fair debate on the merits will make it clear that this deal will strengthen our national security and that of our allies.

Secretary Kerry and Secretary Moniz have detailed how the deal effectively cuts off all of Iran's pathways to a nuclear weapon and ensures the inspections and transparency necessary to verify that Iran is complying. I will focus on describing how the international sanctions coalition that the United States and our partners built over a nearly a decade—combined with hard-nosed diplomacy and a credible military deterrent—allowed us to secure far-reaching and unprecedented nuclear concessions from Iran. I will also discuss the nature of the sanctions relief contained in this deal, and how the JCPOA is structured to maintain pressure on Iran to fulfill its commitments. Finally, I want to describe the powerful sanctions that will remain in place to counter a range of malign Iranian activity outside of the nuclear sphere—most notably its active support for terrorism, its ballistic missiles program, destabilizing regional activities, and human rights abuses. The administration will continue to wield these measures in a strategic and aggressive manner and will work with our allies in the region to coordinate and intensify the impact of these tools.

THE IMPACT OF SANCTIONS ON IRAN'S ECONOMY

Iran would not have come to the negotiating table were it not for the powerful array of U.S. and international sanctions. These sanctions made tangible for Iran's leaders the costs of flouting international law, cutting them off from world markets and crippling their economy. The U.S. Government—Congress and the Executive branch—stood at the forefront of this effort across two administrations, successfully pushing for four tough U.N. Security Council resolutions and deploying a web of new and far-reaching U.S. sanctions that ultimately persuaded the Iranian leadership, after years of intransigence, to come to the table prepared to roll back its nuclear program.

To see the impact of these sanctions, consider that Iran's economy today is around 20 percent smaller than it would have been had Iran remained on its pre-2012 growth trajectory. This means that even if Iran returns to that pre-2012 growth rate, it would take until 2020 for Iran's GDP to reach the level it would have been last year absent sanctions.

Our sanctions have cost Iran more than $160 billion since 2012 in oil revenue alone. Iran's oil exports were cut by 60 percent, and have been held at those reduced levels for the past 2 years. And Iran's designated banks, as well as its Central Bank, were cut off from the world. Since 2012, Iran's currency, the rial, has declined by more than 50 percent. Its inflation rate reached as high as 40 percent, and remains one of the highest in the world.

We have maintained this pressure throughout the last 18 months of negotiations. During the negotiation period alone, our oil sanctions deprived Iran of $70 billion in oil revenue. And Iran's total trade with the rest of the world remained virtually flat.

The international consensus and cooperation to achieve this sanctions pressure was vital. While views on Iran's sponsorship of groups like Hezbollah and its interventions in places like Yemen and Syria differ markedly around the world, the world's major powers have been—and remain—united that Iran cannot be allowed to pursue a nuclear weapons capability. That unity of purpose produced the U.N. Security Council resolutions and national-level sanctions in Japan, Australia, Switzerland, Canada, and many other jurisdictions. In all of these cases, the sanctions aimed to deliver a change in Iran's nuclear behavior, while holding out the prospect of relief if Iran addressed the world's concerns about its nuclear program.

SANCTIONS RELIEF UNDER THE JCPOA

As you have heard from Secretaries Kerry and Moniz, the JCPOA closes off all of Iran's pathways to nuclear weapons capability and, critically, gives us the access to ensure compliance and the leverage to reimpose sanctions if Iran breaches the deal. Should Iran fully comply with the terms of the JCPOA, and should the IAEA verify this compliance, phased sanctions relief will come into effect.

To be clear, about 90 days from now when the JCPOA goes into effect, there will be no immediate changes to U.N., EU or U.S. sanctions. Iran will not receive any new relief until it fulfills all of the key nuclear-related commitments specified in the deal, thereby pushing back its breakout time to at least 1 year. Until Iran does so, we will simply extend the limited JPOA relief that has been in place for the last year and a half.

Should Iran fulfill all of the necessary conditions, we will have reached what it is known as "Implementation Day," and phased relief will begin. At that time, the United States will suspend nuclear-related secondary sanctions. These are the sanctions that primarily target third-country parties conducting business with Iran—including in the oil, banking, and shipping sectors. Relief from these restrictions will be significant, to be sure. But a number of key sanctions will remain in place. Our primary trade embargo will continue to prohibit U.S. persons from investing in Iran, importing or exporting most goods and services, or otherwise dealing with most Iranian persons and companies. For example, Iranian banks will not be able to clear U.S. dollars through New York, hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks. Iran, in other words, will continue to be denied access to the world's largest financial and commercial market.

The JCPOA makes only minor allowances to this broad prohibition. These include allowing for the import of foodstuffs and carpets from Iran; the export on a case-by-case basis of commercial passenger aircraft and parts to Iran—which has one of the world's worst aviation safety records—for civilian uses only; and the licensing of U.S.-owned or controlled foreign entities to engage in activities with Iran consistent with the JCPOA and U.S. laws.

The United States will also maintain powerful sanctions targeting Iran's support for terrorist groups such as Hezbollah and its sponsors in Iran's Islamic Revolutionary Guard Corps—Quds Force; its destabilizing support to the Houthis in Yemen; its backing of Assad's brutal regime; its missile program; and its human rights abuses at home. Just this week, Treasury sanctioned several Hezbollah leaders, building on designations last month that targeted the group's front companies and facilitators. We will not be providing any sanctions relief to any of these lines of activity and will not be delisting from sanctions the IRGC, the Quds Force, or any of their subsidiaries or senior officials.

I also want to emphasize that secondary sanctions imposed by Congress will continue to attach to these designations, providing additional deterrence internationally. For example, a foreign bank that conducts or facilitates a significant financial transaction with Iran's Mahan Air or Bank Saderat will risk losing its access to the U.S. financial system. These sanctions will continue to be in place and enforced; they are not covered by the JCPOA.

SNAPBACK

While our focus is on successfully implementing this deal, we must guard against the possibility that Iran does not uphold its side of the deal. That is why, should Iran violate its commitments once we have suspended sanctions, we have the mechanisms ready to snap them back into place. For U.S. sanctions, this can be done in a matter of days. Multilateral sanctions at the U.N. also can be reimposed quickly, through a mechanism that does not allow any one country or any group of countries to prevent the reinstitution of the current U.N. Security Council sanctions if Iran violates the deal. So, even as Iran attempts to reintegrate into the global economy, it will remain subject to sanctions leverage.

COUNTERING IRAN'S MALIGN ACTIVITIES

As noted above, Iran's malign activities continue to present a real danger to U.S. interests and our allies in the region, beyond the nuclear file. I have heard some argue that, until Iran ceases these activities, sanctions relief is premature, and that funds that Iran recovers could be diverted to these malign activities. I understand the concern well—no one wants to see the world's foremost sponsor of terrorism receive any respite from sanctions. But it is Iran's relationships with terrorist groups that make it so essential for us to deprive it of any possibility of obtaining a nuclear weapon. The combination of those two threats would raise the specter of what national security experts have termed the ultimate nightmare. If we cannot solve both concerns at once, we need to address them in turn. The JCPOA will address the danger of Iran's nuclear program—lowering the overall threat posture and freeing us and our allies to check Iran's regional activities more aggressively, while keeping our sanctions on support for terrorist activity in place. By contrast, walking away from this deal and seeking to extend sanctions would leave the

world's leading sponsor of terrorism with a short and decreasing nuclear breakout time.

None of this is to say that we view the sanctions relief Iran will receive if it complies with the JCPOA with indifference. As the agency with primary responsibility for sanctions against Iran over the last three decades, we are keenly aware of its nefarious activities in the region and have invested years in devising and implementing sanctions to frustrate its objectives.

That said, in gauging the impact of lifting these restrictions, we should be measured and realistic. These funds represent the bulk of Iran's foreign reserves—they are the country's long-term savings, not its annual budgetary allowance, and as a matter of financial management, Iran cannot simply spend them. Of the portion that Iran spends, we assess that Iran will use the vast majority to attempt to redress its stark economic needs. President Rouhani was elected on a platform of economic revitalization and faces a political imperative to meet those unfulfilled promises. Iran's needs are vast—President Rouhani faces well over half a trillion dollars in pressing investment requirements and government obligations. And Iran's economy continues to suffer from immense challenges—including perennial budget deficits, rampant corruption, and one of the worst business environments in the world. Put simply, Iran is in a massive hole from which it will take years to climb out.

In any event, we will aggressively target any attempts by Iran to use funds gained from sanctions relief to support militant proxies, including by continuing to enhance our cooperation with Israel and our partners in the gulf.

CONCLUSION

The JCPOA is a strong deal—with phased relief in exchange for Iranian compliance and a powerful snapback built in. Backing away from this deal, on the notion that it would be feasible and preferable to escalate the economic pressure and somehow obtain a capitulation—whether on the nuclear, regional, terrorism, or human rights fronts—would be a mistake. Even if one believed that continuing sanctions pressure was a better course than resolving the threat of Iran's nuclear program, that choice is not available.

The U.N. Security Council and our partners around the world agreed to impose costly sanctions against Iran for one reason—to put a stop to its illicit nuclear program. If we changed our terms now and insisted that these countries continue to impose those sanctions on Iran, despite the availability of a diplomatic solution to its nuclear program, they would balk. And we would be left with neither a nuclear deal nor effective sanctions. It is unrealistic to think that additional sanctions pressure would force Iran to totally capitulate—and impractical to believe that we could marshal a global coalition of partners to impose such pressure, after turning down a deal that our partners believe is a good one.

The terms of this deal achieve the purpose they were meant to achieve: blocking Iran's paths to a nuclear bomb. That is an overriding national security priority, and its achievement should not be put at risk—not when the prospect of an unconstrained Iranian nuclear program presents such a threat to America and the world.

The CHAIRMAN. Thank you all very much.

Senator Cardin.

Senator CARDIN. Once again, thank you for your testimony. It has been stated many times that the United States maintains its ability to impose sanctions relative to support of terrorism, human rights violations, and ballistic missile issues. And I have read the JCPOA, and there are several paragraphs in the JCPOA that give me concern. Let me just read one, and that is paragraph 29 where, "The parties will refrain from any policy specifically intended to directly or adversely affect normalization of trade and economic relations with Iran."

So, Secretary Lew, I just want to get your assurance that we have full ability to use the tools of sanctions against Iran for its support of terrorism, human rights, and ballistic nonnuclear type of activities, which includes actions that Congress might want to take.

Secretary LEW. Senator Cardin, it was a matter of fact extensive discussion in the negotiations. We made clear in the negotiations that we retained the ability and we were going to keep in place sanctions on terrorism, on regional destabilization, on human rights violations. In fact, we are not lifting sanctions that are based on those authorities, and we are not designating entities that were designated for those reasons.

We also have made clear we reserve the right to put additional sanctions in place to address concerns about terrorism, human rights, and destabilization.

Senator CARDIN. And when you say "we," it includes the Congress of the United States.

Secretary LEW. So, Your Honor, Congress has authorities in this area. I know that there is currently legislation pending regarding Hezbollah, and we would work with you on legislation. The thing that we cannot do is we cannot just put right back in place everything that was part of the nuclear sanctions and just put a new label on it. We have reserved our rights to put sanctions in place that address those continuing activities.

Senator CARDIN. The Iran Sanctions Act expires at the end of 2016. Congress may well want to extend that law so that that power is available immediately if Iran were to violate the agreement. Is that permitted under the JCPOA?

Secretary LEW. I think that if it is on expiration, it is one thing. If it is well in advance, it is another. I think the idea of coming out of the box right now is very different from what you do when it expires.

Senator CARDIN. Let me ask—the question is why would that be? It is either allowed or not allowed, but we will get to that. I want to go to Secretary Moniz, if I might. The 24 days that you referred to, and you I appreciate your explanation. But there are three types of activities that could take place in violation of the JCPOA by Iran. They could be directly using nuclear material that is in violation, and you have already addressed that issue as far as the 24 days. But it could involve weaponization, or it could involve research not using nuclear material.

Would the 24-day delay in those cases compromise our ability to determine whether Iran is in compliance with the agreement?

Secretary MONIZ. Senator Cardin, again, let us put—the nuclear material I think we have addressed and is quite secure. Clearly when one goes into weaponization activities, even where there is a spectrum; for example, working with uranium metal is something that would still involve nuclear material, and I think we would have very, very strong tools there.

When we go to some other activities, without getting into too many specifics, there will still be a variety of signatures. For example, my second priority on the weaponization list would be explosively driven neutron sources, and I think that there are quite a—there are certainly telltale signs that I think we would have access to or the IAEA inspectors, more precisely, would have access to.

Clearly as one gets into other areas, such as computer modeling, that is a very different kind of detection challenge. And in all of these—all of these cases, to go to undeclared sites, we are going to rely upon our intelligence capabilities, those of our partners, to be

able to point the IAEA to suspicious activities. But there are non-nuclear signatures, but it does—it does get more complicated.

Senator CARDIN. Thank you. Secretary Kerry, I want you to just elaborate a little bit more on our capacity after the time limits and on Iran's obligations after the time limits. I understand they still have obligations under their nonproliferation treaty. They still have obligations with the additional proposals under the NPT.

But could you tell us how much lead time we will have, what a breakout looks like after the 15 years, and what assurances do we have that we will be able to detect and take action before Iran becomes a nuclear weapon state after the 15 years?

Secretary KERRY. Well, first of all, Senator, throughout the entire life of the agreement, the Additional Protocol provides or the right of access, that is where the 24-hour notice for access comes from, and they have to respond to it. So if we had any intelligence regarding a suspicious activity or suspicious site—shared, I might add, among many, among all the P5+1, Israel, countries in the region, we will have an incredible amount of sourcing for this—we would then be able to put the ask to them, and they have to respond. And if they do not respond to that, then we have the ability to convene, to vote, to put back in place sanctions, or to take other actions if we deem that appropriate.

Senator CARDIN. After the 15 years?

Secretary KERRY. Yes. Yes. But let me just fill out for you, we also have a 20-year component which allows us televised tracking of their centrifuge production, of their rotors and bellows on the centrifuges. And we have a 25-year quite remarkable insight, which is access and monitoring, tracking of their entire uranium cycle. So from the mining, the mills, the yellow cake production, the gasification, the centrifuge, out into the nuclear.

We have an ability to appropriately monitor that every step of the way. So if we have X amount of raw uranium ore coming out or in the mill, if there is X amount of milling take place and then is some diverted somewhere, and we do not see it going into the place it next it has to go to, we are going to have extraordinary insight to this.

In addition to that, under the Additional Protocol and under the IAEA process for civil nuclear programs, all of the facilities are declared because it is a civil nuclear program. As such, there is literally 24/7 visitation at those sites. They are not even request situations. It is only for the undeclared facility about which you have the suspicion that you have to go through the other process. But we are going to have amazing insight because they are living by the NPT, or allegedly they are going to live by the NPT, and that is what we have to make sure they are doing. And so, we have day-to-day insight into that.

I might add to all our colleagues that under the interim agreement, which, by the way, a number of people called an historic mistake and a tragedy, and you heard all of the same rhetoric you are hearing now, those same people asked for us to keep that in place 2 years later because it has worked. And the fact is Iran has lived up to every component of that over the course of the last years. They reduced the 20 percent uranium, they stopped construction on Arak, and so on and so forth. I will not go through it all now.

So we will have this level of insight, which I think is not being examined enough and understood enough. Nothing ends at 15 years. Simply the size of the stockpile limitation ends, and the enrichment, they can enrich further. But we will have insight into that enrichment. A civil nuclear program requires enrichment at approximately 5 percent or so. I mean, that is the high end of it. If you start to enrich higher, up around 20 percent, you are talking about the Tehran research reactor or a few other things. But there is no rationale whatsoever for enrichment above that.

And we would have insight to that enrichment program so that we would instantly know if they are beginning to go somewhere. Red flags go off everywhere, and we would be all over it, and able to respond. We would actually have months to respond to be honest with you. And so, the fact is the breakout time never goes down to a level below which we have an ability to be able to respond, and I think Ernie can speak to the full breadth of this scrutiny.

Senator CARDIN. Thank you, Mr. Secretary.

Secretary MONIZ. Mr. Chairman, may I just add one footnote, because it is kind of what could be a collateral benefit, actually, of this agreement is that going to the uranium supply chain safeguards. I just want to add that this is something that the IAEA really wants to have much more broadly, and so this would actually be a first in moving towards cradle to grave safeguards.

The CHAIRMAN. And I might add there are some other firsts that unfortunately we cannot talk about relative to some of their procedures, which I alluded to. And I would say to Mr. Secretary, yes, people have said that they would rather keep JCPOA in place than move to something worse. That does not mean that people particularly liked the JCPOA in the first place, but only on comparison. So I just want to clarify that.

Senator Risch.

Senator RISCH. Thank you, Mr. Chairman. You know, it is—Senator Cardin, who I have the highest respect for, made a statement which I really agree with, and that is that we really need to leave emotion out of this. And I could not agree with him more that this should be done in a very nonemotional way. But that does mean we got to leave common sense out of this, with all due respect.

You know, we have gone from the mantra of "no deal is better than a bad deal," and I have heard everybody say that a few weeks ago. And now, we have gotten to the point where, well, you have to accept this, or else it is war. The mantra has changed dramatically.

And all I can say if after reviewing this even in a cursory fashion, anyone who believes this is a good deal really joins the ranks of the most naive people on the face of the earth. When you are dealing with the people that we are dealing with here with the history they have of cheating and everything else, anyone who can say this is a good deal—I know the justification is, well, it is not perfect. Well, the word "perfect" should not even be used in the sentence with this agreement. It is not even close to that.

One of the most disappointing things, and I join the chairman in this, in that closed hearing yesterday is that we have been told we have no choice in this. We have no choice in this because we have gone from the position where we started where we had Iran iso-

lated, and they were viewed on the world stage as a pariah. If we do not go along with this, we are told, the other negotiators are going to go along with this, and the United States will be isolated on this issue, and we will be the pariah on the national stage.

You know, just think about that where these negotiations have taken us from a situation where we had Iran exactly where we wanted them to now if we do not go along with this, then we are going to be the isolated and pariah character on the national stage.

Well, look, the other thing that was so important in this was verification. We have to have verification. Everybody said this is the number one thing on verification. Well, everyone here knows that there is a site call Parchin, and Parchin was a subject of these negotiations. And Parchin designed, and I heard the Secretary say that we are going to ensure that their nuclear ambitions are only for peaceful purposes. How in the world does Parchin fit that? Parchin was designed and operated as an explosive testing place where they designed a detonation trigger for a nuclear weapon. Parchin stays in place. Now, does that sound like it is for peaceful purposes?

Let me tell you the worst thing about Parchin. What you guys agreed to was we cannot even take samples there. IAEA cannot take samples there. They are going to be able to test by themselves. Even the NFL would not go along with this. How in the world can you have a nation like Iran doing their own testing?

Now, I know Secretary Moniz, who, by the way, I think is one of the brightest guys that I know, has told, oh, do not worry, we are going to be able to watch it on TV, and there is a good chain of custody for the samples that are going to be taken. Are we going to trust Iran to do this? This is a good deal? This is what we were told we were going to get when we were told, do not worry, we are going to be watching over their shoulder, and we are going to put in place verifications that are absolutely bullet proof. We are going to trust Iran to do their own testing? This is absolutely ludicrous.

The one thing that bothers me incredibly about this is the billions of dollars that Iran is going to get. We have been briefed on the fact that while they have been in this horrible financial condition, and we have gotten them to a horrible financial condition, one of their national priorities has been to support terrorism. They have supported Hezbollah, Hamas, the Houthis, with financial aid, with military aid, with every kind of aid there is. Everything we are trying to do in the world has their fingerprints on it trying to do us in. So these billions of dollars are going to be put back in their hands within, I am told, about 9 months.

And, again, we were told yesterday it does not matter what we do. Congress, go ahead and do your little thing. It does not matter because we do not have control over this money. Actually it is the other people that were sitting at the table that have control over the money, and no matter what we do, they are going to release the billions of dollars. Well, I got to tell you, this is a very heavy lift when you sleep at night and you say, well, I am going to vote to release $50 billion—it stated at $100 billion; now you got it down to $50 billion, whatever it is—knowing that that money is—a portion of that money is going to be directed transferred to people who

are going to be trying to kill Americans and who are trying to kill innocent people, and that are trying to kill our allies.

To say this is a—to be able to walk away from this and say that this is a good deal is ludicrous. With all due respect, you guys have been bamboozled, and the American people are going to pay for that. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Boxer.

Secretary KERRY. Can we respond at all to any of that? [Laughter.]

Senator RISCH. My time is up, Mr. Chairman. I suspect we are going to hear lots of their responses.

Secretary KERRY. Well, is there not time built in for answers or comments?

The CHAIRMAN. I am more than glad for you to take a moment to answer.

Secretary KERRY. Well, let me—let me start——

The CHAIRMAN. I want to make sure this gets a full and fair hearing.

Secretary KERRY. Yes. Let me start at the beginning here. The comment was made that, what is it, "naive if you think this is a good deal." This is an article from the Washington Post. I urge you all to read it. "How the Iran Deal Is Good for Israel According to Israelis Who Know What They Are Talking About." [Laughter.]

I urge you to read it. It says here, "Prominent members of the country's security establishment have come out at various stages of the negotiations in support of the Obama administration's efforts. . . ." In an interview this week with the Daily Beast, Ami Ayalon, former head of the Shin Bet, or Israel's top domestic security agency, suggested that Israel's politicians were playing with "fears in a fearful society." He praised the Vienna agreement as a useful measure to curb the Iranian threat. I do not think he is naive. "Efraim Halevy, former chief of the Mossad, Israel's spy agency, hailed Obama's victory."

Look, folks, you know, you can throw it around. Senator, you said we had them exactly where we wanted them. Nineteen thousand centrifuges? Enough fissile material for 10 to 12 bombs? Is that where we wanted them? What was the purpose of these sanctions? I was chairman——

Senator RISCH. To dismantle their operations.

Secretary KERRY. Let me just finish. I was chairman when we passed those sanctions, and our purpose was to bring the Iranians to negotiations. So we have negotiated, and I guarantee you for 15 years, you have unbelievable restraints that make it impossible to even think about making a bomb. Well, they can think about it, but they cannot do anything about it. So at the end of 15 years, you have every option that you have today. Your decision is whether you want those 15 years to be right now, or take the 15 years and figure out whether or not this is going to work. That is really the choice.

So I do not know what you mean by "we had them right where we wanted them." To what end?

The CHAIRMAN. Before I turn to Senator Boxer, since we gave you time, I do want to say that I think Iran has done a masterful job in giving you a talking point with the 19,000 centrifuges, 10 of

which are operating. But we all know they are antiques. They are antiques. And so, we all talk about the number of centrifuges, but this deal lays out their ability to continue research and development on the IR–2Bs, the IR–4s, the IR–6s, the IR–8s, and in year 8 they can industrialize that.

Secretary KERRY. For a peaceful program. For a peaceful program that is under the IAEA.

The CHAIRMAN. Well, let me—let me finish. I let you talk. They said the IR–8 is their future. You know the IR–1 is an antique. It does not even operate most of the time, or at least it operates 60 percent. It is slow. They want to get rid of those.

So they did a masterful job in getting the West and other countries to focus over here on something that is of no use to them while they are able to draft an agreement that allows them a pathway to continue sophisticated development on something that they can put in a covert facility, and enrich in levels and pace that they never imagined.

So with that, Secretary Boxer.

Secretary MONIZ. Mr. Chairman, if I may add, I think I must say that every element of the R&D program is rolled back in time. The fact is they right now have very—they are very active in all these areas, and it is significantly delayed. So that is a fact.

The CHAIRMAN. And it is a fact in year 8 they are given the time——

Secretary MONIZ. In year—I am sorry, sir.

The CHAIRMAN. In year 8. That is why the President said in year 13 there is zero breakout, but let me move to Senator Boxer.

Secretary KERRY. There is never a zero——

Secretary MONIZ. But, sir, it is an incorrect characterization. I apologize for saying that in year 8 they are an industrial activity. It is a small cascade that they can start to do years after their current plans.

The CHAIRMAN. And many people thought it was going to take that long for them to even have the capacity to do that. So as I mentioned, from a critical path standpoint, they have been brilliant.

Senator BOXER. Are you ready for me? [Laughter.]

Okay. Colleagues, put me down as someone who thinks Iran is a bad and dangerous actor, and I do not think there is one person involved that does not believe that. And so, that is why I believe we need to curb their nuclear ambitions. I think it is essential. And I do not think the American people want another war, and at the end of the day—I know some disagree with this—I think that is—at the end of the day, that is really the option, which everyone tiptoes around.

Now, you know, I support the right of my colleagues to say anything they want. But you have sat there and you have heard two of my colleagues go after you with words that I am going to repeat. You were fleeced one said. The other said you have been bamboozled. So putting aside the fact that I think that is disrespectful and insulting, that is their right to do. There are other ways to express your disagreement, but that goes to your core as a human being and your intelligence, and I think you are highly intelligent.

So let me ask you, and if you could answer yes or no. I know it is hard for you, Secretary Kerry, to do so——

[Laughter.]

Senator BOXER [continuing]. Because we are Senators, and it is not our way, but then I can get through the rest of my list. So my colleagues think that you were fleeced, that you were bamboozled. That means everybody was fleeced and bamboozled. Everybody. Almost everybody in the world. So I want to ask you, does the United Kingdom, our strong ally, support this accord?

Secretary KERRY. Yes.

Senator BOXER. Does Australia, one of our strongest allies, support this accord?

Secretary KERRY. Yes.

Senator BOXER. Does Germany support this accord?

Secretary KERRY. Yes.

Senator BOXER. Does France support this accord?

Secretary KERRY. Yes.

Senator BOXER. Does New Zealand support this accord?

Secretary KERRY. I have not seen their statement.

Senator BOXER. Well, they are on the Security Council, are they not, and they voted for it.

Secretary KERRY. Oh, you mean in the vote? Yes.

Senator BOXER. Well, I mean——

Secretary KERRY. All 15 members——

Senator BOXER. Either by voice support or a vote. Did Jordan voice its support in their vote?

Secretary KERRY. Yes. Yes.

Senator BOXER. Did Spain? Did Nigeria?

Secretary KERRY. Yes.

Senator BOXER. Did Lithuania? Yes. You get the drift. If you were bamboozled, the world has been bamboozled. That is ridiculous, and it is unfair, and it is wrong. You can disagree for sure with aspects of this agreement, but I think we need to stay away from that kind of rhetoric.

Now, I have the agreement right here, and I have read it. And one thing that I was surprised as I sat down to read it, I thought, you know, will I be able to understand this document. It is very understandable. So I want to say—cite a couple of things in here. "Iran reaffirms that under no circumstances will Iran ever seek, develop, or acquire any nuclear weapons." That is one phrase. Another one is, and that is—this one is number 16. "Iran will not engage in activities, including at the R&D level, that could contribute to the development of a nuclear explosive device." ". . . a nuclear explosive device, including uranium or plutonium," and that is in this accord.

So one of the things I want to do is send out a message to Iran, not to the people of Iran who I think are really good people, but to those folks there that are so dangerous. And that is you said it real clearly, and if you do not live up to it, I guarantee you the consequences will not be pretty. And I think that is an important message that has to go out because they signed it, and they said it, and the whole world is watching them.

Secretary Kerry, I authored the U.S.-Israel Strategic Partnership Act and the U.S.-Israel Enhanced Security Cooperation Act. So

proud of that, and President Obama signed both of those. And it means that we stand shoulder to shoulder with our closest ally, and we know Israel does not like this agreement. I am very glad you read those comments of the Shin Bet person because the truth is there is division. It is quiet, but there are some who think this was the way to go.

So I would hope as someone who has stood so—I was going to say tall, but it is hard for me to say that——

[Laughter.]

Senator BOXER [continuing]. Stood so tall for this relationship with Israel, at the end of the day, I think this relationship is going to be even more strengthened. And I want to get your view on that because I know that Ash Carter went to Israel. Do you have anything to report about that meeting and how that went?

Secretary KERRY. Well, Secretary Carter went with the intention of laying out and beginning a dialogue in great detail, which he did, with the Defense Minister of Israel. And they had, I think, almost a day-long meeting in which they discussed the many ways in which we are prepared to work with Israel obviously understanding the very dangerous dynamics of the region right now. Secretary Carter, in fact, went up toward the Golan Heights to review with them what the threat is currently from ISIL/Daesh, and so forth. These are all things that we are prepared to push back on in any number of ways.

And we also believe there is the potential for a kind of new alignment in the region. I will be going to speak with all of the GCC members in a few days to talk about the ways in which the gulf can come together with Israel and others in a more—in really a new alignment, a new——

Senator BOXER. Well, I want to press you on that because we were reading about Saudi Arabia's words today in the press, and I just—I do not—I have not had time to check it out, and I wanted to ask you, do you believe the Saudis are supportive now despite the fact they view Iran as a regional adversary?

Secretary KERRY. I believe they will be supportive of this, and I was very heartened to see—I met with Adel al-Jubeir, the Foreign Minister, just a few days ago. He indicated to me that they were prepared to support it if certain things are going to happen. Those things, I believe, are going to happen. So I anticipate that.

And, Senator, I am sorry to divert, but I just wanted to mention, I forgot to quote because I do not want to be accused of being the person, you know, saying the choice is military or otherwise. Efraim Halevy, chief of the Mossad, "Anyone who has followed events in Iran in recent decades or has studied the matter has to admit truthfully that he never believed Iran would ever agree to discuss these issues, let alone agree to each of the clauses I have mentioned." He also said, "The alternative would be military strikes, which would plunge the region in deeper insecurity and would likely not be successful."

So we are not alone in describing what the choice is here. And I think, Senator, there is a real potential to have a change in the Middle East. There is also a potential to have a confrontation.

Senator BOXER. Right.

Secretary KERRY. This does not end the possibility of a confrontation with Iran obviously, depending on the choices that they make.

Senator BOXER. Okay. I just want to say, would you just thank Wendy Sherman for me personally for her work? Donald Trump said something, why do you not bring women into this negotiation? It would go much better. Well, she was the chief negotiator.

Secretary KERRY. Wendy Sherman——

Senator BOXER. She is fantastic. I wish she was here.

Secretary KERRY. She is absolutely spectacular. She did an extraordinary job. We would not be where we are without Wendy, without Jack, without Moniz, and an incredible team, a team, by the way, all across the Government of the United States. Experts whose life is spent analyzing Iran, analyzing nuclear proliferation, who came from the Energy Department, from the intelligence community, from the State Department and elsewhere, all who worked together. And believe me, they are a savvy group of people, and nobody pulled any wool over their eyes.

Senator BOXER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Rubio.

Senator RUBIO. Thank you. Thank you all for being here today. Secretary Kerry, the administration has publicly stated that you expect this deal is going to be rejected in majorities in both Houses of Congress. You said that while winning approval of Congress would be nice, your goal is basically to convince enough Democrats to support the deal so that you can avoid an override of the President's veto. So as far as the administration is concerned, this is a done deal.

But I do think it is important for the world, and especially for Iran, to understand that as far as the American sanctions are concerned, this is a deal whose survival is not guaranteed beyond the term of the current President. And by the way, I personally hope that the next President is someone who will remove the national security waiver and reimpose the congressional sanctions that were passed by Congress because this deal is fundamentally and irreparably flawed. I believe it weakens our national security, and it makes the world a more dangerous place.

And throughout this process, by the way, this administration, in my opinion, has repeatedly capitulated on some important items. The examples are endless. It begins by allowing a perception to be created that we were pressing for anywhere, any time inspections, and now denying that that was ever a part of the process or ever promised. And I understand all the disputes about the terms, but clearly there was a perception created among my colleagues on both sides of the aisle that we were pressing for anywhere, any time inspections, including of potential covert sites.

Then the snapback sanctions, I think, are also hollow. We have this complicated 24-day arbitration process that Iran is going to test and exploit over and over again. They realize this, by the way. They know that once the international sanctions are gone they will be impossible to snap back. As uranium counterpart Mr. Zarif has bragged, "Once the structure of the sanctions collapse, it will be impossible to reconstruct it." He also bragged earlier this week, by the

way, that incremental violations of the agreement would not be prosecuted.

No matter what happens, Iran will keep the more than billions of dollars it is going to receive up front basically as a singing bonus. Iran will be allowed to continue to develop long-range missiles, ICBMs, with only purpose, and that is for nuclear warfare. And so, all these promises they are making about never pursuing a weapon, they are all revealed as lies when they are developing a long-range rocket capable of reaching this very room one day not so far off in the future. There is only reason to develop those rockets. That is to put a nuclear warhead on them.

By the way, the deal also allows the arms embargo to eventually end. On terrorism, this deal provides billions, possibly hundreds of billions, to a regime that according to the director of National Intelligence, directly threatens the interests of the United States and our allies. And lastly, nothing in the deal holds Iran to account on human rights. Quite the opposite. The Iranian regime is being awarded for its atrocious human rights record.

I know that you have said that you brought up the American hostages in every negotiation, and I think we all thank you for that. But for the families of Americans who are missing or detained in Iran, such as that of my constituent, Robert Levinson, this deal has brought no new information regarding their loved ones' whereabouts. This deal does nothing for Washington Post reporter, Jason Rezaian, whose brother, Ali, is with us here in this room today. In fact, you personally met and negotiated with an Iranian official who when pressed on Jason's case, lied to the world. He lied to the world by saying, "We do not jail people for their opinions."

This deal does nothing for Marine Corps Sergeant, Amir Hekmati, who dictated a letter from Evin Prison that said, "Secretary Kerry sits politely with the Iranians shaking hands and offering large economic concession to save them from economic meltdown" as Iran adds hostages. It does nothing for Pastor Saeed Abedini, whose only crime was practicing his religion.

In fact, the only people this deal does anything for directly are the Iranian officials who want to continue to jail and execute their people, who hate Israel and seek to wipe the Jewish state and its people from the face of the planet, who want to spread mayhem throughout the Middle East, and continue to help Assad slaughter the Syrian people and perhaps kill some Americans and Israelis while they are at it.

Secretary Kerry, I do not fault you for trying to engage in diplomacy and striking a deal with Iran. I do not. I do fault the President for striking a terrible deal with Iran. I hope enough of my Democratic colleagues can be persuaded to vote against this deal and prevent the President from executing it. But even if this deal narrowly avoids congressional defeat, because we cannot get to that veto-proof majority, the Iranian regime and the world should know that this deal—this deal is your deal with Iran. I mean, yours meaning this administration. And the next President is under no legal or moral obligation to live up to it.

The Iranian regime and the world should know that the majority of Members of this Congress do not support this deal, and that the deal could go away on the day President Obama leaves office. And

in that realm, I wanted to ask about this. If you today are a company that after this deal is signed, go into Iran and build a manufacturing facility, and then the next President of the United States lifts the national security waiver, or Iran violates the deal, do the sanctions apply against that facility moving forward?

In essence, if I go in—if a company goes into Iran now after this deal, builds a manufacturing facility of any kind. They build car batteries. And then Iran violates the deal, and the sanctions kick back in, will that facility be able to continue to operate without facing sanctions?

Secretary LEW. Senator, if a company acts to go in to do business with Iran while the sanctions are lifting, that would be permitted. If Iran violates the deal and if the sanctions snap back, they would not be able to continue doing things that are in violation of the sanctions.

Senator RUBIO. Okay. So the reason why it is important, it is important for companies anywhere in the world to know that whatever investment they make in Iran, they are risking it. In essence, they are betting on the hope that Iran never violates the deal, and they are also hoping that the next President of the United States does not reimpose U.S. congressional sanctions by which they would become a sanctioned entity.

I have one more specific question about the deal. There is a section titled "nuclear security." And the document states that, "Those who negotiated the deal are prepared to cooperate with Iran on the implementation of nuclear security guidelines and best practices." There is a provision, 10.2. It reads, "Cooperation through training and workshops to strengthen Iran's ability to protect against and respond to nuclear security threats, including sabotage, as well as to enable effective and sustainable nuclear security and physical protection systems."

Here is my question. If Israel decides it does not like this deal and it wants to sabotage an Iranian nuclear program or facility, does this deal—does this deal that we have just signed obligate us to help Iran defend itself against Israeli sabotage or, for that matter, the sabotage of any country in the world?

Secretary MONIZ. I believe that refers to things like physical security and safeguards. I think all of our options and those of our allies and friends would remain in place.

Senator RUBIO. Well, I guess that is my point. If Israel conducts an airstrike against a physical facility, does this deal, the way I read it, does it require us to help Iran protect and respond to that threat?

Secretary MONIZ. No.

Senator RUBIO. It does not?

Secretary MONIZ. No.

Secretary KERRY. The purpose of that is to be able to have longer term guarantees, as we enter a world in which cyber warfare is increasingly a concern for everybody, that if you are going to have nuclear capacities, you clearly want to be able to make sure that those are adequately protected. But I can assure you we will coordinate in every possible way with Israel with respect to Israel's concern.

Senator RUBIO. So if Israel conducts a cyber attack against the Iranian nuclear program——

Secretary KERRY. Well——

Senator RUBIO [continuing]. Are we obligated to help them defend themselves against the Israeli cyber attack?

Secretary KERRY. No. I assure you that we will be coordinating very, very closely with Israel as we do on every aspect of Israel's security.

Senator RUBIO. But that is not how I read this.

Secretary KERRY. Well, I do not see any way possible that we will be in conflict with Israel with respect to what we might want to do there. And I think we just have to wait until we get to that point.

But I do think, Senator, you know, I listened to a long list of your objections here about the deal, but there is no alternative that you or anybody else has proposed as to what you——

Senator RUBIO. I sure have, Secretary Kerry. I have.

Secretary KERRY. And I am confident that the next President of the United States will have enough common sense that if this is being applied properly, if it is being implemented fully, they are not just going to arbitrarily end it. They might want to engage and find a way if they think there is some way to strengthen it or do something. But I cannot see somebody just arbitrarily deciding let us go back to where we were where they are completely free to do whatever they want without any inspections, without any input, without any restraints, without any insight. I do not think any President would do that.

Senator RUBIO. Well, under the status quo, they are already in violation. Before you signed this deal, Iran was already in violation of existing mandates and restrictions, including things they had signed onto in the past.

Secretary KERRY. And this deal brings them back into compliance, Senator. That is exactly the purpose of this deal.

Senator RUBIO. Well, this deal brings them back to the promise of compliance.

Secretary KERRY. They have to live up to it, and if they do not live up to it, every option we have today is on the table. So we do not lose anything here.

The way we lose is by rejecting the deal because then you have no restraints. You have no sanctions. You have no insight. You have no inspectors. You have no diminution of their centrifuges. You have no reduction of their stockpile. And if you want to just conveniently forget the fact that they had enough fissile material to build 10 to 12 bombs—that is the threat to Israel.

I mean, if you go back to that without any alternative other than what, you know, most people think is going to be the alternative, which is confrontation. Nobody has a plan that is articulated, that is reasonable as to how you are going to strengthen this, do something more when the Supreme Leader of Iran and the President of Iran, and others believe they have signed an agreement with the world, and the rest of the world thinks it is a good agreement.

Now, if you think the Ayatollah is going to come back and negotiate again with America—that is fantasy. You are never going to see that because we will have proven we are not trustworthy. We

have 535 Secretaries of State, and you cannot deal with anybody, and that is going to undo a whole bunch of efforts and a whole bunch of things that matter to people in the world. That is what is at stake here.

The CHAIRMAN. Thank you. Mr. Secretary, just to ensure that I have appropriately addressed the situation, I want to refrain and say we have been fleeced, and make sure that nothing was directed at an individual.

I do want to say one of the ways we have brought them into compliance is that we have agreed to let them do what they are doing, and actually agreed to let them do it on an industrialized basis. So I will have to say that is how we brought them into compliance, but if I could, Senator Menendez——

Secretary KERRY. But, Senator, this is a very important point because we are not alone in this, folks. The Bush administration proposed the exact same thing. This is not something that President Obama just sort of dreamed up and thought was a good idea.

On June 12, 2008, President Bush through Condoleezza Rice, who signed the memorandum with the P5+1, said that in return for Iran doing things with their nuclear program, here is what we were ready to do: "recognize Iran's right to . . . nuclear energy for peaceful purposes." That is all we are doing. "Treat Iran's nuclear programme in the same manner as that of any non-nuclear-weapon State party to the NPT once international confidence in the exclusively peaceful nature of Iran's nuclear programme is restored"; provide "technological and financial assistance" for peaceful nuclear energy including "state-of-the-art" power reactors, "support for R&D", and "legally binding nuclear fuel supply guarantees"; improve relations with Iran; and "support Iran in playing an important and constructive role in international affairs."

Think about that. "Work with Iran and others in the region to encourage confidence-building measures and regional security"; "[r]eaffirmation of the obligation to refrain . . . from the threat or use of force . . . cooperation on Afghanistan . . . steps toward the normalization of trade and economic relations"; energy partnership; civilian projects; civil aviation cooperation; "assistance to Iran's economic and social development."

All of that was offered by President George W. Bush on June 12, 2008, but did not happen because Iran was not——

The CHAIRMAN. You are sort of filibustering here. The one element that you left out that they did not agree to is to allow——

Secretary KERRY. Was to stop the enriching——

The CHAIRMAN. [continuing]. Allowing them to enrich. So if I could, so you did——

Secretary KERRY. But, Senator——

The CHAIRMAN. Senator Menendez—let, you know. Okay.

Secretary KERRY. That is fine.

Senator MENENDEZ. Thank you, Mr. Chairman. Let me start off by saying that I appreciate the enormous work and the arduous quest that you have been in pursuit of. And I think that no one would want to be applauding you more than I, who has been following Iran since my days on the House International Relations Committee nearly 20 years ago, and as one of the authors of the

sanctions regime that are recognized to bring Iran to the negotiating table.

However, I am concerned that the deal enshrines for Iran and, in fact, commits the international community over time to assisting Iran in developing an industrial scale nuclear power program complete with industrial scale enrichment. And while I understand the program is going to be subject to Iran's NPT obligations, I think it fails to appreciate Iran's history of deception in its nuclear program and its violations of the NPT.

And it will in the long run, I think, make it harder to demonstrate that Iran's program is not, in fact, being used for peaceful purpose because Iran will have legitimate reasons to have advance centrifuges and an enrichment program. We will then have to demonstrate if, in fact, that is the case that is intention is dual use and not justified by its industrial nuclear power program. And that is a much more difficult burden.

Now, Mr. Secretary, you have always been skeptical about sanctions. I know you sort of like embrace them here today. But when you were chairman of this committee in a hearing on sanctions legislation that I was authorizing, when the administration was vigorously—vigorously—arguing against it, your comment was to Wendy Sherman and David Cohen, "So what you are really saying is that this is a very blunt instrument which risk adverse reaction as opposed to a calculated effort."

So in that hearing I remember I had to come back because I did not expect that even the question of the amendment was going to come up, and they were there trying to excoriate the effort. It passed 99 to zero, and then subsequently by the administration as the reason why Iran has come back to the negotiating table.

So let me ask, under the sanctions heading of the agreement, paragraph 26 says, and I quote, "The United States Administration, acting consistent with the respective roles of the President and the Congress, will refrain from reintroducing or reimposing sanctions specified in Annex 2," which are basically the sanctions that this committee and the Congress passed that it has ceased apply under the JCPOA.

So, Secretary Lew, I read that to mean that we cannot reintroduce or reimpose the existing sanctions that Congress passed into law. Is that right?

Secretary LEW. Senator, we have been very clear that we retain our right and we will, if we need to, reimpose sanctions for reasons that are not nuclear if they live with the nuclear agreement and they violate other——

Senator MENENDEZ. No. I am talking about existing nuclear sanctions which expire next year. If snapback provisions of the sanctions are to be an effective deterrent, as the administration has suggested, of Iranians breaking the agreement, will the administration agree to support the reauthorization of the existing sanctions that passed the Senate 99 to zero and which expire next year? Yes or no?

Secretary LEW. So let me be clear that the sanctions that are being lifted if Iran complies, if they comply, we said we would not reimpose nuclear sanctions if they lived with the nuclear agreement.

Senator MENENDEZ. I know, but my point is this. If you are going to snap back, you got to snap back to something.

Secretary KERRY. But Senator——

Senator MENENDEZ. So if you are not snapping back——

Secretary KERRY. Senator——

Senator MENENDEZ. Let me finish, Mr. Secretary.

Secretary KERRY. Snapback is what gives you——

Senator MENENDEZ. Mr. Secretary, please do not eat up my time. I am sorry, with all due respect, do not eat up my time. If, in fact, the sanctions which exist that all heralded and said brought Iran to the table expire next year, in 2016, and we do not reauthorize them, there is nothing at least in that context to snap back to. So why will you not simply say that the administration supports under all the same provisions, including the President's waivers, the reauthorization of those sanctions so that the Iranians know if they violate that the snapback will also include snapback to what the Congress passed?

Secretary LEW. Senator, what I said earlier was that right now the sanctions remain in effect. We have a regime in effect. If Iran complies, we will lift sanctions, and it is premature to talk about extending a law that is not——

Senator MENENDEZ. But this expires next year. Iran's obligations go out at least 8 years before the ratification of the Additional Protocol, and that ratification only takes place if the Congress lifts the sanctions. So I do not understand how we ultimately have a credible belief that snapback means something if, in fact, you are not going to have the ability to have those sanctions in place.

Let me ask this to the Secretary. Is the President willing to make a clear and unequivocal statement not that all options are on the table because Iran does not believe that that is a credible military threat. I think if you asked our intelligence community, that is what they would say to you, but that under no circumstances will Iran be permitted to acquire a nuclear weapon.

Secretary Kerry, did you hear my question?

Secretary KERRY. I apologize. I was just trying to clarify——

Senator MENENDEZ. Let me ask you. This is my question. Is President Obama willing to make a clear and unequivocal statement, not that all options are on the table because I think if you talked to our intelligence people, they will tell you Iran does not believe that there is a credible military threat, but that Iran under no circumstances will be permitted to acquire a nuclear weapon?

Secretary KERRY. Absolutely. He has said that and many times.

Senator MENENDEZ. Well, he said all options are on the table. I hope he makes that clear and unequivocal statement.

Secretary KERRY. The President has said very clearly under no circumstances will they be allowed to get a nuclear weapon, and, in fact, and I think Ash Carter reiterated it publicly very specifically. But can I——

Senator MENENDEZ. No, no, I am sorry.

Secretary KERRY. You want an answer——

Senator MENENDEZ. I have limited time. You have been with Iranians.

Secretary KERRY. No, but let me——

Senator MENENDEZ. I have 7 minutes.

Secretary KERRY. I know, but it is worthy——

[Laughter.]

Senator MENENDEZ. Mr. Secretary, let me ask you this. I am seriously concerned about the lifting of the arms embargo that creeped its way into this deal. As I read the Security Council resolution on page 119, the ban on Iranian ballistic missiles has, in fact, been lifted. The new Security Council resolution is quite clear. Iran is not prohibited from carrying out ballistic missile work. The resolution merely says, "Iran is called upon not to undertake such activity."

Now, previously in Security Council Resolution 1929, the Council used mandatory language where it said it decides that "Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons." Why would we accept in theory language that changes the mandatory "shall" to a permissive "call upon?" We often call upon a lot of countries to do or stop certain actions in the U.N., but it does not have the force of "shall not," which has consequences if you do. Can you answer simply is Iran banned from ballistic missile work for the next 8 years?

Secretary KERRY. They are——

The CHAIRMAN. No. No.

Secretary KERRY. Do you want to answer, Senator? [Laughter.]

The CHAIRMAN. Yes, I will. Answer it.

Secretary KERRY. That is not accurate. The exact same language that is in the embargo is in the agreement with respect to launches, and that is under Article 25 of the U.N. And that is exactly where it is today in the language. But in addition to that, Iran did not want it, and we insisted on it—they are restrained from any sharing of missile technology, purchase of missile technology, exchange of missile technology, work on missiles. They cannot do that under Article 41, which is Chapter 7, and mandatory. And it does have the language. So we took——

Senator MENENDEZ. Well, it seems—I am reading to you—I am reading to you from the Security Council resolution that was adopted codifying the agreement.

Secretary KERRY. Yes, the Security Council resolution——

Senator MENENDEZ. And that Security Council resolution says Iran——

Secretary KERRY. Says "call on."

Senator MENENDEZ. Mr. Secretary, I am reading you explicit language. I am not making this up. Iran is called upon——

Secretary KERRY. Correct.

Senator MENENDEZ [continuing]. Not to undertake that activity.

Secretary KERRY. That is the Article 45——

Senator MENENDEZ. That is far different than "shall not."

Secretary KERRY [continuing]. Which is exactly what—Senator, that is exactly what it is today. That is the same language as is in the embargo now, and we transferred it to this, and that is what it is. But under that——

Senator MENENDEZ. It is not the same thing, as Security Council Resolution 1929. I mean, I do not know why you would not just keep the same language, which made it clear that you shall not, and because there shall not exist, there are consequences if you do.

Mr. Chairman, final question. I heard Senator Risch, and I do not know whether that is true or not. Parchin. You know, the whole purpose of understanding the military dimensions of what happened in Parchin is not for Iranians to declare culpability, but, in fact, to understand how far they got along in their weaponization efforts. General Hayden, who is the CIA director, said we have estimates, but they are just that. Is it true that the Iranians are going to be able to take the sample Senator Risch said, because chain of custody means nothing if at the very beginning what you are given is chosen and derived by the perpetrator.

Secretary KERRY. Well, as you know, Senator, that is a classified component of this. It is supposed to be discussed in a classified session. We are perfectly prepared to fully brief you in classified session with respect to what will happen. Secretary Moniz has had his lab red team on that effort, and he has made some additional addons to where we are. But it is part of a confidential agreement between the IAEA and Iran as to how they do that.

The IAEA has said that they are satisfied that they will be able to do this in a way that does not compromise their needs and that adequately gets the answers that they need. We have been briefed on it. Be happy to brief you.

Senator MENENDEZ. My time is up, but if that is true——

Secretary KERRY. I would like Secretary Moniz to——

Senator MENENDEZ [continuing]. That would be the equivalent of the fox guarding the chicken coop.

Secretary KERRY. Senator, I am not confirming how it is happening. I am simply saying to you that we are confident the IAEA has the ability to be able to get the answers that they need, and Secretary Moniz can speak quickly to that for a moment if he may.

But I also—do you want to say anything on that?

Secretary MONIZ. Mr. Chairman? Yes, as Secretary Kerry said, this is a roadmap worked out between the IAEA and Iran. They have—we do not have those documents that are, as is customary, confidential between the country and the Agency. But clearly they have—they know that they must have and be able to articulate a process with integrity in terms of making the measurements and being able to analyze them through their own laboratories and the network of laboratories, including U.S. laboratories, that do the analysis of these kinds of samples.

The CHAIRMAN. And let me just say, bringing up part of my 7 minutes. You need to go down and have that meeting. It will take about 5 seconds, okay? You need to go down and meet with Secretary Moniz and get that answer.

I will also add that we as a nation do not even have a copy. Senator Cardin and I have asked for this. You will understand this very quickly in about 5 seconds with the Secretary. But we do not even have a copy of the agreement to ascertain on behalf of the American people whether the IAEA process, which, again, you should go look into this part of it, has any integrity. So it is very disappointing, and I know Senator Cardin and I——

Senator CARDIN. Mr. Chairman, this is a very important point, and I agree with you. The documents in question are traditional between the country and the IAEA and are kept confidential between the country, in this case Iran, and IAEA. But it is part of

the JCPOA, and it regards the possible military dimensions which are critical for us to have baseline in order to deal with moving forward. So it is a very important part.

And from what we can tell, if we can get eyes on that document, it may answer some of our questions. Secretary Moniz has reached conclusions, and he is greatly respected in that regard, but I think transparency would help us all better understand that. And I would just hope that in a confidential setting there would be an opportunity to review those documents.

The CHAIRMAN. Senator Johnson.

Secretary LEW. Mr. Chairman?

The CHAIRMAN. We are going to move on. Senator Johnson. Thank you.

Senator JOHNSON. Let me just make the comment. How can that be confidential, and why would that be classified? Okay. I can see IAEA having those confidential agreements with normal powers. Iran is not a normal nation. Iran is the largest state sponsor of terror, and we rushed to the United Nations, had this deal approved, and we do not even understand how those samples are going to be collected and the chain of custody. It is unbelievable.

Secretary Kerry, I have heard this deal described as historic. I will not use Vice President Biden's full terminology, but this is a big deal, correct? This is a big deal, right?

Secretary KERRY. It is an important agreement.

Senator JOHNSON. During our unfortunately limited debate on the Iran Nuclear Agreement Review Act, I offered a couple of amendments, and tried to offer a third. One was to deem this a treaty because I think it rises to that level where two-thirds of the Senate should affirmatively approve such a big historic deal. That amendment unfortunately failed.

I never got a vote on my next step in the process, an amendment to deem this a congressional executive agreement where at least both chambers—you said both chambers ought to be involved—would have to affirmatively approve this with just a simple majority vote. The third amendment I tried to offer really reflected what we actually ended up getting in this very convoluted process of a vote of disapproval, which would have been a congressional Executive agreement with a low threshold approval of only 34 votes. Now, the parliamentarian I think very appropriately said, no, that is out of order. That is unconstitutional, yet that is what we have.

My question to you is, if you are so confident this is such a great deal, why would you not have been supportive of allowing the American people to be involved in the decision through their elected representatives, whether or not that was by just allowing both chambers to have a simple vote of approval rather than this convoluted process, which, let us face it, you are quite confident you are going to win this? You ran to the United Nations Security Council.

Convince me that what we are going through right now is not just a big charade because I am afraid that is exactly what it is. But, again, please tell me why this administration did not—if you are so confident this is such a great deal—allow this body, this Congress, to at least affirmatively vote to approve this deal?

Secretary KERRY. It was not my decision.

Senator JOHNSON. Well, the administration certainly did not offer any kind of support for a more robust review process. And you have certainly circumvented this Congress by running and undermining our review process by having the Security Council approve this. Is that not true?

Secretary KERRY. Well, Senator, on the contrary, this is a long time-honored process for several centuries of executive—of political agreements between countries——

Senator JOHNSON. This is way more than a political agreement. I want to go on.

Secretary Moniz, if Iran wants a peaceful nuclear program, there is no reason for them to have to enrich uranium, is there?

Secretary MONIZ. Well, I think the—clearly there is uranium available on the international market.

Senator JOHNSON. There you go. So there is——

Secretary MONIZ. But it is also the case that many countries support their nuclear program with enrichment and——

Senator JOHNSON. But, again, if they want a purely peaceful program, there is no need for them to enrich uranium. In the past when, for example, South Africa and Libya gave up their nuclear programs to be welcomed into the world of nations in a more normal fashion, like Iran supposedly wants, they completely gave up their enrichment. We dismantled that. That is what we demanded, correct?

Secretary MONIZ. I believe that is the case, certainly with South Africa. Their whole weapons program was—of course, they had a weapons program that was dismantled. And if I may add, by the way, relative to the last discussion, the documents the IAEA and South Africa in a full nuclear weapons dismantlement program remain confidential.

Senator JOHNSON. Are you familiar with the EMP Commission's 2008 report?

Secretary MONIZ. No, I am not, sir.

Senator JOHNSON. You are not? Do you know what "EMP" is?

Secretary MONIZ. You are going to have to explain it to me, please.

Senator JOHNSON. Electromagnetic pulse.

Secretary MONIZ. Oh, I am sorry. Whose report, I am sorry, is this?

Senator JOHNSON. The 2008 EMP Commission.

Secretary MONIZ. No, I am not, sir. I am just not. I apologize. I can respond for the record if you have a question there.

Senator JOHNSON. Okay, and I will send you a number of questions because the recommendations really were for the Department of Homeland Security and for the Department of Energy. We just held a hearing.

Are you familiar with Dr. Richard Garwin?

Secretary MONIZ. Yes, absolutely.

Senator JOHNSON. Okay. He testified before our committee.

Secretary MONIZ. Everyone is.

Senator JOHNSON. Good. He testified before our committee yesterday in combination with the CIA former director, James Woolsey, about the threat of EMP. One of the reasons I thought I would hold that hearing now is nobody knows how this is all going to

game out, but the inevitable conclusion of this deal is just like North Korea eventually, Iran will have a nuclear weapon. Plus they already have ballistic missile technology.

Are you aware of the fact that Iran has practiced ship-launched EMP attacks using Scud missiles?

Secretary MONIZ. No, I am not, sir.

Senator JOHNSON. They have done that according to Dr. Peter Vincent Pry. So an EMP attack, of course, would be conducted by somebody like North Korea or Iran, and it could be conducted from a ship off of our coast using a Scud missile. And the fact that you as the Secretary of the Department of Energy are not even aware of the 15 basic recommendations, things like evaluate and implement quick fixes in the event of an EMP attack, the fact that Richard Garwin in his testimony said that for $20 to $70 million we could protect 700 critical transformer that could help us recover from something like that, I am highly concerned——

Secretary MONIZ. Well, sir——

Senator JOHNSON [continuing]. That you as Secretary of Energy are not even aware of these recommendations that were made public in 2008. Seven years later in testimony before our committee, we have nothing, virtually nothing to address these 15 recommendations by the Commission.

Secretary MONIZ. Well, first of all, if I may, again, I do not know that report, and clearly many of them must apply to DHS and DOD. However, on the transformer question, actually if you look at our Quadrennial Energy Review published in April, we do identify EMP as a risk to transformers, and we are beginning to try to work up a response to that.

Senator JOHNSON. Seven years later we have done virtually nothing to protect ourselves. So, again, in light of this deal, we will provide a number of questions on the record to make sure that we start taking action on that to provide some protection.

My final comment is we have heard $50 billion to $100 billion, $104 billion, in our terms does not really seem like that much. But it is 13 percent—13 percent—of Iran's economy. If, for example, the American economy had an interjection of 13 percent of our economy, that would be $2.4 trillion, so this is not chump change, and we have already seen exactly what kind of actor Iran is on the world stage.

So, again, I cannot predict this whole thing, but what basically this deal does is it interjects tens of billions, 13 percent up front, of Iran's economy into the economy of the largest state sponsor of terrorism. And so, when Senator Risch said we had them right where we want them, I agree. We certainly did not want them with centrifuges, but this deal puts them in a far better position. This strengthens their hand. And from that standpoint, I am highly concerned.

Thank you, Mr. Chairman.

Secretary LEW. Mr. Chairman, could I respond to the point about the Iranian assets? Let us be clear what those assets are. It is not money we are giving to Iran. It is Iran's money that sits in other countries that was locked up because international nuclear sanctions that were designed to bring them to the table to negotiate a nuclear agreement. So all that we have gone through is trying to

analyze what that is. It is not us giving them money. If there is a nuclear agreement that meets the criteria that the sanctions were designed to achieve, that was the reason they were locked up.

There are competing demands for that, whatever it is. We think it is about $50 billion. There is at least $500 billion of domestic demand. They cannot possibly scratch the surface of that need. So we have never said that there is not going to be a penny going to maligned purposes. Under these sanctions they have managed to find money to put into maligned purposes, but I would not exaggerate how much that is going to change things.

The assessment that we have, that our intelligence community has, is that it will not be a change in direction, that it will be—it will be on the margin not the kind of increase that you are describing.

Secretary KERRY. And by the way——

The CHAIRMAN. Before moving to Senator Shaheen, I do want to say that while we have lifted—we have not ourselves lifted sanctions on the IRGC, which, by the way, has the nuclear file and is the entity that carries out all of the terrorism on behalf of Iran. What we uniquely did was we lifted sanctions on all the financial institutions they deal with. They are going to be the number one beneficiary of the sanctions lifting.

So we did not lift sanctions on them. It is like not lifting sanctions on a holding company. But we lifted sanctions on the entities that feed them the money, that through the economic growth, the shipment of oil, and all the things they do, will empower their way on top. This is almost chump change compared to what will happen over this next decade. And so, I would like to say that. Senator Shaheen?

Secretary KERRY. Senator——

Secretary LEW. Mr. Chairman, could I just respond? We are not lifting sanctions on a bank like Bank Satara that was sanctioned for reasons related to terrorism. We have retained the ability to sanction banks.

The CHAIRMAN. But many other—many other banking entities and others that they rely upon, we have——

Secretary LEW. But those entities, if they violate the terms of our sanctions and our regime for sanctions on terrorism, could be sanctioned. We have not said that any of those institutions are, you know, protected.

And in terms of the snapback, the point that, you know, Senator Menendez ended up concluding is not correct. We have enormous tools with or without the Iran Sanctions Act, to snap back sanctions through the NDAA sanctions on oil and financial institutions.

Secretary KERRY. And could I just point out——

The CHAIRMAN. Okay, well, I would just like to move to Senator Shaheen by saying they disagree with that. Great Britain disagrees with that. Germany disagrees with that. France disagrees with it. The EU disagrees with it. I talked to you about this last night.

The tools that we have through the nuclear file are not available to be applied. Senator Menendez tried to pursue that. The other countries disagree, and matter of fact, the most accurate assessment of this deal from what I have been able to read has been coming from Iran.

Secretary LEW. But if Iran violates it, those sanctions could come back on nuclear, and if they do things that violate terrorism sanctions, we have the ability to sanction on other grounds. So it is a not fair conclusion that institutions that continue to engage in funding terrorism or regional destabilization are immune from those kinds of sanctions. It is just not correct.

The CHAIRMAN. I stand by my assessment as do the other countries who negotiated the deal with you.

Senator Shaheen.

Secretary KERRY. Actually the other countries——

The CHAIRMAN. Senator Shaheen.

Secretary KERRY. Mr. Chairman——

The CHAIRMAN. I am just going to stop. We will get to this in a second.

Senator Shaheen.

Senator SHAHEEN. Well, thank you, Mr. Chairman and Ranking Member Cardin. Thank you to our witnesses for your testimony today and to the negotiating team for the tremendous effort that it took to get us to this point.

Before I ask my questions, and I do actually have questions, I just want to say that I do not think it is to the benefit of this committee, this Congress, or the American people for any of us to impugn the motives or intellect of anybody involved in this discussion. I think people have strong views about how they feel, and it is appropriate to express those views. But to—because someone disagrees with you to suggest that their motives are not in the best interest of this country or that their intellect is questionable, I think does not advance the debate in a way that it should be advanced. So, Mr. Chairman, I appreciate you and the ranking member, and hope that we will keep this debate as a civil discussion.

I also want to point out for the record that everybody on this committee voted for the Iran Nuclear Review Act of 2015. It was unanimous. So while I am sure all of us had concerns about everything, some of the provisions that were in it, it was voted for by the committee unanimously.

Now, to go to my questions, I want to, Secretary Moniz, follow up on the issues that were raised with respect to the possible military dimensions of the past Iranian nuclear activities because that is an area where I certainly am not clear about how we can be confident that the IAEA is going to be able to get the information that it needs to complete its investigation. So can you speak to that a little bit and talk about why you believe that we are going to have the information that we need?

Secretary MONIZ. Well, again, Senator, all I can say that is that the—I mean, the IAEA is very strong technically. I might add that every inspector, since 1980, has been trained at Los Alamos National Laboratory in terms of nuclear materials measurement techniques, et cetera. They have a very strong reputation, which frankly they need to guard to make sure that they have a process with integrity.

Again, it is their—there is nothing unusual here. There is no side agreement. This is the way it works: the IAEA negotiates with the country. What we have achieved in the negotiation is to get Iran to the table with them because without satisfying their require-

ments by October 15 to satisfy the Agency, there will not be any agreement going forward. That is very clear.

So after years of stiffing them, to be perfectly—to use a technical term, then what we have done is we forced them to the table. They went to Tehran, not just the director general, but the senior people who do safeguards, et cetera. And they came back and feel that they have a process with integrity.

Now, again, in this environment I can only say that the—and I will say flat out, I mean, I personally have not seen those documents that the chairman referred to. I had something of an oral briefing, a general one, with that. We have assembled a national lab team to think through the kinds of process that we anticipate, and to recommend steps that might mitigate any risks. But, again, ultimately we rely upon the IAEA. They will make a report. The Director General has committed to trying to get that out this year, this calendar year, and, of course, that report is then where one will see what their conclusions are—what the basis for their conclusions are.

Senator SHAHEEN. And will the intelligence community either here or our other partner countries weigh in and assess whether they believe that that report reflects an accurate discussion of Iran's past activities?

Secretary MONIZ. Well, I would have to defer to the intelligence community for their reactions, but I can assure you that our DOE experts are going to be looking over this very, very carefully.

Senator SHAHEEN. Thank you. And, Secretary Lew, can you commit that there will be no sanctions relief? I think you have said this, but just to be clear again, until Iran has provided the IAEA with this information and the access that is required?

Secretary LEW. Absolutely, Senator. Until Iran has completed all of its obligations, we will not be relieving any of the United States sanctions, nor will the international sanctions be relieved.

Senator SHAHEEN. And I do not know who wants to respond to this, either Secretary Moniz or Secretary Kerry. But at the time we began the negotiations, what was the best estimate of our intelligence community about the time for Iran to break out with a nuclear weapon?

Secretary KERRY. The best estimate was 2 to 3 months.

Senator SHAHEEN. And was there agreement among our intelligence agencies about that estimate?

Secretary KERRY. Yes, pretty much. There was a disagreement actually with a couple of other countries, but there was not disagreement in our intel community.

Senator SHAHEEN. And as we look at—if this agreement goes into effect, is there an estimate from our intelligence community about how long it might take to get a nuclear weapon at the end of this agreement if Iran decides to pursue that option at the end of 15 years?

Secretary KERRY. Well, there is a distinction, Senator. The breakout time as it is used in this negotiation is a hybrid of the traditional understanding of breakout time. Breakout time in arms control has usually been referred to the time it takes to get a weapon. We have been dealing only with the amount of time it takes to get enough fissile material to produce one weapon. You still have

to produce the weapon, and most people do not guestimate that a country is going to be satisfied with only one weapon and enough fissile material for one.

So there is a lot of time beyond that. So we have been operating with a huge safety cushion here, and we will have one year of breakout time for fissile material for one weapon for at least 10 years. And then it begins to tail down, but not as a cliff. It begins to tail down as we go through the next five years. And then we are indeed arriving at a point where Iran has hopefully achieved normal status in the NPT. I say "hopefully" because if they have not, the agreement has not worked in the sense that they violated it, and we have gone back to snapback, and have the sanctions back in place.

Senator SHAHEEN. And, again, can you answer whether all of our intelligence agencies are agreed on that particular breakout period, or is there is a difference of opinion?

Secretary KERRY. No. Our intelligence community, and the Energy Department, and everybody worked this very, very hard. And it is a very precise formula which feeds in the most rapid possible rate by looking at the numbers of centrifuges, all kinds—the amount of enrichment, the capacity for enrichment, I mean, all of the many, many factors that go into it. It is a complicated formula, and everybody is in agreement as to where we are.

Secretary MONIZ. It also includes capacity to rebuild all the infrastructure that they are taking out. And I might just add that beyond the 15 years where there are very severe constraints, like on the stockpile in terms of visibility, I remind you that for 20 years there is still the containment and surveillance activities for any centrifuge sensitive parts manufacturing. They will all be tracked and labeled et cetera, and for 25 years the uranium—the uranium transparency. So it is like follow the uranium and the centrifuges.

Senator SHAHEEN. Thank you. My time has expired. Thank you all.

The CHAIRMAN. Thank you. I might add the President was really clear that in year 13 they are zero breakout and begin industrialization at year eight.

Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

Secretary MONIZ. I do not agree with that characterization, Mr. Chairman.

Senator FLAKE. Thank you, Mr. Chairman, and thank you for your testimony. I hope you will take these questions in the spirit they are given. I am not looking to play gotcha at all. I have been supportive of these negotiations. I commend you all for the hard work that has been done. But there is some disagreement here it seems with the text of the agreement as we read it and the explanation that is given, and let me just cover a couple of these points.

Number eight, on adoption here in the annex in the implementation plan, it says "Iran will officially inform the IAEA that effective on implementation day, Iran will provisionally apply the Additional Protocol pending its ratification by the Parliament," the Iranian Parliament, "and will fully implement the Modified Code, 3.1."

We have talked about the agreement, although it is voluntary to live by the Additional Protocol. What happens if the Parliament—

first, what is the timetable that is required for the Parliament to address the Additional Protocol?

Secretary KERRY. They have—Senator, they have to live by the Additional Protocol by Adoption Day.

Senator FLAKE. Understood, but going forward——

Secretary KERRY. And they have 8 years—within 8 years to adopt it formally—but they are in material breach as of adoption day if they do not live by it. And it is fully understood by everybody that would be a material breach.

Senator FLAKE. But there is no timetable where the Parliament has to——

Secretary KERRY. They have to do it within the 8 years.

Senator FLAKE. Within the 8 years.

Secretary KERRY. Yes.

Senator FLAKE. Okay. So that is the timetable. Second——

Secretary KERRY. Which is before the sanctions are lifted. So you have the snapback capacity as a result of their not doing or living by it.

Senator FLAKE. Understood. Understood. In December of 2011, the President signed into law the NDAA that included sanctions on Iran's Central Bank. These sanctions penalize foreign financial institutions that were doing business with Iran Central Bank. These sanctions will ultimately be suspended because of the JCPOA.

What I am trying to understand, and this keys off a question that was asked by Senator Cardin and others, we—according to the agreement, "The United States Administration, acting consistent with the respective roles of the President and the Congress, will refrain from reintroducing or re-imposing the sanctions specified in Annex 2, that it has ceased to apply under JCPOA without prejudice to the dispute resolution process." This is what I think a lot of us are having a hard time reconciling here, what would constitute reintroducing, re-imposing sanctions specified, existing sanctions. If because Iran did not violate the nuclear part of the agreement, but for other reasons—committed terrorism abroad, abducted Americans—and we wanted to penalize them, we wanted to sanction them, could we impose sanctions on Iran's Central Bank, because that would mimic or it would be similar to what was done before, but it would be in a different context. Would that be allowed, or would that lead to some violation on our part of the agreement?

Secretary Lew.

Secretary KERRY. I am going to stab at this because we have been going around on it, and I want to try to, if I can, answer it dispositively.

First of all, we will not violate the JCPOA if we use our authorities to impose sanctions on Iran for terrorism, human rights, missiles, or any other nonnuclear reason. And the JCPOA does not provide Iran any relief from United States sanctions under any of those authorities or other authorities, mind you, and I will go through some of those other authorities.

What we have committed to do is quite specific. Iran was fearful that having witnessed the desire within the Congress for more sanctions that even if we cut an agreement, you folks might just turn around the day after and say, too bad, we are coming with all

the same sanctions. And the President is in veto status or override status or whatever. So what they really wanted was a clarity that we are not going to re-impose the specific nuclear-related sanctions provisions as specified in Annex 2 to the JCPOA contingent on them abiding by the commitments of the agreement.

So it is really simply a clarification to them that we are not going to come back and just slap them on again. But that absolutely does not mean we are precluded from sanctioning Iranian actors, sectors, or any other actions if circumstances warrant. So all of our other sanctions authorities remain in place. They are unaffected by this agreement. And Iran only said, if you read what it says, that they would treat the imposition of new nuclear-related sanctions as the grounds to cease performing.

But they are clear and we are clear that we have all kinds of other authorities, and let me be specific on that because it is important for this whole debate to be clear. Even with the lifting of sanctions after 8 years on missiles, or five years on arms, or the U.N. sanctions—it is only the United Nations sanctions—we still have our sanctions. Our primary embargo is still in place. We are still sanctioning them. And, I might add, for those things that we want to deal with in terms of their behavior, for instance, Hezbollah, there is a U.N. Resolution, 1701, that prevents the transfer of any weapons to Hezbollah. That will continue. And what we need to do is make sure we are enforcing it.

Senator FLAKE. I think we have got that. I just want to make sure that if we say, all right, what was effective on Iran, what really has brought them to the table more than anything else in my view are these sanctions on the Central Bank because it is more difficult for Russia, China, and other actors to help them evade these sanctions.

If we decided—if want to impose penalties to deter them from terrorist activity and we impose sanctions on their Central Bank, that that will not be a material breach to the accord.

Secretary KERRY. No.

Senator FLAKE. It will not. All right. One other question on a broader topic. Assuming this goes into effect, we are going to need—desperately need—a regional security framework that you have touched on, and some discussions are already going on. I would just encourage you that I understand the problem with 535 Secretaries of State. We cannot have that. But I would encourage you to reach to at least the relevant committees here as that framework is put in place to make sure that it can endure longer than just, you know, the first couple of years, and there is agreement. We all know that to have the institutional fortitude to move ahead, it is best to have Congress involved. And there are many points between 535 Secretaries of State and proper consultation with the relevant committees, at least, of jurisdiction here. And so that I would just——

Secretary KERRY. I could not concur more, Senator. I think you are absolutely dead on. We agree. And by the way, I think in the course of this negotiation prior to the passage of the requirement for the 60 days, which we understand and joined in working on with the the chairman, and we are grateful to the chairman for the cooperation on that. But there were a huge number of briefings,

and hearings, and telephone calls, and meetings, and so forth, literally in the hundreds.

Now, I come back to this. I could not agree with you more about this new arrangement. We are talking about arms transfers, about special operations, training, about counterterrorism, counter insurgency. We have a major need here to build capacity in many of those countries. The Gulf States spend about $130 billion a year on their defense. Iran spends $15 billion, yet you see a disparity in terms of what is happening within the region. That has to be addressed, and that is the purpose of our initiative.

Senator FLAKE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator, and I, too, appreciate you joining in with us about an hour and a half before our vote on that agreement.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman, and let me also just echo what everyone said. I very much appreciate the negotiators and the team, and especially give a shout out to Wendy Sherman. I would also like to just recognize—I do not think he is has been recognized yet—our colleague. Senator Angus King of Maine has been sitting here from the beginning very conscientiously like I think many Senators are either back in their offices or here in the audience to stay involved in this issue.

Secretary Kerry, Secretary Lew, and Secretary Moniz, this is a very important deal, one based on verification and sound science. Those two areas are what I would like to focus on today. As you know, the National Labs in Tennessee, New Mexico, and California have played an important role, and I think it is important that we do the best job we can to explain to the American people why this deal meets the scientific rigors for preventing Iran from acquiring a bomb.

So, Secretary Moniz, just as a baseline, can you tell the committee what the half-life of uranium and plutonium are, and what this means regarding how long we can detect its signature in nature, and why that it is important?

Secretary MONIZ. You are creating the urge for a 15-minute nuclear physics lecture.

Senator UDALL. But I do not want that. I do not want that.

Secretary MONIZ. The half-life of Uranium 238, which is the dominant isotope, is roughly the age of the earth, 5 billion years, and that is why we still have it in the ground. Uranium 235 is maybe a factor of 10 less, which is why it is a minor isotope now. Plutonium is much shorter, 20,000 years probably, which is why we do not have any of it naturally, and we have to make it in reactors.

Senator UDALL. Okay. Iran cannot create a facility or enrich uranium or plutonium out of the thin air. The laws of physics, as you well know, are clear: energy and mass must be conserved, and through the IAEA we will be able to detect illicit use of declared sites due to extensive monitoring. Do both of you believe that is correct?

Secretary Kerry.

Secretary KERRY. Yes.

Senator UDALL. Secretary Moniz.

Secretary MONIZ. Yes.

Senator UDALL. And with regards to the worries about the 24-day requirement for undeclared sites, given the half-life of uranium and plutonium and the resources needed to construct a parallel enrichment capability, would you say it is scientifically possible to hide such work within 24 days, and do you believe we have the technical capabilities to determine if enrichment is being done outside the limits of the JCPOA?

Secretary MONIZ. Well, yes. Once again, we have the historical example from 2003 of precisely that happening after 6 months, easily finding uranium despite major efforts to disguise it. And in addition, we will have all of the containment and surveillance for 20 years of all of the sensitive parts of every machine that they make.

Senator UDALL. And so, people that have used the analogy that like in a drug crime you flush it down the toilet and it is gone, and we will not be able to find it, that is, in fact, been proven out, has it not?

Secretary MONIZ. If they try that, we will find it.

Senator UDALL. Good. Secretary Kerry and Moniz, our nuclear experts at Oak Ridge, at Los Alamos, Sandia, Lawrence Livermore, they have given technical support throughout these negotiations, are they confident that these verification measures, both the enhanced measures and those in the Additional Protocol, will enable the IAEA to detect and attempt to break out or sneak out in time for the international community to react?

Secretary MONIZ. First of all, let me say that the national lab scientists from the places you mentioned were really heroic. They were on constant call for, literally, hours turnaround in the negotiating sessions. And I have already alluded to the fact that your laboratory at Los Alamos has played a major role in the detection arena.

So the answer is, yes. I mean, in fact, those are the people who have invented many of the safeguards technologies that are going to be employed here.

Senator UDALL. So it sounds to me like Iran could break the rules of this agreement, but they cannot break the rules of physics. And the international community has the know-how and the expertise to determine whether or not Iran is abiding by this deal and the Non-Proliferation Treaty not only during this phased agreement, but into perpetuity under the Non-Proliferation Treaty and the Additional Protocol to the NPT. Would you agree with this assessment, and would the panel agree that if necessary, the United States and the P5+1 would then have the ability to snap back sanctions and deal with the Iranian violations as appropriate in order to prevent them from acquiring a nuclear weapon?

Secretary MONIZ. Well, yes. I mean, again, we will have much greater transparency from day one until forever than we would have without the agreement. That is a fact. And then the sanctions, I think the answer—I will venture the answer is yes.

Senator UDALL. All right, thank you. And then just finally, Secretary Kerry, one of the keys here, and you have heard all these questions, is implementation, how are we going to do implementation. And so, I just ask in the broadest possible way how it is going to be done, who is going to be in charge, how are we going to make

sure that when we get to the implementation phase that we really do what needs to be done to make sure this is a success?

Secretary KERRY. Well, we already have created an implementation office, and we have somebody managing that at this point in time. It is teamed up, but will be even more so as we go forward. This is going to be a full-time operation, and it is not going to be left to a normal bureau. There will be a full-time Iran agreement implementation effort with experienced and competent personnel staffing it.

Secretary MONIZ. And I would just add, if I may, that under that umbrella of the administration-wide implementation team, we at DOE and with our laboratories will have our own implementation team, and there will be some major jobs. For example, in Annex I you will see alluded to a working group of the P5+1 on the Arak reactor redesign, et cetera. We anticipate obviously playing a leading role in that group and making sure that the new reactor does only what we have laid out. And the parameters are in the material you have.

Senator UDALL. Good. And I just—I cannot emphasize enough in terms of the National Laboratories, especially the two in New Mexico, but all of them, that they have worked on this—these kinds of activities and studied nuclear issues since the creation of the atomic bomb. And that is why they are in such a position to be able to give the technical advice to make sure this is a success.

Secretary MONIZ. Well, let me—if I could just reinforce that. I think it is very important—this is a pitch now for the national labs—that this is not the capability you invent overnight because you needed it for this negotiation. It has got to be a consistent investment in our coal and nuclear capacity, and that is what we have been doing.

Secretary KERRY. And by the way, let me just emphasize: people like me who obviously do not have that background understood our limitations, and there is not any decision made in this agreement—none—where we did not go to our teams. In fact, there were days where we were delayed because we had to go back to the laboratories, get the laboratories' input, get our experts' input, and make a judgment as to whether or not whatever judgment we made would, in fact, result in what we were seeking and be sustainable. And there is not one technical decision within this agreement that has not been worked through the entire system in that regard.

Senator UDALL. Thank you, Mr. Chairman.

The CHAIRMAN. Senator, you are right to be proud of your outstanding labs. I have visited them, as have many, and they are playing a huge role in this. And I thank you.

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman, and thank you to the Secretaries today for your time and testimony. I wanted to start with you, Secretary Lew, talking about a number of companies and individuals who will be removed by 2023 from the U.S. sanctions list, and I hope that you could discuss several of them. What can you tell this committee about Mr. Fakhrizadeh? Is it correct to describe him as the father of the Iran nuclear program?

Secretary LEW. I would defer to Secretary Moniz who is the father of the Iranian nuclear program.

Secretary MONIZ. I will not vouch for it. That term certainly has been applied to him, yes.

Senator GARDNER. What about Mr. Abbasi? Is it accurate that the United Nations blacklisted him in 2009 for allegedly being an aide to Fakhrizadeh in working on Iran's nuclear and ballistic missile programs, receive relief by 2023?

Secretary LEW. Senator, without commenting on each individual, if you go through the names of people who have been involved in Iran's nuclear program, any step to remove sanctions that are related to the nuclear program will involve individuals and organizations that had been involved in Iran's nuclear program.

Senator GARDNER. Okay. And German engineer, Gerhard Wisser, he was convicted and sentenced in prison by a South African court in 2007 for his role in supplying centrifuge components to the A. Q. Khan black market network. Is that correct?

Secretary LEW. Yes.

Senator GARDNER. He receives relief in 2023?

Secretary LEW. I am reluctant to get into individual names.

Senator GARDNER. Why? They are listed in there for relief. Why would you be reluctant——

Secretary LEW. Because as a group, they have the same characteristic.

Senator GARDNER. Which is what?

Secretary LEW. Which is, they were designated because of nuclear activities.

Senator GARDNER. And now they have their sanctions relief by 2023.

Secretary LEW. And to the extent that Iran keeps its agreement, we will be relieving nuclear sanctions. If they do not keep their agreement, we will not be relieving nuclear sanctions.

Senator GARDNER. What message does this send to other proliferators around the world?

Secretary LEW. I think the message is if you violate the rules and develop nuclear weapons, and we and the world take action against you, it will have significant consequence. But if you reach an agreement and you unwind your nuclear program, that will have also have consequence.

Senator GARDNER. Thank you. To Secretary Lew, again, following up on, I believe it was Senator Menendez's questions, the Iran Sanctions Act, under the JCPOA, as you understand it, if that act were simply to be extended, the date changed to 2018. Obviously the national security waivers would still in place by the President. Is that something that Congress would pass, change of the date—2016, 2018? Is that acceptable under the JCPOA.

Secretary LEW. So we have obviously gone back and forth on that a few times. The re-imposition of nuclear sanctions is something that if they comply with the nuclear agreement has a very different character than if they do not comply. And I think that right now they have agreed to take serious actions. We need to work towards the implementation of the agreement.

What I was trying to say after the back and forth with Senator Menendez, we have a host of very powerful sanctions. We have tools that are not just——

Senator GARDNER. And I heard you explain that to Secretary Menendez—Senator Menendez.

Secretary LEW. Those remain available——

Senator GARDNER. If you do not mind, we are running out of time here. Just to follow up on that, if Congress were to pass an extension to 2018, obviously the national security waivers under this deal would still be in place, would the President veto that legislation?

Secretary LEW. I think this is not the appropriate time to be discussing extending a law before we have even had the implementation period begin on this agreement.

Senator GARDNER. Do you think that makes the snapback provisions weaker or stronger if they are not there when the——

Secretary LEW. Well, that is what I was trying to get at. I think the snapback provisions are extremely powerful with or without the Iran Sanctions Act. Our oil sanctions, our financial sanctions have independent ground——

Senator GARDNER. You are prepared to have a snapback without the Iran Sanctions Act in place.

Secretary LEW. I think the snapback would be very powerful with or without it.

Senator GARDNER. Secretary Kerry, in your testimony you stated that U.S. sanctions related to human rights, terrorism, and ballistic missiles will remain in place. Your eight ballistic missile activities continue under the agreement. How do our sanctions, if they are in effect if the United States stands alone, slow down their ballistic missile programs by year 8?

Secretary KERRY. Well, the fact is that regrettably they have been pursuing certain things without recourse, and one of our determinations here is to up—I think the President said this in the East Room in his press conference the other day that—for instance, they have been transferring weapons for 20 years to Lebanon, to Hezbollah, and there may be as many as 70 to 80,000 rockets now, we all know, that are a threat to Israel. We need to, all of us, be engaged in a stronger effort to prevent the movement of these weapons. And we have the tools——

Senator GARDNER. So by lifting the sanctions in year 8——

Secretary KERRY. No, no, no——

Senator GARDNER [continuing]. Israel safer today under this provision with the ballistic missile embargo lifted?

Secretary KERRY. There is absolutely no question whatsoever that Israel is safer because Israel——

Senator GARDNER. Let me raise—with the embargo lifted Israel is safer.

Secretary KERRY. We are not lifting the embargo.

Senator GARDNER. Year 8. I can read you the——

Secretary KERRY. Oh, in year 8? No. Well, we still have the—see, what you are not looking at, Senator, and what everybody needs to take note of is we have separate U.N. resolutions to apply to all those other activities, and we have separate regimes that apply to them. For instance, the Missile Control Technology Regime is a very powerful instrument. The security proliferation——

Senator GARDNER. Let me just—I understand. I am running out of time. This U.N. language, would the United Nations——

Secretary KERRY. Well, I know, but it is part of the answer. If you want to ask a question without an answer, we can all run out of time.

Senator GARDNER. With the United Nations language, do you believe Israel is safer in 8 years with the embargo lifted under United Nations language?

Secretary KERRY. There is no question in my mind because we have the ability to put all kinds of other sanctions in place as well as enforce existing U.N. resolutions that apply to missiles and other things.

Senator GARDNER. You mentioned an article in the Washington Post, "How the Iran Deal is Good for Israel According to Israelis Who Know What They Are Talking About." Do you believe Prime Minister Netanyahu, who is highly critical of this deal, knows what he is talking about?

Secretary KERRY. Prime Minister—look I respect and know Prime Minister Netanyahu very well. I consider him a friend, and he and I talk regularly. We are still talking even in the midst of this disagreement because we have a lot of things to talk about. I completely understand the Prime Minister of a State like Israel, which has been under siege and existentially threatened all of its life, that this is also a big challenge. And I understand the expressions of concern that he has voiced.

We just happen to disagree about the impact of what is going to happen here, and our ability to be able to safeguard Israel going forward through the mechanisms that have been put in place. There is absolutely no question whatsoever, indisputable—you cannot argue—that taking a breakout time from 2 months to a year, taking a 12,000 kilogram stockpile to zero, taking a centrifuge——

Senator GARDNER. So you would not include them in this list that——

Secretary KERRY. But, I mean, you have got to look at that, so maybe you have——

Senator GARDNER. So according to—know what they are talking, you believe Prime Minister Netanyahu knows what he is talking about.

Secretary KERRY. I disagree with him on his——

Senator GARDNER. But you know what he is—he knows what he is talking about.

Secretary KERRY. He knows as Prime Minister the fear that he is expressing, absolutely.

Senator GARDNER. Secretary Moniz, I hope I am pronouncing this correct. Olli Heinonen, a former deputy director of the IAEA—we have talked a lot about the IAEA today. We have talked about the agreement that they have entered into that is not being disclosed to the committee or the public with Iran. He stated in the New York Times, "A 24-day adjudicated timeline reduces detection probabilities exactly where the system is weakest, detecting undeclared facilities and materials." Is he wrong?

Secretary MONIZ. Well, the 24-day thing is explicitly for undeclared facilities, and I have already expressed use of nuclear materials in those facilities. We are very confident about detection. We have to know where to look, and that is, of course, the traditional role of intelligence, ours and those of our allies and friends.

Senator GARDNER. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. Thank you all for spending so much time with us here today. One comment on this issue of nonnuclear sanctions, and then two questions.

The Iranians are worried that we are going to reimpose nuclear sanctions under the cover of some other excuse; thus, your discussion about the sensitivity of when we may reauthorize the Iran Sanctions Act. I would just note that what we are talking about here then is motive, whether or not we are genuine in imposing sanctions for a non-nuclear related activity, or whether we are doing it under the cover of trying to get around the agreement.

I do not think there is any way to avoid the fuzziness of that section of the agreement because ultimately there can be a dispute over motive. But I just think we all have to understand that there is going to be a lack of clarity on that question given the fact that the dispute ultimately is not going to be about the letter of the law that we pass, but about the motive that stands behind it. I think that we can certainly defend instituting new sanctions on nonnuclear activity, but there is going to be difficulty in trying to define that motive.

My question, though, is—first question is continuing on this subject of inspections. Secretary Moniz, the Iranians have made a commitment here that they are not going to engage in any research and development, that under item 16 "could contribute to the development of a nuclear explosive device." We have talked about the eyes that we have on Fordow, on Natanz. We know we have got eyes on the full supply chain.

But there are a host of nuclear-related research activities that could occur at other research sites that do not involve material that runs through the supply chain. How do we have an assurance that there are no R&D activities occurring given the fact that there are going to be sites that we will not even be asking about frankly, and there are research activities potentially that can happen that do not involve that nuclear material that we see in the supply chain inspections?

Secretary MONIZ. Well, as I said, there are a number of activities that are listed there which are out of bounds that will not involve nuclear materials. Clearly, again, almost by definition for any undeclared site it becomes a question of intelligence acquired in one way or another, and we have, obviously, nationally a lot of means as do others.

So once we have the right pointer, then it is a question of getting in there. And there can be some smoking guns in some cases, for example, around neutron initiators, that we would detect. In others, it will be more in the context of the declared activities do not kind of make sense with what we see in there, and these all become then additional indicators for our intelligence.

But, you know, I think our intelligence people will say very straightforwardly that clearly, in the end, these nonnuclear activities will be more of a challenge than the nuclear materials activities over which we will have a very, very strong handle.

Senator MURPHY. I want to ask Secretary Lew and Secretary Kerry about the consequences of Congress voting down this deal.

I heard Senator Risch's frustration that he thinks that the suggestion has been made by the administration that there is no choice. In fact, I hear you to say the very opposite. I hear you to say that this not, in fact, a referendum on this deal. This is a choice between two sets of consequences, a set of consequences that flow forward if we approve the deal, and then a different set of consequences that flow forward if Congress rejects this deal. And so, as I look at that second set of consequences that we have to be fully cognizant of if the United States Congress rejects this deal, I sort of see it in five parts, and I want to give this analysis to you and then ask you both to tell me where I am wrong or where I might be right.

First, the sanctions are going to fray initially. The Russians and Chinese likely will not continue to sign, and over time likely will in substance fall apart. Second, Iran is going to be able to resume full operation of its nuclear program. It gets closer and closer to the breakout time. Three, the inspections that we have under the JCPOA disappear and we go blind again inside Iran. Fourth, this administration's ability to do nuclear diplomacy frankly ends for the next year and a half. There is no legitimacy with the clear indication that Congress will not support any agreement that this administration enters into. And fifth, the potential that internally this rejection of the deal will be a major victory for the hardliners making it much less likely that the moderates are going to win in the next election, meaning that there may not be anyone to deal with should we get back to the table in the next administration.

That is a pretty severe set of consequences, but this is not ultimately a referendum. This is a choice, and if you reject this deal, then you have got to be pretty apocalyptic about how badly this deal will go down if you accept those broad parameters as the alternative. So tell me if this how you read the consequences of Congress rejecting this deal.

Secretary KERRY. Well, Senator, I think you have hit the nail on the head with a series of absolutely clearly anticipatable consequences, and I would agree with what you have said. I mean, this is not a case of no choices. There is a choice, and as Senator Murphy has said, there is a—you know, each person can make the judgement about the consequences of their choice. But the choice is really between the assurances we have that come with this agreement, the certainty that comes with a 98-percent reduction of a stockpile, the certainty that comes from the limitation of 3.67 percent of enrichment for 15 years. You cannot make a bomb with just those two items, let alone the reduction of centrifuges, the limitation on what is spinning, the intrusive inspections.

All that goes away. So that is the choice. You are going to wipe all that out. But, what else as a result of that? Well, I urge colleagues who have not done it to spend time with our intel community and ask for the analysis of the Supreme Leader and of the state of politics in Iran. The Supreme Leader highly distrusts us, and we highly distrust him in return. There is nothing in this agreement built on trust. It is all a matter of verification.

But the Supreme Leader has felt from the very beginning—I cannot deal with the West because I cannot trust them. I tried it before and nothing happened, and then there were some small discus-

sions that took place in Afghanistan a number of years ago with ambassadors. Nothing came out of that. I could give you—I am not going to go through the whole history, but there is a long history of mistrust, and much deeper than, the whole context of the revolution out of which the regime comes.

So if we say no after saying in good faith we are here to negotiate and we can come to agreement, but we walked away from it—not because we chose to, but Congress chooses to—they will not know who to deal with. We certainly are not going to be dealt with. A lot of other people will not know who to deal with. But more importantly, he is not coming back. There is no way—all of the people who say go get a better deal—no way. When they believe they have given up things in good faith and made proclamations about no nuclear weapons forever, and they are willing to be subject to the NPT.

The NPT is at the heart of nonproliferation, Senators. We have 189 nations that live by it. We would be turning away from the NPT. That is, part of this vote would be basically saying we do not trust the NPT. We do not like the NPT. There is no way Iran could come under the NPT. We are not going to do this. So the consequences of this are even more than what you laid out, Senator.

And here is what else happens. I know this will happen. You know, I have been around politics long enough. I have a pretty good sense. I mean, a lot of people were out there opposing this agreement before it was announced. A lot of people were opposing it before they had read it. So I know what we are going to hear in the context of this. If this agreement is not passed—is not agreed to—it does not meet Congress' approval, and the sanctions are gone, and Iran goes back to enriching, you can hear the hue and cry right now. People are going to be saying, well, what are we going to do about it? They are enriching. You will hear the Prime Minister of Israel coming up, time to bomb. What are we going to do?

That is why learned people who led security establishments in Israel say that is probably the alternative here. So when they are enriching like crazy and we have passed up diplomacy and we have passed up the Non-Proliferation Treaty, which option is left to us to enforce this? I know there are senators who are uncomfortable with the idea that they may have an industrial enrichment program. So what is your plan? Knock out their entire capacity, erase their memory of how to do a fuel cycle? Totally go to war? I heard somebody mention Iraq earlier that we had huge, you know, ability to know what was happening in Iraq. Folks, that was after we invaded the country and completely defeated their army. Yes, then we had anywhere, any time inspections. That is the only place in the world you have had it. No country in the world has anywhere, any time.

So I would just ask people to be reasonable. There are more consequences than those laid out by Senator Murphy, but each one of the ones he laid out are pretty consequential.

Secretary LEW. Senator Murphy, if I could just respond——

Senator MURPHY. Yes.

Secretary LEW [continuing]. On the sanctions point, I agree with you that sanctions would fray. But I think in addition, you know,

we have had a lot of discussion about Iran's reserves. We have to remember that those reserves are not sitting in the United States. They are sitting around the world in countries like India. And if this agreement falls apart, our ability to keep that money from Iran will also fall apart. So I think the concern is they get their money and there is no nuclear agreement and all of the other consequences. So that is very real.

And with regard to your comment on our ability to re-impose sanctions, I totally agree with you. If it is seen as a pretext for putting nuclear sanctions back in place, then that violates the agreement. But we have reserved the ability to put sanctions back in place on terrorism and for other reasons.

Senator MURPHY. And my only point on that is there is inherent fuzziness.

Secretary LEW. It is inherently. It is a matter of interpretation, which is why people can say that they have different views. But this was heavily discussed in the negotiation. It is not as if this was some accidental provision.

The CHAIRMAN. Thank you. I think the thought process that you walked through was very helpful, and I do want to say that Congress in this case did put in place many of the sanctions that brought Iran to the table. And what I think is to a degree unfair about the presentation is the Secretary himself afforded himself the ability to walk away from this deal and face all of these same consequences during the negotiations. You said that no deal is better than a bad deal, and at many times you laid out the percentage chances of this happening.

So you yourself—you yourself—had to be thinking about going down the very path that Senator Murphy just put out. But what you did by going to the U.N. Security Council and by laying this out in the way you are, basically even though we put mandates in place that brought them to the table, you are trying to paint this picture that basically takes that choice away from us. And I find that to be incredibly unfair.

Secretary KERRY. Mr. Chairman, could I just say to you the choice would have been the same whether or not the Security Council had voted. It is the exact same choice.

And the great distinction here—with all due respect, sir—is that when I was ready to walk away, everybody else would have come with me because they understood the walking away was due to the intransigence of Iran. So we would have walked away and held the unity of the sanctions, and we could have then done more, or if we had to resort to it, military people would have understood why. The problem is now they will not understand why, and we will not walk away with anyone.

The CHAIRMAN. And I do not want to put too much emphasis on the U.N. Security Council issue, but I will go back and say that, again, the way you present the options, you have put Congress in the place of being the pariah, taking that away from Iran being it. And I think the way you frame it put Congress in a very unfair light.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman. I will go one step further. I am outraged. I think by the administration going to the

United Nations before we actually have a chance to even read the document and go forward in these discussions in a good faith, bipartisan manner, we are showing the world that we do not stand together right now, and that is what this is all about. That is why we fought for the last few months in this committee.

And I am so encouraged that we ended up with a unanimous vote in this committee and a 98–1 vote in the Senate to go back to the balance of power between the legislative and executive branch. I am encouraged that Senator King is here sitting here for 4 hours—3 hours this morning, 4 hours almost, listening to this. People are involved in this, Mr. Secretary, and I appreciate what you guys have done. This is a yeoman's job you have had, a huge task. Mr. Secretary, you have played hurt the last few months of this thing. Thank you for all your effort.

I personally have tried to take a very measured approach in this to try and understand the issues, to try and understand what we were trying to achieve. I have heard the Secretary of State say that our goal is preclude Iran from ever becoming a nuclear weapon state, but I am very troubled today. I look at this somewhat skeptically because of the——

Mr. Lew, I am not sure what I said was humorous.

But let me just read you a couple of quotes here. "This agreement will help to achieve a long-standing and vital American objective: an end to the threat of nuclear proliferation," 1994, President Bill Clinton. President Obama: "Iran will never be permitted to develop a nuclear weapon." President Clinton: "Compliance will be certified by the International Atomic Energy Agency." President Obama: "What we are going to do is setting up a mechanism whereby, yes, IAEA inspectors can go anyplace." President Clinton: "This agreement represents the first step on a road to a nuclear free Korean peninsula." President Obama: "This framework would cut off every pathway that Iran could possibly take to develop a nuclear weapon."

I am unsettled because we have had bad experiences dealing with bad actors. If I look at this today, I hear, Secretary of State, you said something I had not heard you say before, and I want to dial into this. We are guaranteeing they will not have a nuclear weapon. I know that is our goal, but I have read every page of this document. I have seen the classified documents. I am very concerned that as I read this, the deal—I understand our objective. I understand our intent and our commitment is to never allow Iran to have a nuclear weapon.

My question, Secretary Kerry, again, is, does this deal actually preclude Iran from becoming a nuclear weapon state?

Secretary KERRY. Senator, first of all, I really appreciate your approach to this, and I very much appreciate your comments, and I know you are taking this very, very seriously—as are other Senators. And I want to speak specifically to your several concerns.

First of all, I spent 29 years here on this committee back in the early days of the MX missile debates, and INF, and Europe, and SALT, and START, and so forth. This, I believe, is one of the most extensive agreements with the most extensive access provisions and accountability standards I have seen in the time that I was here.

And I believe we have put in place a highly distinguishable set of measures from North Korea. First of all, North Korea, during the 8 years of the Clinton administration, they did not gain one ounce of plutonium capacity. What they did was they started cheating on the HEU—highly enriched uranium—path and the framework that was in place, and the administration changed.

And the new administration came with a different attitude about how to approach them. But with the discovery of the cheating on the HEU, they immediately shut down the diplomatic track, and North Korea pulled out of the NPT—fully pulled out of the NPT. There were no inspections. Nothing else was happening. And, yes, they blew up several nuclear weapons, and they developed their nuclear capacity.

That should be a warning to everybody here about why what we have, in fact, put in place is so important and ought to be embraced, because unlike North Korea, the North Korea experience is what gave birth to the Additional Protocol.

Senator PERDUE. Secretary Kerry, I apologize——

Secretary KERRY. Okay. I just want you to know, though, the Additional Protocol came into existence to remedy the deficit of what happened with North Korea. So the access we have here we never had in North Korea. We have an unprecedented ability to hold Iran accountable. And I believe through the myriad of access to their civil nuclear program—24/7 access to their declared facilities, we will know instantaneously if they try to move to——

Senator PERDUE. I understand, and I heard you say that last night, and I appreciate that. If they do, we will know. But does this deal—does this agreement preclude Iran from becoming a nuclear weapon state, the deal itself?

Secretary KERRY. I believe if the agreement is fully implemented, and obviously if Iran lives by it, yes.

Senator PERDUE. Thank you. Secretary Lew, with regard to the options, what brought Iran to the negotiating table recently? What is their motive for coming and negotiating in the first place?

Secretary LEW. I am not sure I can tell you the specific thing, but when we look at the impact of the sanctions over the last number of years, it has crushed Iran's economy. It has crushed it in every way——

Senator PERDUE. Reduced it about 20 percent.

Secretary LEW. Yes. The size of the economy is down. The exchange rate is terrible. The unemployment and inflation rates are sky high.

Senator PERDUE. So—excuse me—the concern I have then is in the very beginning when they came to the table we ceded to them the right to enrich, the right to potentially bypass 18 countries who are good actors on the world stage, and join an elite group of five countries that actually have civil nuclear programs but do not enrich. Now, there are nine, as I understand it, nine countries that actually have nuclear weapons, five in the NPT, four out of the NPT. They obviously have civil programs. They obviously enrich. But the delineation here between the countries that are good players—Germany, Brazil, Afghanistan—I am sorry—Argentina, Holland, Japan—we are putting Iran into that group, a bad actor like Iran.

My question is, the option that I see to this is potentially doubling down on the sanctions that got them to the table in the first place, and I would like to respond to that. We know it was crushing their economy. We know it was having a tremendous impact on their regime. And my question is, is that not a viable option today as we look at alternatives to the deal itself?

Secretary LEW. You know, Senator, I think the reasons the sanctions have had the powerful effect is that they are not just U.S. sanctions. They have been international sanctions, and that requires keeping an international coalition together to impose the kinds of tough sanctions that we have had.

You know, in past debates over U.S. sanctions, we have gone back and forth with the Congress saying if you do more and it keeps other countries out, then we are in the end doing less. And I think we have come to a good place on each of the round of discussions over sanctions to grow the coalition in the world.

If this deal is rejected, the other partners who have helped us to impose those sanctions will not be of like mind.

Senator PERDUE. Of the $115 billion that you have identified, and I understand the nuances of the different categories of that cash, how much is that relative to our tertiary—our secondary rather—sanctions on other countries dealing with Iran versus the EU and other players on the P5+1?

Secretary LEW. I would have to go back and look at the numbers, but these are Iran's resources.

Senator PERDUE. I understand, but I am trying to make the delineation here between what is—what are the sanctions—what percentage of the $115 is due to U.S. sanctions, congressional sanctions, versus the P5+1.

Secretary LEW. It is kind of hard to disaggregate because our sanctions are effective as they are because we get the cooperation of other countries. And I can tell you on behalf of the other Secretaries at this table, we have had for years now ongoing discussions where it is getting harder and harder to keep countries tied to the oil sanctions, for example, because it is hard on their economies.

They have been willing to do it because the goal of the sanctions was to get Iran to the negotiating table. Query: would they be willing to do it if the Iranians came to the negotiating table and we rejected a deal that all the other countries in the P5+1 have signed onto? That is where our sanctions ability starts to fray.

Senator PERDUE. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine.

Senator KAINE. Thank you, Mr. Chair, and thank you to the witnesses. This is very hard because diplomacy with an adversary, with an enemy, is hard. Diplomacy with a friend can be hard, but diplomacy with an enemy—President Truman when he proposed to spend billions of dollars to rebuild the economy of Germany after they had done two wars against the United States in 25 years, that was hard, and there were objections, and there were no votes. President Kennedy, Nuclear Test Ban Treaty with the Soviet Union. During the Bay of Pigs they were negotiating. That was hard, it was controversial, and there were no votes. Diplomacy with an adversary is hard. Diplomacy with an adversary is often necessary.

This is a deal that in my review produces a dramatically better position for about 15 years than the status quo before negotiations started. When you started the negotiations right before Iran had a program that was 19,000 centrifuges and growing, you have knocked it back 6,000. Twelve thousand kilograms of enriched, enough for multiple weapons, you have knocked it back to 300. An enrichment level, 20 percent and climbing. You have knocked it back to 3.67 percent. A heavy water plutonium facility, they are dismantling it.

They were on a path where they had a huge program and it was growing. For 15 years this deal with the inspections mechanisms, et cetera, produces a dramatically better status quo for the United States, for regional allies, for the world.

My questions are about after year 15. Secretary Moniz, various provisions start to come off certain elements of the program, certain inspections beginning in year 8, 10. Year 15, the 300-kilogram cap comes off. When you get to year 25 here is how I read this deal. The deal basically is Iran commits in the first paragraph of the agreement under no circumstances will Iran ever seek to develop, purchase, or acquire nuclear weapons. They have agreed to all the NPT obligations going forward, and they have agreed that any nuclear program will be completely civil in nature. They make that commitment.

What we have to determine if they will cheat will be the intelligence that we have, the knowledge we gain through 25 years of enhanced inspections, and the ongoing inspections under the NPT, especially the Additional Protocol. Is that level of knowledge sufficient at year 25 and thereafter to detect if Iran tries to violate this deal and acquire nuclear weapons?

Secretary MONIZ. Well, I think it certainly puts us in a far stronger position than we would be otherwise, and I think the risk on their part would be enormous to try to break their commitments. And I think you put your finger on a very important thing, which I think our intelligence community would support. We should not forget the tremendous knowledge of the program, what they are doing, where they are doing it, over 25 years. We will have a lot of indicators to really amplify our national means.

Senator KAINE. That is a good segue to the question I want to ask Secretary Kerry, which is about alternatives. You talked with Senator Murphy about them. I think there were those who objected to the negotiations starting in November 2013. They were against that diplomatic beginning. If we could go back to that status quo, it seems to me that the status quo then was we had sanctions. They were punishing Iran, hurting their economy, but they were racing ahead on their nuclear program. We were hurting their economy, but the nuclear program—19,000 centrifuges and climbing, 12,000 kilograms and climbing, enrichment percentage climbing, Arak heavy water moving ahead.

If we just had lived with status quo, it seems to me one of two things was going to happen: either they were going to eventually capitulate because of the sanctions, or they were going to get a nuclear weapon. They were two odds. I do not know, and I am not going to ask you to assign odds to those two things, but there was a significant risk. The program—had you not started diplomacy,

they were going to get a nuclear weapon, and you have forestalled that. So that was one alternative, we do nothing, but that status quo was a dangerous one where their program was rocketing ahead.

Let me mention another alternative because it has been mentioned by members of this body. After the framework was announced on April 2, a member of this body, who has been a loud and influential voice on this issue, said bombing Iran to end their program would only take a few days. Mr. Secretary, you have been at war. Do you find that to be a realistic statement?

Senator KERRY. Well, it is—I find it to be a factual statement in the sense that it would only take a few days, but I do not find it to be a realistic statement in terms of policy because the implications of that—if you are not at the end of your rope, in other words, if it is not last resort—would be extraordinarily complicated for the United States.

Senator KAINE. If we were to do that, that is an alternative. If we were to do that right now, would we have international support for that?

Secretary KERRY. Not on your life. No way.

Senator KAINE. And would we have an international legal basis for doing it? We were in Israel in January. A number of us met with Israeli intelligence officials who said they have concluded that Iran is trying to get to a threshold, but that Iran has not yet made a decision to pursue and acquire nuclear weapons. If we were to initiate a war against Iran when they had not yet made that decision, would there be an international basis for a war?

Secretary KERRY. No, and furthermore, we would be proceeding without any of our allies, which is not a small consequence.

Senator KAINE. Let me flip it around on you because I want to talk about credible military threat. If this deal is done, and if Iran confirms to the entire global community and the U.N., Iran reaffirms that under no circumstances will Iran ever seek, develop, or acquire any nuclear weapons, they pledge that to the world, we are all in agreement, and then they break toward a nuclear weapon, would we be more likely to have the support of international partners if we want to take military action to stop them from doing what they pledged not to do?

Secretary KERRY. Absolutely.

Senator KAINE. Would we have a greater legal basis to justify taking military action to stop them from doing what they have pledged not to do?

Secretary KERRY. Yes.

Senator KAINE. And we would have because of an inspections regime plus existing intelligence a lot more knowledge about how to target military action, increasing the credibility of our military threat?

Secretary KERRY. Yes.

Senator KAINE. I do not have any other questions, Mr. Chair.

The CHAIRMAN. Thank you.

Senator Isakson.

Senator ISAKSON. Thank you. Chairman Corker and Senator Cardin, thank you for your opening statements, and thank you for

the way in which you have handled the beginning of this debate that we will have over the next 56 remaining days.

I am going to be pretty brief because everything has been said. Just everybody has not said it, so I am familiar with Senate hearings when they enter their fourth hour. But I do want to make a couple of things crystal clear on behalf of my constituents, and I speak for myself as well.

Secretary Kerry, you said this has unprecedented transparency from the standpoint of inspections and hold Iran accountable. Is that correct?

Secretary KERRY. With the exception of the Iraq war, yes.

Senator ISAKSON. Do you recall the debate on the New START Treaty?

Secretary KERRY. Somewhat.

Senator ISAKSON. We were involved in that pretty heavily when you were chairman of the committee.

Secretary KERRY. That was missiles, and there is a distinction between nuclear missiles and the nuclear program. But I know we had a shorter period for access to a missile. This is a different deal.

Senator ISAKSON. But what got the two-thirds majority that ratified the New START Treaty in the Senate was satisfaction to the Senate that the inspection regimen was quick, decisive, and the United States had access to look and verify what the Russians had told us. Is that not correct?

Secretary KERRY. Correct, on a missile. That is correct.

Senator ISAKSON. But it was a verification of an agreement in the treaty.

Secretary KERRY. I understand.

Senator ISAKSON. This particular agreement, as I understand it, and you can correct me if I am wrong, the IAEA is the inspector.

Secretary KERRY. Principal inspector. We are obviously sleuthing, and all our intelligence communities around the world would be following it, but they are the principal and identified inspector.

Senator ISAKSON. And we pay 25 percent of the costs to the IAEA as I understand it. Is that correct?

Secretary KERRY. Yes, it is.

Senator ISAKSON. And the treaty specifically says none of the inspectors can be Americans. Is that correct?

Secretary KERRY. In this particular thing, yes, that is correct.

Senator ISAKSON. Those two points that I have raised are why people raise questions in terms of the inspections and whether they are unprecedented in their transparency. And I will just leave that for you to respond to now or later, but I think you are really going to have to deal with it deeper than you have today.

Secretary KERRY. Well, I am happy to—there are a lot of reasons, not the least of which is that we do not have diplomatic relations with Iran, which is one of the principal reasons that we cannot proceed to have inspectors and so forth.

The START Treaty had specific locations identified in it, pre-located. This inspection is for things that we cannot pre-locate. These are for what we might suspect at some point in time or what we might have some evidence of at a point in time. And so what the START inspections are analogous to is an IAEA visit to a declared

location. We have that. We have the same thing: declared location in START, declared location here.

What is unprecedented here, Senator, which we negotiated—and I was, you know, pleased we got it—is this ability for us to be able to close out the IAEA process. The reason we are all here today is that the IAEA could never get it finished. They would fight. They would go back and forth. Years went by. Nothing closed it out. We have an ability, through the Joint Commission, to vote, go to the U.N. Security Council and mandate that they give us access. And if they have not given us the access, they are in material breach, and we get snapback of the sanctions. So there is an automaticity to this that does not exist in other agreements.

Secretary MONIZ. Senator, may I?

Senator ISAKSON. Give me one second, Secretary Moniz. I want to get one other question, and then we will elaborate. Thank you for the answer.

The second that concerns a lot of people, and I think Senator Menendez brought it up a minute ago or in his earlier statement, was the negotiation of the 5-year when the United Nations embargo on conventional arms goes away. It appears to me that that appeared late in the negotiations and was not something that was on the table originally or even thought to be talked about because this was a nuclear deal. Why and when did that embargo—the expiration of that embargo get into the deal?

Secretary KERRY. The discussions of the embargo actually began on almost day one of the negotiations.

Senator ISAKSON. Well then——

Secretary KERRY. And they went on for 2 years—2½ years.

Senator ISAKSON. Why in a hearing based on nuclear weapons and prohibiting the Iranians from getting a nuclear weapon would we waive a sanction at some point in time in the future on exporting conventional arms? Why would that be a part of the agreement to start with?

Secretary KERRY. Well, let me explain to you. It is a good question, and let me answer it. It was slid into the U.N. resolution at the last minute. Frankly——

Senator ISAKSON. The arms embargo provision.

Secretary KERRY. The arms embargo and the missile. The arms embargo specifically was the last minute, then——

Senator ISAKSON. It is a nuclear resolution, right?

Secretary KERRY. Right. Then, you know, U.N. Permanent Representative Susan Rice helped write that or wrote a good part of it, and she put it in. And, in fact, the Iranians bitterly objected to it, felt it was being rammed at them in the context of a nuclear agreement, and it had no business being part of a nuclear agreement. These are conventional arms, and they thought they had every right in the world to do it.

They have fundamentally ignored it for all these years, but they made it clear from the get-go that one of the primary red lines was they had to get all those sanctions lifted. We said, no, we are not going to lift them. We are not going to do this when your behavior—look at what you are doing in Yemen, look at what you are doing with Hezbollah. We are not going to lift it.

The problem is, Senator, we had three countries out of seven that were ready to lift it all together on day one, and four countries that said, no, we need to keep it. So the compromise ultimately was, recognizing that we had many different ways of coming at the enforcement of activities on missiles and arms—with specific resolutions for no arms to the Houthi, no arms to the Shia in Iraq, no arms to Hezbollah, no arms to Libya, no arms to North Korea.

All these are existing resolutions that we have and can enforce. So we did not think we were losing anything. In fact, we won a victory to get the 5 and the 8 years to continue them in the context of a nuclear resolution where they believed they did not belong in the first place.

Senator ISAKSON. My time is almost up, so I am going to interrupt. I apologize for doing that.

Secretary KERRY. No, that is fine.

Senator ISAKSON. But correct me on one thing. You said at the beginning it was on the table from almost the beginning.

Secretary KERRY. Well, no. What was——

Senator ISAKSON. No, but let me finish.

Secretary KERRY. Their demand was on the table from the beginning.

Senator ISAKSON. Okay.

Secretary KERRY. Their demand, and we said no from the beginning, and frankly we knew this was going come down to be probably the last issue.

Senator ISAKSON. And then you said, "quite frankly it was slid in at the end."

Secretary KERRY. At the U.N. by Susan Rice when she first wrote Resolution 1929, the arms embargo came into that resolution at the very last minute.

Senator ISAKSON. Well, my only point—I am sorry I am cutting you off, but I want to respective of time. The inspection and the transparency of those inspections, in some satisfaction we did not give away the store on conventional arms to put Israel or some of the other Middle Eastern countries into jeopardy is a serious question that needs to be responded to.

Secretary Moniz, you wanted to say something.

Secretary MONIZ. I was going to add a small footnote to the issue of countries without diplomatic relations not being part of the inspection team, which obviously includes us. I just wanted to point out that, again, that for decades now, all the inspectors are trained—have training here in the United States. We are very confident in a very, very broad set of very competent people. In addition, and I can get you the exact number, but right now I think we have about a dozen Americans in the safeguards effort at IAEA, and obviously they play a very critical role.

Senator ISAKSON. I would love it if you would get me that information specifically.

[The written reply provided for the record to the above information requested follows:]

As of April 30, 2015, the IAEA had 786 total staff in its Department of Safeguards. Of that number, 80 are American citizens.

Secretary KERRY. And, Senator, I will get you a list of all the mechanisms we have to prevent the arms from flowing, that are a threat to Israel and the region.

Senator ISAKSON. Those are critical questions to me and I think the American people. Thank you for your service to the country.

Secretary KERRY. Thank you.

The CHAIRMAN. Thank you. Senator Markey, we are going to take a break when we have the second round start. Can you all make it through three more Senators?

Secretary KERRY. Yes.

The CHAIRMAN. Okay, thank you.

Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, and thank you for your service to our country. We very much appreciate all your great work.

Secretary Moniz, one of the assertions which is made is that in—after 15 years that all bets are off, and that Iran can then begin to enrich theoretically up to 90 percent if they want, which is a bomb grade material. Can you deal with that issue, that is what happens in 15 years? What happens when Iran announces that it would go past 3 percent, go past 5 percent, go past 20 percent in terms of its enrichment of uranium? What is the law, the regulation, the sense of the world community in terms of what they could do at that point to make sure that there was not a bombmaking program that was now put in place in Iran?

Secretary MONIZ. Well, of course, Senator, first of all, whether it is 15 or 20 years or whenever, they will be required to report all their nuclear activity, and clearly if they were to report that they were enriching to 90 percent, every alarm bell in the world would go off because there is no reason to do that. So——

Senator MARKEY. And when the alarm—when the alarm bell went off, what would then happen?

Secretary MONIZ. I would imagine there would be, first of all, an extraordinarily strong, and I would imagine, cohesive international pressure, perhaps sanctions, and perhaps a military response.

Senator MARKEY. So, for example, what would Russia's response be in 15 years if Iran started enriching to 50, 60, 80, 90 percent? What would happen?

Secretary MONIZ. Everything I saw in the last months of negotiations is they would be solidly with us in very, very strong opposition to that.

Senator MARKEY. Secretary Kerry, do you agree with that?

Secretary KERRY. Totally. They, and China, were really surprisingly and very welcomingly deeply committed to this effort, and very anti any nuclear weapons program.

Senator MARKEY. So in 15 years. Secretary Moniz, please continue.

Secretary MONIZ. No, I was going to say, and then, of course, as I mentioned, if they declare this, the alarm bells would go off. But furthermore, if they did not declare it, which would be a more likely scenario frankly, then what we still have is through these 25 years actually, the containment and surveillance on any manufacturing of centrifuges, the uranium. So once again, they would need

the entire supply chain covertly, which would be an extraordinarily difficult thing to carry off.

Senator MARKEY. So in the early years, Secretary Moniz, if Iran decided that they wanted to violate the agreement after dismantling their program, how long would it take for them to take their rotors, their components, out of mothballs and to reconstitute their program in the first 10 years if we were successful in watching its dismantlement in the early years?

Secretary MONIZ. I would say in rough terms, 2 to 3 years probably to do that. That would depend a lot upon conditions of their machines, et cetera. But that is a ballpark.

Senator MARKEY. Yes.

Secretary Kerry.

Secretary KERRY. Senator, I just wanted to add something because you are dealing, sort of, with this 15-year concept. But the truth is, because of the 25-year tracking of their uranium, it would be impossible for them to, you know, have a separate covert track. So the only track by which they might be able to begin to enrich would be through the declared facility, and we would know it instantaneously.

Senator MARKEY. And the world would say stop.

Secretary KERRY. Exactly.

Senator MARKEY. Okay. So, let me ask you this, Secretary Kerry. You spoke earlier about the Iranian Foreign Minister visiting the Emirates this weekend. Can you talk about that and what your hopes are for the unfolding diplomatic opportunities that may be possible in that region?

Secretary KERRY. I will, Senator Markey, but I would preface it by saying to all my colleagues that nothing we have done in here is predicated on some change or something that is unanticipatable. Can one hope that this kind of opportunity perhaps provides a moment for possibilities and change? Yes, absolutely.

And, in fact, President Rouhani and Foreign Minister Zarif—both in their public statements embracing this arrangement—talked about how it could open a new moment in the Middle East for the countries to be able to come together and be able to resolve some of the differences that have separated them. I know for a fact that the Foreign Minister of Iran wants to engage with the GCC countries, that this is not the only country he plans to visit. He wants to sit down with them. The Saudis have indicated a willingness to sit down.

So who knows where that dialogue goes, but I can guarantee you the United States will do everything that we can to encourage it and to try to help it find some kind of specific steps that might be able to begin to deal with Yemen, the Houthi, with other issues that we face.

Senator MARKEY. You spoke earlier about the Saudis, and you have talked to them in the last week. Could you expand upon that a little bit more in terms of what you feel is a possibility going forward?

Secretary KERRY. Generally what I would say, Senator, is this: of course, all the countries in the region are apprehensive because they see Iran engaged with the Houthis in Yemen. They see them engaged with the Shia militias in Iraq. They seem them also fight-

ing against ISIL. They also see them in Syria where they have made the most havoc supporting Assad and supporting Hezbollah over the years. And Hezbollah obviously is a threat to Israel, a threat to the region, not to mention that there has been support for Hamas even lately.

These things concern us deeply, and it concerns them. And that is precisely why we have come together and are working on what I talked about earlier with, I think Senator Gardner, about the evolution of the Camp David process that begins to fill out a new security arrangement and a new understanding of how together we can push back against these activities.

Senator MARKEY. Thank you. Secretary Moniz, did you want to anything in terms of the likelihood that there could be a breakout under the regime—the legal regime which we have in place that would not be detected early enough in order for there to be an international response?

Secretary MONIZ. No, I think a breakout would be very quickly, I think, detected, and then it is a question of the response. And, of course, especially in these—in this first decade or so I think we have a—and beyond the first decade I think we have a very comfortable period of time to do diplomatic and/or other responses.

Senator MARKEY. Okay. Thank you, Mr. Secretary. Thank all of you for your work. Thank you.

The CHAIRMAN. Thank you, Senator.

Senator Paul.

Senator PAUL. Thank you for your testimony. I continue to support a negotiated solution and think it preferable to war. I think a military solution, in all likelihood, will accelerate the possibility of them having nuclear weapons, of ending inspections, et cetera. However, it does have to be a good deal, and I think that is the debate we have.

Secretary Kerry, I guess I would ask, in general, how would you describe Iran's history of compliance with international agreements? Would you say they are generally trustworthy or generally untrustworthy?

Secretary KERRY. There is no trust built into this deal at all. It is not based on any concept of trust.

Senator PAUL. And I agree. I think everybody sort of understands that. The Ayatollah's recent comments where he said, "The Americans say they stopped Iran from acquiring a nuclear weapon. They know it is not true." So we have the history of, you know, untrustworthiness. We have a lot of verbal or verbiage coming from the Ayatollah already saying, well, you know, this really is not any limitation on our ability to make a weapon. So really then it comes down to a good agreement.

Someone asked, well, you know, this stops them from having nuclear weapon. Yes, if they comply, sure. So then the question is compliance. And my question, and to my, I guess, my problem is that there is a great deal of credence being given to snapback, you know, sanctions as this way, as this lever to get them to comply. Secretary Lew talked about there being a phased reduction in sanctions. That is not exactly the way I read the agreement, though, because they do have to do some things, and I think they are sig-

nificant things: reducing the amount of enriched uranium, et cetera, to a low level, and getting rid of centrifuges, et cetera.

The problem is that the wording of the agreement then says that sanctions are simultaneously withdrawn, and the vast majority are. There is some compliance, but to me it is the initiation of compliance. I am more worried about the continuing compliance after that. And I think the argument would be that snapback sanctions will be that lever.

I guess my preference would have been that there would have been more of a truly phased reduction or a step-wise reduction over a many-year period of the sanctions and not the immediate release of sanctions. And I guess my question is, in the negotiations, was there discussion, was it ever our position that we should not have simultaneous release of all sanctions, but a more step-wise or gradual reduction in sanctions to ensure compliance?

Secretary KERRY. Well, this was obviously at the heart of the negotiation, which is why we drove, what we considered to be, such a very hard bargain with respect to what they needed to do.

Look, it was always the fundamental equation of this negotiation. You folks passed sanctions. We passed sanctions. And our passage of sanctions was specifically to bring them to table to negotiate. So if that was the negotiating lever, clearly when they came to the table, they wanted the lever taken away. And so, the quid pro quo here was always what restraints will we get? What insight to their program? What long-term commitments can we get that? They cannot get a bomb. How do we fulfill President Obama's pledge to close off the four pathways to a bomb? That is the exchange. And they get some relief from sanctions.

Now, their insistence for 2 years was obviously this notion, and all the way to the end actually, has to all go away at once. Everything, all the sanctions, all the U.N., everybody's sanctions. Well, we resisted that. We did not do that. It is not what happened.

What we did was we wound up securing the 1-year breakout time going from 2 months to 1 year, securing the safety of reducing their operable centrifuges, and reducing the research that they could do on the next advanced wave of centrifuges. Reducing the stockpile, locking it in a low level that could not produce a bomb, locking in their enrichment level at a low level that cannot produce a bomb.

So, in exchange for all of the things we have required them to do, which, by the way, Senator, are genuinely extensive, they have to undo their piping. They have to undo their electrical. They have move things. There is a huge amount of work they do.

Senator PAUL. I guess, though——

Secretary KERRY. So when that is done, I do not know whether it will be 6 months or a year, but when it is done, we lift the fundamental component of financial and banking sanctions that were the heart of what brought them to the table. That is the exchange.

Senator PAUL. But I guess my point is that everybody that is for the agreement, yourself included, are saying this will prevent them from having a nuclear weapon, and the Ayatollah is saying exactly the opposite.

Secretary KERRY. Well, no, the Ayatollah has actually, and the intel community—I urge you to connect with them. There is no de-

cision there whatsoever. What he is doing is protecting his domestic turf. By the way——

Senator PAUL. But he is saying the opposite. He is saying that this is not true, that this not stop us from acquiring a nuclear weapon. That troubles us. Zarif was saying the same thing in March when you came out with your statement of what you though the agreement meant. They were saying the opposite. It troubles us——

Secretary KERRY. Let me——

Senator PAUL. Those who want—I want a negotiated settlement. I want to believe that we could have an agreement, but it troubles us that immediately the Iranians say the opposite of what we are being told.

Secretary KERRY [continuing]. The opposite of this. In fact, the Supreme Leader's quote is in this document—that Iran will never go after a nuclear weapon—and the Iranians put that in. And the intel community will tell you they have made zero decision——

Senator PAUL. But do you dispute what he said this week: "The Americans say they stopped"——

Secretary KERRY. I know what he said.

Senator PAUL [continuing]. "Iran from acquiring a nuclear weapon. They know it is not true."

Secretary KERRY. And you know why he is saying that? Because he does not believe the Americans stopped them. He believes he stopped them because he issued a fatwah, and he has declared the policy of their country is not to do it. So he is, as a matter of sovereignty and pride, making a true statement. He does not believe the Americans stopped them. He said they did not want to get one in the first place.

Senator PAUL. Thank you.

The CHAIRMAN. Thank you.

Senator Coons.

Senator COONS. Thank you, Chairman Corker and Ranking Member Cardin, for convening this important hearing. And I would like to thank all three of our witnesses for your service to our Nation and for your testimony here today.

I think we all share a simple basic premise, which is that the United States must not allow Iran to acquire a nuclear weapon. A nuclear-armed Iran would threaten our national security, our vital ally, Israel, and the stability of the entire Middle East. So in the 2 months I will review the details of this nuclear agreement and consider its ramifications for our Nation and for the region. I will compare it to the alternatives and support it only if I am convinced it sufficiently freezes every Iranian pathway to a nuclear weapon.

In my years as an attorney for a corporation, I would often get handed a big complex deal by optimistic business units that believed that they launched a new marriage, a new partnership, and my job was to review it, not with the wedding bells ringing in my ears, but with the likely divorce day in the picture before me, because frankly no one ever pulled those agreements out again unless there was a violation, there was a disappointment, there was a breakdown in the relationship.

And I will say as I look not at the spin or the politics of this agreement, but as I dig into the substance of it, it is an agreement

built on distrust. It is a wedding day where the bride is shouting "I hate you and your family," and the groom is shouting, "I distrust you, and you have always cheated on me." And each is announcing their distrust of the other really at the outset. And I do wonder what the alternative is given that disagreement here seems inevitable.

So let me turn to the wedding guests and a question about how that may play out. A key piece of this agreement is the joint commission, a joint commission that has eight representatives, P5+1, and the European Union, and Iran. And they will resolve access disputes. They are a key piece of how we would gain access to undisclosed sites. And if Iran does not sufficiently answer IAEA concerns about a suspect facility within a certain number of days, there is a consensus vote and so forth.

But our confidence about our ability to resolve disputes under this agreement depends on the reliability of those votes, and I do not mean to impugn the partnership of our vital allies who have gotten us to this point. But I am concerned that CEOs from many European nations are already winging to Tehran and talking about significant economic relationships.

Should we be nervous about the votes in the future on that joint commission of the EU or our other allies given what will be, I suspect, significant economic interests that might inspire them to either direct the EU to vote against access or block access for us. How confident can we be of our allies' enduring support of our interests in the, I think, likely event of cheating?

Secretary KERRY. I think we can be very confident, and here is the reason why. The access issue goes to the core—the absolute core—of this agreement, which is preventing them from getting a weapon. And if we have sufficient information, intelligence, input, shared among us—by the way, we share all this information. And by the way, Israel will be feeding into that. The Gulf States will be feeding into that.

When we have any indicator that there is a site that we need to get into, and we are all—we have shared that amongst ourselves. We are in agreement. This goes to the heart of this entire agreement. They will prosecute that. They will understand the circumstances.

And by the way, there is a converse—you know, there is another side to that coin about the economic interests. You have a young generation of Iranians who are thirsty for the world. They want jobs. They want a future. Iran has a huge stake in making sure there is not an interruption in that business, and that they are living up to this agreement.

So if, in fact, even when you are way beyond the 15 years, if we find there is a reason for us to have suspicion under the Additional Protocol and we cannot get in, the United States alone—for the duration of the agreement—has the ability to snap back sanctions in the U.N. by ourselves. We always have the ability to put our own sanctions back in place, and given our position in the world, and that is not going to change in the next 10, 15 years. We are still the most powerful economy in the world. We will have an ability to have an impact on their transactions and ability to do business.

So we believe we are very well protected here, Senator Coons, because we created a one-nation ability to go to the Security Council and effect snapback.

Senator COONS. Well, let me—if I could follow up on that, Mr. Secretary. The snapback sanctions that we can effect through the U.N. Security Council, are they the broad, sweeping financial sector sanctions that we worked on together that brought Iran to the table, or are they a paler version of that?

Secretary KERRY. No, no, no, they are the full—they are the full Monty.

Senator COONS. Because as you know, we have had debate among some of the colleagues on this committee whether or not this agreement prevents the reimposition——

Secretary KERRY. Well, we do have some discretion. I mean, language is in there that says "in whole or in part." Now, if we find there is some minor something and we want to slap their wrists, we can find an "in part." So that is up to us.

Senator COONS. So in your view, we have the ability to ratchet back sanctions in pieces or in whole.

Secretary KERRY. If needed, in pieces or in whole.

Senator COONS. Let me, if I might, turn to Secretary Moniz in the time I have left. About centrifuge development—I will articulate the question and then if you would have an answer for me. How long did it take Iran to master the IR–1 centrifuge? What is the difference in performance between the IR–1 and the IR–8? And how long do you think it will take Iran, given the restrictions of this agreement if observed, to master the IR–6 and 8? And then what would the impact be on their ability to enrich after years 10 to 15?

Secretary MONIZ. So, Senator Coons, first of all, the IR–1, of course, they have been working on for quite some time, and they have some challenges still. In terms of the R&D on the more advanced machines, of course, first of all, the program does substantially shift back in time their program plans.

Where they are today is the IR–6 that you mentioned is, let us say, seven or eight times more powerful than the IR–1, and they are already spinning small cascades of that with uranium. The IR–8, which is projected to be maybe 15 times more powerful, is at the mechanical testing stage only. That is what got frozen-in in the interim agreement.

Senator COONS. So if I might in closing, Mr. Chairman. It would be perfectly reasonable to expect that on a 10-year time horizon, the IR–6 and 8, which they have already—they are already testing cascades of the 6. They have already gotten mechanical testing of the 8 underway. It would be reasonable to expect that a decade from now they would be 15 times better, faster at their enrichment, but not 100 percent.

Secretary MONIZ. No, we do not—we do not believe that they will have—with this schedule, we do not think that they will have—be anywhere near ready for industrial-scale deployment of those—of those machines, certainly not in the decade and for some years thereafter.

Senator COONS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you very much, Mr. Chairman. Thank you all for being here. Secretary Kerry, you mentioned a Washington Post story related to Israelis who know what they are talking about. I would like to point out to you that was not even in the newspaper. That was a blog post, and it was written by someone who has been described as a left-wing political activist. And if I have to choose between them and the Prime Minister of Israel, Prime Minister Netanyahu, I am going to stand with the Prime Minister of Israel.

But if you want to start talking about the newspaper, let us take a look at yesterday's New York Times, a real news story. "Some Experts Question Verification Process in Iran Accord." First paragraph, "The Obama Administration's claim that the Iran nuclear accord provides for airtight verification procedures is coming under challenge from nuclear experts with long experience in monitoring Tehran's program. Several experts, including a former high-ranking official at the IAEA, said a provision that gives Iran up to 24 days to grant access to inspectors might enable it to escape detection. A 24-day adjudicated timeline reduces detection probabilities exactly where the system is weakest, detecting undeclared facilities and materials."

So I would just say to all three of you, I find it very telling and very disturbing that the President of the United States to go to the United Nations on Monday before coming to the American people. I think the American people have a right to have their voices heard. We expect to hear from them in August as we head home and listen in townhall meetings across the country. I think Congress has the right and the responsibility to provide oversight.

Secretary Kerry, our Nation's highest military commanders have very clearly warned the President, have warned you, have warned Congress that lifting the arms embargo and current restrictions on ballistic missile technologies to Iran would be wrong.

On July 7 of this year, the Chairman of the Joint Chiefs of Staff, Martin Dempsey, testified before the Senate Armed Services Committee. He was unequivocal. He said, "Under no circumstances should we relieve pressure on Iran relative to ballistic missile capabilities and arms trafficking." Under no circumstances, that is what he said. Defense Secretary Ash Carter also testified about Iran. He said, "We want them to continue to be isolated as a military and limited in terms of the kinds of equipment and materials they are able to get." And just 7 days later you did the complete opposite of what our military advisors very clearly warned against. You disregarded the views and the advice of our top military commanders, negotiated away these important restrictions on Iran getting deadly military technologies. U.S. negotiators I believe capitulated, surrendered, agreed to lift the arms embargo to get this deal. And Russia, I must point out, can gain about $7 billion from arms sales to Iran.

This administration repeatedly ignores the advice of our military leaders when it comes to important national security decisions. The administration ignored General Odierno's recommendations to keep U.S. troops in Iraq after 2011. President Obama withdrew all of the troops. The administration ignored Secretary Leon Panetta, Chairman of the Joint Chiefs of Staff Martin Dempsey's rec-

ommendations to arm vetted Syrian rebels. President Obama refused. The administration is now coming to Congress once again ignoring the advice and recommendations of our military leaders. This time it is about Iran.

Mr. Secretary, how can you justify ignoring this advice and the judgment of military commanders responsible for securing the safety of the American people?

Secretary KERRY. Well, Senator, we did not. I work with Martin Dempsey. I have great respect for him. We heard what he said very clearly, and we respect what he said, which is why we have the 8 years and why we have the 5 years. In fact, we held out very, very strongly to keep them. And the fact is, Senator, during those 5 years and those 8 years, we have all the options available to us in the world to strengthen, or find other means, or deal with those very issues. So they are not gone. They are there. We respected his advice.

Moreover, we have additional capacities to be able to deal with missiles. We have the lethal military equipment sanctions provision in the Foreign Assistance Act. We have the 1996 Iran Sanctions Act. We have the Iran-Iraq Arms Non-Proliferation Act. We have—those are unilateral tools, by the way—we have a bunch of multilateral tools: the Proliferation Security Initiative with 100 countries, which works to help limit Iranian missile-related imports and exports. We have the Missile Control Technology Regime, which does a lot to prevent the growth of any missile capacity.

You know, there are many things we will continue to do, but it did not go away. We actually kept it, and we kept it notwithstanding the fact that three out of seven of the negotiating parties wanted to get rid of it all together. We kept it.

Next thing, on the U.N. You know, we fought for the prerogatives of the Congress. But, you know, six of the seven countries we were negotiating with are not beholden to the United States Congress. If their Parliaments passed something and said you have to do this or that, and you are being told what to do, you would be pretty furious. They were negotiating under the United Nations, and their attitude was: we finished negotiations, we ought to be able to conclude our agreement and put it before the U.N. And we said, wait a minute, our Congress needs to be able to review this.

We got them to accept a 90-day provision in the agreement for nonimplementation. They are respecting our desire, and we are respecting your desire. For 90 days there is no implementation of this deal. If they had their way, they would be implementing it now, immediately, but they are not.

So, I respectfully suggest that we have to have a balancing here of interests and equities. I think we have preserved the prerogative of Congress. The same consequences will apply if you refuse to do this deal with the U.N. vote as without it. The same consequences. And none of us have sat here and thrown the U.N. vote at you. We are simply saying this is a multilateral agreement that has been negotiated by seven countries. I would say the same thing if I was here without the U.N. vote.

Senator BARRASSO. Well, you know, Secretary Lew mentioned—you said a deal our partners believe is a good one, and, Secretary Kerry, you had talked about the P5+1, and you said, and they are

not dumb. Well, I agree with that. They are not dumb. And it makes, though, wonder if Russia truly is our partner in this. We pressed the reset button. We saw how that failed. We see Putin's belligerence around the world. I believe Russia and Iran teamed up against the United States during these negotiations.

Secretary KERRY. Actually, the Iranians were furious at the Russians on any number of accounts. The Russians, they felt, were not cooperative with them and did not help them. You are exactly wrong.

Senator BARRASSO. Well, time will judge us on all of that, but just coming from Ukraine and seeing what is happening as well from Estonia, and Latvia, and Lithuania, I can see the belligerence and the aggression of Russia, and I see it in this agreement. And it is not because they are our partners, or were our partners, or are going to be our partners in the future.

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

The CHAIRMAN. Thank you. It is my understanding you guys want to keep rolling for a while and take a break. Is that correct?

Secretary KERRY. I did not know that. [Laughter.]

The CHAIRMAN. That is what Julia had mentioned to us, but why do we not a 5-minute break?

Five-minute break taken. Thank you.

Secretary KERRY. I have to be over at the House, that is my problem.

Secretary MONIZ. We have a House——

Secretary KERRY. So I have to be at the House—they do not have to be there. I have to be at the House—you have to be at the House also. So we are supposed to be at the House in 20 minutes.

The CHAIRMAN. You want to keep going then?

Secretary KERRY. Well, I am happy to try to get whatever we can in those 15, 20 minutes if you allow me to hobble over there for a minute and then come back. I would appreciate it.

The CHAIRMAN. Hobble away. Thank you. Thank you.

[Brief recess.]

The CHAIRMAN. I want to thank you—all of you for your patience and spending so much time with us. Each of us I think will be very brief just to try to finish up before you go over to the House.

I want to make just a couple of points and move to Senator Cardin. On the PMD issue, it is my belief that whether that is resolved in an A-plus fashion or a D-minus fashion, the sanctions relief will continue. And I will say that Salehi today has stated that, "By December 15 at the end of the year the issue of PMD should be determined. The IAEA will submit reports to the board of governors. The joint comprehensive plan of action will continue independently of the results of this report." That is exactly the way that I read the agreement. I do not see any debate there.

Secondly, again, I believe that the Secretary continues to create a false narrative about where we are. I would just like to remind him of the letter from Secretary Geithner to Senator Levin on December the 1, 2011, when Senator Menendez had an amendment to the NDAA regarding the CBI sanctions. And here is what he said: "However, as currently conceived, this amendment threatens severe sanctions against any commercial bank or central bank if

they engage in certain transactions with the CBI. This could negatively affect many of our closest allies and largest trading partners," highlighted.

"Rather than motivating these countries to join us in increasing pressure on Iran, they are more likely to resent our actions and resist following our lead. A consequence of that could lead—that would serve the Iranians more than it harms," and obviously that was not the case. Obviously through U.S. leadership, it actually caused them to come to the table.

And, again, I think that you unfairly characterize where we are, and that I do believe that with your leadership and others, if Congress were to decide that this was not something worth alleviating the congressionally mandated sanctions, a different outcome could occur.

But with that, Senator Cardin.

Senator CARDIN. Mr. Chairman, I want to follow up on that point with Secretary Lew because I am in agreement that Congress has been the strongest on sanction-type legislation, whether it relates to the nuclear activities of Iran or whether it relates to their terrorism or their missile program. And whether it is the Obama administration, or the Bush administration, or any previous administration, they prefer to act on their own rather than having Congress provide the framework when in reality it has worked to America's advantage, and it has given us a strong position to go internationally to get sanctions imposed. So it has worked. Bottom line, the system has worked for U.S. leadership.

So, Secretary Lew, I am concerned, and I started with this question, I am going to come back to it. Paragraph 26 says, "We will refrain from reintroducing or reimposing the sanctions that have been terminated." And you have gone through some of the things we could do for nonnuclear related activities, but if it is an institution, say the Central Bank of Iran, that is getting relief under the JCPOA, and we have clear evidence that they have been involved in sanctionable activities that are nonnuclear related, can we sanction them under this agreement?

Secretary KERRY. Absolutely.

Secretary LEW. Senator Cardin, I have tried to be clear. If there are nonnuclear sanctions being imposed, we have retained all of our right——

Senator CARDIN. Including an institution that has been——

Secretary LEW. Including institutions that are de-listed.

Senator CARDIN. Second question.

Secretary LEW. It just cannot be a pretext to put back nuclear sanctions.

Senator CARDIN. And I agree with that.

Secretary LEW. Yes.

Senator CARDIN. I understand. If we have clear evidence that Iran has used its crude oil sales in a way that has furthered nonnuclear sanctionable type of activities, can we go back to the crude oil issue if we have clear evidence that that would further provide relief in regards to a nonnuclear activity?

Secretary LEW. I think in principle we have not taken any of the means that we have of applying economic pressure off the table for nonnuclear purposes.

Senator CARDIN. So it could be sectorial to the types of relief that they have received under this agreement.

Secretary LEW. It would have to be justified based on a non-nuclear basis.

Senator CARDIN. I understand. Okay. That is very helpful, and we are going to be free to have some interesting discussions as we move forward.

Secretary LEW. Yes.

Senator CARDIN. Second point, and this is to Secretary Kerry, quickly. I am very happy to hear you talk about our strong commitment in the region. The security issues are changing. They are changing for Israel. They are changing for our allies. No question with ISIS, and North Africa, and Syria, in addition to Iran.

If you will just quickly, how we are committed to making sure that Israel is secure in that region with a true and trusted partnership with the United States to meet any challenge that they may confront as a result of the changing circumstances?

Secretary KERRY. Thank you, Senator. First of all, I would begin by saying that I am proud that I had a 100-percent voting record for 29 years here on the subject of Israel, and I have worked as hard as anybody, I think you know, over the last years to try to meet those needs with respect to the peace and security demands for Israel.

We are completely—I mean, I think it is fair to say that even with this disagreement, we are constantly in touch and working with the intel community, with their folks. And we continue to dialogue about the threats to Israel. We understand those threats. They are real, and they are existential. And there is no debate in this administration whatsoever about our willingness to commit anything and everything necessary to be able to provide for the security of Israel.

Now, we believe that security of Israel will also be enhanced by not only this agreement, but by bringing the Gulf States together in a way that can deal with some of the problems of the region, and particularly Daesh, Assad, Syria, and so forth. And that is very much on our agenda at this point in time.

Senator CARDIN. Thank you. I will yield back my time.

The CHAIRMAN. I do want to say there is a significant disagreement among our allies and Iran over the issue that was answered relative to reapplying nuclear sanctions in other areas. I would love for you to develop a letter. I am sure Iran would not sign it, but one where Great Britain, France, and Germany, and the EU agree with the statement you just made because I just met with them, and my impression—maybe I do not understand things correctly—was they are in strong disagreement with the statement that you just made.

Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman. I think it is abundantly clear from this hearing that this is obviously complex. This agreement is subject to different interpretations, and I am not blaming you or the administration. I blame Iran. I just believe that this is going to end like our sanctions and the program against North Korea. I think in the end, Iran will have a nuclear weapon

with ballistic missile technology, so that is why I want to quickly go back to Secretary Moniz.

I was surprised and I would say disappointed that you were not aware of the recommendations from the 2008 EMP Commission report. By the way, and, again, I guess I caught you by surprise. You were not expecting that for this hearing. Just so you know, that was commissioned by the 2001 National Defense Authorization Act. They reported in 2004 and 2008. This is something certainly I had heard about before, and it is not just Star Wars stuff, something that could not possibly happen.

Again, you have acknowledged knowing Dr. Richard Garwin, correct?

Secretary MONIZ. Absolutely, yes.

Senator JOHNSON. A brilliant man.

Secretary MONIZ. Yes, absolutely.

Senator JOHNSON. He worked with Enrico Fermi, who referred to him as one of the few true geniuses he had ever heard or ever known.

Secretary MONIZ. Dick is a national resource.

Senator JOHNSON. He testified, and my ranking member during the hearing said, he looked through this and somebody said it was hokum. The threat of EMP is not hokum. It is a real threat, and I think it is a growing threat when you have North Korea, and potentially a state like Iran if this thing turns out like North Korea. Particularly in light of the fact that we know Iran has been testing a potential EMT attack using a Scud missile off of a ship, which would be one of our threats, particularly on our southern border when we have no defense, or potentially a satellite orbiting.

I just want to make sure that you are fully aware of that because the 2008 EMP Commission pretty well tasked DHS and the Department of Energy as the two lead departments to enact their 15 recommendations. And, again, they are pretty basic recommendations: evaluate and implement quick fixes, assure availability of equipment, replacement equipment, What Dr. Garwin reported, and this is what I thought was actually pretty encouraging is, if we would just protect 700 transformers to the tune of about $100,000 per transformer, that is only $70 million.

It has been 7 years—7 years—since that recommendation, and, again, the Secretary of the Department of Energy did not really know anything about it. I am just asking you——

Secretary MONIZ. Can I clarify, though, Senator?

Senator JOHNSON. Go ahead.

Secretary MONIZ. I mean, I know something about EMP. I do not know that specific report, and as I said—and also, by the way, I will—Dick Garwin also does a lot of work with our OSTP. I will talk with Dr. Holdren, the President's science and technology advisor. Maybe there is an administration-wide thing that we can do and consult with you on that.

But I do want to emphasize, in April we did our energy infrastructure report, and the issues of transformers, and EMP, and other threats were there. And furthermore, we have made a recommendation about going forward in a public/private partnership to potentially establish a transformer reserve in addition.

So I would love to discuss this. I just do not know that particular report. I know the issues.

Senator JOHNSON. What we will probably do is call you in for a hearing in front of my committee, Homeland Security. But, again, these recommendations were issued in 2008, and this is 7 years later. According to GAO, an agency that also testified, of the 15 recommendations, we have done virtually nothing. This is a real threat America needs to understand. Certainly the Secretary of the Department of Energy needs to be aware of these recommendations and be working toward their implementation. There is a relatively quick fix, which we will, quite honestly, have as an amendment to authorize spending $70 million. It is imperfect, but it goes a long toward protecting some of those transformers. I hope you will be supportive of that.

Secretary MONIZ. Okay, thank you.

Senator JOHNSON. Thank you.

The CHAIRMAN. Senator Menendez.

Senator MENENDEZ. Well, thank you, Mr. Chairman. Secretary Lew, I basically understood your answers to my previous question that you have no intention of seeking reauthorization of the Iran Sanctions Act, an act that in October 3 of 2013 entitled—in a hearing entitled "Reversing Iran's Nuclear Program," Wendy Sherman and David Cohen heralded as critical to moving forward. In 2014, negotiation on Iran's nuclear program, another hearing, they both said the same thing and talked about the important congressional sanctions.

So it seems to me that if you want a deterrent, Iran has to know consequences. Maybe it will never be called into play. That is fine. That is good. Hopefully it will not be called into play. But they need to know what the consequences are. And so, as far as I am concerned, I think we should be moving to reauthorize the sanctions that Congress passed and that expire next year, and let the Iranians know that if they violate, those are one of the things they are going to have to go back to. So I am going to move to reauthorize them because I think it needs to be part of the deterrence.

Let me ask Secretary Kerry the following question. Do you believe that Iran will be, and should be, a regional power?

Secretary KERRY. Do I believe that they should be in the future or something?

Senator MENENDEZ. Will be and should be a regional power?

Secretary KERRY. Well, I think to some degree there is an element of power in what they are doing right now, so I do not know about the "will be." But do I want them to be? Not in the way that they behave today, no.

Senator MENENDEZ. All right. Well, I am glad to hear that because, you know, the President in a column with Tom Friedman said that, "The truth of the matter is that Iran will be, and should be, a regional power." But that is a pretty bold statement about a country that is the largest state sponsor of terrorism in the world as defined by our government.

Secretary KERRY. Well, I know——

Senator MENENDEZ. It would have to be a dramatically different Iran to have any aspiration to be a regional power.

Secretary KERRY. Correct. And the President knows that. I think, Senator, honestly——

Senator MENENDEZ. Let me ask you one final thing. You are an excellent, excellent lawyer, and when you can get to argue something both ways, if you can achieve that, that is great. So I have heard you argue we will have everything on the table that we have today. We will have the sanctions. We will have a military option. Then I have also heard you say sanctions are not going to get Iran to stop its nuclear program in terms of—and a military option will only deter them for 3 years.

So is really what you are saying, that at the end of the day, we hope that Iran will change its course over the next 10 to 15 years; that if they violate, we will get notice from 3 months that we had until 12 months, a year. But at the end of the day, neither sanctions nor military option is going to—if I listen to you, your arguments, nor military option is going to ultimately deter Iran if they decide to do so. So does that not in essence say to us that we are reconciled at the end of the day if they want to accept Iran as a nuclear weapons——

Secretary KERRY. Absolutely, positively not. Not in the closest of imagination, and I will tell you why. They are not going to be sanctioned into submission. We have seen that. They have what is called their resistance economy. There are limits to what our friends and allies are able and willing to do. You know the challenge we have had in just bringing people along on Ukraine. Bringing people along, particularly the Russians and the Chinese, over a long period of time is going to be very, very difficult. There is sort of a half-life, if you will, to the capacity to keep the sanctions pressure in place.

In addition to that, on the military option, we all know as it is described to us by the military, it is a 2-to-3-year deal. That option is—that is real. It is a last resort option. If you cannot make diplomacy work, if you cannot succeed in putting together a protocol that they have to follow—by which they live, which guarantees they will not have a weapon—that is your sort of last resort. But it should not be the first resort. It should not be the place you force yourself to go to.

And I think given the structure of this agreement, we have a much better option because whatever it is, 15 years, 20 years, whatever the moment is that the alarm bells go off on a civil nuclear program—which has 24/7 access, which has inspectors, which we will know has suddenly moved from 5 percent to 10 percent to 20 percent enrichment—all the alarm bells go off. We will have the ability to bring those nations back together.

The question is do you have a sort of readiness and willingness of those countries to come together because you have honored a process and worked through a process, or are you, you know, sort of pushing them away?

Senator MENENDEZ. The point is to come together, what, for the sanctions that you say will not lead them to——

Secretary KERRY. No, but sanctions obviously brought them to the table. That is a different thing.

Senator MENENDEZ [continuing]. Or come together for a military option, which at the end of the day will deter but not end it? I

mean, I just do not understand the proposition. It sounds like your proposition will be there whether it is today or whether there is a violation in the future.

Secretary KERRY. No, Senator, because I believe this deal, in fact, achieves what we need to achieve now. We would not have come to you, we would not have signed this, I assure you. Germany, France, the United Kingdom would not have signed this agreement—all of us together on the same day if we did not have a sense of confidence that this is doing the things we need to do: shutting off the uranium paths, shutting off the plutonium path, shutting off the covert path, and so forth. And we believe it does that. That is why we are here. We believe it does that.

Now, the proof will be in the implementation. We all know that, but we have a sufficient cushion here of those years because of the very dramatic steps Iran has agreed to take and to implement. We have a very real cushion during which time we have a chance of building up confidence. I am not going to sit here and tell you that is absolutely going to work 100 percent. I believe it will. But if they do not comply, I do have confidence we are going to know there is noncompliance. And then we have the options available to us that we have today.

Senator CARDIN. Mr. Chairman, I know that Secretary Kerry said that he had to leave at 2:30.

Secretary KERRY. We do, I am afraid.

Senator CARDIN. And we have a couple more. So if that is a hard time, I think we should——

Secretary KERRY. It is a hard time. I actually have to be at the House right now.

The CHAIRMAN. Okay. Well, listen, obviously this is a serious matter that the three of you have spent a tremendous amount of time on over the last 2 years. We appreciate your patience with us today and testifying the way you have. We appreciate your service to our country.

Julia, who I know is having a heart attack, his staffer, we thank you and hope you have a good meeting with the House of Representatives.

Thank you.

Secretary KERRY. Thank you very much.

[Whereupon, at 2:31 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF SECRETARY JOHN F. KERRY TO QUESTIONS SUBMITTED BY SENATOR BOB CORKER

Question. Are the results of the IAEA's PMD report in any way tied to sanctions relief on Implementation Day?

Answer. The International Atomic Energy Agency (IAEA) and Iran have agreed on a time-limited process through which Iran will address the IAEA's concerns regarding past and present issues, including the possible military dimensions (PMD) of Iran's nuclear program. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in this roadmap by October 15, well in advance of any sanctions relief. If Iran does not implement those commitments, we will not implement our commitment to provide sanctions relief.

Question. Is Iran's cooperation with the PMD report tied to sanctions relief on Implementation Day? I understand that Iran needs to comply by Adoption Day and

would be in violation of the agreement, but the requirements for sanctions relief on Implementation Day do not include paragraph 66 of Annex I. If Iran does not comply, would the United States use the Dispute Resolution Mechanism all the way through snap back in order to address the violation?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in this roadmap by October 15, well in advance of any sanctions relief. If Iran does not implement those commitments, we will not implement our commitment to provide sanctions relief. There would, therefore, be no need to snap sanctions back because they would never have been removed in the first place. We will be in continuous contact with the International Atomic Energy Agency (IAEA) to make sure Iran fully implements its commitments under the roadmap, so that the IAEA can complete its investigation into the possible military dimensions of Iran's nuclear program. Iran will no longer be able to stonewall the IAEA and string out the process. It must address the questions the IAEA poses and the IAEA must have what it needs to prepare its final assessment or there will be no sanctions relief.

Question. You stated that Iran must ratify the Additional Protocol in 8 years. The agreement says "seek." If Iran does not ratify AP in 8 years, will the United States consider that a material breach of the agreement?

Answer. The Joint Comprehensive Plan of Action (JCPOA) includes the most comprehensive and rigorous verification regime ever negotiated. As part of this verification regime, Iran will provisionally apply the Additional Protocol (AP) pending its entry into force, and subsequently seek ratification and entry into force, consistent with the respective roles of Iran's President and Majlis. Provisional application of the AP will create legally binding obligations on Iran to implement the AP's provisions. Implementation of the AP will give the International Atomic Energy Agency the tools it needs to be in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran.

If Iran fails to ratify the AP, we would have to determine whether it "sought" ratification in good faith: if it did not, that would be inconsistent with its JCPOA commitment and, potentially, a case of "significant nonperformance" that could trigger snapback. We would also look very closely at Iran's overall performance under the JCPOA, including its willingness to continue provisional application of the AP, to determine whether Iran was in full compliance. And because the JCPOA is a nonbinding international arrangement, we would always have the ability to terminate our participation in the JCPOA if we deemed it to be in the national interest.

Question. Would imposition of sanctions in response to Iranian support for terrorists be in violation of paragraph 29 of the JCPOA? If not, why?

Answer. No, we would not violate the JCPOA if we used our authorities to impose sanctions on Iran in response to its support for terrorism, human rights abuses, missile procurement activities, or for any other nonnuclear reason. The JCPOA does not provide Iran any relief from U.S. primary sanctions relating to these activities.

What we have committed to do is quite specific: not to reimpose those specific nuclear-related sanctions specified in Annex II to the JCPOA and not to impose new nuclear-related sanctions, contingent on Iran abiding by its JCPOA commitments. But, that does not mean that we would be precluded from sanctioning specific Iranian actors or sectors if the circumstances warranted. All of our other sanctions authorities remain in place and are unaffected by the JCPOA. Moreover, we have made it clear to Iran that we would continue to use and enforce sanctions to address its other troubling activities, including its destabilizing activities in the region.

That said, of course, the United States would not be acting in good faith if we simply reimposed all of our sanctions the day after they were relieved using some other justification. In the end, if we decide to reimpose sanctions for any reason, it will be important that we have a credible rationale. That has always been the case and will remain the case in the future.

Other authorities that will remain include those that target: human rights abuses in Iran, including by means of information technology (E.O. 13553, E.O. 13606, E.O. 13628); support for Syria's Assad regime (E.O. 13582); human rights abuses in Syria (E.O. 13572); fomenting instability in Iraq (E.O. 13438); threatening the stability of Yemen (E.O. 13611); and foreign persons that evade sanctions with respect to Iran and Syria (E.O. 13608).

Iranian individuals and entities that have been sanctioned under these nonnuclear sanctions authorities will continue to be sanctioned under the JCPOA. U.S. persons will continue to be prohibited from dealing with such persons, and non-U.S. persons that deal with such persons will risk being cut off from the U.S. financial system or having their property or interests in property that are in the United

States, come within the control of the United States, or come within the possession or control of a U.S. person blocked.

Question. You stated that the new UNSCR does not remove the ban on ballistic missile testing. Can you please explain how it does not?

Answer. The new United Nations Security Council resolution (UNSCR) does not let Iran's ballistic missile program off the hook. The UNSCR continues to call on Iran specifically not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology. Most importantly, UNSCR prohibitions on the supply of ballistic missile-related items, technology, and assistance to Iran will remain in place for eight additional years (or until the IAEA reaches the Broader Conclusion that all nuclear material in Iran remains in peaceful activities). These binding prohibitions directly constrain Iran's ballistic missile capability by limiting its access to new technology and equipment. Under these prohibitions:

- All States are still required to prevent transfers to Iran of ballistic missile-related items from their territory or by their nationals.
- All States are still required to prevent the provision to Iran of technology, technical assistance, and other services related to ballistic missiles.
- All States are still required to prevent transfers from Iran of ballistic missile-related items to or through their territory or by their nationals.
- All States are still required to prevent Iran from acquiring interests in commercial activities in their territories related to ballistic missiles.
- All States are still called upon to inspect cargo in their territories suspected of containing ballistic missile items.
- Flag States are still called upon to allow inspections of their flag vessels suspected of containing ballistic missile items.
- If ballistic missile-related items are found, States will still be required to take actions, in accordance with guidance from the Security Council, to seize and dispose of them.

Under these prohibitions, the framework for disruption of ballistic missile-related transfers is fundamentally unchanged from the status quo. Separate from these UNSC restrictions, we have now and will continue to have a number of robust domestic and multilateral authorities to address Iran's ballistic missile and arms activities.

RESPONSES OF SECRETARY JOHN F. KERRY TO QUESTIONS SUBMITTED BY SENATOR MARCO RUBIO

Question. What happens if during the 24-day period to gain access to a suspect site Iran is observed cleansing a site? Would this constitute a violation of the agreement?

Answer. If Iran were to deny an International Atomic Energy Agency (IAEA) request for access to a suspicious undeclared location, and Iran and the IAEA cannot resolve the issue within 14 days, the issue is brought to the Joint Commission, which then has 7 days to find a resolution. If Iran still will not provide access but five members of the Joint Commission (such as the United States, United Kingdom, France, Germany, and the European Union) determine that access is necessary, Iran must then provide access within 3 days.

We anticipate that situations requiring the full 24 days of the dispute resolution process will be rare because Iran understands that any failure to cooperate with the IAEA will raise significant suspicions among the P5+1 and could well lead to a snapback of sanctions. Moreover, we would watch closely for indications that Iran was attempting to sanitize a site following a request for access by the IAEA and would respond appropriately.

Question. Is it not correct that the timeline for gaining access to a suspect site could indeed stretch well beyond 24 days if the arbitration process is followed and Iran eventually grants access prior to Security Council action?

Answer. If Iran were to deny an International Atomic Energy Agency (IAEA) request for access to a suspicious undeclared location, and Iran and the IAEA cannot resolve the issue within 14 days, the issue is brought to the Joint Commission, which then has 7 days to find a resolution. If Iran still will not provide access but five members of the Joint Commission (such as the United States, United Kingdom, France, Germany, and the European Union) determine that access is necessary, Iran must then provide access within 3 days. We anticipate that situations requiring the full 24 days of the dispute resolution process will be rare because Iran under-

stands that any failure to cooperate with the IAEA will raise significant suspicions among the P5+1 and could well lead to a snapback of sanctions. If Iran refused access after a decision of the Joint Commission, the United States could take appropriate action at that time.

Question. What will be the threshold for a violation to be appealed to the Security Council and a reimposition of all sanctions?

Answer. If we believe that there has been a violation related to any commitment in the Joint Comprehensive Plan of Action (JCPOA), we can refer the issue to the Joint Commission. If, after a short period of time, our concerns are not resolved to our satisfaction, we could notify the United Nations (U.N.) Security Council that we believe Iran's actions constitute "significant nonperformance" of its JCPOA commitments. We have full discretion to determine what is, and is not, significant nonperformance.

The United States has the ability to reimpose both unilateral and multilateral nuclear-related sanctions in the event of nonperformance by Iran. And, in the case of U.N. sanctions, under U.N. Security Council Resolution 2231 we could reimpose sanctions, even over the objections of any other member of the Security Council, including China or Russia. In addition, we have a range of other options for addressing minor noncompliance. These include snapping back certain domestic sanctions to respond to minor but persistent violations of the JCPOA. Our ability to calibrate our response will serve as a deterrent to Iranian violations of the deal.

Question. Do you agree that with Foreign Minister Zarif's statement that incremental violations of the deal would not be prosecuted?

Answer. No. We are committed to ensuring that Iran complies with all of its commitments, even very minor ones. Under the JCPOA, we have a wide range of options to respond to any Iranian noncompliance, from significant nonperformance to more minor instances of noncompliance.

Specifically, the United States has the ability to reimpose both unilateral and multilateral nuclear-related sanctions in the event of nonperformance by Iran. In the case of U.N. sanctions, under U.N. Security Council Resolution 2231 we could reimpose sanctions over the objections of any member of the Security Council, including China or Russia. This unilateral ability to snap back all of the UNSC sanctions gives us extraordinary leverage to get cooperation from other countries if we seek to take lesser steps instead. In addition, we have a range of other options for addressing minor noncompliance. These include designating specific entities that are involved in activities inconsistent with the JCPOA, snapping back certain domestic sanctions to respond to minor but persistent violations of the JCPOA, or using our leverage in the Joint Commission on procurement requests.

Question. Paragraph 37 of the nuclear deal indicates that Iran will cease performing all of its commitments in the event of a full or partial snapback. How can the U.S. use snapback to compel Iran to allow inspections, if using snapback releases Iran from all of its commitments?

Answer. The threat of snapback under the Joint Comprehensive Plan of Action (JCPOA) provides us and our partners with enormous leverage to deter Iranian noncompliance because Iran would have to weigh the potential benefits of the activities that amount to a violation against the very real risk that multilateral and national sanctions will be reimposed against Iran as a result of that violation. Nothing in the JCPOA suggests that if sanctions were snapped back as a result of Iranian noncompliance, Iran's noncompliant activities would be absolved. Moreover, it is important to remember that snapback would not "release" Iran from all of its commitments because Iran is still required by the Nuclear Non-Proliferation Treaty never to seek or acquire nuclear weapons.

Question. Doesn't the all-or-nothing nature of snapback effectively deter the U.S. from ever seeking to punish Iranian violations?

Answer. The snapback provision we have secured is unprecedented and it allows the U.S. to have the unilateral ability to reimpose United Nations sanctions without the worry of a veto by any other permanent member of the Security Council, including Russia and China. This gives us enormous leverage. If there are violations, whether minor or significant, we can use the threat of full snapback to convince our partners to take steps to address it. This approach gives us maximum flexibility and maximum leverage. We also have a range of options for snapping back domestic sanctions—in whole or in part—to respond to lesser violations of the JCPOA if we so choose.

Question. Did Iran have a nuclear weapons program?

Answer. The U.S. Intelligence Community assesses Iran had a structured nuclear weapons program until 2003. We would refer you to the Office of the Director of National Intelligence for further questions related to assessments of Iran's past nuclear capabilities.

Question. For the record, was Iranian Deputy Foreign Minister Abbas Araqchi lying when he stated in March that any assertion that Iran had a nuclear weapons program was "bogus" and that Iran's nuclear activities were always entirely peaceful?

Answer. I refer you to the Iranian Government on statements made by Iranian officials. However, I will note that the United States has taken a clear position on Iran's past nuclear work. A 2007 National Intelligence Estimate assessed with high confidence that until fall 2003, Iranian military entities were working under government direction to develop nuclear weapons.

Question. If the IAEA certifies Iran has met its nuclear obligations under the JCPOA, but has yet to make a finding on the possible military dimensions of Iran's nuclear program, will sanctions relief still be provided?

Answer. The International Atomic Energy Agency (IAEA) and Iran have agreed on a time-limited "Roadmap" through which Iran will address the IAEA's concerns regarding past and present issues, including the possible military dimensions (PMD) of Iran's nuclear program and those specific issues set out in the IAEA Director General's November 2011 report. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in this Roadmap by October 15, well in advance of any sanctions relief. The IAEA will report whether or not Iran has taken those steps. If Iran does not take those steps, we will not implement our commitment to provide sanctions relief.

Question. Which scientists involved in Iran's nuclear weapons work will be interviewed by the IAEA and under what conditions?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in the "Roadmap for Clarification of Past and Present Outstanding Issues regarding Iran's Nuclear Program with the IAEA." The Roadmap notes that in the case that the International Atomic Energy Agency (IAEA) has questions on any possible ambiguities regarding information provided to it by Iran, technical-expert meetings, technical measures, as agreed in a separate arrangement, and discussions will be organized in Tehran to remove such ambiguities.

Question. Which scientists did Iran declare off limits to the IAEA?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in the "Roadmap for Clarification of Past and Present Outstanding Issues regarding Iran's Nuclear Program with the IAEA." The Roadmap notes that in the case that the International Atomic Energy Agency (IAEA) has questions on any possible ambiguities regarding information provided to it by Iran, technical-expert meetings, technical measures, as agreed in a separate arrangement, and discussions will be organized in Tehran to remove such ambiguities.

Question. Will the IAEA be given access to all of the data generated as part of Iran's weaponization work and will any copies of this data and research remain under Iranian control?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in the "Roadmap for Clarification of Past and Present Outstanding Issues regarding Iran's Nuclear Program with the IAEA." The Roadmap notes that in the case that the International Atomic Energy Agency (IAEA) has questions on any possible ambiguities regarding information provided to it by Iran, technical-expert meetings, technical measures, as agreed in a separate arrangement, and discussions will be organized in Tehran to remove such ambiguities.

Question. What will be the specific procedures for gaining IAEA access to the suspected nuclear weapons development site at Parchin?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in the "Roadmap for Clarification of Past and Present Outstanding Issues regarding Iran's Nuclear Program with the IAEA." This includes a separate arrangement on Parchin. We cannot address publicly the details of what the Roadmap activities entail.

Question. On August 29, 2014 the State Department sanctioned several Iranian individuals and organizations, including one that goes by the Farsi initials SPND for current and past nuclear weapons development work. When did nuclear weapons development work by SPND end?

Answer. We would refer you to the Office of the Director of National Intelligence for questions related to assessments of Iran's nuclear capabilities and nuclear weapons activities.

Question. Does the United States have any concerns about the travel or permitted activities of the individuals involved in Iran's covert weapons program after U.S. sanctions are to be lifted?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), the United States has committed to provide Iran certain sanctions relief, including relieving secondary sanctions on certain individuals and entities designated in connection with Iran's nuclear program on Implementation Day; i.e., only after Iran completes the required nuclear steps under the deal. We will provide relief from secondary sanctions for certain other individuals and entities designated for nuclear-related reasons on Transition Day; i.e., 8 years after Adoption Day or when the International Atomic Energy Agency (IAEA) reaches the broader conclusion that all nuclear material in Iran remains in peaceful nuclear activities.

However, under the JCPOA, Iran has also committed to refrain from a number of activities, including those that could contribute to the development of a nuclear explosive device. If Iran were to violate this or any other JCPOA commitment, we could snap sanctions back into place, including by imposing sanctions on specific individuals and entities if the circumstances warranted. Moreover, Iran's JCPOA commitments, including on transparency and on refraining from certain activities that could contribute to the development of a nuclear explosive device, will better position the international community to detect and respond to such weaponization activities and the individuals and entities involved in such activities.

It is also worth reiterating that, while the JCPOA provides for the United States to relieve secondary sanctions on certain designated individuals and entities specified in the JCPOA (i.e., sanctions on non-U.S. persons that engage in transactions with such persons), the U.S. primary embargo on Iran will largely remain in place. The Government of Iran and Iranian financial institutions—including any property in which they have an interest—will remain blocked by the United States. U.S. persons, including U.S. companies, will continue to be broadly prohibited from engaging in transactions or dealings with the Government of Iran, as well as Iranian individuals and entities, including those subject to relief from secondary sanctions under the JCPOA.

Question. What steps will the United States take to remediate the proliferation risk represented by these individuals as well as those involved with the A.Q. Khan network?

Answer. The United States will continue to use all relevant authorities and tools to prevent the proliferation of nuclear materials and nuclear weapons-related technology. We will continue to implement all relevant U.S. laws and will continue to sanction countries, entities, and individuals that engage in weapons of mass destruction (WMD) proliferation. Moreover, we will continue to interdict prohibited transactions, block the financing of such deals, and work with partners to prevent the travel of WMD proliferators.

Question. In Section T of the JCPOA, "Activities Which Could Contribute to the Design and Development of a Nuclear Explosive Device," Iran agrees to not engage in several activities. What is the most recent date on which Iran has engaged in any of the listed activities?

Answer. We would refer you to the Office of the Director of National Intelligence for questions related to assessments of Iran's nuclear capabilities and activities.

Question. Does the 24-hour inspection under the Additional Protocol apply just to sites suspected of having nuclear material? Or does it apply to sites such as centrifuge manufacturing plants or weaponization sites, in which no fissile material may be present?

Answer. Under the Additional Protocol (AP), the International Atomic Energy Agency (IAEA) must provide at least 24 hours' notice prior to seeking access to a location, whether declared or undeclared, except that the IAEA can seek access in as little as 2 hours or less in certain circumstances. Implementation of the AP will deter Iran from cheating by creating a high likelihood that such cheating would be caught early. It will give the IAEA the tools it needs to investigate indications of undeclared nuclear material and activities in Iran. Over time, if Iran cooperates,

this would enable the IAEA to draw the broader conclusion that all nuclear material in Iran is declared and remains in peaceful use.

Question. Iran is only required to "seek" ratification of the Additional Protocol in year 8 of an agreement. What happens if the ratification does not take place?

Answer. Beginning on Implementation Day, Iran will provisionally apply the Additional Protocol (AP), pending its entry into force. It will subsequently seek ratification and entry into force of the AP, consistent with the respective roles of Iran's President and Majlis.

Provisional application of the AP will create legally binding obligations on Iran to implement the AP's provisions pending the AP's entry into force. If Iran fails to ratify the AP, we would have to determine whether it "sought" ratification in good faith; if it did not, that would be inconsistent with its JCPOA commitment and, potentially, a case of "significant nonperformance" that could trigger sanctions snapback. We would also look very closely at Iran's overall performance under the JCPOA, including its willingness to continue provisional application of the AP, to determine whether Iran was in full compliance. And because the JCPOA is a nonbinding international arrangement, we would always have the ability to terminate our participation in the JCPOA if we deemed it to be in the national interest.

Question. Will Iran still be required to ratify the Additional Protocol if Congress does not permanently lift U.S. sanctions?

Answer. Iran has committed under the Joint Comprehensive Plan of Action (JCPOA) to seek ratification and entry into force of the Additional Protocol (AP), consistent with the respective role of Iran's President and Majlis.

Question. Would a failure to ratify the agreement constitute a violation and reimposition of sanctions?

Answer. If Iran fails to ratify the Additional Protocol (AP), we would have to determine whether it "sought" ratification in good faith; if it did not, that would be inconsistent with its Joint Comprehensive Plan of Action (JCPOA) commitment and, potentially, a case of "significant nonperformance" that could trigger sanctions snapback. We would also look very closely at Iran's overall performance under the JCPOA, including its willingness to continue provisional application of the AP, to determine whether Iran was in full compliance.

Question. After year 15 of the agreement, is it correct that there are no limits on the numbers or types of centrifuges that Iran can deploy?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), after year 10, Iran will abide by its long-term enrichment and enrichment research and development plan submitted to the IAEA under the Additional Protocol (AP), which ensures a measured, incremental growth in Iran's enrichment capacity consistent with a peaceful nuclear program. Without a deal, Iran would proceed now with unconstrained research and development on advanced centrifuges and field second generation centrifuges within months and third generation centrifuges within years.

Under the JCPOA, Iran is constrained to using only its first generation IR–1 centrifuges for the first 10 years, but it will be limited to enriching only up to 3.67 percent and constrained to a minimal 300 kilogram stockpile for another 5 years. These limitations are important to ensuring that Iran's breakout timeline does not drop dramatically after year 10. Importantly, under the JCPOA, the IAEA will have unparalleled insight into Iran's nuclear program during this period, and various enhanced transparency and monitoring measures will remain in place well past 10 years. There are also other measures that last for 15 years and some that last for 20–25 years. Others, such as Iran's adherence to the Additional Protocol, will last indefinitely. After 15 years, should we suspect Iran is pursuing nuclear weapons or have concerns regarding Iran's nuclear program, we would have the same options as we do today to prevent such an effort from coming to fruition.

Question. After year 15 of the agreement, is it correct that there are no limits on the level of enrichment Iran can pursue? It can enrich to 20 percent or even higher?

Answer. Enrichment activities are not prohibited, but Iran will continue to be subject to the Nuclear Non-Proliferation Treaty (NPT) after year 15, and we will retain the right to take action if Iran pursues a program inconsistent with its commitments under the Joint Comprehensive Plan of Action (JCPOA) and the NPT. In addition, inspections and transparency measures will continue well beyond 15 years—some for 25 years—with others, such as those under the Additional Protocol and Safeguards Agreement, lasting permanently. Furthermore, Iran has also committed indefinitely to not engage in specific activities that could contribute to the design and development of a nuclear weapon.

Any uranium enrichment after 15 years above 5 percent by Iran would raise serious concerns given Iran's past activities and would require a clear civilian justification. In short, higher levels of enrichment would be a warning flag that Iran is not pursuing an entirely peaceful program.

Question. According to the April 2015 parameters for the nuclear deal, known as the Agreed Framework, Iran would accept a permanent prohibition on the reprocessing of spent nuclear fuel, which would allow it to produce weapons-grade plutonium. The final deal only prohibits Iran from reprocessing that fuel for 15 years. At that time, the prohibition on building heavy water reactors and reprocessing facilities will also expire.

- If you believed that a permanent prohibition on the processing of spent fuel was necessary in April, why did you allow that prohibition to expire in the final deal?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran has committed not to reprocess spent fuel from its nuclear reactors for 15 years and has expressed its intent not to do so indefinitely. Iran has also committed not to conduct reprocessing research and development activities, such that Iran will not be able to learn how to separate plutonium from spent fuel. These measures will help ensure that the plutonium pathway to a nuclear weapon is comprehensively and verifiably shut down.

Question. President Obama said in April that a "relevant fear would be that in year 13, 14, 15, they [Iran] have advanced centrifuges that enrich uranium fairly rapidly, and at that point the breakout times would have shrunk almost down to zero." According to proliferation expert David Albright, if Iran installed advanced centrifuges in year 13, as the deal allows them to, it "would allow Iran to lower its breakout times down to days or a few weeks." Yet Secretary Moniz and Secretary Kerry, you have both denied that the breakout time would ever be zero, saying instead there would be a "soft landing."

- Can you specify the rate at which breakout times will decrease after year 12, so Congress can understand what you mean by a "soft landing"?

Answer. We have ensured that Iran's breakout timeline comes down only gradually after year 10, in no small part due to the continued restriction on Iran's enriched uranium stockpile until year 15. Additionally, even after the initial 10-year period, Iran must abide by its enrichment and research and development plan submitted to the International Atomic Energy Agency under the Additional Protocol and pursuant to the Joint Comprehensive Plan of Action, which will ensure a measured, incremental growth in its enrichment capacity consonant with a peaceful nuclear program.

Question. Does the agreement in anyway restrict the U.S. from imposing new sanctions on Iran for its human rights abuses? For its missile program? For its support of terrorism? For its cyber attacks? For its support of the Assad regime? For its support of the Houthis in Yemen? For any other nonnuclear reason we deem a national security threat to the United States?

Answer. No. We would not violate the JCPOA if we used our authorities to impose sanctions on Iran for terrorism, human rights, certain arms or ballistic missile activities, or any other nonnuclear reason. The JCPOA does not provide Iran any relief from U.S. sanctions under these authorities.

This does not give us free rein to simply reimpose tomorrow all of our nuclear-related sanctions under some other pretext. Iran would obviously see that as bad faith, as would our international partners. In the end, if we decide to impose new sanctions, it will be important that we have a credible rationale for doing so. This has always been the case and will be no different in the future.

Question. Would the administration support congressional attempts to impose sanctions on entities and individuals that will have sanctions removed under the agreement if it is shown that those entities or individuals have supported terrorism or human rights abuses?

Answer. The Joint Comprehensive Plan of Action does not preclude us from sanctioning individuals and entities if the circumstances warrant, including if such individuals and entities are involved in support for terrorism, human rights abuses, or proliferation. We will continue to aggressively enforce our sanctions against Iran's support for terrorism, human rights abuses, and proliferation, as well as destabilizing activities in the region, and we look forward to working constructively with Congress to that end.

Question. For instance, would the administration support congressional efforts to impose secondary sanctions for terrorism and human rights on Setad?

Answer. We do not comment on potential ongoing investigations or the potential imposition of sanctions on specific entities. The Joint Comprehensive Plan of Action does not preclude us from sanctioning individuals and entities if the circumstances warrant, including if such individuals and entities are involved in supporting terrorism, human rights abuses, or proliferation. We will continue to aggressively enforce our sanctions against Iran's support for terrorism, human rights abuses, and proliferation, as well as its destabilizing activities in the region.

Question. What about additional sanctions on the IRGC?

Answer. U.S. sanctions on the IRGC will not be relieved under this deal. The United States will also maintain sanctions on the IRGC Qods Force, its leadership, and its entire network of front companies. This includes secondary sanctions that would penalize foreign financial institutions that engage in transactions with any of these designated entities. We retain the ability to impose additional sanctions on individuals and entities providing support to the IRGC or those involved in supporting terrorism or human rights abuses, if circumstances warrant.

Question. According to the agreement, Iran has stated that it will treat the reintroduction or reimposition of the sanctions as grounds to stop complying with its commitments. Is your understanding of Iran's view, that the reimposition of any sanction, regardless of the reason, is grounds for walking away from the agreement?

Answer. We do not have free rein to reimpose nuclear-related sanctions without a credible rationale. We would not violate the JCPOA, however, if we imposed new sanctions on Iran, on a legitimate, credible basis, for terrorism, human rights abuses, missiles, WMD, or any other nonnuclear reason. We have been clear about this fact with Iran and the other P5+1 countries.

If Iran used our legitimate imposition of new sanctions as a pretext to stop performing its JCPOA commitments, such a decision would have enormous consequences for Iran, such as the reimposition of all of the sanctions that have damaged its economy to date and isolation again from the international community.

Question. How can you defend your statement on PBS NewsHour that "None of what they [Iran] are doing today . . . is a reflection of money," if Iran must spend billions to keep Assad in power and support other terrorist and guerrilla organizations?

Answer. Iran faces severe economic challenges, which will make it harder for it to simply divert its financial gains from sanctions relief away from its domestic economy and toward its regional activities. For example, Iran needs about half a trillion dollars to meet its pressing investment needs and government obligations. Even the most severe sanctions regime in history has not been enough to prevent Iranian support to militant proxies or terrorism because, regrettably, these activities do not require substantial resources.

What has been more effective—and what we are going to be doing more of—is to focus on strategies that counter this behavior, especially by working with our partners in the region. In addition, we have numerous domestic authorities—including sanctions—to counter Iran's support for terrorism and other destabilizing activities.

If we determine any of these funds go to support entities that are sanctionable, we will absolutely take action. Additionally, we will continue to aggressively enforce our sanctions against Iran for its support for terrorism, human rights abuses, and destabilizing activities in the region broadly.

Question. Secretary Kerry, you told PBS that since Iran will now have significantly increased means to support Hezbollah and other terrorist or guerrilla forces, "We're going to clamp down." Yet President Obama said, "It's not like the U.N. has the capacity to police what Iran is doing," although the U.S. does have "authorities that allow us to interdict those arms."

- Has Iran complied with the existing arms embargo and other U.N. Security Council resolutions barring illicit arms transfers to/from Iran?

Answer. Iran has a record of noncompliance with the existing U.N. arms embargo that was imposed in connection with its nuclear program. The existing UNSCRs impose obligations on all states to implement the embargo and provide authorities to facilitate enforcement, and are dependent on the compliance of the rest of the U.N. member states to work, rather than Iran's compliance. Under UNSCR 2231 that endorsed the JCPOA, those sanctions will continue for another 5 years after Adoption Day (or until the IAEA reaches the broader conclusion that all nuclear materials in Iran remain in peaceful activities, whichever is earlier). After that, we will con-

tinue to have a number of other unilateral and multilateral tools available to us to counter Iran's arms transfers and other destabilizing activities in the region.

Question. Have Russia and China complied with these resolutions?

Answer. The United States has consistently engaged China and Russia when we have had releasable information that a transaction involving entities in these countries could violate U.N. Security Council Resolutions on Iran.

Question. Secretary Kerry, you told ABC News on July 14 that Qasem Soleimani, the head of the Iranian Revolutionary Guard Corps (IRGC), was not actually listed in the nuclear deal as someone who would have sanctions against him lifted. Specifically, you said, "No, that's another Soleimani."

- Can you confirm that the Qasem Soleimani listed in the JCPOA is, in fact, General Qasem Soleimani of the IRGC and that he will have at least some European sanctions lifted?

Answer. There is an individual by the name of Ghasem Soleymani who will be delisted under U.N. sanctions in the first phase after Iran has verifiably taken all of its key nuclear steps, but he is a completely different person from IRGC Quds Force Commander Qasem Soleimani. Ghasem Soleymani was listed as the Director of Uranium Mining Operations at the Saghand Uranium Mine (Saghand Mine).

U.S. sanctions on Qasem Soleimani and the IRGC Quds Force will not be lifted as part of this deal. This includes the secondary sanctions that apply to foreign individuals and entities, including foreign banks that engage in transactions with Soleimani, the Quds Force, or any other Iranian entity that remains on our SDN list. These sanctions are highly effective in preventing designated entities from gaining access to the international financial system.

Qasem Soleimani will be removed from the EU's nuclear-related designation list on Transition Day; i.e., 8 years after Adoption Day or when the International Atomic Energy Agency reaches the broader conclusion that all nuclear materials in Iran remain in peaceful activities, as provided for in the JCPOA. However, because Qasem Soleimani was also designated in the EU for support of the Assad regime in Syria, he will remain sanctioned in the EU under that authority. So, he will remain subject to sanctions in the EU.

These EU sanctions, combined with our own secondary sanctions, give us a powerful tool to continue disrupting Soleimani and the IRGC Quds Force's access to the global financial system.

Question. Former CIA Director General David Petraeus called Soleimani "truly evil." Can you detail for this committee the activities of General Soleimani and the IRGC in the Middle East over the past decade?

Answer. The United States has designated Iran as a State Sponsor of Terrorism, and that designation and the sanctions consequences that flow from it will remain in place under the deal. In addition, Iranian individuals and entities designated for terrorism will remain subject to sanctions, including IRGC–QF Qasem Soleimani and the IRGC–QF itself. We continue to have very serious concerns with both Soleimani and the IRGC–QF, including efforts to provide cover for Iranian intelligence operations and promote destabilizing activities in the Middle East. In addition, the IRGC–QF is the regime's primary mechanism for cultivating and supporting terrorists abroad.

Soleimani was designated by the United States in 2011 for his involvement in a plot to assassinate the Saudi Ambassador. He was also designated in May 2011 pursuant to E.O. 13572, which targets human rights abuses in Syria, for his role as the commander of the IRGC–QF, the primary conduit for Iran's support to the Syrian General Intelligence Directorate (GID). We have made clear to Iran that we will continue to vigorously enforce sanctions not subject to relief under the JCPOA, including those related to Iran's role in supporting terrorism and destabilizing activities in the region. We will continue to hold the Iranian Government accountable for such actions.

We would direct you to the Director of National Intelligence with any additional questions you might have about his activities or the IRGC.

Question. How many U.S. citizens have been killed by Iran, including by Iran's terrorist proxies, since 1979?

Answer. The death of any U.S. citizen due to acts of terrorism is a tragedy that we take very seriously. As the President said in his August 5 speech, a nuclear-armed Iran is a danger to Israel, America, and the world. The central goal of the JCPOA is to eliminate the imminent threat of a nuclear-armed Iran. We still have significant issues of contention with Iran, including its support for terrorism and its destabilizing activities in the region, and will continue to aggressively counter such

activities. Iran remains designated by the United States as a State Sponsor of Terrorism.

Question. How many U.S. troops and soldiers were killed by Iranian provided weapons or by Iranian-backed militias in Iraq and Afghanistan?

Answer. We are extraordinarily grateful for the service of the men and women of the United States Armed Forces, and we mourn the loss of every servicemember. The JCPOA is not about a change in the broader U.S. relationship with Iran. It is about eliminating the biggest and most imminent threat—a nuclear-armed Iran. We still have significant issues of contention with Iran, including its support for terrorism and its destabilizing activities in the region.

Moreover, we will continue to aggressively counter Iran's destabilizing and threatening actions in the Middle East region. The President is committed to working closely with Israel, the gulf countries and our other regional partners to do just that.

Question. How many Israelis have been killed by Iran, including by Iran's terrorist proxies since 1979?

Answer. The central goal of the JCPOA is to eliminate the imminent threat that Iran will acquire a nuclear weapon. But the JCPOA cannot erase decades of Iranian anti-American and anti-Israeli rhetoric and actions. We will continue to aggressively counter Iran's support for terrorism and destabilizing activities in the region, working closely with Israel, the gulf countries and our other regional partners.

Question. Why does this deal lift sanctions on the Central Bank of Iran and other entities involved in illicit finance if the President promised that we will keep in place sanctions focused on support for terrorism?

Answer. The United States has committed to relieve U.S. secondary, nuclear-related sanctions on Iran. This includes the sanctions on non-U.S. financial institutions that engage in significant transactions with the Central Bank of Iran (CBI). However, the CBI and all other Iranian financial institutions will continue to be subject to U.S. primary sanctions under the JCPOA, such that U.S. persons and financial institutions will continue to be prohibited from dealing with the CBI. Further, the determination that Iran is a "Jurisdiction of Primary Money Laundering Concern" pursuant to section 311 of the USA Patriot Act will not change under the JCPOA. This finding will continue to affect the CBI until it resolves outstanding concerns.

Question. Secretary Kerry, you have sent letters to the Foreign Ministers of China, Germany, France, and the United Kingdom regarding the impact of U.S. sanctions on Iran on their nations' companies. Please elaborate on the assurances that have been provided.

Answer. When we were negotiating this provision, some of our partners expressed concerns that if sanctions snapped back, their companies would be suddenly sanctioned for doing business in Iran that was consistent with the JCPOA. We made clear that if we were in the position of snapping back sanctions in the event of Iranian noncompliance, we would want Iran to pay the price for that noncompliance, not our partners that were engaging in activity consistent with the JCPOA. In that light, we would consult with relevant states on a case-by-case basis to address issues that may arise. We have not, however, committed to provide a blanket exemption (or grandfather clause) for contracts that extend after snapback. This approach is entirely consistent with the U.S. Government's long-standing practice when sanctions have been imposed.

We would also refer you to the administration's submission to Congress on July 19 transmitting the JCPOA and other materials, including documents on this topic.

Question. The JCPOA states in the event of snapback of U.N. sanctions "these provisions would not apply with retroactive effect to contracts signed between any party and Iran or Iranian individuals and entities prior to the date of application. . . ." Does that mean if I sign a contract to sell Iran 100 widgets, and I've delivered only 50 when snapback occurs, I can still deliver the other 50? What about a major energy contract to develop an oil field? Or a contract for the purchase of natural gas? Such contracts could last decades; would those contracts be allowed to continue?

Answer. The language in the UNSCR is meant to affirm that we will not apply sanctions retroactively to legitimate business activities that take place prior to sanctions being snapped back. Furthermore, this conclusion is very clear from the provision you cite, which goes on to say that sanctions would not be applied "provided that the activities . . . are consistent with this JCPOA and the previous and cur-

rent UNSCRs"—meaning they would not be prohibited even under the current UNSCR regime. This paragraph merely clarifies that snapback does not affect activities that have always been permitted under the UNSCRs and that are consistent with the JCPOA. The language in the JCPOA in no way provides an exemption for business activities to continue after snapback.

Question. The snapback mechanism only refers to U.N. sanctions. If the U.S. snaps back our own sanctions, will we also provide contract sanctity? In the past we have often given companies just 90 to 180 days to wind down business. How would this work?

Answer. As explained above, there is no contract sanctity—or grandfather clause—as part of the U.N. sanctions snapback. Nor is there such an exemption if U.S. sanctions are reimposed. Should we decide to snap back sanctions, consistent with the U.S. Government's long-standing practice, we would not retroactively sanction companies for actions consistent with the JCPOA relief undertaken while JCPOA relief was in effect. Sanctions will, however, apply to actions after the snapback has taken place. For companies that have contracts that would otherwise continue after snapback, we have a consistent past practice of working with companies to wind down their contracts in order to ensure the cost of Iran's noncompliance is borne primarily by Iran.

Question. In February 2014, Wendy Sherman testified to the Senate Foreign Relations Committee and said, "It is true that in these first 6 months we have not shut down all of their production of any ballistic missile that could have anything to do with delivery of a nuclear weapon, but that is, indeed, going to be part of something that has to be addressed as part of a comprehensive agreement." How are ballistic missiles addressed in the agreement?

Answer. The deal retains important United Nations (U.N.) restrictions on transfers of ballistic missile technologies for 8 years, or until the IAEA reaches its Broader Conclusion that all nuclear material in Iran remains in peaceful activities. We are keeping these restrictions in place for an extended period of time while Iran establishes confidence that its nuclear program is exclusively peaceful. These binding prohibitions directly constrain Iran's ballistic missile capability by limiting its access to new technology and equipment. Under these provisions:

- All States are still required to prevent transfers to Iran of ballistic missile-related items from their territory or by their nationals.
- All States are still required to prevent the provision to Iran of technology, technical assistance, and other services related to ballistic missiles.
- All States are still required to prevent transfers from Iran of ballistic missile-related items to or through their territory or by their nationals.
- All States are still required to prevent Iran from acquiring interests in commercial activities in their territories related to ballistic missiles.
- All States are still called upon to inspect cargo in their territories suspected of containing ballistic missile items.
- Flag States are still called upon to allow inspections of their flag vessels suspected of containing ballistic missile items.
- If ballistic missile-related items are found, States will still be required to take actions, in accordance with guidance from the Security Council, to seize and dispose of them.

We are keeping these restrictions in place for an extended period of time while Iran establishes confidence that its nuclear program is exclusively peaceful. Under these prohibitions, the U.N. framework for disruption of ballistic missile-related transfers is fundamentally unchanged from the status quo.

Separate from these U.N. Security Council restrictions, we have now and will continue to have a number of robust domestic and multilateral authorities to address Iran's ballistic missile and arms activities. We will keep in place the U.S. sanctions that apply to Iran's missile program, including the secondary sanctions that apply to foreign banks that engage in transactions with entities that have been designated for their role in the missile program.

In addition, we will continue to use the full range of tools available to us to counter Iran's missile activities. For example, we will continue our efforts to counter the spread of missiles and related technology to or from Iran through the use of U.S. sanctions, export controls, and cooperation with partner states, including through the 34-country Missile Technology Control Regime (MTCR).

Question. According to the new U.N. Security Council Resolution, the prohibition on Iran carrying out ballistic missile work is not mandatory, but rather the text

simply "calls" on Iran not to conduct such activity for 8 years. Is that the case? What are the penalties if Iran ignores this international "call"?

Answer. The new United Nations Security Council Resolution (UNSCR) does not let Iran's ballistic missile program off the hook. The UNSCR calls on Iran specifically not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology. Since the Security Council has called upon Iran not to undertake these activities, if Iran were to undertake them it would be inconsistent with the UNSCR and a serious matter for the Security Council to review. The UNSCR will continue binding prohibitions that directly constrain Iran's ballistic missile capability by limiting its access to new technology and equipment, and the United States will continue to use the full range of tools available to us to counter Iran's missile activities.

Question. If Iran tested a ballistic missile during the next 8 years, would that be a violation of the agreement?

Answer. The issue of ballistic missiles is addressed by the provisions of the new United Nations Security Council Resolution (UNSCR), which do not constitute provisions of the Joint Comprehensive Plan of Action (JCPOA). Thus, it would not be a violation of the JCPOA if Iran tested a conventional ballistic missile. However, since the Security Council has called upon Iran not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology, any such activity would be inconsistent with the UNSCR and a serious matter for the Security Council to review.

Question. What happens to the arms and missile embargoes if the IAEA certifies after a year or two that Iran's program is peaceful? The Chairman of the Joint Chiefs of Staff, GEN Martin Dempsey, recently testified, "under no circumstances should we relieve pressure on Iran relative to ballistic missile capabilities and arms trafficking." Why was the General's advice and judgment on this matter overruled?

Answer. The arms and missile embargoes remain in place for 5 and 8 years, respectively, following Adoption Day under the Joint Comprehensive Plan of Action (JCPOA), or until the International Atomic Energy Agency (IAEA) reaches the Broader Conclusion that all nuclear activities within Iran are exclusively peaceful. Given the extent of Iran's nuclear activities, we do not expect the IAEA to reach the Broader Conclusion in such a short period of time. The IAEA's past history in other countries suggests it will take a substantial number of years of applying the Additional Protocol and evaluating the full range of Iranian nuclear activities.

We remain very concerned about Iran's ballistic missile program and will continue to take actions to counter it, including through regional security initiatives with our partners, missile defense, and sanctions. At whatever time that the United Nations (U.N.) restrictions on arms and missile transfers lapse, we will continue U.S. pressure to deter and prevent such transfers, as General Dempsey testified. The United States and its allies were combating such transfers before the U.N. Security Council resolutions were in place, using a variety of tools available to us, and we will continue to do so.

Question. Has the IAEA made any assurances to the United States regarding the specific actions that will be required by Iran for it to make the "broader conclusion" that would relieve Iran from the arms and missile restrictions early?

Answer. We have complete confidence in the International Atomic Energy Agency (IAEA) and its technical ability to faithfully implement the Safeguards Agreement and the Additional Protocol in Iran, as well as undertake the additional verification activities provided for under the Joint Comprehensive Plan of Action (JCPOA). We expect the IAEA to pursue a rigorous process of implementing Iran's Additional Protocol. We are confident that the IAEA would only draw the Broader Conclusion when it is confident about the exclusively peaceful nature of Iran's nuclear program.

Question. Why did the U.S. agree to lift the U.N. arms embargo on Iran in 5 years, at a time when Iran continues to violate this requirement? Was this done on an expectation of a change in Iranian behavior?

Answer. The only arms and missile sanctions that are being relieved under this deal are those that were put in place by the United Nations Security Council. This is because the Security Council was explicit in its resolutions that these sanctions were put in place in order to address the international concerns about Iran's nuclear program and would be lifted when Iran addressed those concerns. We remain concerned about Iran's destabilizing activities in the region and will work with partners to address this. To support these efforts, we will continue to invoke other relevant

U.N. arms restrictions, including those banning arms shipments to Houthis in Yemen, nonstate actors in Lebanon and Iraq, and to all terrorist groups.

In addition, we still have a number of ways, including through our unilateral sanctions authorities, to continue to restrict Iranian conventional arms transfers. The size of the U.S. economy, the power of our financial system, and the reach of U.S. unilateral measures give us enormous leverage to pressure other countries to abide by restrictions on Iranian arms activity.

Question. Does Iran understand that the U.S. will sanction entities that provide arms to terrorist groups? If IRISL or Iran Air is found to be shipping arms, will the U.S. reimpose sanctions on these entities? Have our partners agreed to go along with this?

Answer. We have been explicit with our partners and with Iran that we intend to continue enforcing our sanctions on nonnuclear activities, such as support for terrorism. We will continue to aggressively counter Iran's destabilizing and threatening actions in the region. The President is committed to working closely with Israel, the gulf countries, and our other regional partners to do just that. We have been explicit with our partners and with Iran that our sanctions targeting Iran's support for terrorism, its human rights abuses, missile and weapons of mass destruction proliferation, and destabilizing activities in the region, including support for the Assad regime, will remain in place and we will continue to vigorously enforce them.

Question. The administration has cited various international and domestic authorities that will allow the U.S. to continue addressing Iranian arms exports and imports. The agreement specifically highlights the Iran, North Korea, and Syria Non-Proliferation Act as a U.S. sanctions law that will remain in effect. The GAO recently conducted a review and found the State Department had failed to carry out the law and was some 3 years behind in issuing mandatory reports under the law.

- What are you doing to come into compliance with the law? Why should we trust the administration to enforce the law now, when you have failed to do so for years?

Answer. The Iran, North Korea, and Syria Nonproliferation Act (INKSNA) is an important tool in the nonproliferation toolkit. The imposition of INKSNA sanctions and the threat of potential INKSNA sanctions have been effective in prompting foreign governments to take action to stop proliferators or even prevent INKSNA-reportable transfers from happening in the first place. In response to the recent GAO report regarding the timeliness of the INKSNA reports, the Department is reviewing its INKSNA process and continuing to incorporate lessons learned into each new reporting cycle.

The unique requirements of this law are broad—identifying every foreign person if there is "credible information" that the person transferred or received even one of several thousand items, including a wide range of conventional weapons—and therefore preparation of this report is time intensive. The Department must carefully and thoroughly vet decisions that carry significant foreign policy implications, internally and through the interagency. In addition, the focus of the law has greatly expanded since the Iran Nonproliferation Act went into effect in 2000 and included only transfers to Iran. The law now requires reporting on transfers to or from Iran (added in 2005), Syria (added in 2005), and North Korea (added in 2006). This has significantly increased the scope of INKSNA without expanding the statutory timeframes for reporting. While there is no disputing the fact that reports have been late, the Department of State continues to regularly implement this law, as witnessed by the ongoing delivery of INKSNA reports to Congress and the substantial number of foreign persons sanctioned under INKSNA.

Question. In November 2011, the Treasury Department determined Iran was a "Jurisdiction of Primary Money Laundering Concern" pursuant to section 311 of the USA Patriot Act. Is it correct that this designation will remain in effect? As such, will U.S. banks continue to be required to conduct special due diligence to their correspondent accounts to guard against their improper indirect use by Iranian banking institutions?

Answer. The determination that Iran is a "Jurisdiction of Primary Money Laundering Concern" pursuant to section 311 of the USA Patriot Act will not change under the JCPOA. Moreover, U.S. sanctions will continue to prohibit U.S. banks from providing services to Iranian financial institutions. As a result, Iranian banks will not be able to clear U.S. dollars through the U.S. financial system, hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks. As we have made clear, we have aggres-

sively enforced our primary sanctions on U.S. banks that have failed to abide by their legal obligations.

Question. Will Iran remain prohibited from accessing the U.S. financial system through the banning of U-Turn transactions?

Answer. Yes. Under the JCPOA, U-turn transactions will remain prohibited. The JCPOA contains no provisions allowing Iran access to the U.S. financial system.

Question. Secretary Kerry, do you agree with Foreign Minister Zarif's statement that Iran does not "jail people for their opinions?"

Answer. We take issue with the suggestion that the Iranian Government does not detain people solely for expressing their opinions. In fact, the Iranian Government continues to arrest and detain journalists, activists, students, and many others on charges that appear spurious and without due process. It places severe restrictions on the enjoyment of civil liberties and human rights, including freedoms of peaceful assembly, expression, and religion or belief, as well as on press freedoms. According to the March 2014 report of the U.N. Special Rapporteur for human rights in Iran, at least 895 political prisoners and prisoners of conscience are incarcerated by Iran. Other human rights activists have estimated there could be more than 1,000 prisoners of conscience in Iran.

We document these issues in our annual Human Rights and International Religious Freedom Reports, and remain vocal in our condemnation of Iran's human rights violations.

Question. Do you believe that this denial of the human rights situation faced by millions of Iranians makes Foreign Minister Zarif a human rights violator?

- Given his role in overseeing the Iranian Government's institutions is President Rouhani a human rights violator? What about Supreme Leader Khamenei?

Answer. Since 2010, the Treasury Department, in consultation with the State Department, has sanctioned five Iranian entities and 14 Iranian individuals under Executive Order 13553 for their involvement or complicity in serious human rights abuses. These designations will not go away under the JCPOA, and neither will the designations of 12 Iranian entities and six Iranian individuals under Executive Order 13628 for activities that limit the exercise of freedoms of expression or peaceful assembly by Iranians. Lastly, the four entities we have targeted pursuant to Executive Order 13606—for their provision of information technology that could be used by the Government of Iran to commit serious human rights abuses—will remain designated.

Iranian entities sanctioned pursuant to various human rights-related authorities include the Islamic Revolutionary Guards Corps (IRGC), the Basij, the Ministry of Intelligence and Security (MOIS), the Ministry of Culture and Islamic Guidance, the Committee to Determine Instances of Criminal Content, and the Iranian Cyber Police. We have also sanctioned top officials within some of these organizations. We have enforced and will continue to enforce existing human rights-related sanctions.

Question. Has the United States, pursuant to this agreement, or any side agreements, either written or verbal, made any commitment to Iran of any type that we will not take military action against Iran or its proxies?

Answer. No, there are no such commitments.

Question. Have we made any commitments not to challenge Iranian activity in Iraq, Syria, Lebanon, or Yemen?

Answer. No. We have been clear that we are not suspending or removing sanctions related to nonnuclear issues, such as Iran's support for terrorism, its ballistic missile activities, its abuse of human rights, or its support for the Assad regime, Hezbollah, or the Houthis in Yemen. Similarly, we have not made any commitments that prevent us from imposing sanctions in response to those activities. Iran's destabilizing activities in the region are a serious concern for the administration, and we are committed to working with our partners in the region and around the world to take the necessary steps to counter Iranian aggression.

Question. Have we made any commitments to roll back or lessen our efforts to seek changes in regime behavior as it relates to human rights?

Answer. No. Our position on Iran's human rights record has not changed. We remain vocal in our condemnation of human rights abuses and violations in Iran. We have enforced and will continue to enforce existing human rights-related sanctions against Iran. Our human rights-related designations of entities and individuals are not affected by the JCPOA.

We will continue to cosponsor and lobby for the U.N. General Assembly's annual resolution expressing deep concern over human rights violations in Iran and to lead lobbying efforts to maintain the mandate of the Special Rapporteur on human rights in Iran—a mandate we were instrumental in establishing through our leadership at the U.N. Human Rights Council.

We will also continue to document reports of Iran's human rights violations and abuses in our annual Human Rights and International Religious Freedom Reports.

Question. Will we continue to support human rights and democratic activists in Iran that seek an open society that protects basic human rights and civil liberties?

Answer. We will continue to speak out in support of Iranians and their desire for greater respect for human rights and the rule of law.

U.S. Government-funded programming continues to provide tools and training to Iranian citizens and civil society groups to support democratic principles, as laid out in Iran's own constitution.

These projects build the capacity of civil society to advocate for citizens' interests and expand access to independent information through media projects.

Projects also provide digital safety training and increase safe access to the Internet and other communications technologies to allow Iranians to communicate with each other and with the outside world.

U.S. Government-funded projects also build the capacity of Iranian citizens to urge greater respect for human rights and the rule of law.

Question. Will we continue to confront Iran's abysmal human rights record, including through the imposition of sanctions with respect to the transfer of goods or technologies to Iran that are likely to be used to commit human rights abuses?

Answer. We remain vocal about human rights violations in Iran, and will continue to enforce existing human rights sanctions.

Since 2010, the Treasury Department, in consultation with the State Department, has sanctioned 5 Iranian entities and 14 Iranian individuals under Executive Order 13553 for their involvement or complicity in serious human rights abuses. These designations will not go away under the JCPOA, and neither will the designations of 12 Iranian entities and 6 Iranian individuals under Executive Order 13628 for activities that limit the exercise of freedoms of expression or peaceful assembly by Iranians. We have also targeted four entities pursuant to Executive Order 13606 for their provision of information technology that could be used by the Government of Iran to commit serious human rights abuses; these entities will similarly remain designated.

Iranian entities sanctioned pursuant to various human rights-related authorities include the IRGC, the Basij, the Ministry of Intelligence and Security (MOIS), the Ministry of Culture and Islamic Guidance, the Committee to Determine Instances of Criminal Content, and the Iranian Cyber Police. We have also sanctioned top officials within some of these organizations.

Question. President Obama said that the alternative to this deal is an unconstrained Iranian nuclear program and a substantial increase in the risk of war. Yet just 2 weeks before finalizing the deal, he insisted, "I've said from the start I will walk away from the negotiations if, in fact, it's a bad deal." Secretary Kerry, you are on the record saying several times, "No deal is better than a bad deal."

- If President Obama said that he would walk away from negotiations if necessary, don't his words clearly show that there are acceptable alternatives to signing a deal?

Answer. Prior to reaching the JCPOA, the President made clear that the United States would only accept a deal that provides confidence to the international community that Iran's nuclear program will be exclusively peaceful. Had the President determined that such a deal was unobtainable, he was prepared to walk away and consider alternative ways of addressing the problem. The President continually weighed this option against the alternatives during the negotiations, taking into consideration a variety of factors, including the degree to which the United States would have international support for any actions that we would take.

Fortunately, we were able to conclude a deal that verifiably ensures that Iran's nuclear program will be exclusively peaceful and that enjoys broad international support. As a result, we believe that no other option can as effectively constrain the Iranian nuclear program for the long term and ensure that Iran cannot obtain a nuclear weapon.

Question. Even though you clearly believe this deal is a good one, shouldn't Congress have the same right as yourself and President Obama to walk away from a deal if we believe it's a bad one?

Answer. Congress does have the ability to prevent this deal from going forward. However, such a decision would have significant ramifications. We urge Congress to evaluate this choice against the alternatives to a deal, none of which can prevent Iran from obtaining a nuclear weapon as effectively and for as long as the JCPOA does. We believe it would be a mistake to walk away from a deal that will verifiably prevent Iran from obtaining a nuclear weapon, includes the most comprehensive and intrusive verification regime ever negotiated, and has broad international support. We look forward to working constructively with Congress during the review period to discuss any questions or concerns you and your colleagues have.

Question. How would you define a bad deal such that it would have compelled you to walk away from the negotiating table?

Answer. A bad deal would be a deal that, unlike the JCPOA, does not verifiably ensure that Iran's nuclear program will be exclusively peaceful by cutting off all of the pathways to enough fissile material for a nuclear weapon.

Question. You have assured Congress that over the course of years of negotiations with Iran that U.S. hostages were raised at every meeting, yet during the course of the negotiations, the number of U.S. hostages grew. Would the administration support the imposition of sanctions against those responsible for unjustly detaining American citizens in Iran?

Answer. We have long maintained that Iran's detention of Saeed Abedini, Amir Hekmati, and Jason Rezaian is unjust and that Iran should release these U.S. citizens without delay. We have also maintained that Iran should cooperate with us to find Robert Levinson; he went missing on Iranian soil and thus the Iranians should help locate him. All of these cases deserve resolution, and we will not cease our efforts until these U.S. citizens are reunited with their families.

Question. Will the United States support other countries in the Middle East or elsewhere that desire a uranium enrichment program of similar size and capabilities as that Iran will possess under the JCPOA? If not, why not?

Answer. We remain committed to ensuring compliance with the Nuclear Non-Proliferation Treaty (NPT) by all parties to the treaty, not just Iran. Iran ran afoul of its NPT and IAEA obligations because it engaged in clandestine nuclear activities at clandestine facilities in pursuit of a nuclear weapon outside the IAEA safeguards regime. A deal that restricts Iran's enrichment capacity and brings Iran's nuclear activities in line with its NPT and IAEA obligations will contribute to the security of the region. Other countries in the region have expressed an interest in nuclear energy, and we have engaged them on this issue.

More broadly, we will continue our efforts to combat the proliferation of enrichment and reprocessing technologies. The United States employs a range of measures, both multilateral and bilateral, to help minimize the spread of related technologies around the world. As part of this effort, we seek to ensure that states make the choice to rely on the international market for fuel cycle services. Our approach has been effective in convincing a number of states to do just that.

Responses of Secretary John F. Kerry to Questions Submitted by Senator Jeff Flake

Question. Language in paragraph 29 of the JCPOA states that "the United States, consistent with their respective laws, will refrain from any policy specifically intended to directly and adversely affect the normalization of trade and economic relations with Iran inconsistent with their commitments not to undermine the successful implementation of the JCPOA."

It seems to me that this commits future administrations and Congresses to avoid putting into place policies regarding trade and economic relations with Iran.

- In the context of the agreement, who would make the determination as to whether a specific policy or legislative initiative constituted a violation of this provision?
- If a specific policy or legislative initiative were to be seen as a violation of the JCPOA, would Iran have grounds to walk away from its commitments under the agreement?

Answer. No, the JCPOA does not prevent future administrations and Congress from implementing policies or sanctions on certain conduct of concern—even if such policies have trade or economic consequences on Iran.

Paragraph 29, by its terms, does not apply to sanctions that are intended to prevent and counter specific conduct by Iran, such as support for terrorism, abuses of

human rights, missile proliferation, WMD proliferation, or violations of the JCPOA. Such sanctions are not "specifically intended to directly and adversely affect the normalization of trade and economic relations with Iran." Moreover, such sanctions would not be "inconsistent with [our] commitments not to undermine the successful implementation of the JCPOA" because the JCPOA sanctions relief only encompasses nuclear-related sanctions.

Paragraph 29 does not preclude us from sanctioning individuals and entities if the circumstances warrant, including if such individuals and entities are involved in support for terrorism, human rights abuses, or proliferation. Nor would it prevent us from targeting certain economic sectors, if the circumstances warranted, because the intent of those types of sanctions would be to change Iran's behavior. It is important to note, though, that this fact does not give us free rein to simply reimpose the day after sanctions relief is provided under the JCPOA all of our suspended sanctions under some other pretext. Iran would obviously see that as bad faith, as would our partners. In the end, if we decide to impose new sanctions, it will be important that we have a credible rationale.

With respect to how Iran will react, there is always the possibility that Iran could use any action by the United States, related to sanctions or otherwise, as a pretext to stop performing its JCPOA commitments. However, such a decision would have enormous consequences for Iran, such as the reimposition of all of the sanctions that have damaged its economy to date and isolation again from the international community.

Question. Similarly, language in Annex V states that after Transition Day, "the United States will seek such legislative action as may be appropriate to terminate" statutory sanctions.

- If the President at that time does not want to seek this relief, would that constitute a violation of the agreement, giving Iran grounds to walk away?

Answer. Under the JCPOA, the United States committed to seek legislative action to terminate the specified nuclear-related sanctions on Transition Day. Therefore, if the President did not make a good faith effort to seek this legislative action, Iran and the other P5+1 members could accuse us of violating the JCPOA. However, we structured this provision in recognition of the President's and Congress' respective constitutional authorities and the fact that the termination of statutory sanctions is within Congress' purview. This and other U.S. commitments on sanctions relief were necessary to secure Iran's commitments under the JCPOA that address the international community's concerns with its nuclear program. Provided that Iran complies with its commitments under the JCPOA until Transition Day, we intend to take the steps necessary to fulfill our sanctions relief commitments under the JCPOA, and as is the long-standing practice with respect to multilateral commitments of the United States, we would expect future administrations would do so as well. If, however, Iran violates its JCPOA commitments, the United States maintains the ability to snap back U.S. national or multilateral sanctions at any time.

Question. If approved, this deal will have powerful impacts on the geopolitics of the Middle East and beyond for decades to come and it will span two, maybe three Presidential administrations.

- How does the administration plan to preserve the agreement throughout its duration to ensure its success?

Answer. The durability of this deal will largely depend on Iran's compliance because, when fully implemented, the JCPOA will verifiably prevent Iran from developing a nuclear weapon. Thus, if the JCPOA is fully implemented, we assess that future administrations will seek to preserve it.

For our part, if Iran does abide by its commitments, we intend to take the steps necessary to fulfill U.S. sanctions relief commitments and would expect future administrations to do so as well. Maintaining the economic benefits from sanctions relief will serve as a powerful incentive for Iran to continue meeting its commitments. If, however, Iran violates its JCPOA commitments, the United States maintains the ability to snap back U.S. national or multilateral sanctions at any time.

Question. Paragraph 26 of the JCPOA says that "the U.S. administration, acting consistent with the respective roles of the President and the Congress, will refrain from re-introducing or re-imposing the sanctions specified in Annex II . . . Iran has stated that it will treat such a re-introduction or re-imposition of the sanctions specified in Annex II, or such an imposition of new nuclear-related sanctions, as grounds to cease performing its commitments under this JCPOA in whole or in part."

♦ If the United States Congress passed into law some of the sanctions specified in Annex II but for reasons unrelated to the nuclear issue, would that constitute a violation of the JCPOA? Would Iran consider it a violation of the JCPOA?

Answer. We have been clear that we would not violate the JCPOA if we used our authorities to impose sanctions on Iran in response to its support for terrorism, human rights abuses, missile activities, or for any other nonnuclear reason. The JCPOA does not provide Iran any relief from U.S. sanctions relating to these activities.

What we have committed to do is quite specific: not to reimpose for nuclear reasons the specific nuclear-related sanctions specified in Annex II to the JCPOA and not to impose new nuclear-related sanctions, contingent on Iran abiding by its JCPOA commitments. But, that does not mean that we would be precluded from sanctioning specific Iranian actors or sectors if the circumstances warranted. All of our other sanctions authorities remain in place and are unaffected by the JCPOA. Moreover, we have made it clear to Iran that we would continue to use and enforce sanctions to address its other troubling activities, including its support for terrorism and destabilizing activities in the region.

That said, of course, the United States would not be acting in good faith if we simply reimposed all of our sanctions the day after they were relieved using some other justification. In the end, if we decide to reimpose sanctions for any reason, it will be important that we have a credible rationale. That has always been the case and will remain the case in the future.

Other authorities that will remain include those that target: human rights abuses in Iran, including by means of information technology (E.O. 13553, E.O. 13606, E.O. 13628); support for Syria's Assad regime (E.O. 13582); human rights abuses in Syria (E.O. 13572); fomenting instability in Iraq (E.O. 13438); threatening the stability of Yemen (E.O. 13611); and foreign persons that evade sanctions with respect to Iran and Syria (E.O. 13608).

Iranian individuals and entities that have been sanctioned under these nonnuclear sanctions authorities will continue to be sanctioned under the JCPOA. U.S. persons will continue to be prohibited from dealing with such persons, and non-U.S. persons that deal with such persons will risk being cut off from the U.S. financial system or having their property or interests in property that are in the United States, come within the control of the United States, or come within the possession or control of a U.S. person blocked.

Question. Iran signed the Additional Protocol in 2003 but never ratified it. It implemented the Additional Protocol until 2006, when Iran stopped implementing it. The JCPOA requires Iran to implement the Additional Protocol, but Iran is not required to ratify it.

♦ Is there anything in this agreement that would require Iran to continue to implement the Additional Protocol beyond the length of the JPOA?

Answer. The Joint Comprehensive Plan of Action (JCPOA) includes the most comprehensive and rigorous verification regime ever negotiated. As part of this verification regime, Iran will provisionally apply the Additional Protocol (AP) pending its entry into force, and subsequently seek ratification and entry into force, consistent with the respective roles of Iran's President and Majlis. Under international law, provisional application creates a legally binding obligation on Iran to comply with the AP. There is no end date to this legal obligation, and it is not tied to any duration in the JCPOA. Implementation of the AP will give the International Atomic Energy Agency the tools it needs to be in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran.

Question. If not, and if Iran were to stop applying the Additional Protocol at some point more than 10 years from now, what effect would that have on inspectors' access to Iranian facilities?

Answer. Iran's implementation of the Additional Protocol (AP) will provide the International Atomic Energy Agency with expanded access to locations in Iran and impose additional reporting requirements on Iran. That is why the AP is a critical element of the Joint Comprehensive Plan of Action's (JCPOA) verification regime and why we insisted that Iran commit to provisionally apply the AP—which will create legally binding obligations on Iran to implement the AP's provisions—and to seek ratification of the AP. There is no end date to this JCPOA commitment, and it is not tied to any duration in the JCPOA.

Question. The Joint Comprehensive Plan of Action says that Iran will fully implement the "Roadmap for Clarification of Past and Present Outstanding Issues" agreed with the IAEA by October 15, 2015, and that the Director General of the

IAEA will provide a "final assessment on the resolution of all past and present outstanding issues" related to Iran's nuclear program to the Board of Governors, and that the "E3+3, in their capacity as members of the Board of Governors, will submit a resolution to the Board of Governors for taking necessary action, with a view to closing the issue" (JCPOA, paragraph 14, page 9).

♦ What will happen if the Director General of the IAEA determines that there has not been resolution of the past and present outstanding issues related to Iran's nuclear program?

Answer. The P5+1 spoke with one voice throughout the talks that it will be critical for Iran to cooperate fully with the International Atomic Energy Agency (IAEA) to address the possible military dimensions (PMD) of Iran's nuclear program. The IAEA and Iran agreed on a roadmap that contains steps to clarify past and present issues, including PMD. Under the Joint Comprehensive Plan of Action, Iran must complete the activities required of it in this roadmap by October 15, well in advance of any sanctions relief.

Question. If the resolution submitted by the E3+3 to the IAEA Board of Governors requires Iran to take specific actions to resolve these outstanding issues, does the JCPOA at any time require Iran to comply with these actions?

Answer. The International Atomic Energy Agency (IAEA) and Iran agreed on a roadmap that contains steps to clarify past and present issues, including the possible military dimensions (PMD) of Iran's nuclear program. We will be in continuous contact with the IAEA to make sure Iran fully implements its commitments under the roadmap, so that the IAEA can complete its PMD investigation. Iran will no longer be able to stonewall the IAEA and string out the process. It must address the questions the IAEA poses and the IAEA must have what it needs to prepare its final assessment or there will be no sanctions relief.

Question. The "Dispute Resolution Mechanism" detailed in paragraphs 36 and 37 of the JCPOA allows for a complaining participant to request that an outstanding issue be considered by "an Advisory Board, which would consist of three members (one each appointed by the participants in the dispute and a third independent member)."

♦ Who is responsible for appointing the "third independent member" and what criteria will be used to determine that appointment?

Answer. The dispute resolution process in the Joint Comprehensive Plan of Action (JCPOA) contemplates that a complaining participant could refer an issue to an Advisory Board if the issue is not resolved following 15 days of consideration by the Joint Commission. The Advisory Board process would occur in parallel—or in lieu of—review of the issue by Ministers of Foreign Affairs. At the end of this second 15-day period, the JCPOA participants would have 5 additional days to consider an opinion of the Advisory Board, if any. If, at the end of that 35-day process, the issue has not been resolved, the complaining participant could treat the issue as grounds to cease performance of its JCPOA commitments in whole or in part or to refer to the issue to the United Nations Security Council. The opinion of the Advisory Board is nonbinding and would in no way preclude us from exercising our option to refer the matter to the Security Council or to cease performance of our commitments. Furthermore, even if the Advisory Board was unable to issue a recommendation within the relevant time period, we would still have the ability to refer the issue to the Security Council. The procedures for the Advisory Board have not been elaborated, and we anticipate that the JCPOA participants will address this issue in the Joint Commission.

Question. The "Dispute Resolution Mechanism" details the process by which the U.N. Security Council "shall vote on a resolution to continue the sanctions lifting. If the resolution described above has not been adopted within 30 days of the notification, then the provisions of the old U.N. Security Council resolutions would be reimposed, unless the U.N. Security Council decides otherwise."

♦ What does "unless the U.N. Security Council decides otherwise" mean? How could this change the process detailed in the JCPOA for dispute resolution?

Answer. United Nations Security Council Resolution 2231 establishes an unprecedented "snapback" mechanism under which any Joint Comprehensive Plan of Action participant has the unilateral ability to reimpose United Nations (U.N.) sanctions without the worry of a veto by any of the permanent members of the U.N. Security Council. Instead, there would be a vote in the Security Council to continue the sanctions relief, which we could veto, thereby resulting in the reimposition of all U.N. sanctions.

"Unless the Security Council decides otherwise" in this provision means that, during the 30-day period following notification of significant nonperformance, the Security Council could decide to do something other than reimpose all U.N. sanctions. For example, if the nonperformance was significant but there was a desire within the P5+1 to impose partial snapback, the Security Council could decide to reimpose some but not all U.N. sanctions. However, this would require an affirmative vote by the Council, and we would be able to veto such a decision and ensure full snapback if we were not satisfied with partial snapback. The threat of full snapback will provide us with important leverage in such situations.

RESPONSES OF SECRETARY JOHN F. KERRY TO QUESTIONS SUBMITTED BY SENATOR DAVID PERDUE

Question. During the State Department Authorization markup, I offered an amendment, which passed by voice vote, to require that the Secretary of State, in coordination with the Secretary of Defense and other members of the National Security Council, develop a strategy for a post-Iran deal Middle East, to include: efforts to counter Iranian-sponsored terrorism in the Middle East, efforts to reassure U.S. allies and partners in the region, and efforts to address the potential for a conventional or nuclear arms race in the Middle East.

♦ Does such a strategy exist currently? If so, could you please provide?

Answer. Iran's support for terrorism and its destabilizing activities in the region are a serious concern for this administration. U.S. actions to counter Iran's destabilizing actions fall into several broad lines of effort. First, we are undermining Iran's capacity to execute attacks directly and through its partners and proxies by expanding our cooperation with, and strengthening the capacity of our, regional partners. Second, we are working to restrict Iran's ability to move money and material for illicit purposes through sanctions and direct action when necessary. Third, we remain committed to Israel's security and that of our other regional allies and we continue to build up our partners' capacity to defend themselves against Iranian aggression. Fourth, we are working unilaterally and with allies to weaken Hezbollah's financial networks. Fifth, we publicize Iran's meddling wherever we can in order to disrupt Iran's relationships with its partners. Finally, over the long term, we seek to strengthen democratic institutions and the rule of law in countries that face threats from Iranian proxy activities.

Question. Martin Dempsey said on Capitol Hill that the U.S. should not release any pressure on Iran relating to its ballistic missile program and conventional arms trade. "Under no circumstances should we relieve pressure on Iran relative to ballistic missile capabilities and arms trafficking," he told the Senate Armed Services Committee.

♦ Why were the concessions on the arms embargo and ballistic missile ban given to Iran?

Answer. The only arms and missile sanctions that are being relieved under this deal are those that were put in place by the United Nations Security Council. The UNSC was explicit in its resolutions that these sanctions were put in place to address the international concerns about Iran's nuclear activities and would come off when Iran addressed those concerns, and no other regional issues were mentioned in these resolutions. Because we recognize their value, we have insisted that these sanctions remain in place for a considerable period of time. Specifically, the arms embargo will remain in place for up to 5 years and missile restrictions will remain in place for up to 8 years.

These provisions are not the only ones we utilize to curb Iran's missile and conventional arms-related activities. Separate from these UNSC restrictions, we have now, and will continue to have, a number of robust domestic and multilateral authorities that we will continue to use with international partners to counter Iran's destabilizing activities. For example, we will continue our efforts to counter the spread of missiles and related technology to or from Iran through the use of U.S. sanctions, export controls, and cooperation with partner states, including through the 34-country Missile Technology Control Regime (MTCR).

Question. In the hearing, you said in response to questions, "Even with the lifting of sanctions after 8 years on missiles or 5 years on arms or the U.N. sanctions, it's only the U.N. sanctions. We still have sanctions. Our primary embargo is still in place. We are still sanctioning them." If that is the case, why was the arms embargo and missile ban language even included in the JCPOA, if its inclusion has such little impact, as you indicated in the hearing?

Answer. The only arms and missile sanctions that are being relieved under this deal are those that were put in place by the United Nations Security Council. The UNSC was explicit in its resolutions that these sanctions were put in place to address the international concerns about Iran's nuclear activities and would come off when Iran addressed those concerns. These resolutions laid out a roadmap for removing these sanctions if the nuclear concerns were resolved and it was always envisioned by the UNSC that these—and all other sanctions in these resolutions—would ultimately be removed. Nevertheless, we have insisted that the conventional arms and missile provisions remain in place for a considerable period of time. Specifically, the arms embargo will remain in place for up to 5 years and missile restrictions will remain in place for up to 8 years.

Question. According to reports by Roubini Economics and Foundation for Defense of Democracies, sanctions had forced Iran's economy into a severe recession in 2012 and early 2013. Given that Iran's economy was in a severe recession, marked by negative growth, a plummeting currency, and hyperinflation, why was the $700 million per month payment necessary to bring Iran to the negotiating table? Do you believe the P5+1 could have extracted larger concessions from Iran without those monthly payments, or if you had waited longer to initiate the JPOA process?

Answer. The powerful set of U.S. and international sanctions on Iran, and especially those imposed over the last 5 years, effectively isolated Iran from the world economy. International consensus and cooperation were vital to the pressure that we imposed. During the leadup to the Joint Plan of Action (JPOA), we were able to maintain strong economic pressure because Iran's major trading partners and oil customers joined us in imposing pressure on Iran. These countries paid a significant economic price to do so, and they did it based on U.S. sanctions and a credible path forward toward a negotiated solution. The point of these efforts was clear: to change Iran's nuclear behavior, while holding out the prospect of relief if Iran addressed the world's concerns about its nuclear program. The $700 million per month repatriation of Iran's restricted oil revenue—which belongs to Iran and is not a "payment"—was a critical component of the JPOA's temporary sanctions relief, and necessary to reach a final Joint Comprehensive Plan of Action (JCPOA). The limited and temporary sanctions relief offered to Iran as part of the JPOA was a vital intermediate step that made it possible for the P5+1 to reach a comprehensive deal with Iran to ensure that it does not develop a nuclear weapon.

Sanctions were a means to an end, and were only possible in cooperation with our international partners. U.S. failure to initiate negotiations in conjunction with our partners to pursue a JCPOA would have left the United States isolated and would have undermined the effectiveness of our sanctions pressure. The deal we have achieved in the JCPOA is a strong one. It provides sanctions relief only in exchange for verified Iranian compliance with nuclear-related steps, and it has a strong snapback mechanism built in to reimpose sanctions if Iran does not meet its commitments.

Question. Secretary Kerry, you said before SFRC in March, "our negotiation is calculated to make sure they can't get a nuclear weapon." President Obama said in April that "in year 13, 14, 15" . . . "the breakout times would have shrunk down to almost zero." With that said, does this deal preclude Iran from ever obtaining a nuclear weapon? Or merely delay this from happening?

Answer. Full implementation of the Joint Comprehensive Plan of Action (JCPOA) will peacefully and verifiably prevent Iran from obtaining a nuclear weapon. Under the JCPOA and as a nonnuclear weapons state party to the Nuclear Non-Proliferation Treaty (NPT), Iran will remain prohibited from developing or acquiring a nuclear weapon indefinitely. Furthermore, in addition to the enhanced transparency and verification measures under the JCPOA, Iran will undertake legally binding safeguards obligations under the Additional Protocol to its Safeguards Agreement with the International Atomic Energy Agency (IAEA), which will significantly enhance the IAEA's ability to investigate questions about covert nuclear activities in Iran through access to a broader range of Iranian facilities. Iran's commitments under the AP provide the IAEA with the tools needed to draw credible assurances about the absence of any breakout effort, and the AP obligations will extend indefinitely.

Question. On November 24, 2013, you said in an ABC News interview: "There is no right to enrich. We do not recognize a right to enrich. It is clear, in the—in the NPT, in the nonproliferation treaty, it's very, very [clear] that there is no right to enrich." Why did P5+1 negotiators cede enrichment to Iran in the JCPOA?

Answer. The Joint Comprehensive Plan of Action (JCPOA) does not address the question of whether there is a "right" to enrich. The JCPOA simply acknowledges

that full implementation of the JCPOA would enable Iran to enjoy its right to nuclear energy for peaceful purposes under the relevant articles of the Nuclear Non-Proliferation Treaty (NPT), in line with its obligations therein. Under the JCPOA, Iran will continue to enrich, but its enrichment activities will be significantly constrained and rigorously monitored by the IAEA.

Question. Would you confirm that this deal does, in fact, reverse decades of U.S. nonproliferation policy?

Answer. No, we disagree with that assertion. Full implementation of the Joint Comprehensive Plan of Action (JCPOA) will peacefully and verifiably prevent Iran from obtaining a nuclear weapon and return Iran to compliance with its international nuclear obligations. A deal that restricts Iran's enrichment capacity and brings Iran's nuclear behavior in line with its obligations under the Nuclear Non-Proliferation Treaty and under its IAEA safeguards agreements is consistent with longstanding U.S. nonproliferation policy to prevent countries from developing or acquiring nuclear weapons and advances the U.S. goal of strengthening and promoting the global nonproliferation regime.

Question. This deal would allow Iran, a pariah state, to leap 18 nations with peaceful nuclear programs who do not enrich, and to be treated like Japan, Argentina, the Netherlands, Brazil, and Germany. Why should Iran be granted the right to enrich, when 18 other nations with peaceful nuclear programs do not enrich domestically? What is the purpose, if not to obtain a nuclear weapon?

Answer. Iran has been enriching for over a decade and it has a comprehensive knowledge of the nuclear fuel cycle, which cannot be sanctioned or bombed away.

The JCPOA does not address the question whether there is a "right" to enrich. The JCPOA simply acknowledges that full implementation of the JCPOA would enable Iran to use nuclear energy for peaceful purposes under the relevant articles of the Nuclear Non-Proliferation Treaty (NPT) in line with its obligations therein.

The deal requires dramatic cuts in Iran's installed enrichment capacity and imposes other limits on Iran's nuclear program. Moreover, the JCPOA includes the most comprehensive and rigorous verification regime ever negotiated.

Question. From what I understand, this deal is predicated on the idea that the Iranian regime will change its behavior. What indications do you have that Iran will change its behavior in the next 10–15 years, when it is allowed to have an industrial-scale nuclear program?

Answer. This deal is about verifiably ensuring that Iran's nuclear program is and will remain peaceful going forward. Every one of Iran's nuclear commitments will be verified by the IAEA and reported upon. The interim Joint Plan of Action (JPOA) agreed to in January 2014 has demonstrated that given the proper incentives, Iranian compliance can be secured and verified. Under the JCPOA, inspections and transparency measures will continue well beyond 15 years; some extend for 25 years and some are permanent. For example, the deal provides for Iranian implementation and ratification of the IAEA's Additional Protocol, which would make those transparency obligations permanent.

Question. Can you describe how Iran currently provides weapons and other military equipment to Syria? When was the last time the United States intercepted ships or illicit cargo from Iran to Syria?

Answer. Iran has supplied critical support to the Assad regime, providing not only billions of dollars in funds, but also weapons, strategic guidance, technical assistance, and training, thus enabling the regime's continued repression and slaughter of tens of thousands of Syrians. Iran utilizes ground, air and shipping routes to continue to supply the Assad regime. We continue to work with our partners to discourage this support in violation of international sanctions. We are coordinating with the international community on ways to limit Iran's efforts to resupply the Assad regime with the means to perpetuate its brutality. We have imposed targeted sanctions on Iran's Islamic Revolutionary Guard Corps and its Ministry of Intelligence and Security for their support to the Assad regime and its campaign of horrors against the Syrian people.

Question. I am concerned with what I have learned about the "roadmap" being negotiated between the IAEA and Iran regarding Parchin and PMD. Will the United States, or the rest of the P5+1, ever see the documents relating to the unresolved issues regarding the Possible Military Dimensions (PMD) of Iran's nuclear program? How can the United States, or any other nation or body, provide any sanctions relief to Iran without knowing was has been resolved regarding the Parchin facility or PMDs?

Answer. The International Atomic Energy Agency (IAEA) and Iran have agreed on a time-limited "Roadmap" through which Iran will address the IAEA's concerns regarding past and present issues, including PMD and those specific issues set out in the IAEA Director General's November 2011 report. Under the Joint Comprehensive Plan of Action (JCPOA), Iran must complete the activities required of it in this roadmap by October 15, well in advance of any sanctions relief. The IAEA will report whether or not Iran has taken those steps. If Iran does not take those steps, we will not implement our commitment to provide sanctions relief.

The roadmap text refers to two "separate arrangements" between the IAEA and Iran, one of which concerns the issue of Parchin. Such arrangements related to safeguards agreements and inspections activities, including the arrangement concluded pursuant to the U.S. safeguards agreement with the IAEA, are confidential within the IAEA system. Our experts have been briefed on the contents of these documents, and we have in turn briefed Congress on them in a classified setting.

The roadmap makes clear that the Director General will provide regular updates to the IAEA Board of Governors, which includes the United States, and will provide a final assessment on the resolution of all past and present outstanding issues by December 15. And as Secretary Kerry has noted, we are already confident in our knowledge of what occurred at Parchin.

Indeed, ongoing concerns about the nature of Iran's nuclear program are what made it so imperative that we finalize a deal that cuts off all of the pathways to enough fissile material for a nuclear weapon, implements unprecedented transparency measures, and imposes real constraints on activities that Iran would need to conduct weaponization efforts in the future.

Question. As I am sure you have seen, a recent GAO report found that our own State Department failed to provide timely reports to Congress on Iran's weaponization efforts—with delays ranging from 22 months to 3 years. According to the GAO report, the State Department admitted that political concerns, such as international negotiations, can delay State's process in notifying Congress of violations.

♦ Can you assure Congress that such delays will not occur while enforcing the JCPOA?

Answer. The administration's level of engagement with Congress on the Joint Comprehensive Plan of Action (JCPOA) has been unprecedented and we look forward to continuing our close and timely consultations with you, including on possible concerns related to the implementation of the JCPOA.

In response to the recent GAO report regarding the timeliness of the INKSNA reports, the Department is reviewing its INKSNA process and continuing to incorporate lessons learned from previous iterations into each new reporting cycle. As you know, INKSNA requires that we notify Congress of transfers of a wide range of goods, services, or technologies to or from Iran, Syria, or North Korea. This includes transfers of many dual-use items, even if those items may be used for ordinary commercial purposes and have no connection to weapons development.

Question. From what I understand of Iran's cheating, they tend to cheat incrementally, but the sum total of their cheating is egregious. However, paragraph 37 of the JCPOA indicates that Iran will cease performing all of its commitments in the event of a full or partial snapback. How can the United States use snapback to compel Iran to comply with the deal, allow inspections, or make any changes in their behavior—if using snapback releases Iran from all of its commitments? Doesn't the all-or-nothing nature of snapback effectively deter the United States from ever seeking to punish Iranian violations? Specifically, how would you enforce small violations?

Answer. The snapback provision we have secured is unprecedented and it allows for us to have the unilateral ability to reimpose U.N. sanctions without the worry of a veto by any other permanent member of the Security Council, including Russia or China.

The threat of snapback under the Joint Comprehensive Plan of Action (JCPOA) provides us and our partners with enormous leverage to deter Iranian noncompliance because Iran would have to weigh the potential benefits to it of the activities that amount to a violation against the very real risk that multilateral and national sanctions will be reimposed against Iran as a result of that violation.

If there are small violations, we can use the threat of full snapback to convince our partners to take steps to address it. For example, if the nonperformance was significant but there was a desire within the P5+1 to prevent full snapback, the Security Council could decide to reimpose some but not all U.N. sanctions. This would require an affirmative vote by the Council, and we would be able to veto such a decision and ensure full snapback if we were not satisfied with partial snapback.

This approach gives us maximum flexibility and maximum leverage. We also have a range of options for snapping back domestic sanctions to respond to smaller violations of the JCPOA if we so choose. And we have other areas of leverage for responding to small violations, including action in the Joint Commission, on procurement proposals, and in civil nuclear projects.

Question. Since the JCPOA is very heavily front-loaded on sanctions relief to Iran, are you concerned that Iran could sufficiently pad its economy to be more resistant to efforts to "snap back" sanctions?

Answer. We have been very clear: when the JCPOA goes into effect in October, there will be no immediate changes to U.N., EU, or U.S. sanctions. There is no "signing bonus." Only if Iran fulfills the necessary nuclear steps—which will roll back its nuclear program and extend its breakout time fivefold to at least 1 year—will the United States, the EU and the U.N. provide sanctions relief. We expect Iran to take at least 6 to 9 months to accomplish these nuclear steps. Until Iran completes those steps, we are simply extending the limited relief that has been in place for the last year and a half under the Joint Plan of Action.

Should Iran violate its commitments once we have suspended sanctions, we will be able to promptly snap back both U.S. and U.N. sanctions, and our EU colleagues have reserved the ability to do so with respect to their sanctions as well. New measures could also be imposed if Iran were to violate its commitments and renege on the deal. This credible "snapback" mechanism ensures that we will be able to reimpose sanctions pressure in cooperation with our international partners, thereby ensuring their maximum effectiveness in inducing Iran to meet its commitments. Moreover, after Implementation Day, as Iran enters into new financial relationships, attracts foreign investment, conducts trade and exports goods, the higher the cost will be if sanctions snap back.

Question. Can you clarify the contract sanctity provision built into the snapback provision? The agreement states in the event of snap back of U.N. sanctions "these provisions would not apply with retroactive effect to contracts signed between any party and Iran or Iranian individuals and entities prior to the date of application . . ." What does that mean for a major energy contract to develop an oil field, or to purchase natural gas, in the event of snapback sanctions?

Answer. There is no "grandfather clause" in the JCPOA. While we would not impose sanctions retroactively on foreign companies that did business with Iran during the period of sanctions relief, we would not give those companies a free pass to continue to do business with Iran after a snapback. We have been very clear in communicating this to our diplomatic partners as well as to the private sector. Moreover, this conclusion is very clear from the language of the JCPOA: the passage quoted in your question leaves out the key qualifying language "provided that the activities contemplated under, and execution of, such contracts are consistent with this JCPOA and the previous and current U.N. Security Council resolutions." This simply means that the activities allowed under a snap back are the same as those that are allowed under current UNSCRs and that are consistent with the JCPOA.

Question. The Iran Sanctions Act (ISA) is set to expire in December of next year. ISA was originally passed in response to not only Iran stepping up their nuclear program, but to curb its support of terrorist organizations, such as Hezbollah, Hamas, and the Palestine Islamic Jihad.

♦ Does the administration support this Congress extending that law beyond its current expiration? Please explain your answer.

Answer. Given that the Iran Sanctions Act does not expire until December 2016, we believe it would be premature to extend it before then. We look forward to continuing this discussion with Congress.

Question. Last week, the UNSC voted unanimously to approve the JCPOA. If Congress were to override a veto on a resolution of disapproval on the deal, would this have any effect on the UNSC's decision?

Answer. If Congress were to override a veto on a resolution of disapproval and the United States walked away from this deal, the most likely scenario would be that Iran would refuse to meet its commitments under the JCPOA, the JCPOA would collapse, and the U.N. sanctions relief contemplated under UNSC Resolution 2231 would never materialize. This is because the U.N. sanctions relief under the UNSC resolution does not occur until the IAEA verifies that Iran has taken the nuclear steps outlined in the JCPOA. Without domestic sanctions relief from the United States, Iran would not disconnect centrifuges, or get rid of its uranium stockpile, or fill the core of the current Arak reactor with concrete. In such a scenario, the existing UNSC sanctions regime would remain in place, but we anticipate that

it would be much harder to ensure that these measures are adequately enforced. If the United States walked away from the strong deal that has been negotiated, states would be less willing to cooperate with us in enforcing these measures, such as by interdicting suspicious cargo at our request. This would put us in the worst possible position of having no deal on the nuclear side, and losing our leverage to ensure the effectiveness of multilateral and national sanctions.

Question. Would you disagree that the UNSCR directly violates the spirit of the Iran Nuclear Agreement Review Act that passed in the Senate with the support of 98 Senators?

Answer. Yes, we disagree with that assertion. Nothing in the Security Council resolution affects Congress' review of the JCPOA, and nothing in the Security Council resolution requires the United States to take any action that would be inconsistent with the Iran Nuclear Agreement Review Act (INARA). The Security Council resolution does not lessen the importance of Congress or its review of the JCPOA, and we will remain in close consultation with Congress throughout the review period.

Question. Secretary Kerry, in light of your pledge on this deal, that this deal would have to pass muster with Congress, didn't the administration act in bad faith by pushing the deal through the Security Council before Congress could vote? How could President Obama have said—with any measure of sincerity—that Congress would get a full opportunity to review the deal if he already planned to preempt Congress by going to the Security Council within 6 days?

Answer. Congress has a full opportunity to review the deal. U.N. Security Council Resolution 2231 does not lessen the importance of Congress or its review of the JCPOA. Nothing in the resolution affects Congress' review of the JCPOA, and nothing in the resolution requires the United States to take any action that would be inconsistent with the Iran Nuclear Agreement Review Act (INARA). As we have explained, our P5+1 negotiating partners felt strongly that the Security Council should not delay in endorsing this important deal, and adopting the U.N. Security Council resolution was the next logical step given that the Iranian nuclear program has been a long-standing issue among the P5+1 and in the Security Council.

We remain committed to continuing our close consultations with Congress on the JCPOA throughout the 60-day review period and beyond.

Question. On Monday, July 20, 2015, Iranian Defense Minister Brigadier General Hossein Dehqan stated that no foreign authority would be allowed access to Iranian military and security sites. How can an effective inspections and verification regime be implemented without unfettered, unannounced access to those sites?

Answer. The Joint Comprehensive Plan of Action (JCPOA) includes the most comprehensive and rigorous verification regime ever negotiated. It ensures both timely and effective International Atomic Energy Agency (IAEA) access necessary to verify Iran's compliance, including at military sites. For example, in an instance where the IAEA has a question about an undeclared location, the IAEA would be able to request access under the Additional Protocol. Under the JCPOA, if Iran disputes the IAEA's access to such a location, the Joint Commission established under the JCPOA can require Iran to provide the IAEA the access it requested within a time-bound period if we and a majority of our P5+1 and EU partners agree it is necessary. The United States, along with the United Kingdom, France, Germany, and the EU High Representative, would constitute a majority of Joint Commission members even if all others opposed.

Question. One of the largest firms controlled by the IRGC, Khatam al-Anbia will be de-listed through the terms of the JCPOA. This firm which employs more than 135,000 in Iran was designated for proliferation of weapons of mass destruction and is currently developing a new pipeline from Iran to Pakistan.

- Why should all EU sanctions be lifted on this company without a certification that it is no longer engaging in proliferation activities? Why should the United States support de-listing of one of the major sources of revenue for the IRGC?

Answer. The European Union will maintain its nuclear-related sanctions on Khatam al-Anbia as late as was possible under the JCPOA—until Transition Day, which is 8 years from Adoption Day, or when the IAEA reaches the Broader Conclusion that all nuclear material remains in peaceful activities, whichever comes first. Moreover, Khatam al-Anbia will not be subject to any relief from U.S. sanctions under the JCPOA. As we have noted, we retain all the authorities necessary to aggressively combat and enforce our sanctions against the Islamic Republican Guard Corps (IRGC), as well as Iran's support for terrorism, human rights abuses, and destabilizing activities in the region. These authorities are in no way impacted by the JCPOA. Moreover, U.S. "secondary" sanctions on persons and entities des-

ignated under those authorities remain in place. These sanctions will continue to allow us to target foreign parties doing business with those persons and entities.

Question. Ansar Bank along with Mehr Bank in Iran are both IRGC-owned. They will now be given access to the global financial network through access to the SWIFT banking system. How will the United States and the international community "snap back" sanctions on these banks should they continue to support the exportation of terrorism? Do you envision a scenario where these banks are put back on designation lists? Can you please describe that scenario?

Answer. Ansar Bank and Mehr Bank are not receiving sanctions relief under U.S. sanctions as part of the JCPOA and will still be denied access to the U.S. financial system, the world's largest commercial and financial market. This includes powerful secondary sanctions that allow us to target foreign banks if they engage in transactions with Iranian persons on the SDN List. We will continue to aggressively enforce such measures.

Question. There is confusion over whether sanctions on Qassem Soulemani, the head of the IRGC, will be lifted under the deal. Can you clarify whether U.S. and EU sanctions will also be lifted? Why were individuals, like Soulemani, included in a final deal and what process will be put in place to redesignate them should they continue to engage in terrorism? Wouldn't Iran see a redesignation of these individuals as in violation of the deal?

Answer. Soleimani and other IRGC and Quds Force officials and entities are not being delisted by the United States; they will remain designated for their support for terrorism and other destabilizing activities, and all sanctions pertaining to them will absolutely remain in effect and will be vigorously enforced.

The United States will maintain sanctions on the IRGC, the Quds Force, its leadership, and its entire network of front companies—and the JCPOA has no effect on those sanctions whatsoever. These are powerful sanctions that also target non-U.S. persons, meaning that foreign banks that conduct business for, or on behalf of, the Quds Force or Soleimani will risk being cut off from the U.S. financial system. In addition to U.S. sanctions, the EU will continue to list Soleimani and the IRGC–QF under other, nonnuclear sanctions authorities.

Question. Ayatollah Khamenei told supporters on July 18 that U.S. policies in the region were "180 degrees" opposed to Iran's at a speech in a Tehran mosque punctuated by chants of "Death to America" and "Death to Israel." Secretary Kerry, following those comments, you said, "If it is the policy, it's very disturbing, it's very troubling." Do you stand by these comments? If this is truly Iran's policy toward our Nation, why did we negotiate such a generous deal with them? What types of behavior do you expect to see from Iran in the future?

Answer. This agreement is not about a change in the broader U.S. relationship with Iran. It is about eliminating the biggest and most imminent threat—a nuclear-armed Iran.

We do not have the luxury of only negotiating with our friends and allies. Just as we managed to reach understandings with the Soviet Union on very specific security issues despite our differences, our very real disagreements with Iran continue and we have been honest about that with them. This deal advances the national security interests of the United States and our closest allies, while furthering regional security.

We have been clear from the beginning of this process that these negotiations are only about the nuclear issue and that our end goal is preventing Iran from obtaining a nuclear weapon and ensuring that Iran's nuclear program is and will remain peaceful going forward. This deal is about stopping Iran's pathways to a nuclear weapon, not changing all of the regime's behavior.

Moreover, we will continue to counter Iran's destabilizing and threatening actions in the region aggressively. The President is committed to working closely with Israel, the gulf countries and our other regional partners to do just that. Our sanctions targeting Iran's support for terrorism, its human rights abuses, and its destabilizing activities in the region will remain in place and we will continue to vigorously enforce them.

Question. Iran's Ambassador to the U.N. after the Security Council approved of a nuclear deal stated that "The resolution and the agreement also provided for the termination of Council resolutions that unjustifiably placed sanctions on Iran for its efforts to exercise its rights. Nobody had ever presented any proof indicating that Iran's programme had been anything but peaceful." How does this statement stand up to scrutiny as a report from May 2011 stated that there was evidence of Iranian "studies involving the removal of the conventional high explosive payload from the

warhead of the Shahab-3 missile and replacing it with a spherical nuclear payload.'"?

Answer. The International Atomic Energy Agency (IAEA) documented many failures by Iran to comply with its safeguards obligations, which resulted in the IAEA Board of Governors finding Iran in noncompliance with its Comprehensive Safeguards Agreement and referring the matter to the United Nations Security Council. The Director General's November 2011 report to the IAEA Board of Governors provided the most comprehensive and detailed public assessment of the possible military dimensions of Iran's nuclear program. In addition, the U.S. Intelligence Community assesses Iran had a structured nuclear weapons program until 2003.

Full implementation of the Joint Comprehensive Plan of Action (JCPOA) will verifiably prevent Iran from acquiring a nuclear weapon and ensure Iran's nuclear program is exclusively peaceful.

Question. If the IAEA certifies Iran has met its nuclear obligations under the JCPOA, but has yet to make a finding on the possible military dimensions of Iran's nuclear program, will sanctions relief still be provided? What happens if the IAEA has additional questions and concerns that cannot be answered by December 15? Is that a hard deadline, or can the Director report whenever he chooses? Will the IAEA inspectors investigating the PMD file have full unfettered access to all scientists and sites they deem necessary, or will Iran have a say in who and what they can see? What happens if the IAEA concludes in future reports that it still cannot rule out a possible military dimension to Iran's program? Will this provide grounds to snap back sanctions, or is this purely a technical issue between Iran and the IAEA?

Answer. The International Atomic Energy Agency (IAEA) and Iran have agreed on a time-limited "roadmap" through which Iran will address the IAEA's concerns, including those specific issues set out in the IAEA Director General's November 2011 report on PMD.

Under the JCPOA, Iran must complete the activities required of it in this roadmap by October 15, 2015, well in advance of any sanctions relief. If Iran does not implement those commitments, we will not implement our commitment to provide sanctions relief. The Director General will issue a report on PMD by December 15, 2015, as detailed in the roadmap.

The purpose of the "final assessment" is to resolve outstanding issues, not to give Iran a clean bill of health. The U.S. Intelligence Community assesses that Iran had a structured nuclear weapons program until 2003, as documented in the 2007 National Intelligence Estimate (NIE). The JCPOA is fundamentally focused on ensuring that Iran's nuclear program is exclusively peaceful. This is why the JCPOA has the most rigorous verification regime ever negotiated, including a special access provision that goes beyond the Additional Protocol in setting a defined time limit to ensure the IAEA gets access to any undeclared locations suspected of containing nuclear materials, nuclear activities, or other activities inconsistent with the JCPOA.

We would take seriously any future concerns raised by the IAEA regarding Iran's implementation of its commitments under the JCPOA and/or its safeguards obligations. We have a range of options to address Iranian noncompliance so as to more effectively deter Iran from violating the deal. Allegations that it was conducting weapons-related work would obviously be the most serious and result in the most serious of responses.

Question. If the same Iranian regime is in place 10, 15 years from now, with the same record of support for terrorism and human rights abuses, why would we trust it with an industrial sized enrichment program, when we don't trust it today?

Answer. This deal is not about trust. It is about verifiably ensuring that Iran's nuclear program is and will remain peaceful going forward. Every one of Iran's commitments will be verified by the IAEA and reported. Important monitoring and verification measures extend beyond 15 years; some extend for 25 years and some are permanent. For example, the deal provides for Iranian ratification of the IAEA's Additional Protocol, which would make those transparency obligations permanent. The Additional Protocol gives the IAEA the access and information it needs to provide credible assurances about the absence of undeclared nuclear activities in Iran and will continue indefinitely.

The United States remains deeply concerned about Iran's support for terrorism, its destabilizing activities in the region, and its abysmal human rights record. All U.S. terrorism and human rights-related sanctions will remain in place.

Question. If the Iranian regime moves to build an industrial sized nuclear program after 15 years, what would your recommended course of action be for the

United States? Could reimposition of sanctions be a successful deterrent when Iran could breakout in days?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran is constrained to using only its first generation IR–1 centrifuges for the first 10 years. Importantly, the transparency measures under the JCPOA will ensure unparalleled insight into Iran's program during this period, and various enhanced transparency and monitoring measures will remain in place well past 10 years. Certain measures will last for 15 years, others for 20–25 years, and some will last forever, such as Iran's adherence to the Additional Protocol. After 15 years, should we suspect Iran is pursuing nuclear weapons, we would have the same options available to us then as we do today to prevent such an effort from coming to fruition. Without a deal, Iran would likely resume unconstrained research and development on advanced centrifuges and could be in a position to field second generation centrifuges within months and third generation centrifuges within years.

Question. To what extent, if any, will lifting the arms embargo and ballistic missile ban contribute to Iran's ability to modernize its armed forces and expand its influence in the region? Do you foresee, then, a conventional arms race in the Middle East, as Iran's neighbors scramble to defend themselves from Iran's growing power?

Answer. The arms embargo and missile restrictions on Iran under U.N. Security Council Resolution (UNSCR) 1929 were designed to pressure Iran specifically to address the international community's concerns with its nuclear program. UNSCR 1929 anticipated that the related restrictions would be lifted as Iran addressed these concerns. Not surprisingly, Iran and Russia pushed for an immediate lifting of the arms embargo and missile restrictions as soon as Iran came into compliance with the Joint Comprehensive Plan of Action. Through hard bargaining, we were able to ensure that UNSCR 2231 codifying the JCPOA extends the arms embargo and missile restrictions for an extended period of time, even after the JCPOA takes effect. Even after these arms and missile restrictions on Iran are lifted, we can still rely on a broad set of multilateral and unilateral tools, including other UNSCRs and sanctions, to continue to restrict Iranian conventional arms and missiles. We will also keep in place the U.S. sanctions that apply to Iran's missile program, including the "secondary" sanctions that apply to foreign banks that engage in transactions with entities that have been designated for their role in the missile program.

This deal does not mark the beginning of an arms race in the Middle East. We seek to undermine Iran's capacity to execute attacks directly and through its partners and proxies by expanding our cooperation with and strengthening the capacity of regional partners. We are working to restrict Iran's ability to move money and material for illicit purposes through sanctions and direct action when necessary. We remain committed to Israel's security and that of our other regional allies, and we continue to build up our partners' capacity to defend themselves against Iranian aggression.

Question. Iran is violating the arms embargo with shipments to Assad, Hezbollah, and the Houthis. If Iran continues to violate the arms embargo what is the United States prepared to do? If Iran will not adhere to this requirement, why should we believe it will adhere to other provisions? If the United States will not snap back sanctions for violations of the arms embargo, why should Iran believe in snapback for other violations?

Answer. We will continue to hold the Iranian Government accountable for its terrorist actions and destabilizing activities in the region, and have already engaged in very forward-leaning initiatives to do just that. We worked with partner nations to turn around a convoy that was bringing weapons to Yemen; thanks to international pressure, Iran was forced to turn around an Islamic Revolutionary Guard Corps (IRGC) Naval flotilla that attempted to dock in Yemen in April 2015. As a result of this effort, in May 2015, Iran sent an aid shipment to Yemen aboard the Iranian merchant vessel *Nejat* through proper U.N. channels in Djibouti. We also continue to work with our partners to restrict Iran's ability to move money and material for illicit purposes through sanctions.

The JCPOA contains specific language in its annexes, which lay out what is expected of whom and when. That precision is what gives us confidence we will be able to hold Iran accountable. If Iran violates its commitments once we have suspended sanctions, we can promptly snap back both U.S. and U.N. sanctions. In the U.N., the United States has the ability to effectively force the reimposition of those sanctions, no matter which country objects. This puts us in a strong position to ensure resumption of sanctions should the Iranians violate the deal.

Question. The administration has cited various international and domestic authorities that will allow the United States to continue addressing Iranian arms exports and imports. The agreement specifically highlights the Iran, North Korea, Syria Non-Proliferation Act as a U.S. sanctions law that will remain in effect. The GAO recently conducted a review and found the State Department had failed to carry out the law, and was some 3 years behind in issuing mandatory reports under the law. What are you doing to come into compliance with the law? Why has the administration been out of compliance with the law?

Answer. The Iran, North Korea, and Syria Nonproliferation Act (INKSNA) is an important tool in the nonproliferation toolkit and the Department has sanctioned a substantial number of foreign persons pursuant to INKSNA. In response to the recent GAO report regarding the timeliness of the INKSNA reports, the Department is reviewing its INKSNA process and continuing to incorporate lessons learned into each new reporting cycle. We are working to get the remaining INKSNA reports submitted as soon as possible.

Question. Throughout the negotiations, including in the weeks prior to the agreement, the administration promised "anywhere, anytime" inspections. The agreement now allows "managed access" and could take up to 24 days to resolve any disputes over access and allow actual inspections. Why the 24 day period? Are you fully confident that the 24 day window for inspectors to gain access to suspect sites is sufficient to prevent Iran from hiding its activities or covering its tracks?

Answer. The suggestion that we sought anytime/anywhere inspections is not accurate—the administration did not seek anytime/anywhere inspections. The IAEA has never had anytime/anywhere inspections except in Iraq for a period of time after the 1991 war (until Iraq stopped cooperating) and the concept has never been accepted for the IAEA as part of a negotiated agreement. Throughout the JCPOA negotiations, we sought to ensure the IAEA would have access wherever it needed to go/whenever it needed to go to verify that Iran is complying with its commitments. The JCPOA has achieved just that. The IAEA has the access it needs to do its job in Iran.

To be clear, the IAEA can request access to any suspicious location with 24 hours' notice under the Additional Protocol, which Iran will implement under this deal. This deal does not change that baseline. It enhances it, by creating a new mechanism to ensure the IAEA gets the access it needs and setting a firm limit to resolve access issues—24 days. Without the special access provisions we negotiated in the JCPOA, Iran could stonewall the IAEA for years. The IAEA has been seeking access to the Parchin facility for well over 3 years.

Either Iran must provide the necessary access to resolve the International Atomic Energy Agency's (IAEA) concerns within 24 days (at the maximum), or Iran would be in violation of its Joint Comprehensive Plan of Action (JCPOA) commitments and sanctions could be snapped back. Our experts believe, and the history in Iran and elsewhere has shown, that a site contaminated with nuclear materials is very unlikely to be successfully sanitized within 24 days, or longer for that matter.

Question. A great deal of weaponization work does not include nuclear material. Won't Iran be able to conceal or move nonnuclear related weaponization work easily within the 24 day window?

Answer. Iran's JCPOA commitments, including on transparency and on refraining from certain weaponization-related activities, will better position the international community to detect weaponization activities and better position the IAEA to demand access.

The IAEA has historically had good success, including in Iran, in detecting traces of nuclear material following months of sanitization efforts. Other activities of concern, such as work on explosively driven neutron sources, could also leave signatures. Certain small-scale activities not involving nuclear material might be quickly removed, but a covert effort to develop a nuclear weapon would necessarily also include larger and less easily concealed activities, including some with nuclear materials, that could be uncovered even after 24 days to resolve access issues. Iran would also face the risk in undertaking a covert weapons program that the IAEA could detect signatures inconsistent with their explanation of activities at a suspicious location. The ability for the IAEA to have assured access to any location in Iran could serve as a powerful deterrent against a covert attempt to develop a nuclear weapon.

Question. While monitoring facilities with satellites during the 24 day period will detect large-scale efforts at deception; i.e., repaving areas, ferreting out nuclear material or equipment, how will you prevent Iran from covering up other activities, like computer modeling for weaponization purposes?

Answer. Iran's JCPOA commitments, including on transparency and on refraining from certain weaponization-related activities, will better position the international community to detect weaponization activities and better position the IAEA to demand access. Furthermore, our intelligence community will continue its robust efforts to identify any activities that would be inconsistent with this JCPOA.

There is no realistic verification system that could reliably ensure detection of all activities like computer modeling for nuclear weapons. However, such activities have been detected in Iran in the past and the explicit prohibition on conducting such work in the JCPOA means that these activities would now be grounds to find Iran in violation of its JCPOA commitments and snapback sanctions.

Question. What happens if after the 24 day period Iran has still not provided access to a site? Why are there no consequences spelled out in the agreement for specific violations? It would appear the only mechanism is to go to the Security Council and reimpose all sanctions?

Answer. We have the ability to snap back U.N. Security Council sanctions and/or U.S. domestic sanctions on our own authority, but we also have other means at our disposal short of snapback. Of course, we expect the Joint Commission to have an opportunity to resolve a range of compliance issues, including at the Ministers level if needed, and we have provided for this in the JCPOA itself. And because we have enormous leverage, we expect this process to be effective. We also have a range of other options for addressing minor noncompliance. These range from snapping back certain domestic sanctions to respond to minor but persistent violations of the JCPOA, to using our leverage in the Joint Commission on procurement requests.

Question. As part of the IAEA process of requesting site access, the agency must provide Iran "reasons for access in writing and will make available relevant information." Won't this reveal sources and methods and jeopardize future monitoring capability? Will we be limited in the number of times we are willing to come forward because we are concerned about exposing our sources?

Answer. The requirement to provide the "reasons for access in writing and [to] make available relevant information" is consistent with standard safeguards practice by the IAEA. The information provided would be at the discretion of the IAEA and would not compromise the IAEA's methods or ability to press for access. The IAEA has a long track record of making use of relevant information in a way that advances, rather than jeopardizes, its access rights.

Question. If Iran adheres to the agreement to the letter, aren't restrictions on the number and types of centrifuges that Iran can install lifted after year 15? Is that also not true for the number of enrichment facilities and the amount of R&D Iran can conduct? If Iran chooses to install advanced centrifuges after year 15, what would Iran's breakout time be? At that point if Iran did break out, would the international community have any options to stop Iran other than military force? We could not reimpose sanctions and have a meaningful impact in weeks or months at that point, correct?

Answer. Under the JCPOA, Iran is constrained to using only its first generation IR–1 centrifuges for the first 10 years. Iran will have the option after year 10 to undertake a gradual development of its enrichment program, but it will be limited to enriching only up to 3.67 percent and constrained to a minimal 300 kg stockpile for another 5 years. These limitations are important to ensuring that Iran's breakout timeline does not drop dramatically after year 10. Importantly, the transparency measures under the JCPOA will ensure unparalleled insight into Iran's program. Certain transparency and monitoring measures will last for 15 years, others for 20–25 years, and some will last indefinitely, such as Iran's adherence to the Additional Protocol. After 15 years, should we suspect Iran is pursuing nuclear weapons, we would have the same options available to us then as we do today to prevent such an effort from coming to fruition.

Question. The 24 day challenge inspection process only lasts for 10 years and then inspections will be done according to the Additional Protocol, correct? What is the process for handling denial of access to suspect sites under the Additional Protocol? My understanding is the dispute goes to the IAEA Board of Governors which may, or may not, refer the matter to the U.N. Security Council. This process can take months and there is no guarantee of access.

Answer. No, the special access provision under the Joint Comprehensive Plan of Action (JCPOA) lasts for 15 years. It is precisely the concern about Iran attempting to game the process to achieve delay that makes the JCPOA access provision for 15 years so valuable.

And while Iran could seek to deny the IAEA access after that point, the United States can and would work with our international partners on the IAEA Board of Governors and elsewhere—as it has in the past—to ensure that any failure by Iran to comply with its IAEA safeguards obligations would be brought the U.N. Security Council and acted upon. This existing IAEA process is available both during and after the 15 years that the special access provision is in place, and it is a significant deterrent to Iran: the UNSCRs in place for the past 9 years were a result of the IAEA's referral of Iran's noncompliance to the Security Council. In addition, the United States retains the right to pursue unilateral or multilateral steps with our European and other allies to bring Iran back into compliance with its obligations.

Question. Iran is only required to "seek" ratification of the Additional Protocol in year 8 of an agreement. What happens if the ratification does not take place? Why is the ratification only after 8 years? Beyond the NPT, what in this agreement is legally binding on Iran prior to ratification of the Additional Protocol?

Answer. Iran has committed to provisionally apply the Additional Protocol starting on Implementation Day. Under international law, provisional application is legally binding, pending ratification. Iran was not willing to take the permanent step of ratifying the Additional Protocol until the United States and EU terminated sanctions, which we were not prepared to do until Iran had complied with the JCPOA for a substantial period of time. In the meantime, beginning on Implementation Day, Iran will be legally obligated to abide by the Additional Protocol.

There is no end date to this JCPOA commitment, and it is not tied to any duration in the JCPOA.

If Iran fails to ratify the AP, we would have to determine whether it "sought" ratification in good faith: if it did not, that would be inconsistent with its JCPOA commitment and, potentially, a case of "significant nonperformance" that could trigger snapback. We would also look very closely at Iran's overall performance under the JCPOA, including its willingness to continue provisional application of the AP, to determine whether Iran was in full compliance.

Question. In 2003, Iran agreed to voluntarily adhere to the Additional Protocol. We all know that Iran cheated on the commitment and then pulled out of the commitment. President Rouhani famously boasted how he fooled the West. What has changed in Iran that gives you confidence that Iran will not repeat the pattern of cheating?

Answer. First, Iran has committed to provisionally apply the Additional Protocol, which makes it legally binding on Iran pending ratification. This is different from the "voluntary" implementation Iran undertook in 2003. Second, this time any Iranian failure to abide by the Additional Protocol would risk a snapback of sanctions by the U.N. Security Council, the United States, and the European Union.

Question. The agreement includes an entire Annex on Civil Nuclear Cooperation. Under what parameters will the United States participate in nuclear cooperation with Iran, the leading state sponsor of terrorism?

Answer. Russia and China will take the lead on the projects that have been identified to date (regarding Fordow and Arak, respectively), and other countries may participate in additional projects. Any cooperation between the United States and Iran would be of limited scope and consistent with current law, which significantly restricts any such cooperation with Iran.

Question. Will the administration seek a formal U.S.-Iran civilian nuclear cooperation agreement under section 123 of the Atomic Energy Act of 1954? Under what circumstances would we allow the export of U.S.-controlled nuclear technology to Iran?

Answer. The United States has no intention to seek a civil nuclear cooperation (i.e. "123") agreement with Iran, nor do we envision engaging in the sort of cooperation that would require such an agreement. Any export of U.S.-controlled nuclear technology to Iran would have to conform with existing law and be subject to policy consideration of whether such an export would advance U.S. objectives vis-a-vis Iran.

Question. Will we continue to confront Iran's abysmal human rights record, including through the imposition of sanctions with respect to the transfer of goods or technologies to Iran that are likely to be used to commit human rights abuses?

Answer. U.S. sanctions that focus on Iran's human rights abuses will remain in effect, and we will continue to use these authorities to vigorously target the perpetrators of such abuses. Pursuant to Executive Order 13606, the Treasury Department, in consultation with the State Department, has designated entities for the

provision of information technology that could be used by the Government of Iran to commit serious human rights abuses; these entities will remain designated. Similarly, our sanctions against entities and individuals we have designated under Executive Order 13553 for their involvement or complicity in serious human rights abuses will remain in place, as will sanctions against entities and individuals we have designated under E.O. 13628 for restricting the freedoms of expression or peaceful assembly of Iranians. Such entities include the Islamic Revolutionary Guards Corps (IRGC), the Basij, the Ministry of Intelligence and Security (MOIS), the Ministry of Culture and Islamic Guidance, the Committee to Determine Instances of Criminal Content, and the Iranian Cyber Police; we have also sanctioned top officials within some of these organizations.

We will continue to press Iran to end its mistreatment of its citizens. We will continue to cosponsor and lobby for the U.N. General Assembly's annual resolution expressing deep concern at human rights violations in Iran and to lead lobbying efforts to maintain the mandate of the Special Rapporteur on human rights in Iran—a mandate we were instrumental in establishing through our leadership at the U.N. Human Rights Council. We will continue to document Iran's human rights violations and abuses in our annual Human Rights and International Religious Freedom Reports. Additionally, we will continue to raise our voice in support of the Iranian people and their desire for greater respect for human rights and the rule of law.

Question. As you know, I chair the State Department Management Subcommittee of SFRC. Since being sworn in as Secretary of State, what efforts have you personally made to ensure that the State Department is more efficient and effective?

Answer. During my tenure as Secretary, I have launched several efforts to ensure that the Department is more efficient and effective. I have focused on improving our technology; streamlining internal operations; strengthening knowledge management; enhancing our workforce; and improving strategic planning and performance management.

Improving our Technology

As the breach to our network demonstrated, the Department is facing cybersecurity challenges similar to those of other Federal agencies. Several efforts illustrate the commitment I have made, as Secretary, to strengthening our cybersecurity. I hired a new Deputy CIO for Information Security and doubled the information security budget and staffing. I have continued and strengthened the Department's system for continuous monitoring of IT systems (known as "iPost"), which was established under Secretary Clinton. This program, which goes beyond what is required by the Federal Information Security Management Act (FISMA), has served as the model for the Department of Homeland Security's Continuous Diagnostic and Mitigation (CDM) program, which is now being deployed to Agencies government-wide. Under my leadership, we have significantly accelerated our deployment of card-based two-factor authentication and are on target to complete global deployment to all Department network users by December 31, 2015. We are also restricting and reducing the number of users with privileged system access.

In addition to these efforts, we are also segmenting our network to protect our most sensitive data (such as personnel and consular records) from the Internet, while moving appropriate work to a separate outward-facing, cloud-based network. Not only will this segmentation strengthen our network security, but this transition of appropriate work to a cloud-based architecture will also significantly enhance the mobility and productivity of our people and the efficiency of our operations. By the end of fiscal year (FY) 2016, all Department employees will have unclassified cloud-based tools and collaboration tools (such as collaborative document-editing). We are also leveraging the cloud to enhance operations, such as rolling out a cloud-based integrated business process management platform to serve as a one-stop shop for a wide variety of employee services (such as facility requests).

Likewise, we are deploying wireless networks within select domestic and overseas facilities (including to 20 overseas posts by the end of FY 2016) to improve staff productivity and realize cost-savings. For example, Embassy London—one of the first posts to take part in this pilot—estimated that having wireless capabilities would yield cost-avoidance through lower cellular data costs and reduce the amount of consular staff time required for data-entry that could be done on-the-spot if wireless were available for hand-held devices.

In addition to improving technology Department-wide, we are also in the midst of a focused effort to transform our consular technology platform—the architecture at the center of how the Department interacts with the American public. Outages in our consular systems in 2014 and 2015 that limited our ability to serve the public

through passport and visa issuance have deepened our commitment to modernizing. Our modernization effort is two-pronged. We are improving our existing infrastructure to stabilize current systems (12 databases and 92 software applications, many of which are 20 years old) and lay the foundation for more modernized systems. Our focus is a more stable, reliable, and efficient database infrastructure with ample redundancy to reduce system outages.

Concurrently, we are replacing legacy systems with ConsularOne, a single, all-in-one platform suite of citizen and noncitizen services. We have started with online passport renewal, which will enable citizens to submit renewal applications, payment, and photos online. By eliminating the current paper- and mail-based process, we estimate we will increase processing speed by approximately 2 weeks, thereby enhancing customer satisfaction. In partnership with the Department of Homeland Security (DHS), we are also moving to an online immigrant visa application, which will reduce the overall processing time by several months and simplify a process that many U.S. citizens navigate as they support immigrant family members in coming to the United States.

Streamlining Internal Operations

As Secretary, I have launched efforts to streamline several internal operational processes—everything from service requests to travel and conference room reservations. We expect these efforts to save staff time and result in cost-savings. For example, last year, we embarked on an ambitious initiative to develop and deploy a cloud-based solution to deliver an integrated service management platform to maximize employee productivity and increase service efficiency. This consolidated system will replace over 400 stand-alone servers and numerous homegrown, one-off solutions to more efficiently deliver, track, and measure enterprise services for over 150,000 State Department and other government agency employees at embassies and consulates worldwide. We are expanding the success of this approach overseas to our domestic operations to have a single, unified system worldwide.

We are also streamlining the process for purchasing airline tickets—a frequent type of transaction in a Department where employees travel extensively. Drawing on results of a December 2014 survey of 9,000 Department employees, we are working with GSA and our travel contractor to increase the use of our online reservation tool, which we estimate will save approximately $65 per transaction and up to $700,000 per year.

Similarly, based on a Department-wide user experience survey and a comprehensive assessment of our conference rooms and utilization rates, we are shifting from a highly decentralized, labor-intensive reservation process to an online, centralized one across our Washington, DC, facilities. We expect this effort to save personnel time and boost utilization of existing space, while also greatly easing access to the "collaborative space" that enables our diplomats to engage in the teamwork that is increasingly central to effective diplomacy.

Strengthening Knowledge Management

I have launched an initiative to transform the way we manage knowledge management at the Department, given the vital role it plays in diplomacy. This effort was highlighted in the 2015 Quadrennial Diplomacy and Development Review (QDDR) released in April, which emphasized the importance of harnessing knowledge, data, and technology. In particular, we are creating two technology platforms to transform how our people produce, access, and use information to pursue our foreign policy objectives more effectively and efficiently. First, we are developing a user-friendly portal through which staff will be able to search for a specific issue, region, or person across a wide variety of sources (e.g., emails, cables, information and action memoranda). Second, we are creating a mobile-friendly contact management system to give our diplomats on-the-go access to relevant, up-to-date information about their foreign counterparts, such as topics discussed during last point of contact. Given the personnel transitions that occur every year in the Department with the rotational model of the Foreign Service, this tool will enable diplomats new to their assignments to quickly get up-to-speed.

In a related effort also highlighted in the 2015 QDDR, we have established a center for data analytics to improve our policy and operational effectiveness in this new era of "Big Data." This unit will collaborate with our overseas missions and domestic offices to enhance the use of analytical tools and make data more accessible to employees and senior leaders. This effort will enable the Department to leverage data and information to uncover trends; foster strategic thinking to connect policy to operations; and enhance and integrate big-data analytics into our problemsolving and decisionmaking.

Enhancing our Workforce

Our single most important asset as a Department is our people and the most prudent investments we can make in a resource-constrained environment are in them. To this end, as Secretary, I have launched several efforts to improve training for and the evaluation of our workforce. The 2015 QDDR included specific recommendations to invest in our workforce by expanding the core training curriculum, increasing long-term training options as well as excursion tours to other agencies. Although enrollment at the Foreign Service Institute (FSI) has increased 56 percent since 2010 while appropriated funding has declined 28 percent, I have driven innovation in several critical areas. This includes developing new content, improving methodology, and increasing accessibility of our training programs. The Department is also implementing a core curriculum for our personnel and emphasizing continued training throughout the course of an employee's career. These improvements are enhancing the effectiveness of our people in executing on our foreign policy objectives.

Likewise, I have streamlined and improved the processes we use to evaluate staff performance. For example, we have revamped and shortened the Employee Evaluation Report used for Foreign Service personnel to focus on employee effectiveness in achieving goals, rather than focusing on competencies in performing tasks. We have also updated the mid-year professional development form to promote earlier and better performance related discussions, establish clear expectations and goals, and identify areas of excellence and areas for additional professional growth.

I have also taken steps to increase the flexibility, diversity, and overall work-life wellness of our workforce. These efforts, highlighted in the 2015 QDDR, are improving the Department's ability to efficiently and effectively promote our strategic priorities and deliver foreign assistance. We are working to increase the agility of our workforce so that we can get the right people with the right skills, in the right place at the right time. The requirement that we respond quickly and deploy expertise wherever it is needed is driving us to create expanded opportunities for Foreign Service, Civil Service, and local staff abroad to take on temporary rotational assignments to fill staffing gaps, more quickly align skills with positions and speed hiring.

A diverse workforce—one that more closely reflects the diversity of our Nation—is also critical to our ability to achieve our foreign policy objectives effectively. We are therefore making significant efforts to recruit and support women, minorities, LGBTI persons, and persons with disabilities. Our recruitment initiatives include the successful Pickering and Rangel fellowship programs, opportunities for military veterans and persons with disabilities, the 2012 Diversity and Inclusion Strategic Plan, as well as outreach activities across the nation targeting underrepresented student populations.

Retaining the best personnel requires that we both invest in our employees, but also ensure that they can balance their work and personal lives. I therefore have established a Work-Life Wellness Task Force and launched a Voluntary Leave Bank. The Department's Family Liaison Office continues to support careers for eligible family members both at our overseas posts as well as domestically. A number of flexible work schedule and telework options also exist. As a result of these and other efforts, in 2014 the Partnership for Public Service found the State Department ranked third among large agencies in their annual "Best Place to Work in the Federal Government" survey.

Improving Strategic Planning and Performance Management

Improving and refining our strategic planning processes is an important element of the effort to make the Department more effective and efficient. During my tenure as Secretary, I have strengthened our focus on using strategic planning to identify the highest priorities of the Department and align our resources to those actions and activities that most effectively and efficiently advance our foreign policy goals. At the agency level, the Joint Strategic Plan (JSP) for the Department and USAID outlines our overarching goals and objectives and guides bureau and mission planning. At the bureau level, multiyear bureau strategies guide priority setting and resource allocation and are a department-wide effort incorporating partner bureaus and the interagency priorities. The multiyear country strategies, known as the Integrated Country Strategies (ICS), reflect a whole-of-government process with input from interagency members of the embassies' country teams. These multiyear strategies are now used to guide and inform the Department's annual budget processes, strengthening our focus on aligning foreign policy priorities with resource requests.

Bureaus and missions review these strategies to determine progress against the goals to ensure that all U.S. Government efforts are aligned with U.S. foreign policy. The Department of State is committed to using strategic planning to achieve U.S. foreign policy outcomes effectively, efficiently, and with greater accountability to the American people.

Question. What steps have been taken to remove duplication of effort among programs and staff?

Answer. Particularly in this budget-constrained environment, I have made it a priority to identify and eliminate duplication of effort among programs and staff within the State Department and between the Department and other U.S. Government agencies and departments. I and my senior leadership use several mechanisms for doing this, including our whole-of-government strategic planning process centered on developing a multiyear Integrated Country Strategies (ICS) for each mission; strategic efforts to eliminate potential redundancies with other agencies; and strategic reviews of the Department's internal organizational structure. Several examples illustrate the commitment I have made to eliminating duplication.

We are conducting a significant effort to eliminate redundant services overseas between the Department and USAID. We first consolidated 15 administrative services, which are provided to agencies through the International Cooperative Administrative Support Services (ICASS) system and include services under General Services, Financial Management, and Human Resources. By selecting the most obvious redundant services and those most feasible to consolidate, we have successfully consolidated 97 percent of these services. More recently, we have added other services to the list of those to be consolidated, including furniture, furnishings, appliances and equipment; travel management centers; administrative and travel voucher processing; and some aspects of human resource management of locally employed staff.

In addition to this effort, we also ensure that, where an office at the State Department and an office at USAID have related missions, the offices work in concert to ensure alignment of programs and staff. For example, to avoid duplication between the Department's Bureau of Conflict and Stabilization Operations (CSO) and USAID's Office of Transition Initiatives (OTI), CSO works closely with OTI to share analysis, undertake joint State-USAID assessments and plans, and ensure effective division of labor in focused efforts to support embassies in conflict zones.

Within the Department, we also regularly review our internal organizational structure to ensure we are not duplicating effort among programs and staff. For example, when I entered the Department, I conducted a strategic review of offices reporting wholly, dually, or in title to me, such as Special Envoys, to determine which should be merged into bureaus where appropriate and I have ordered that a regular review take place to ensure the justification of the office or position remains. Of 37 offices reviewed, I identified 9 that had matured to a stage where the issue it addressed was either no longer urgent, or sufficient perspectives, capabilities, and tools had been developed across the Department that the office could be integrated and mainstreamed into another office.

Special Envoys fill temporary positions created to address critical foreign policy needs. Some urgent efforts require high-level representatives to coordinate immediate and cohesive responses across the government and with foreign governments, like the Special Presidential Envoy for the Global Coalition Against ISIL. Other positions are created for occasional events and filled by people who generally work full-time in other positions. For example, our Special Representative to the Organization of Eastern Caribbean States is a role filled by our Ambassador to Barbados when meetings of the Organization of Eastern Caribbean States occur.

The ad hoc nature that makes these positions useful for accomplishing specific and limited foreign policy goals means that this number will continue to vary widely, particularly in what is generally acknowledged as the most complex foreign policy environment in recent memory. Our regular strategic review of these positions ensures that, even as the number varies widely, Special Envoys and Representatives do not duplicate the work of our long-standing organizational system. Instead, they complement existing staffing and leadership, offering unique expertise and perspective to mission critical programs and initiatives. An example would include the Ebola Response Coordinator, a position created to respond to a sudden crisis, but whose work was reintegrated into standing State Department offices after approximately 6 months. During the time the position existed, the Ebola Response Coordinator helped greatly to harmonize our efforts to aid countries stricken by the Ebola virus.

Question. Please provide any additional information you have regarding the State Department's proposed FASTC that you think would be important for the committee to consider, including:

(a.) Any information you have about the parcel(s) of land that the State Department hopes to use for the proposed FASTC, including geographical, geological, or environmental concerns.

(b.) Any information you have on any the proposed designs of the proposed FASTC.

Answer. (a.) The Department of State (DOS), in conjunction with the General Services Administration (GSA), previously identified 1,350 acres of land, composed of three separate parcels, at Fort Pickett in Blackstone, VA, to construct the Foreign Affairs Security Training Center (FASTC). The Fort Pickett site is ideal due to its contiguous nature and proximity to both Diplomatic Security's Washington, DC, headquarters and our primary overseas security partners, which will allow continued training with the same units and personnel with which DOS operates overseas. These military units do not have the resources and time to travel to remote training locations. One parcel, owned by Nottoway County, VA, was purchased by GSA on May 29, 2015. On June 23, 2015, the Department of the Army (DOA) and DOS executed a Land Use Permit that allows DOS to utilize the remaining parcels, which are owned by DOA, to construct facilities to conduct its hard skills training. In accordance with the National Environmental Policy Act (NEPA), an Environmental Impact Statement (EIS) was conducted on the proposed site to assess the effects of the DOS training program on the local environment. The results of the EIS confirmed the selection of Fort Pickett as the preferred site for FASTC. On May 26, 2015, the Record of Decision (ROD) to move forward with Fort Pickett as the preferred site for FASTC was signed by GSA.

(b.) The design effort for the FASTC project is composed of plans for hard skills training venues (driving tracks, explosives ranges, munitions firing ranges), associated support spaces, and associated site work and infrastructure. The design effort is composed of five separate design packages. Design package 1 is at 100 percent completion. Design packages 2, 3 and 4 are at near 100 percent completion. Design package 5 has not commenced.

(c.) The key advantage of FASTC at Fort Pickett is that all ranges, tracks, classrooms, Helicopter Landing Zones, armories, armored vehicles and related support services, explosive materials transportation, warehousing functions, emergency medical support, as well as a host of other training and support functions would be under the exclusive and consolidated control of the Diplomatic Security Service allowing for robust and agile training. This training needs to be conducted in both day exercises and 175 to 200 nights of training, in an environment that faces no noise abatement restrictions. This exclusive control over FASTC would be the cornerstone of our requirement for training with U.S. military, other government agencies, and our foreign counterparts. The exclusive control of FASTC by Diplomatic Security allows for training programs that are operationally challenging, realistic in scope, and designed to counter myriad threats and attacks like those experienced in today's overseas environment.

Question. Do you believe FLETC can train the State Department's diplomatic security personnel for less funding than it would take to assist the State Department to construct a brand-new training facility?

Answer. The Department of State (DOS) worked closely with the General Services Administration (GSA) to develop a cost estimate for locating the Foreign Affairs Security Training Center (FASTC) at Fort Pickett in Blackstone, VA. Given the fact that this cost estimate was vetted by two independent cost estimation firms, DOS is confident in the efficacy of the cost estimation process as well as the estimated total project cost of $413 million. DOS is unable to provide comment in reference to the efficacy of the Federal Law Enforcement Training Center (FLETC)'s cost proposal because we are not privy to the details of FLETC's cost estimation process. However, a consensus document jointly produced by DOS and FLETC reflects both agencies are in agreement that FLETC would need to newly construct (or augment existing infrastructure for) 90 percent of the proposed FASTC training venues in order to meet DOS' training requirements. At FLETC, significant training restrictions exist such as noise abatement requirements (because of the populated areas surrounding the training venues) and limits on night time training, which preclude many of Diplomatic Security (DS)'s training activities. In addition, significant restrictions currently exist at FLETC on the types of heavy weapons that DS employs. FLETC would require DS to train at two separate facilities; Glynco and the Townsend Bombing Range. Conversely, the FASTC option provides for a consolidated hard skills training facility and minimizes both travel expenses and the loss of valuable training time due to unnecessary transportation.

Question. In terms of specific curriculum and training objectives, what requirements has the State Department established for the DS training?

Answer. The Bureau of Diplomatic Security (DS) is responsible for the security training of Department employees and other U.S. Government personnel serving overseas under Chief of Mission authority as well as specialized training for DS personnel primarily responsible for the safety and security of those employees overseas.

Additionally, DS trains security and law enforcement officers from partner foreign governments to create a more safe and secure environment for our diplomatic missions. DS became the first Federal law enforcement training organization to receive academy accreditation from the Office of Federal Law Enforcement Training Accreditation (FLETA).

The Foreign Affairs Security Training Center (FASTC) would be a consolidated hard-skills training center for a rotating student population of approximately 8,000–10,000 annually. Approximately 600 students would be on-site on an average training day. This student population is made up of Foreign Service employees, eligible family members, and U.S. and foreign security partners. Training courses range from 5 days to 6 months in length, with an average duration of 14 days. Approximately 175–200 training days per year require after-hours night training, including several courses that conduct 24/7 training operations with heavy weapons, explosions and helicopter movements, often in concert with military partners. DS training at FASTC would necessarily involve Department of Defense (DOD) assets, including the Marine Corps Embassy Security Group based out of Quantico, VA, using military weapons and equipment, to include aircraft such as the V–22 Osprey.

DS provides a wide range of training courses to a variety of student populations. Training curricula for DS courses include (but are not limited to): high speed driving; attack recognition; live fire maneuvers; rotary wing aircraft operations; rural and urban land navigation; live fire driving and shooting; live fire shoot house exercises; urban operations; static firing in excess of 800 meters; tactical medicine; personnel recovery; small unit tactics; advanced communications; border security concepts; tactical breaching; counter assault tactics; detecting and responding to explosive devices and suicide bombers; hostage rescue; and personnel evacuation. Given the current security environment and cooperation with DOD, much of this training would include participation with the military counterparts that would be involved in the real-life events (i.e. Noncombatant Evacuation Operation-evacuations).

Training facilities will require long-distance weapons ranges; ranges for heavy weapons, including the M2 .50 caliber machine gun and the MK–19 grenade launcher; high-speed driving tracks designed to support heavy, armored vehicles; tracks designed with changes in elevation and sight lines; sufficient explosives demonstration ranges; critical adjacencies between venues that permit a continuous training flow without administrative breaks; critical sequencing of venues; flexibility to train on a 24/7 basis; and sole discretion of scheduling and training priorities to facilitate unexpected requirements as they arise.

Question. It is my understanding that the Office of Management and Budget (OMB) has conducted its own analysis of the cost differential between FLETC and the State Department's proposed FASTC, and determined that upgrades to FLETC are far more economical than the construction of a brand new FASTC.

- ♦ Does anyone in your Department possess this OMB cost analysis? If the answer is yes, please provide a copy of this cost analysis to my office.

Answer. Our understanding is that OMB prepared a template for such an analysis, populated by numbers that they admitted were preliminary and not internally consistent. We are not aware that OMB ever prepared a final analysis.

Question. It is my understanding, from a staff-level meeting with OMB, that the State Department never provided OMB with the information necessary to provide an apples-to-apples comparison of FASTC versus an expanded FLETC. Why was this information not provided? Could you provide this information to my office?

Answer. We are not aware of any specific information requests from OMB during 2013 that were not addressed at some point in the deliberative process. In April 2013, the Bureau of Diplomatic Security (DS) provided to the Office of Management and Budget (OMB) an informational package on the proposed Foreign Affairs Security Training Center (FASTC). This package was a compilation of documents that provided detailed descriptions of the DS training mission and requirements, proposed hard skills venues, and excerpts from both the Program of Requirements (POR) and the Master Plan (MP). The package was intended to provide OMB with a comprehensive portrait of the FASTC program to assist in its assessment of the Federal Law Enforcement Training Center (FLETC) as a viable option for DS hard skills training functions. The information contained in the package sent to OMB is the same information used by the Department of State (DOS) to develop its assessment of Fort Pickett in Blackstone, VA, as a possible location for FASTC and the associated cost estimate. We are able to provide this information to the committee pursuant to Department of State policy.

Question. With regard to internal investigations at State Department, do you believe that the current structure for investigations allows for real or perceived undue influence?

Answer. No. The Department of State has taken important steps to ensure our internal investigations are insulated from any potential undue influence or the appearance thereof; changes in the Department's organizational structure further increased the independence of the Diplomatic Security Office of Special Investigations (OSI). In addition, the OSI Office Director position was raised to a senior-level Foreign Service official, who will report directly to the Deputy Assistant Secretary for Domestic Operations. Recent updates to Department policies and procedures further prevent the appearance of undue influence in investigations. OSI opens and conducts investigations without influence by higher authorities.

Question. A State OIG Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security found "issues with current Department policies and procedures that may have significant implication regarding actual or perceived undue influence." I introduced legislation, S. 1527, that would require the State OIG to be notified of any and all investigations that take place within the State Department, in order to remove the appearance of undue influence, and to allow the OIG the proper opportunity to investigate, if need be.

♦ Do you agree with this effort? If no, why not?

Answer. The October 2014 OIG report (ESP–15–01) and the three other OIG reports on this topic (ISP Report ISP–I–13–18, published February 2013; September 2013's Oversight Review Report, which was never released; and the Sensitive but Unclassified version of ESP–15–01—ESP–14–01, released October 2014) confirm there is not a systemic problem with the Department's internal investigations. The OIG found no evidence of undue influence on internal investigations; a positive and constructive report for Diplomatic Security and the Department. The final report (ESP–15–01) claims the "appearance" of undue influence in three specific cases out of the many the OIG reviewed, but does not find any actual undue influence.

The Department respects the OIG's authority to conduct investigations and has a longtime practice of referring cases to the OIG within the OIG's investigative purview and in instances in which there may be a conflict of interest. The Department also understands the importance of making the OIG aware of Department investigations into employees. However, expanding the OIG's authority in the manner suggested will create unnecessary bureaucracy and delay investigative action, and could inhibit the OIG's ability to achieve its mission to prevent and detect waste, fraud, abuse and mismanagement in Department programs and operations.

As a practical matter, requiring the various investigative offices in the Department to report investigations to the OIG within 5 days of learning about an allegation places an enormous burden on those offices, particularly those that handle a large number of such matters. It also seems likely to delay the initiation of an investigation while the relevant office reports the allegation to the OIG, which can have a detrimental effect on the investigation.

In addition, other Department entities with legal investigatory mandates must be able to effectively exercise those mandates. This ensures that the entity with primary expertise is handling the investigation.

The Department remains willing to work with the OIG to keep it informed about appropriate Department investigations and to maintain the practice of referring cases to the OIG.

THE JOINT COMPREHENSIVE PLAN OF ACTION

WEDNESDAY, JULY 29, 2015

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

The committee met, pursuant to notice, at 10:48 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senator Corker, Risch, Rubio, Johnson, Flake, Gardner, Perdue, Isakson, Barrasso, Cardin, Menendez, Shaheen, Udall, Murphy, Kaine, and Markey.

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

The CHAIRMAN. The meeting of the Foreign Relations Committee will come to order. I want to thank everybody for being here, and for everyone being present earlier for the business meeting.

I want to thank our witnesses for being here today, and I just want to make a couple comments and move on.

First of all, I was pretty frustrated when we began our hearings last week with the classified meeting we had the night before. It was not really classified. It just happened to be down in the skiff, where after all the work we had done together to create a vehicle to weigh in on a very, very important foreign policy, something that is maybe one of the biggest that will occur during the time that we are in the Senate, we were being faced every time we would ask a question about the deal, Secretary Kerry would say, well, it is either that you support us or it is war. You either support us or it is war. You either support us or it is war.

To me, again, I think, everybody on this committee has worked hard to make sure that it is a committee where people take their votes seriously, not necessarily themselves seriously. But then to be faced with a situation when you ask questions about the quality of the deal, to basically say you have no vote, it is either support us or war. So I expressed those last week.

I also wanted to say one other thing. I had probably one of the only real good conversations I have had with Secretary Kerry in 8.5 years, about 10 days before we arrived at the final deal. I know that people have all kinds of concerns and some positive expectations about what might occur. But the final issues of PMD and the "anywhere, anytime" inspections, they were qualitative issues. To me, they said more than just about the particular issues them-

selves but about how serious we are going to be in carrying out these issues and carrying out this policy, if it continues.

To me, on the PMD piece, it was a total punt. I think we understand that whatever Iran does on the PMD piece, it has no effect whatsoever on the sanctions. And to me, it was just a signal to Iran that we are not going to be that serious about even carrying out some of the details.

Secondly, on "anytime, anywhere" inspections, that is just not the way that it is. Again, Senator Perdue and I were talking on the floor a minute ago. There is the big picture issue of just moving beyond and allowing Iran to enrich. And for many people, that is a threshold that many people cannot cross.

But then there are other qualitative issues that I know everyone is looking at. And then you add to that the fact that just at the last minute we did away with the ballistic missiles sales ban in 8 years, the conventional weapons ban in 5 years. And then we realized that the way it is constructed, we have done away with the ballistic missile testing ban immediately.

So to me, those qualitative pieces just at the end sent a signal to me and to others that we are really not that serious, even about carrying this out in a stringent way.

Now, let me say this. All that being said, I think we, as a committee, have to figure out what we do. Is it just a binary decision? Is it just a vote of approval or vote of disapproval? Is it that or is there something else?

So I appreciate the witnesses being here today. I know both of them are very, very highly respected. I know they are going to give 180 degrees different perspective on the deal, as far as how we go ahead.

But I just want to thank the committee, number one, for putting us in a position to be able to weigh in. I want to thank our witnesses for being here. And I hope that what we will see over the course of the next period of time is a continued effort by the committee to figure out what is the very best way for this committee, if you will, as a group, to weigh in on a very important issue. Is it attaching different conditions? What is it? But I look forward to continuing to work with each of you.

I want to thank our ranking member for his cooperation. And with that, I would love to hear his comments.

OPEINING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Senator Corker, first, thank you for your leadership on this committee. I think we are all proud of the role that the Senate Foreign Relations Committee has been playing on this very important moment in the history of our country.

We are not all going to come to the same conclusion. I think that is pretty obvious. But I hope we would all want to have this process be one that gives the Members of the U.S. Senate and the American people the information we need to make a determination.

This is day 9 of a 60-day review. There is still time for us to get information that is helpful. We still have plenty of opportunities to present this information to the American people.

Let me just share with you day 8 in my life. I met with Europeans. I met with an Israeli. I met with administration representatives. I met with our colleagues. I even met with ordinary Marylanders in a discussion on Iran. That was just 1 day. I am sure my colleagues are having the same type of opportunities. I think that is a very helpful process.

Last Thursday was our first public hearing, and it went on for about 4.5 hours. It was with Secretary Kerry, Secretary Moniz, and Secretary Lew. I found the hearing to be very informative and helpful and I learned a lot at the hearing.

This is public hearing number two, and we have two very distinguished panelists, who I hope will get into an exchange of information, rather than sharing opinions, so that we can better understand the ramifications of this agreement.

From the witnesses in Thursday's hearing, there were some pretty impressive points that were made.

The first is that this set of negotiations which started almost 2 years ago were in some respects a continuation of negotiations that took place under the Bush administration, and the framework was not that different than what we were looking at a decade ago. So that speaks to the international resolve to get an agreement with Iran through diplomacy.

It was also very obvious that this agreement provides, in writing, a lifetime commitment from Iran not to pursue a nuclear weapon. The question, of course, is, are the additional restrictions and inspections enough in order to make sure that is a reality? The agreement gives us time to gather more information about Iran's nuclear policies in order to judge its activities, and it gives us a framework to work with the international community.

However, Thursday's hearing also raised concerns that have yet to be fully understood. One of those concerns is why did we allow a violator of a nuclear policy to be able to now legally enrich? That presents a challenge for us going forward. Will there be enough time, at the end of the day, for us to know if Iran is breaking and will we be able to take effective action to prevent them from becoming a nuclear weapons state.

We also questioned what happens when the sanction regime is dismantled. Can it effectively and in a timely way be reconstructed, if Iran violates the agreement and will it be effective in preventing Iran from moving forward? It took us a long time to get the current sanctions regime in place beyond just the U.S.-imposed sanctions.

That also becomes particularly important because Iran will have additional resources. And with the arms embargoes being lifted starting 5 years from now, it presents additional challenges for us as to Iran's financial capacity.

There are also concerns about the 24-day potential delay in gaining access particularly to nondeclared military sites. And the issue of an arms race in the Middle East is one that concerns many of us.

Perhaps the most difficult question for any of us to answer, and I will acknowledge that I do not know the answer, is: What happens if the U.S. Congress effectively blocks this agreement from going forward? What is the logical consequence of that?

Our chairman has said that members of the administration have made some very bold comments. Well, let us talk about what is likely to happen. No one knows for certain, but I would be interested in our witnesses sharing with us their observations as to the consequences of us effectively rejecting an agreement.

And then lastly, Mr. Chairman, let me say we all need to start concentrating on the challenges moving forward, whether we reject this agreement or we accept this agreement. If this agreement is accepted, there needs to be compliance. And compliance means that we have to have adequate understanding of Iran's nuclear program, and that is where the PMD, the possible military dimension, becomes so critically important. And there are still a lot of question marks in my mind, and I know the chairman's mind and others', as to the PMD progress that we made, whether we will get a full accounting.

Regarding sanction relief, we know that Iran is likely to use some of these funds for nefarious activities. If they are nonnuclear, what are our options? Will we be monitoring those activities? Will we be able to take effective action against Iran if they increase their level of terrorism? What are our options in that regard?

And then lastly, we need to have a regional strategy. That region of the world is particularly important to us. This agreement, if it goes forward or does not go forward, will change the regional security issues. What is our commitment to a regional strategy to deal with changes that will take place with this agreement or without this agreement? Particularly, what is our commitment to Israel's security and the moderate Gulf States' security?

With that, Mr. Chairman, I look forward to hearing from our witnesses.

The CHAIRMAN. I want to thank you. I think, obviously, the essence for all of us, there is, obviously, all kinds of collateral issues that we have to deal with as we take into account what we are going to do at the end. But the bottom line is this: Congress put in place some sanctions, and we are going to have to decide whether this arrangement that has been agreed to by the P5+1 we believe is one that causes us to believe we should lift the congressionally mandated sanctions that we put in place or not.

So the two of you could not be better witnesses for us today. We appreciate both of you being here.

Our first witness is Mark Dubowitz, the executive director of the Foundation for the Defense of Democracies. Our second witness is the Hon. Nicholas Burns, Goodman Professor of Diplomacy and International Relations at the Harvard Kennedy School.

We thank you both immensely for being here and, certainly, we look forward to your testimony. You all can go in whichever order you wish to go in.

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

Mr. DUBOWITZ. Chairman Corker, Ranking Member Cardin, honorable members of the committee, on behalf of FDD and its Center on Sanctions and Illicit Finance, thank you for the privilege of testifying. It really is a privilege.

I will address some of the major structural flaws of the JCPOA, and then I will assess alternative scenarios, if Congress were to reject this agreement.

First, the JCPOA provides Iran with patient pathways to a nuclear weapon over the next decade to decade and a half. Tehran has to simply abide by the agreement to emerge as a threshold nuclear power with the following: an industrial-size enrichment program; near-zero breakout time; an easier, advanced, centrifuge-powered, clandestine sneak-out pathway; ICBMs; and hundreds of billions of dollars in sanctions relief, which it will use to immunize its economy against future economic snapbacks, increase its conventional military power, and support terrorism and other rogue regimes.

Second, the agreement grants Iran a nuclear snapback, which diminishes the ability of the United States to apply even nonnuclear sanctions. In three places in the agreement, it is made clear that using snapback sanctions may lead to canceling the agreement, with Iran walking away to resume its nuclear program. In short, it will be difficult to persuade our partners to punish Iran for any violation short of the most flagrant and egregious.

Third, the agreement effectively dismantles the U.S. and international economic sanctions architecture, which was designed to address the full range of Iran's illicit activities. These activities led to Iranian banks, including Iran's Central Bank being banned from SWIFT. The agreement erases these measures, but not because Iran has halted its financial crimes. And it is difficult for me to imagine a scenario where any of our most powerful economic sanctions are reimplemented, particularly the SWIFT and Central Bank sanctions, short of the most egregious Iranian violations.

Fourth, the agreement emboldens the most hardline elements of the regime—the IRGC and the Supreme Leader Ali Khamenei and his $95 billion financial empire, all of which will be major beneficiaries of this agreement.

Now many in Congress have profound concerns about the deal, but they rightly ask, well, what are the alternatives? Some in the administration say this is a choice between this deal and war.

Now, President Obama has said repeatedly that no deal is better than a bad deal. In making this commitment, the President clearly had an alternative in mind. No President would enter a negotiation without having identified an alternative. The alternative is a better deal, an amended deal, and Congress should require the administration to amend and renegotiate parts of this agreement and resubmit the amended agreement for congressional approval. This should more effectively cut off every single one of Iran's pathways to a nuclear weapon, not expand them over time.

Now, an amended agreement should return to the principles Congress requested and that are contained in six U.N. Security Council resolutions. It should address substantial flaws, and let me go over six ways that I would recommend amending this agreement.

Number one, the most important, ensuring that limitations on Iran's nuclear program, arms, and ballistic missiles only sunset upon an affirmative vote of the U.N. Security Council.

Number two, permanently require excess uranium to be shipped out of Iran as Iran does for spent fuel. This deal does not do that.

Number three, limiting Iran's enrichment to IR–1 centrifuges and banning advanced centrifuge R&D.

Number four, requiring an inspection regime like we had in South Africa with "go anywhere, go anytime" inspections.

Number five, requiring the upfront ratification of the Additional Protocol.

And, number six, resolving the PMD issue in ways that meet the criteria that I outlined in my testimony.

People say there is no precedent for this. Well, in fact, Congress has rejected or required amendments to more than 200 treaties and international agreements, of which 80 of them were actually multilateral. This includes major bilateral arms control agreements during the height of the cold war: SALT I, the Threshold Test Ban Treaty, and SALT II, amongst many others. And the Soviet Union was a much more formidable adversary than Iran, with thousands of nuclear-tipped missiles, where the consequences of war were much more profound.

By the way, the Chemical Weapons Convention, which was reached under President Clinton, is a good example of a complex multilateral negotiation involving 87 countries, far more than the six of the P5+1. And there are many others that provide a substantial precedent for Congress to require the administration to amend the agreement.

If Congress were to override the Presidential veto and reject this deal, I see three possible scenarios. None is good, each is problematic, but each is preferable to this fatally flawed agreement.

Scenario one is Iranian faithful compliance to the agreement, despite congressional disapproval. In this scenario, Iran decides to implement its commitments in good faith. This would ensure U.N. and EU sanctions relief under the terms of the agreement. The President could then either rebuff Congress and use his Executive authority to circumvent the statutory sanctions blocking in the Iran Nuclear Agreement Review Act, or he could accept the rejection by Congress, wield U.S. secondary sanctions, and undertake difficult efforts to persuade Europe, in particular, to join the United States in demanding better terms.

Scenario two, the Iranians walk away but do not break out. If Congress disapproves of the agreement, Iran could abandon its commitments and walk away. In this scenario, Iran gets none of the benefits. But as it has done in the past, Iran is likely to escalate its nuclear program, but incrementally. It would avoid taking egregious steps forward in its nuclear program to avoid unifying the P5+1, not to mention avoiding crippling economic sanctions or even U.S. military strikes.

In the third scenario, and this is the one that I think is most likely, the Iranians try to divide the P5+1. It is a messy diplomatic scenario. After congressional disapproval, Iran implements certain nuclear commitments but not others. In the policy disagreements that are sure to follow, Iran tries to divide the Russians and the Chinese from the West and the Europeans from the United States.

Now, if all members remain united around their common strategic goal that brought them to the table, which is to prevent an

Iranian nuclear weapon, a crisis can be mitigated. The key will be to persuade the French, the British, and the Germans, in particular, to maintain the toughest multilateral sanctions and join the United States in demanding key parts of the agreement be amended.

Now, none of the above scenarios are good. None are ideal. But they are not likely to lead to disasters either. And they are better than this current deal. These options hinge on the power of American leadership, coercive diplomacy, economic sanctions, and the deterrence credibility of the American military option.

They also depend on the private sector's appetite for risk, upon which the true power of the U.S. financial sanctions is based.

I do not predict an immediate gold rush into Iran, even if Congress approves this deal. I certainly would not expect such gold rush if Congress disapproves it.

Mr. Chairman, it is better to test the strength of America's sanctions architecture now in order to improve this deal, rather than try to test the questionable notion of snapback sanctions when Iran is at near-zero breakout and easier sneak-out, and has ICBMs, and hundreds of billions of dollars already in hand.

At that point, I believe military force may be our only option. And if war ensues, Iran will be much stronger, and the consequences will be much more severe.

To avoid this, Congress should insist on amending this fatally flawed deal, just as its predecessors have done before and, in some cases, under much more dangerous circumstances.

Thank you for the invitation to testify, and I look forward to your questions.

[EDITOR'S NOTE.—The prepared statement of Mr. Dubowitz can be found in the "Additional Material Submitted for the Record" section at the end of the hearing.]

The CHAIRMAN. Thank you.

Nick.

STATEMENT OF NICHOLAS BURNS, GOODMAN PROFESSOR OF DIPLOMACY AND INTERNATIONAL RELATIONS, HARVARD KENNEDY SCHOOL, BOSTON, MA

Ambassador BURNS. Mr. Chairman, thank you. Senator Cardin, members of the committee, thank you for this invitation to testify. I am honored by it.

I think you know that I have been following this issue for a long time. I was Under Secretary of State in the George W. Bush administration. I had lead responsibility for Iran from 2005 to 2008, and I have tried to follow it closely from Cambridge, MA, since then.

I think that both the Obama and Bush administrations have tried essentially to operate in the same plane here. Both administrations set as a strategic objective to deny Iran a nuclear weapon, and both have been trying to push back against Iran's, I think, quite open attempt to become the most dominant military power in the region.

And so I think that has to be the dual-track strategy of the United States, to try to prevent them from becoming a nuclear

weapons power, and I think we are right to try diplomacy first, to see if that can work, but also to push back simultaneously against this major expansion of their influence in Syria, Iraq, Lebanon, and Yemen.

And it is within that context that I support the nuclear deal negotiated by Secretary Kerry and Secretary Moniz. I see clear benefits for the United States.

First, it arrests the forward movement that the Iranians have been experiencing going on for 10 years now. Mahmoud Ahmadinejad was elected 10 years ago this summer. He is the one who cut the ties with the nonproliferation regime. They have been steaming forward, increasing both their uranium and plutonium programs since then. And this agreement stops them, and it arrests their movement, and it will freeze that program for 10 to 15 years into the future. I think that is a substantial benefit for the United States that we were not able to realize in the Bush administration, that President Obama was not able to realize until this agreement.

Second, it does cut off the two likely avenues, I know that Secretary Moniz talked about this last week, to a nuclear capability—uranium enrichment and plutonium processing.

Third, and I think here is the major Iranian concession, it essentially extends the breakout time, Iran's path to a nuclear weapon, from what the administration is telling all of us publicly is about 2 to 3 months right now to roughly a year for the next 10 to 15 years under this agreement. That is a substantial Iranian concession, and that is a substantial achievement for the United States.

Next, I think that the inspections regime has been strengthened, not foolproof, not perfect. But the inspections regime that Secretary Moniz has been testifying about is considerably strengthened from what we were able to utilize during the Bush administration when I was in government, because we will be able to have the IAEA monitor the nuclear supply chain for 25 years, and there will be permanent verification and monitoring procedures by the IAEA under the additional protocol that the Iranians have pledged to sign up to.

Sanctions are not going to be lifted until after Congress votes and until after Iran implements the agreement. I do not think it is going to be soon. I would anticipate that this would go on for many months, perhaps even into 2016, that we will not lift sanctions, that we should not lift sanctions, until we say see full Iranian compliance with this deal.

I know, Chairman and Senator Cardin, you both mentioned the possible military dimensions. We will have to see what that IAEA report says on August 15. I have a pretty clear conviction that the Iranians are not going to tell the truth about much of what they did do in the past. So that is an important pathway on this nuclear continuum, as well.

Finally, Mr. Chairman, I cite another advantage. If this agreement can be implemented effectively, and if it ends up stopping Iran from becoming a nuclear weapons power, that will then be achieved by diplomacy backed up by the threat of force, which is when diplomacy is always most effective. But, I think, just as we in the Bush administration sought a diplomatic solution in 2006, 2007, 2008, I think President Obama and Secretary Kerry have

been right to walk down that path, because we always have the right and the capacity—we are so much stronger—to threaten or to use military force, should that be necessary. But it is clearly not necessary now.

Those are the benefits as I see them. But I do not think this is an easy vote for you. And I do not think it has been easy for many of us who are studying it to determine what we should do. I see clear risks as well. I see a balance of benefits and risks to this deal.

The primary risk, in my view, is that the agreement will freeze Iran's nuclear program, but the superstructure of that program will be put into mothballs. And 10 to 15 years from now, as the restrictions begin to lapse, that program can be revived. And I would think it is fair to say that the Iranians will rebuild a civil nuclear program.

The problem for us will be, will we have a line of sight into what they are doing to make sure they do not use that civil nuclear program reconstituted to build a covert program, an illicit nuclear weapons program, as Senator Cardin said, quite rightly. They have now sworn before the rest of the world that they will not seek that. But based on their past performance, we cannot trust them, because they have continuously misled the international community.

That is a risk in this agreement, as I see it.

An additional risk, which Mark Dubowitz just mentioned, and I am happy to be testifying with him, will we be able to reimpose an effective sanctions regime if there is a clear Iranian violation? I am sure we will get into this. I think the answer is it really depends. It depends on what kind of violation it is going to be. It depends on who the American President will be when this occurs, presumably after President Obama has left office. It depends on who is leading this committee and leading the Congress.

So I actually think the most important thing to focus on—maybe this is the former diplomat speaking—can we implement this in a tough-minded, hard-nosed way? Can we establish strategic intimidation of the Iranians, so that we can be ensured that this can be implemented effectively and Iranians do not break out toward a nuclear weapon? I think that is the most important thing for me to look at.

So I see the benefits. I see the risks. In my view, we gain too much from this deal for Congress to disapprove it. I think the benefits outweigh the risks.

And I think the key question that members have to ask, and I know a lot of people have been saying this, is what is a credible, realistic alternative, right now in 2015, to this nuclear deal?

One of the alternatives that has been bandied about, offered by both Republicans and Democrats who are critics of the deal, is that we should have walked away at some point in the last 3 or 4 months because it was clear, this argument goes, that the deal was not going to be good enough. We should sanction Iran further. And we should reconstitute the negotiations and get a better deal.

If I thought that was possible, I would be for that alternative. That is where I would be, because this is an imperfect deal. I do not think that is possible. This was a deal made by eight parties, the P5+1 and the European Union and Iran. And I do not think it is possible to go back to those parties, even the French and the

British and Germans, to say we do not like the deal anymore, the one we just committed to, and we want to renegotiate it.

I think if we did walk out, the P5 unity that we have had now for 10 years—we formed this group 10 years ago in the Bush administration—would fall apart. The sanctions regime that we have built up over 10 years would fray and it would disintegrate.

Look at the French Foreign Minister Laurent Fabius. He was just in Tehran over the weekend, lining up commercial deals, presumably, for French firms.

And most importantly, the Iranian nuclear program has been frozen since January 2014 under the interim agreement, will be frozen for the 10 or 15 years. All of those restrictions would be lifted.

So if that is the scenario, if that is realistically the alternative, that is a bad deal, I think, for the United States. I think it leaves us weakened. And I say weigh the cost and benefits, and the benefits and risks, I really think the President's deal is a more sound and sensible path forward, not without risks, but a more sound and sensible path for the United States.

Finally, Mr. Chairman, I would like to say, I think, there is more the administration can do, both in testimony to Congress but also in its own actions over the next 2 or 3 months to strengthen our ability to implement this deal effectively.

First, I think it is very important, and Mark alluded to this and I agree with him, we have to have a very tough-minded approach to inspections. I think the Iranians will test the inspections regime, because that is what they have done in the past. They will try to cut corners. There will not be a major violation, probably minor ones, and they will presume that we will not call them on it. I think we have to have an unyielding implementation of these inspections, these verification procedures, and call the Iranians on every violation.

Secondly, it is very important that we reaffirm our ability to line up our sanctions partners, particularly the Europeans. I am under no illusions that the Russians and Chinese will come with us if we have to reconstitute sanctions. I do not believe that they will.

But I think a coalition of the United States, if there is some violation that occurs in the future, a substantial one, and Europe and Japan and South Korea and possibly India—India would be a very difficult regime to put together, a major hurdle. But I think it is possible, depending on the scenario. So we need to do that.

Third, the President, I would think, would want to reaffirm the threat of force. President Bush made it very clear that he was willing to use force, should Iran get close to a nuclear weapon. President Obama should do the same. We should practice coercive diplomacy going forward, as we implement this deal with Iranians.

Next, I think we have to narrow the gap with Israel. This public division between the United States and Israel is very unfortunate. It weakens us, and it weakens the Israelis. It is, obviously, a two-way street. I would think the stronger party here, the United States, needs to take steps to try to get us closer to Israel. We are going to disagree on the fundamentals of this agreement, but put that into the private domain, not the public.

Prime Minister Netanyahu, who I think has been excessively critical, too critical publicly, of our President, I think ought to take

the same pledge. And it is very important that Israel's qualitative military edge be advanced.

I helped negotiate the last 10-year United States-Israel military agreement back in 2007. We assured Israel's qualitative military edge against any possible foe, namely Iran, in the Middle East. That deal expires in 2 years. The administration could expedite that negotiation and send advanced military technology to Israel to make sure that it had the capacity to defend itself, should that be necessary. I think that would be smart for the administration to do that.

Finally, Mr. Chairman, President Carter articulated the Carter doctrine that was embraced by President Reagan, that the Persian Gulf is vital for interests and that we will defend the free flow of energy, but more importantly, the people and the states of the Persian Gulf. We ought to rearticulate that at a time when Iran is on the march into the Sunni world, and we ought establish a containment regime against Iran.

So I am advocating a two-track policy: advance the nuclear deal, but also contain Iran.

And the last thought, Mr. Chairman——

The CHAIRMAN. You been doing last thoughts for a good while, but we will let you——

Ambassador BURNS. I would just like to finish, with your permission.

The CHAIRMAN. Thank you.

Ambassador BURNS. I apologize if I have exceeded my time limit.

The Iranians were complicit in the bombing of the U.S. Embassy in Beirut in 1983. They were complicit in the bombing of the U.S. Marine Barracks in 1983. They were complicit in the assassination of Malcolm Kerr, the President of the American University of Beirut in 1984. We ought to press the Iranians on these issues.

The grandson of Malcolm Kerr is seated here. He is an intern on Capitol Hill for Congressman Maloney, Derek van de Ven. He is here today, and that family deserves justice.

I would not make all this conditional on the nuclear deal. I would not link it. But I would make it conditional on any attempt to normalize United States-Iranian relations in the future, because a measure of justice has to be paid to the American families.

So I am for this deal, but I am also for a tough-minded way to implement it.

[EDITOR'S NOTE.—The prepared statement of Ambassador Burns can be found in the "Additional Material Submitted for the Record" section at the end of the hearing.]

The CHAIRMAN. Because of your prior service, we let you go over about 150 percent of your time.

Ambassador BURNS. Thank you very much.

The CHAIRMAN. But we thank you for your fulsome testimony. I do not know anything relative to your last point, but I will just add on to your last comment.

I know nothing and, certainly, our hearts go out to the families of the four hostages that today are prisoners who are being unjustly held. I have to believe that somehow or another, the administration has coordinated with Iran so that over the course of us

considering this, something may change in their status just to show some good will. I have no knowledge of whether that will or will not occur. I hope, for the families, something does happen.

You spoke to the inspections piece, and I think that is what troubled me so much about the final 2 weeks, in that what we did on the inspections component is nothing like what we said we were going to do. To me, it was a signal to Iran that we were not going to be serious about these issues.

On the PMD piece that you just mentioned, again, these are details, but again, the sanctions relief is not dependent at all on whether they lie, the word you used, or whether they do not. It is going to happen.

So I think you are right. The sanctions relief will begin next March.

Let me just ask you this question, though. Mark Dubowitz created some alternative scenarios. He is right, I think, that Congress in some ways has weighed in on previous treaties, on previous Executive agreements.

Is there something different about this agreement? You mentioned eight countries. Sometimes we have had 70 or 80 countries involved and we have intervened in a different way. Is there something about this that is different that would cause you to say, no, Congress should not create different conditionality relative to this agreement, that should not occur?

Ambassador BURNS. Mr. Chairman, I would say that this is a negotiation that has unfolded over 10 years, and the specific round over the last 18 months. I think if the Obama administration went back to the parties of the agreement and asked to reopen it, to renegotiate certain parts of it, I do not think our European allies would support us. I know the Russians and Chinese would not. I know the Iranians would not. If I thought that was an option, I would want to pursue it.

The CHAIRMAN. You know, that is what was said to us when we put in place these sanctions. We had exactly that testimony a few years ago and had people just like you, maybe you, actually, come up here saying this cannot happen. If we put these sanctions in place, we will break apart the unity.

But instead, what happened was the other countries joined us, as a matter of fact, on the congressionally mandated sanctions that Senator Menendez led and others helped put in place, all of us, mostly. What happened was just the opposite. We actually forged something that brought Iran to the table.

So you are saying that somehow the dynamic is different in this case at this time.

Ambassador BURNS. Yes, sir, I am. I supported the sanctions that Congress added, at some points against the will of the Obama administration. I thought it was smart. But that was just about American policy. Here you have this agreement, multinational. It is all bound together. And, I think, in essence, what the administration has presented here is a deal that you will approve or disapprove. I hope that you will approve it.

The CHAIRMAN. And a big part of this deal is it seems based on the fact that somehow the administration sees into the eyes of the Iranians and sees something different than what we have seen. I

remember President Bush, unfortunately, made the comment that he shook hands with Putin and saw into his soul or heart. And as it turned out, Putin is who he is. He is carrying out things exactly the way that he did in the beginning. And the Obama administration has not wanted to provoke him, and they realized that has not been a good policy.

China is doing the same thing. A new regime came in. There were all these hopes of them conducting themselves in a different way. They doubled down, in many ways.

So do you agree that a portion of this is us gambling, if you will, with the administration that somehow this regime is different than what has been occurring in previous times, and we are to believe that if we were to do this trusting deal with them and allow them to enrich and industrialize their nuclear program, somehow they are going to be different players. Would you respond to that?

Ambassador BURNS. I would be happy to. You will remember President Reagan's famous dictum with Gorbachev, "trust, but verify." A lot of people have been saying about the Iranians "do not trust, but verify." You cannot build this agreement, and I would not advise you to vote for it, on the hope that Iran might change. I think there is no evidence that the Iranian Revolutionary Guard or the Supreme Leader are going to change. They are anti-American. They are violent. And they operate against our interests.

So the hope here is that the deal will go forward. Their program will be frozen. But we have to be tough-minded to implement the deal in a way that works for us.

I think the inspections regime are stronger than people give them credit for, particularly the inspections of the Natanz facility, the Arak facility, and the Fordow facility, the two enrichment plants and the plutonium plant.

The CHAIRMAN. Yes, I do not think anybody at all is concerned about inspections of declared sites. I think people are concerned about the covert sites. That is why this other element of having to ask and getting Iran to respond on the front end, and telling them what you are concerned about and Iran then having 24 days, is a concern.

I am going to reserve the balance of my time to interject.

Senator Cardin.

Senator CARDIN. Again, thank you, Mr. Chairman.

Let me thank both of our witnesses for their participation here today.

Both of you did comment on what are potential outcomes are if Congress effectively rejects the agreement. I just want to drill down on that a little bit further.

I will confess, I do not have a comfort level as to what would happen if Congress rejects this agreement. I do not know what is going to happen. I am trying to figure it out.

I think it is clear though that the sanctions regime would not be as effective as it is today, that we know that China and Russia and other countries are likely to do business with Iran. We know that some of the frozen assets are likely to be released to Iran, so they will get some sanction relief.

We also can sort of anticipate that, at least in the short term, Iran is not going to return to a negotiating table. They are not

going to have confidence that they can negotiate with the United States where the President could not deliver the support of Congress for an agreement. So, at least in the short term, it seems like it would be unlikely.

The U.S. policy will not change. We are going to prevent Iran from becoming a nuclear weapons state. We are prepared to use our military option. But our preference is to use diplomacy. That has always been our preference.

So recognizing that, and still looking for a diplomatic way to resolve this issue, I am trying to figure out what comes next. It is likely that Iran will significantly increase its modernization of its enrichment. They have the capacity to do that. They will continue to present that this is for civil nuclear purposes, but with a much more efficient system. So rather than being months away, they will get to become weeks away.

How does that put us in a stronger position going forward, to negotiate a better agreement sometime after the dust settles from the congressional action? Or are my assumptions for potential diplomatic solutions wrong? Are there different ways that you look at it? I will start with Mr. Burns and then go to Mr. Dubowitz.

Ambassador BURNS. Thank you, Senator Cardin.

If the United States is in a position following a congressional vote that our government could not execute the agreement, fulfill the responsibilities that we have undertaken, I think the eventual winner here will be Iran. Iran will emerge from that vote strengthened for the reasons you suggested.

But based on my own experience, as someone who worked in this context and the P5, P5 unity would unravel.

More importantly, it is the Japanese, the other Asians, the Indians, who have joined in the sanctions regime who would, I think, stop enforcing the sanctions. You would see the sanctions regime wither gradually, and then, I think, disintegrate.

And most importantly, the restrictions on Iran for the last 18 months and the next 10 to 15 years would evaporate. So they could go back to uranium enrichment at Natanz and Fordow. They would not have to dismantle the core of the reactor at Arak. And we would not have a line of sight through the IAEA into their operations because the additional protocol would not be adhered to, and the IAEA would not have the access that comes with this nuclear agreement.

As I have said, I see the risks here, but I think the benefits outweigh the risks. I want the United States to be in the strongest possible position and keep Iran under the spotlight of international attention. I think a vote to disapprove that prohibits the administration from going forward, if that is the scenario that we are talking about, I think that is very negative for our national security interests.

Senator CARDIN. Mr. Dubowitz.

Mr. DUBOWITZ. So, Ranking Member Cardin, a few responses.

The first is on sanctions. I think that that characterization misunderstands the kind of powerful financial sanctions regime that has been built up over the past decade first by Juan Zarate and then by Stuart Levey and then by the U.S. Congress.

I think what Nick is talking about is a sort of classic trade-based sanctions regime where you actually depend on many countries to join you in a trade-based, essentially, embargo.

What Congress has done, what the Treasury Department has done, is they have used the power of the U.S. financial system. So I do not imagine that the Europeans, the Japanese, the South Koreans, and others are willing to risk having their financial institutions sanctioned by the U.S. Treasury Department. I do not believe those financial institutions are going back into Iran in the early years of this agreement, even if you approve this deal.

Senator CARDIN. Let me say that I agree with you. I do not disagree with what you are saying.

But in the short term, there will be some sanction relief. There will be some leakage. There will be some assets released. Iran is likely, I think, to go forward with some modernization of their enrichment capacity. And at that stage, we would hope we would get an opportunity to move forward with the diplomatic process.

How are we stronger at that point?

Mr. DUBOWITZ. I think we are stronger because I think, if you take Nick's argument to its logical extension—and I agree with Nick, this is about tough-minded diplomacy and tough-minded implementation.

I did some research in preparation for this, and I thought it was really interesting, looking back at the cold war at the congressional role with respect to SALT I and Democratic Senator Henry Jackson, who was very interesting. He, obviously, had some serious concerns about SALT I. He authored an amendment essentially saying that in future strategic arms control negotiations, that America's strategic arms had to be set at parity with the Soviet Union.

That amendment, which was known as the Jackson amendment, passed by 56 to 35. Interesting. SALT I goes ahead. The amendment lays the predicate for Senator Jackson's later critique that the Carter administration actually did not meet the criteria of the Jackson amendment in the SALT II Treaty. And, in fact, it actually laid the predicate for the eventual essential erosion of the SALT II Treaty. Republicans and Democrats in the Senate at that time expressed disapproval of SALT II to President Carter. And after the Soviet invasion, Carter essentially withdrew it from Senate consideration.

So I think what I am suggesting is that I think a strong resounding message of disapproval of this deal will provide the kind of political leverage to the next President and to the next Congress to do a number of things.

Number one is to negotiate a better agreement based on very specific amendments, not ripping up the agreement, not no enrichment, not some of the positions that have been taken by folks. But some very specific amendments that I outline, including, and I think the most dangerous part of this deal, the sunset restrictions, because that is the fundamentally flawed architecture of the deal.

We all agree that in the first few years of the agreement, it is a pretty good agreement with respect to constraining the program. The problem with this agreement is that once those sunsets start falling at year 8.5 with respect to advanced centrifuge R&D, and

with respect to year 10 they can install advanced centrifuges, a limited number of advanced centrifuges at Natanz.

By the way, breakout time is not 1 year to 15 years. Breakout time starts falling at year 10. Now, I have not been involved in classified briefings, obviously, so I do not know if it falls to zero by year 13, as President Obama had feared, or it falls to 5 months by year 15. I do not know exactly whether it is a hard landing or soft landing.

What I do know is breakout time starts to drop between years 10 and 15. And by year 15, we are in a terrible position, because at that point, it is not a civilian nuclear program that we all imagine. It is an industrial-sized nuclear program.

Now industrial-sized to me is deeply concerning from a verification and inspection point of view, because let us imagine what this program looks like. There are multiple Natanzes. There are multiple Fordows. There are multiple Araks.

Senator CARDIN. Let me let my other colleagues have a chance. I appreciate it. I think you have answered my question pretty thoroughly.

Mr. DUBOWITZ. Thank you, sir.

The CHAIRMAN. Thank you.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

Mr. Ambassador, thank you for being here, and Mr. Dubowitz.

We are trying to execute something that we fought hard here in this committee and end up with a unanimous approach to this, because we realized this was bigger than a partisan issue. It is bigger than the President. It is bigger than any member of this committee or, indeed, the Senate. This is about the future security of that part of the world, and, indeed, I would argue the entire world, as Prime Minister Netanyahu has said repeatedly. I personally met with him twice in the first 6 months of this year about this very issue. His concerns are very real.

And now that we see the actual document, you know, honestly, Mr. Ambassador, with all due respect, I do not care if Ronald Reagan himself were bringing this deal, I would see the same flaws and benefits as I see right now. So this is not about Obama's deal or a Bush deal or anything else. I have been very measured in my approach to this. As a business guy and an outsider to the process, I want what is right for America. People back home want us to get this right.

Let me read you a couple quotes. I did this the other day, and I hate to repeat myself, but I think it is so paramount that we remember what is at risk here.

This is a quote. "This agreement will help to achieve a longstanding and vital American objective, an end to the threat of nuclear proliferation on the Korean Peninsula." That was President Clinton in 1994. President Obama, just this year, "Iran will never be permitted to develop a nuclear weapon."

I am sorry, I see this deal in the first 10 years, I think the characterization has been said, in the first 10 years, it probably does an adequate job. The sunsets are a real flaw. The enrichment capability is a real flaw. I want to focus on that.

But let me remind you of another thing. We talk about inspections. We have really gotten down in the weeds in this deal, and I want to come back to enrichment, but I want to ask a couple questions, so I will try to be very brief.

President Clinton: "Under the agreement, North Korea has agreed to freeze its existing nuclear program and to accept international inspection of all existing facilities." President Obama: "This deal intends to stop the progress of Iran's nuclear program and roll it back in key areas."

You know, if you look at the enrichment presupposition of this deal when we started, it was like we gave up the position and said, okay, we are going to assume that we are going to allow you to continue to enrich, albeit at low levels, albeit with low enrichment percentages, albeit you will have to mothball your IR–1s.

And by the way, in Natanz, they are not dismantling these. They are moving it from one hall to another.

I do not know what breakout time is. I think the President said his fear is that after years 13, 14, or 15, that the breakout does approach zero. I do not know that either, but I do see that after the sunset year of 10, and certainly 8 and even 5, the stability of that region deteriorates dramatically.

We gave them the right, early on, we just presumed that we would allow them to enrich from day one in the negotiations, therefore bypassing 18 countries that have civil nuclear programs that are not allowed to enrich. There are five countries that have civil nuclear programs and are allowed to enrich under the NPT. There are nine countries that have the bomb, five that are NPT, four that are not NPT.

The countries that are allowed to enrich and have civil nuclear programs are, indeed, exceptions out of the 180-plus countries in the NPT. Those five countries are countries like Holland, Germany, Japan, Brazil, Argentina. Now we are taking a bad actor, one of the greatest supporters of terrorism in the world, and we are allowing them to become a member of a very exclusive club that has a civil nuclear program and is allowed to enrich but does not have the bomb.

I just do not see that Iran has earned that right. We gave that up in the very beginning, as a part of the presupposition to this thing.

So I would like to ask both of you, first of all, is that presupposition right?

Let us start with Mr. Dubowitz. What was the purpose of the early acquiescence of that? And then as we go forward, is the real issue here, how do we keep them from enriching not just during the period of time? I realize we are going to have pretty much control over what they are enriching, if we can inspect past the sunset time and past 10 years. I do not think that we have eliminated the possibility of Iran becoming a nuclear—I think we just delayed that and actually have given them an additional path or two to do that.

They have given up plutonium in the first few years, or my presumption is that they have. But we have not forced them to give up the uranium path.

Mr. Dubowitz, would you start?

Mr. DUBOWITZ. Senator, thank you for the question.

The short answer of why we gave it up, we gave it up because the Iranians demanded it. We gave it up at the beginning of the negotiations, not the end of the negotiations. We took our most valuable concession, and we gave it up front instead of keeping it until the end.

Now, what are the consequences of this? The consequence of this is that by year 15, Iran will be able to engage in unlimited enrichment, not only 3.67 percent, not just 20 percent. They will be able to engage in 60 percent enrichment. And they will use as the justification for that that they need a nuclear-powered submarine fleet. Not only are they able to stockpile 300 kilograms of low enriched uranium, they will be able to stockpile an unlimited amount of enriched uranium at 3.67 percent, at 20 percent, and at 60 percent.

So when you talk about a verification and inspection regime of an industrial-sized nuclear program, what you have to imagine is that Iran has scores of enrichment facilities, multiple heavy water reactors. And the enriched uranium, which is at 3.67 percent, 20 percent, and 60 percent, is sitting all around the country, a country that is more than twice the size of Texas. So imagine the verification and inspection regime that has to be put in place in year 15, 16, and 17, in order to monitor a massive nuclear program with tens and tens of thousands of kilograms of 20 percent and 60 percent enriched uranium sitting in Iran.

I mean, I think that what happens at that point is that it is not a question of breaking out of their declared facilities. I do not think most experts believe Iran will break out of their declared facilities. It is trying to prevent a covert sneak-out when Iran essentially has the ability, with tens of thousands of kilograms of enriched uranium at 20 percent to 60 percent, which is literally a step away from weapons grade, and they have it dispersed around this huge country, and now we are depending upon 150 or 200 IAEA inspectors to inspect that massive stockpile of enriched uranium.

And the fact, at that point, is that they will also have advanced centrifuges that are so powerful, you do not need 19,000 to weaponize. You probably need 600. So you need to basically build an enrichment facility, which you are legally allowed to do at year 15, that looks like Fordow with 600 centrifuges buried under a mountain on a Revolutionary Guard base.

And then the only Iranian challenge is how to get the LEU or the MEU, which is the 60 percent, to that covert, clandestine base, which by the way, at that point, is not covert or clandestine, because the Iranians have legally been allowed to build it.

Now Olli Heinonen, on verification inspection, I think put it better than anyone to the Financial Services Committee last week, where we testified together. He was asked, how good is this verification and inspection regime? And Dr. Heinonen said, on declared facilities, Nick is right, the verification and inspection, he rated it a 7 or an 8 out of 10. On suspicious sites, he rated it a 5 out of 10. And on detecting where Iran would engage in weaponization activities, on a scale of 1 to 10, he gave it a zero.

So our fundamental problem here is on the two most dangerous parts of this program, suspicious sites and detection of

weaponization, the former Deputy Director General of the IAEA who is in charge of safeguards said a five and a zero.

So my biggest concern is an industrial-sized program with that kind of verification and inspection regime, we have a tremendously difficult challenge ahead of us.

Senator PERDUE. Thank you.

I am sorry. I am charged with managing my time, and I am over, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony.

Let me ask you a question, and I would like to get through a series of them in my time. Would it be fair to say that the sanctions that Congress passed and that were implemented into law were critical in bringing Iran to the negotiating table?

Mr. DUBOWITZ. Yes.

Ambassador BURNS. Yes, but along with the global nature of the sanctions, the EU sanctions. That was the critical determinant, not just the U.S. sanctions.

Senator MENENDEZ. But the sanctions that we passed, in essence, got the other countries to join, because they had secondary consequences to them. Is that not a fair statement?

Mr. DUBOWITZ. Absolutely, Senator Menendez. I mean, I remember the debate over SWIFT and the central bank sanctions and oil export sanctions that you coauthored. The Europeans were opposed to them. And because of congressional pressure, they eventually went along, because they were under U.S. secondary pressure.

Senator MENENDEZ. And is it not fair to say that the threat of sanctions, even though suspended during performance, but the threat of sanctions, is a significant deterrent toward breach in the future?

Ambassador BURNS. I would say it depends. If we are alone in threatening those sanctions, they will be partially effective, perhaps, a partial impact. But what makes the greatest difference is when you have the other global economies—Japan, China, Russia, the EU—on board. That is when the Iranians finally decided to negotiate.

We could not bring them to the negotiating table in 2006.

Senator MENENDEZ. So if oil was more important to you than Iran achieving a nuclear weapon, deterrence is all gone, is basically what you are telling me.

Ambassador BURNS. That is not what I——

Senator MENENDEZ. Mr. Dubowitz, is the continuing threat of potential sanctions, including the sanctions that are implemented in law by the United States, which has secondary consequences—I mean, it seems to me you have to make a decision. Do I want to do business with a maybe trillion dollar economy, or do I want to do business with a $17 trillion economy? In that respect, while I may grudgingly not like it, the reality is I want to do business with a $17 trillion economy.

Mr. DUBOWITZ. Senator Menendez, we do not sanction countries. As you know, we sanction companies and financial institutions. Our sanctions are powerful. The financial sanctions are powerful

because they are based on market participants making risk-reward decisions, tens of thousands of those decisions every month.

And the notion that financial institutions are going to go rushing back into Iran on a congressional vote of approval or disapproval I think actually defies the history of what exactly has happened.

We do not sanction Japan. We sanction financial institutions in Japan who would be cut off from the U.S. financial system under U.S. secondary pressure from CISADA.

Senator MENENDEZ. Is it not fair to say that if snapback is to mean anything, it has to be snapped back to something, because otherwise what are you snapping back to?

If that is heralded by the administration in the testimony brought before this committee, that we can do everything that we are doing now, if they violate, if snapback is also considered a deterrent, does it not mean you have to snap back to something?

Ambassador BURNS. I would say, this, Senator, and I understand the question, the purpose of the sanctions is tactical. It is to influence the behavior of the Government of Iran. If the negotiations were to break down, or if Congress were to disapprove, I would favor American sanctions reimposed on Iran. But I would not believe that those sanctions would drive Iran back to a deal, because we would not have the buy-in of the——

Senator MENENDEZ. So then snapback is insignificant, is what you are saying?

Ambassador BURNS. No, I think snapback is critical.

Senator MENENDEZ. You cannot have it both ways, Ambassador. Either it is significant or it is insignificant. Which one is it?

Ambassador BURNS. No, I am answering your question. Snapback is——

Senator MENENDEZ. Let me give a simple question. Is it, or is it not, significant? Is snapback significant or not?

Ambassador BURNS. Snapback is important, but it is only going to be effective if we have some major economies with us.

Mr. DUBOWITZ. And, Senator Menendez, the problem is it is going to be snapping back in 10 years against an Iranian economy that will be twice the size, with hundreds of billions of dollars in investment, where a number of contracts, and there has been a dispute over this, but some of the contracts will be grandfathered. There will be huge business lobbies in these capitals.

So we will be snapping back against a much harder target in 10 years than we will be snapping back in a year or 2.

Senator MENENDEZ. That presumes performance over this whole period of time.

Mr. DUBOWITZ. Correct.

Senator MENENDEZ. Right. So that snapback could actually take place sooner, if, in fact, there is a violation of performance, except that in a letter that the Iranians sent to the Security Council, dated July 20 of this year, it says in paragraph six, "It is clearly spelled out in the Joint Comprehensive Plan of Action that both the European Union and the United States will refrain from reintroducing or reimposing the sanctions and restricted measures lifted under the Joint Comprehensive Plan of Action. It is understood that reintroduction or reimposition, including through extension of the sanctions and restricted measures, will constitute significant

nonperformance, which would relieve Iran from its commitments in part or in whole."

So basically, what I tried to get from Secretary Lew and what I cannot get from my own government—I have to read it from the Government of Iran—to understand what the agreement as I read it was about, and the language was pretty clear, that the sanctions that expire next year that Congress passed 99–0, at least in the Senate, and overwhelmingly in the House, that was signed by the administration, that the administration, notwithstanding what you say, Ambassador Burns, heralds as the reasons that Iran came to the table, with tough diplomacy as part of it as well, and will expire next year—well, number one, you are not going to be snapping back to that. And number two, the Iranians are saying, if you just simply reauthorize it as it is, with all of the waiver options the President has, they will consider that a violation.

So we, the Congress of the United States, have been told basically by the Iranians that our actions, in essence, will violate their understanding.

Now, I do not know what you snap back to if, at the end of the day, you do not have anything in place in law, notwithstanding whether or not you get the international community's support.

And then it goes on. Now I understand why Secretary Lew did not give me answers to my questions, because there is a further sentence in here. "The Joint Comprehensive Plan of Action requires an effective end to all discriminatory compliance measures and procedures, as well as public statements inconsistent with the intent of the agreement."

So that is why Secretary Lew would not give me a definitive answer, because, number one, they signed an agreement that says Congress cannot even extend the existing sanctions with all of the present waivers, and number two, if you say something wrong, that is also in violation.

That is pretty outrageous. Pretty outrageous.

Mr. DUBOWITZ. And the Iranians are right, Senator Menendez, because if you look at paragraphs 26, 29 to 37 of this agreement, they have effectively written into this agreement a nuclear snapback.

Now, the administration will tell you that there is a distinction between nuclear and nonnuclear sanctions. The Iranians do not believe that there is a distinction between nuclear and nonnuclear sanctions. They believe that any reimposition of sanctions will constitute a breach of this agreement, and they will essentially use that, in my view, to threaten the Europeans not to join us on any transatlantic snapback. And if Nick is right and the Europeans are essential to a snapback, then we will lose some of the Europeans, if not all of them, when the Iranians begin to threaten nuclear escalation, when they walk away from this agreement based on three provisions in the agreement they believe justify that.

Senator MENENDEZ. Mr. Chairman, I have several other lines of questioning, but I will hopefully wait for a second round.

The CHAIRMAN. Absolutely.

And this was very frustrating. Senator Flake the other day tried to get an answer to that, and there is certainly, at a minimum, ambiguity.

I reserved a little time, by the way. I did not use it all a minute ago.

I would think, at a minimum, we would absolutely extend, at some point, the sanctions we have in place and reserve the right to put in place the nuclear sanctions for terrorism or other activities if we believe those are being carried out.

But let me, since I have a little time, I want to ask this question. Senator Cardin hit on it for a moment.

And, Secretary Burns, you have mentioned the international aspect of our sanctions. What would happen if the EU sanctions were relieved, and the U.N. sanctions were relieved, but the congressionally mandated sanctions stayed in place? I mean, my guess is that Iran would continue to adhere to the deal because they were getting some relief.

So I do wonder, I mean, I think sometimes we get put in a situation where we have a false choice, or a straw man gets put up. But if you could both, fairly briefly, respond to what would happen if we decided not to lift our congressionally mandated sanctions.

Ambassador BURNS. Well, I assume then that the administration would not be in compliance with the agreement, because the administration has committed to relieve certain sanctions, specific sanctions.

The CHAIRMAN. Let me say this. The administration, Iran, the U.N., the EU, all knew that we were going to have a chance to weigh in. As a matter of fact, they have said publicly that the reason this 90 days occurs before it actually kicks in is to give us that opportunity.

So, I am sorry, I am not going to play that game, okay? Everyone knew when this was being negotiated that, at some point, we were going to have the opportunity to weigh in. That, to me, has been what has been most frustrating, the arrogance shown by some of our witnesses last week regarding that issue that we unanimously voted on. So I am not going to allow you to play that game either.

So go ahead.

Ambassador BURNS. I am not playing a game. I am just giving you a direct answer.

If the question is, if the United States—Congress and the administration—is not able to lift the sanctions that the executive branch promised the Iranians and others that we would lift, I think the agreement would probably fall apart. And you would be stuck with the situation where the Iranians then had sanctions relief and yet did not have restrictions on their nuclear program.

I would just like to say to Senator Menendez, I have not seen the letter. I would hope that the administration would challenge that letter that the Iranian Ambassador presumably to the U.N. signed, and I would think we would not have to abide by it. And we ought to test the Iranians on effective, tough-minded compliance.

The CHAIRMAN. I think Congress ought to pass them back in place.

But, Mark, go ahead.

Mr. DUBOWITZ. Senator Corker, this is a scenario that I described. The President would have two options. One is that he would try to neutralize the statutory sanctions block that he put in place. I actually think that he could give probably about 60 per-

cent to 70 percent of the sanctions relief through Executive order. I am happy to talk about how he would do that.

But the other thing that would not happen, which is, I think, very important with respect to ongoing economic leverage, Iranian banks would not get back onto SWIFT. The Central Bank of Iran would not get back onto SWIFT, because SWIFT would not allow banks back on if there were U.S. secondary financial sanctions and designations of those banks still in place.

So you would still maintain the most powerful sanction that is in place. And just to underscore that, without access to SWIFT, Iran has no access to the global financial community. They cannot move money.

The CHAIRMAN. Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

And I thank the witnesses.

This really does come down, in terms of Congress' role, as to which are nuclear-related sanctions and which are not. I still have not been given a good answer from the State Department or others as to what constitutes nuclear-related sanctions and which do not. In a question last time, as the chairman said, they had a hard time answering that. Their answer did not reflect what I think a lot of us consider the plain text of the agreement.

I posed a question last time of what would happen if Iran in the next couple years, if the agreement is signed and implemented, abducts some Americans or commits atrocities that clearly warrant some action on our part, and we decide that the most effective sanctions were the ones against Iran's Central Bank. We go ahead then and sanction Iran not for nuclear infractions but for other nefarious activity in the region. Would that be considered a violation of the agreement?

I think we were assured no. But if you read the agreement and read the annexes, it would seem that it would.

Ambassador Burns, do you want to comment a little further on that? I know we have tread this territory before, but that is an important point for this committee and for kind of the institutional issues we are dealing with here.

Ambassador BURNS. Right. I am intrigued by the letter that Senator Menendez read out, because if the Iranians are putting forth that position, we ought to challenge it. So my view is, the administration should keep the terrorism- and human rights-related sanctions that we have on Iran. We should not disavow those. And we ought to test the Iranians.

This is going to be a giant game of diplomatic chicken. They are going to try, as I said in my testimony, to eat away at it with small infractions, hoping we will not call them on it. We ought to call them on it.

If there is some episode where American national interests are at stake, and we think we have to punish the Iranians, we are going to have to calculate the risk, but we should not shy away from it. And I will bet that the Iranians, if we are firm, are going to elect to stay with this agreement in most respects, because they have sanctions relief. They need that for their economy.

So a lot will come down on the toughness of this administration and its successor and the one after that through the life of this

agreement. That is why I put so much emphasis both on inspections but also on being able to reimpose sanctions if we have to on the part of the United States.

Mr. DUBOWITZ. Senator Flake, let me read to you passage here, because I agree with Nick. We should not lift sanctions on anything related to terrorism.

So the Central Bank of Iran, there was a finding under Section 311 of the U.S.A. PATRIOT Act that said that the entire financial sector of Iran, including the Central Bank of Iran, is a jurisdiction of primary money laundering concern. Treasury cited the Central Bank's support for terrorism, pursuit of weapons of mass destruction, financing of nuclear, ballistic, use of deceptive financial practices, poses an illicit financial risk for the entire global financial system.

This has gone on, and it has been repeated over and over again. The Financial Action Task Force has warned its financial institutions about these risks.

In other words, the Central Bank of Iran sanction, which is the legislative sanction, is a sanction that is also based on terrorism. That is not a nuclear sanction. That is a sanction that is a hybrid.

So as a result of that logic, we should not be relieving sanctions on the Central Bank of Iran as part of the JCPOA. Now since it is happening and if we try to reimpose sanctions, to your question on the Central Bank of Iran, the Iranians would flip it around. They would say that the administration relieved the sanction on the CBI and essentially characterized that as a nuclear sanction, because we are only lifting nuclear sanctions. They would use administration's argument to say, "The reimposition of sanctions on the CBI is a nuclear sanction, a violation of the agreement. We have a nuclear snapback. We are walking way."

I do not believe, as a result of this agreement, the way it is drafted, we will ever be able to reimpose sanctions on the Central Bank of Iran without the Iranians absolutely crying foul. I would guess the Iranians would declare that literally an act of economic war, in the way that the Russians have suggested. And as a result of that, I think we will be deterred, particularly the Europeans, from ever redesignating the Central Bank of Iran again.

Senator FLAKE. Thank you.

Ambassador Burns, you have spoken in the past quite a bit. You mentioned what we do, should this agreement pass, in terms of diplomacy and in terms of muscular diplomacy in the region, what I refer to as a regional security framework that really needs to be in place.

Obviously, this agreement to deal with Iran's nuclear ambitions is one thing. It is another to have peace and stability in the region, which a lot of these questions we raised have an impact on.

But what do you see is our responsibility or what do we need to do and what is Congress' role in that regard? I think a lot of us recognize that, with Iraq, our withdrawal there was not followed by muscular diplomacy, not to suggest that that would have prevented a lot of what is happening there, but it probably would have helped. The situation in Syria with the redline and not following up there probably has not served our interests well, in terms of

what we ought to be doing with this agreement or not in the region.

What do you see as Congress' responsibility or our role, should this agreement go into effect, on the kind of regional security framework there?

Ambassador BURNS. Thank you.

I think we ought to see, Senator, the application of an American containment strategy on Iran in the region as part of these negotiations. We are going to be negotiating with Iran, implementing this deal, for the next 10 or 15 years, and I think we ought to put pressure on them in another sphere. Where they are pushing into the Sunni world, you mentioned Iraq, Syria, Lebanon certainly through the support of Hezbollah, and Hamas in Gaza, Yemen.

But there are two things I think Congress can do. One is support the administration in renegotiating the United States-Israel military assistancwe agreement. It expires in 2 years, but we could advance those negotiations to ensure Israel's qualitative military edge. I think Israel has to worry that Iran is not going to attack it, but that Hamas and Hezbollah may well resume the rocket wars against Israel. We have an obligation to support Israel in that conflict.

Secondly, and the President has already begun to do this, can we knit up the gulf countries in a tighter, stronger military bloc in order to effectively deter Iranian influence in the gulf? Syria and Iraq are much more difficult, where Iran is in a dominant position, but we can begin to chip away at that as well.

So I think it is incongruous to think about these dual strategies. They seem to be opposites, but I think they go together. The nuclear deal makes sense because it sets the Iranians back. But we have to push them back on the conventional side, the regional side as well, to keep the pressure on them in all cases.

Senator FLAKE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Just so that I am not misunderstood, when I mentioned that we should pass them back in place, I am talking about the expiring sanctions that expire at the end of 2016, so that there is something to snap back to at some point.

Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman, and to the witnesses.

The way that I look at this deal is I think the United States, by diplomacy, has achieved something very, very strong from day 1 to year 15, achieved something that it was not achieving with sanctions. But then from year 15 to 25, we enter into a significant transitional period. And I would say, after 25, we are kind of in a normalization period. The only obligation on Iran after year 25 is to abide by the NPT, including the additional protocol inspection, which they need to ratify in year 8.

So I think there is sort of a very strong day 1 to 15 transitional, with question marks in 15 to 25, and then more question marks after.

But let me lay out first the day 1 to year 15, because I think it is important to acknowledge what diplomacy has achieved. Here was the status quo. The status quo, before the negotiations started,

the November 2013 round, was, even in the face of punishing sanctions, Iran's nuclear program was rocketing ahead.

There were 19,000 centrifuges to enrich uranium, and that number was growing. There were 11,000 kilograms of enriched uranium, and that number was growing. They had enriched up to the 20 percent level, and that level was growing. They had an ongoing construction of a heavy water facility at Arak to process plutonium, and that was ongoing. And they had very limited inspection access, especially shielding any international scrutiny of their covert program.

Here is what the Israeli Prime Minister Netanyahu said about the program when he spoke to the U.N. in September 2012. For over 7 years, the international community has tried sanctions with Iran. It has had an effect on the economy, but we must face the truth: Sanctions have not stopped Iran's nuclear program. That is what Prime Minister Netanyahu said. Sanctions have not stopped Iran's nuclear program.

Many would argue that sanctions may have had an opposite effect. I mean, if folks were trying to get the United States to stop something, the international community, would we just stop or would we say we are the United States of America. You are not going to stop us. There is some argument that defiance over the sanctions accelerated the nuclear program.

So in terms of looking at alternatives, the notion that we just should not have entered into diplomacy at all, which some have suggested, and just allowed that status quo to continue, it was going to one of two places. It was going to Iran, as was said, they were a few months away from being a nuclear threshold state and they were going to cross it, or the global community was not going to allow them to cross it by taking military action.

That was the status quo, in my view, before these negotiations started. So what does the deal now provide to contrast that status quo? Iran pledges, in the first paragraph of the deal, it will never seek, develop, or acquire nuclear weapons. Iran disables two-thirds of the centrifuges. Iran reduces the enriched uranium stockpile by 97 percent, capping at 300 kilograms, which is insufficient to make one weapon. Iran caps the enrichment level of the stockpile at 3.67 percent. Iran disables the Arak facility, so that it cannot process plutonium. Iran commits to limitations on R&D to guarantee any nuclear program is exclusively peaceful. And Iran agrees to a robust inspection of sites, the uranium supply chain, and suspected covert facilities.

That is what we have that we did not have without diplomacy and that, frankly, we were not going to have without diplomacy from day one until year 15, in my view.

Now, in year 15, what we have, to pick up some of your testimony, is the caps to come off. They come off on the stockpile. They come off on the enrichment percentage. They come off on spent fuel reprocessing. They come off on R&D activities. They start to come off on the number centrifuges.

So, the caps come off progressively starting in year 10 but really 15 to 25.

What we have from year 15 to 25 that is Iran-specific is we have the continued monitoring of the centrifuge program up to year 20,

and then we have this kind of lifecycle supply chain, Iran-specific inspection of uranium to year 25.

Then we get to year 25 and at 25-plus-1, here is what we have: They promise not to get nuclear weapons. They are an NPT nation. I am going to assume that they ratify the additional protocol, because if they do not, that is a breach. So we get the inspections that anybody gets under the additional protocol, which was designed after North Korea to try to fix some gaps in what we did with North Korea.

So I think as I am looking at this, there is sort of a three-level thing, which is upfront, it really produces something that we would not have gotten absent diplomacy. In the middle years, the transitional period is challenging. And then after 25, there is sort of an assumption of normalization.

The deal really looks at Iran and says, because you have been a bad actor, you suffered under years of sanctions, and for 25 years, you are going to have to comply with Iran-specific requirements that no other nation in the world will have to comply with. But after 25 years, we will just treat you as we treat any other NPT nation.

So, I do not know, am I looking at the deal wrong?

Mr. DUBOWITZ. I think, Senator, that there are a few things that you said that I would draw attention to.

Senator KAINE. I did have one more quick question, so if you could be quick, that would be great.

Mr. DUBOWITZ. Sure.

So really quick, this deal gets dangerous after year 10, not after year 15. I can explain why, but we do not have a lot of time. But essentially, unlimited number of centrifuges is installed at Natanz, breakout times starting to drop, maybe to zero, maybe to 5 months.

Second of all, if you actually look at the history that you were suggesting, I actually did an analysis of this, because what I did was I looked at the period of time in 5 years when the most intensive sanctions were being imposed. I actually looked at what happened to Iran's installation and operation of centrifuges and their stockpiling of LEU. I do not have time to read the statistics. They are in my testimony at page 32.

Senator KAINE. Okay.

Mr. DUBOWITZ. But I did the analysis, and the conclusion is, Iran moved incrementally. They did not rush forward. They did not go hell-bent. They moved incrementally because they fundamentally feared, number one, U.S.-crippling sanctions, and they understood our redlines with respect to military force.

So that history of most intensive sanctions was a history of incremental nuclear progress, not a significant breakout or expansion of the program in the way that you suggested.

And third is the problem with respect to years 10 to 15 is Iran starts industrializing by the year 10. Once they hit 15, as you have explained, you literally have an unlimited enrichment and plutonium reprocessing capacity with some restrictions, as you suggested.

That is when things get, as you suggested, very, very dangerous.

Ambassador BURNS. Very quickly. I think you gave a good answer to Senator Perdue's question, which was a very good question.

The danger after year 15 is that Iran reconstitutes its civil program and uses it as a cover for a covert program. It is not inevitable that they will do that. They are going to have to fear the risk of isolation, if they do that, the reimposition of sanctions, but mainly the fear of military force by Israel or the United States.

So what we do, I think, will have a big impact on what the Iranians do. And that gets back to having a tough-minded American policy in year 15 to year 25. And it means we are in a long-term struggle with the Iranians.

I support this because, for the next 10 years, we have the advantage in the long-term struggle. But it means we have to be really good and focused on these questions after year 15.

Senator KAINE. Thank you.

The CHAIRMAN. Thank you. Thank you very much.

Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. Another fantastic hearing. Thank you for the way in which you are conducting this review.

Just a quick note about how we use history in our deliberations. My great friend, Senator Perdue, talked in his remarks about the lessons from North Korea, and others mostly outside this building have made comparisons to these negotiations with the negotiations that took place in Munich in 1938. There are undoubtedly plenty of examples in which diplomacy has gone wrong, in which we signed a deal that did not work out for the best interests of American national security.

But I think it is just important to concede that there are a lot more examples of where we signed diplomatic agreements that turned out very well for the United States, that advanced our national security interests, that prevented war. You can have the discussion about the very small number of countries that violate the NPT or do not sign it. But the NPT itself is an example of diplomacy, of a diplomatic agreement between nations that has advanced national security interests. A lot of people said that JPOA would not be observed by the Iranians. As it turned out, it was.

So I just wanted to make sure that we do not allow ourselves to believe that just because one agreement went wrong, everyone will.

Mr. Dubowitz, I am obsessed over this question of the alternative. I thank you for spending some real time kind of playing out the various iterations. I just maybe want to get a little bit of clarification, based off of your conversation with Senator Cardin of where you come out as to what the most likely alternative is. So let me sort of tell you what I thought you said.

You concede that sanctions will probably fray, but you do not think that that will be substantial. And you think that the United States, by continuing our sanctions on the financial sector, will continue to have an impact. So you think that they are probably a little bit weaker but that they are not substantially weaker. Is that right?

Mr. DUBOWITZ. Yes.

Senator MURPHY. And then as to what Iran does moving forward, you were talking about what was happening before when they had a sanctions program in place. You suggest that while they may move forward in small steps, they are not likely to rush toward

breakout or make any giant leaps forward, for fear of either military strike or additional sanctions, that they will maybe increase the number of centrifuges of little bit but it will not be anything substantial.

Mr. DUBOWITZ. If past is prologue, then that is correct.

Senator MURPHY. So I guess this is where I struggle with this, because if I am the coach of a football team and I am going into halftime, I will concede that whether the score is 21–17 or 21–13, I can make up either of those deficits. But every single time, I will want to be down 21–17, rather than 21–13.

So if you concede that, in your estimate of the most likely scenario, the sanctions are going to be weaker, even by a little bit, and Iran is going to move forward on their nuclear program, I guess I am still just having a hard time understanding how that leads to a better outcome when we get back to the table than we have today. If the sanctions are going to be weaker and the sophistication of their nuclear program is going to be greater, by definition, to me, that sounds like a scenario in which we get a worse deal even if it is a slightly worse deal.

So maybe just give me a little bit more on why you think that, under those circumstances, we actually turn out better.

Mr. DUBOWITZ. So, Senator Murphy, a very good question. I would answer in a couple ways.

The first is that in my testimony, I outlined also what new sanctions could do, and I recommended, I think, 9 or 10 new sanctions. So my view is that there are many more sanctions that the U.S. Congress could pass, particularly financial sanctions. And the threat and power of those secondary sanctions would actually not only restore that delta that you talked about, but could take us beyond that.

The second thing is that, on the issue of Iran's nuclear behavior, the fact is the Iranians have moved incrementally on this program, and I believe they will move incrementally in my third scenario. I think they will move incrementally in turning on new centrifuges and beginning to make some nuclear steps forward, but I believe, at the end of the day, it comes down to the power of American leadership, the power of the American coercive diplomacy, and the ability of American negotiators to get better deals.

Now I am imagining that this scenario improves on a congressional vote of disapproval because it sends a message to the international financial community and business community: do not go back into Iran, because if you do, you are going to get a hit with new sanctions, particularly when there is another President. I think that power of coercion improves immensely, actually, as a result of those political and economic dynamics.

And I would say this again. I think that what I am suggesting is not to rip up a deal. I am suggesting actually seven ways to amend it. And I am actually underscoring one way that this deal could be improved significantly, per Senator Kaine's analysis, and that is on the sunset provisions. I suggested in my testimony that before we allow these provisions to sunset, creating the kind of situation that we all acknowledge would be incredibly difficult, leaving, as Nick said, the only option would be military force at that

period, which means the deal makes war more likely, not less likely.

My recommendation is to expand those threats of new sanctions, go in there and negotiate on the sunset provision a term that says this will be subject to an affirmative vote of the U.N. Security Council, and that unless Iran is behaving in ways that we want, these dangerous restrictions are not going to sunset.

Senator MURPHY. So I hear you to say that you think if we pass new sanctions that could possibly override the fraying that happens other places. But if you concede, as I thought I heard you did, that the sum total will still be weaker sanctions, it just puts us in a worse place.

I just want to get into a quick question——

Mr. DUBOWITZ. Senator Murphy, that is not what I said. I just want to clarify that for the record.

Senator MURPHY. Okay, sure.

Mr. DUBOWITZ. Sanctions are not about legalities only. They are about psychology. The mere threat of new sanctions changes the fundamental psychology in the marketplace, which is driven by two emotions: fear and greed. So if you want to affect market behavior of financial institutions and companies, what you have to do is send a message that you are willing to escalate sanctions. And if you are willing to escalate sanctions, even if you do not escalate them but you threaten escalation, you actually are not doing what you are suggesting, which is you are not reducing that delta. You are enhancing that delta from a psychological perspective, which is the main way that you affect financial institutions and market actors.

Senator MURPHY. Just a quick question for Secretary Burns.

Mr. Dubowitz talked about his belief that a rejection of the deal would not empower hardliners internally, which sounds a little contrarian to what I have heard. What is your estimation of the balance of power between moderates and hardliners in Iran, should we reject this deal? What is the most likely scenario internally within their political dynamics?

Ambassador BURNS. It is very difficult to say, but, obviously, there are a lot of hardliners in the Iranian Revolutionary Guard Corps command and some around the Supreme Leader who do not like this deal and I think would like to see it unravel.

But the more important point here is, if we deal new sanctions on Iran, it will, in a real-world situation, blow this negotiation apart. Iran will get sanctions relief from the rest of the world. It will have no restrictions on its nuclear program, and we will be sanctioning them. We will be back exactly where we started a couple years ago, which is in a disadvantageous position, I think, for our country.

The CHAIRMAN. Senator Rubio.

Senator RUBIO. Thank you, Mr. Chairman.

Mr. Dubowitz, here is the central argument that we are being given: There exists these sanctions in the world today. They are going to go away as part of this deal, the U.S. sanctions, the international sanctions. If Congress somehow rejects this deal, then one of two things is going to happen. Number one, the sanctions are still going to go away internationally, and then Iran, I just heard,

is going to continue to enrich. But if that happens, under that scenario, if in fact the rest of the sanctions stay in place around the world, but Iran violates the terms of the deal, then by the very definition of the deal, the sanctions would be reimposed again, would they not?

Mr. DUBOWITZ. Correct.

Senator RUBIO. So therefore, this argument that somehow if we walk away from the deal, this guarantees that sanctions go away and that Iran moves forward on a nuclear weapon is absurd.

Mr. DUBOWITZ. Correct.

Senator RUBIO. What they are basically arguing is that the rest of the world is not serious about sanctions. They want to do business with Iran no matter what, whether they comply or do not comply.

Here is the second argument I reject, and I am interested in having your input on it, and that is that somehow, without the rest of the world, the sanctions are irrelevant. Yet it is my understanding that the U.S. sanctions are the biggest piece of the sanctions in place that have the greatest impact. For example, imagine for a moment if you are a German bank and you now must choose to have either access to the United States economy or access to the Iranian economy. Which one, in your mind, are they going to choose?

Mr. DUBOWITZ. The U.S. economy.

Senator RUBIO. In fact, my understanding is the U.S. economy represents close to 50 percent of the flow of capital in the world. Iran is probably less than 1 percent of that. I cannot imagine any entity on the planet, especially in the banking sector, deciding we would still rather have access to the Iranian market and somehow cut ourselves off from the rest of the world.

Why I find this all absurd is this idea that somehow the United States must now do this because the rest of the world would be really upset at us. The last time I checked, this country saved the world on at least two occasions in the last century. I do not remember the last time the world saved America.

So my point is, we are called to lead on this matter. And I just think that this argument that somehow these sanctions, the whole thing collapses, all the sanctions will be irrelevant if somehow America is not a part of this deal, does not make any sense to me. It just does not, because in my mind, if you are the Europeans and the rest of the world, you have agreed to lift sanctions on Iran in exchange for specific behavior on their part. If they no longer comply with that behavior because they are upset that America walked away, then by definition, their own sanctions should kick in again.

Am I wrong in my assessment of this?

Mr. DUBOWITZ. Senator Rubio, you are not wrong because people are trying to have it both ways, as you suggested.

But I would like to suggest one other reason why you are right, and it is a technical reason. It gets back to the SWIFT sanctions.

To understand this, the Europeans are not going to allow Iranian banks back onto SWIFT if the United States retains secondary financial sanctions on international institutions doing business with those Iranian banks and retains U.S. secondary sanctions on SWIFT. So even in your scenario, and the Europeans provide "all

of that relief," the one thing that I believe they will not do is readmit 46 Iranian banks, including the Central Bank of Iran, back onto SWIFT, as long as United States financial sanctions remain in place, because the 10,000-plus banks around the world that actually use SWIFT are not going to do business with those Iranian banks that have been readmitted onto SWIFT, if U.S. financial sanctions still remain in place.

So the most powerful sanction that we have imposed, that Congress imposed, which were the SWIFT sanctions, will remain intact, even if the Europeans are upset with us, because fundamentally, thousands of financial institutions around the world are not going to do business with Iranian banks on SWIFT.

Senator RUBIO. I also want, as a point of comparison, think back to the North Korean negotiation.

As I recall, Mr. Burns, I think, you were at the State Department during this time. When the negotiations were going on with North Korea about their deal, my recollection is that the countries in the region most impacted by it, the Japanese and the South Koreans, were at the table. In fact, they were part of that process. Is that correct?

Ambassador BURNS. There were two negotiations. There was the agreed framework of 1994 with President Clinton. And then there was President Bush's negotiations in 2007 and 2008. I was not involved in either one, but I am more familiar with the second one, President Bush's.

Senator RUBIO. But in both instances, both the Japanese and the South Koreans, neighbors of North Korea, were in favor. In fact, they both supported the agreement and the process that was in place. They felt that was a better alternative to the direction that everything else was going at the time.

Ambassador BURNS. Certainly, in 2007 and 2008, the Japanese and South Koreans were part of the six-party talks framework with North Korea.

Senator RUBIO. So what does it say about this negotiation that while it is great that the P5+1, the European powers, the Chinese, the United States, are at the table, none of the nations most directly impacted by the Iranian threat, meaning none of our Arab allies, not Israel, none of them, are at the negotiating table? None of them were involved in this process.

And quite frankly, in the case of Israel, they oppose it. And in the case of many of our Arab allies, while their use of polite diplomatic language to describe it, there is no enthusiasm in the Arab world for this deal.

Ambassador BURNS. Well, the reason why the P5 was the negotiating entity, that was a decision made by the Bush administration. I was part of that in 2005 and 2006. We felt it was important to get the permanent five countries and Germany, the major powers, to face Iran across the table.

And I would say that the consequences of the United States walking away, that was the issue you were talking to Mr. Dubowitz about, I think the real-world consequences will be, if we walk away, that the Europeans will not be with us because they agree with this deal. And Iran will be strengthened, Senator, if we walk

away. And the sanctions will dissipate and the restrictions will fall, which leads me to support the administration.

Senator RUBIO. I want to touch on that point, but let me go back one step further before that, and that is, what does it say that none of the countries in the region that are most directly impacted by Iran's threat immediately are not enthusiastic about it, as opposed to the way the Japanese and South Koreans were, even though that did not work out?

In essence, is it not concerning that the nations that know Iran the best, who live next door to them, are, in fact, not enthusiastic about this deal? Should that alone tell us something about this deal and about its construct?

Ambassador BURNS. Well, first, I would say, we absolutely have to focus on American interests here first and the American perspective all the time. Second, I think that the opinion in the Arab world is very much divided on this. There are some who oppose it. There are some who will support it, if we will also be tough-minded in pushing back against the Iranians and the Iranian use of conventional force in the region.

Certainly, Israel is adamantly opposed. You are right about that.

Senator RUBIO. Okay. So then going back to the point you raised a second ago, I still do not understand this argument. So the Europeans have lifted sanctions, and they are going to lift sanctions on Iran with or without us, right, at this point?

Ambassador BURNS. They have not lifted sanctions yet.

Senator RUBIO. But they will.

Ambassador BURNS. They will not until we do, once Iran, if it does implement——

Senator RUBIO. So if Congress rejects this deal, the Europeans are going forward. We will be out alone, as Secretary Kerry has said. They are moving forward. The other nations, the other five are moving forward and the international Security Council and the European Community are all going to move forward to lift the sanctions with or without us, if we reject this, correct?

Ambassador BURNS. Absent some surprise development, some revelation about Iran's activities, I think that is correct, that the Europeans, the Chinese, and the Russians will go ahead. They will go ahead in lifting sanctions, but then the restrictions on Iran's program would be lifted because the agreement would fall apart.

Senator RUBIO. And that is what I do not understand. So what you are saying is the Europeans and these other countries are willing to say we are going to lift the sanctions with or without you, and if Iran decides then to violate the deal because America walked away, we are still going to lift the sanctions.

Ambassador BURNS. The practical consequence would be if we walked out unilaterally——

Senator RUBIO. Right?

Ambassador BURNS [continuing]. And turned on a dime against the agreement the administration has just negotiated. The practical consequence of that is that the deal would effectively not be in force. So Iran would have the dual benefit of new trade with the rest of the world and yet no restrictions. That is the problem.

Senator RUBIO. But why would they have that dual benefit? Why would the rest of the world allow Iran to get away with violating the deal they signed with them too?

Ambassador BURNS. So I am, obviously, here not to defend the rest of the world. I am just trying to interpret behavior, and I used to be part of these negotiations on behalf of the Bush administration. We are in a situation, I think, where if we walk away, the consequence of this will be that no one will be supporting us. And therefore, the ultimate winner will be Iran. Iran is going to be strengthened, and we will be in a weaker position.

Senator RUBIO. I do not understand that argument, because the argument basically is——

Ambassador BURNS. It is real-world diplomacy.

Senator RUBIO. Yes, but it is not. What it is basically saying is that these countries, no matter what happens, they are lifting sanctions because they want to do business in Iran. And it will be great if Iran complies with the deal, it will be really great if the United States is part of it because then it guarantees in their mind that Iran will comply with the deal, but no matter what, even if Iran violates this deal that they have made what the rest of the countries, it does not matter because we are lifting sanctions no matter what.

That tells me why it is then that we should not tie our foreign policy to countries that have already made a decision that they are interested in doing business in Iran, and they are willing to live with a nuclear Iran. That is what it sounds like to me, if you are saying that in the real world, they are willing to accept violations of the deal and still leave the sanctions off.

Ambassador BURNS. No, I would not interpret my own views that way. I would just say this, and we were talking with the chairman about this before, the way, as I understand this—I am not part of the administration—this deal has been constructed, the United States has obligations, if Iran implements the deal, that we have to fulfill——

Senator RUBIO. We have obligations of the U.S. Congress.

Ambassador BURNS [continuing]. Lifting of the sanctions. And so, therefore, if the United States walks away unilaterally and the other parties have honored the agreement, I think Iran emerges tactically strengthened. I do not want to see that, which is one reason I support this agreement.

Senator RUBIO. Well, if Iran does not honor its agreement, then Europe should not honor its part of the agreement either. And that is what you are saying is going to happen, unless we are a part of it. I just do not understand that.

The CHAIRMAN. I do hope we can flesh that out because that is quite a dichotomy. Maybe in the next round.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Mr. Dubowitz, I understood you to say that you thought if sanctions were lifted as part of this agreement, they would be lifted on human rights and terrorism violations by Iran. Did I misunderstand you?

Mr. DUBOWITZ. Yes, you did, Senator.

Senator SHAHEEN. So those sanctions will remain in place?

Mr. DUBOWITZ. The terrorism and human rights sanctions will remain in place.

Senator SHAHEEN. Okay. Thank you.

Mr. DUBOWITZ. But could I just clarify one thing? The economic sanctions, which are most important to Congress because Congress plays such instrumental roles, most of the economic sanctions are not linked to human rights and very few of them are actually linked to terrorism. So fundamentally, what we are doing is giving up the economic sanctions. The fact that we still have terrorism and human rights sanctions will not give us economic leverage in the way that Congress, I think, has intended.

Senator SHAHEEN. Well, do you want to speak in greater detail to what those sanctions do with respect to Iran?

Mr. DUBOWITZ. With respect to the terrorism and human rights sanctions, the human rights sanctions, I think, are hopefully self-explanatory, but they have no economic import. We are essentially going to be sanctioning individuals who are involved in human rights violations in Iran with no economic impact.

The terrorism sanctions, for the most part, we will be sanctioning individuals involved in terrorist acts. To the extent that we find a financial institution facilitating a terrorist activity, that one financial institution would be designated. But since Iran will have at least 46 financial institutions back on the SWIFT system, it will still have 45 financial institutions, including the Central Bank of Iran, to facilitate its economic activities.

So it would have no economic impact.

Senator SHAHEEN. But if we found that there were 10 out of the 42 who were involved in supporting terrorist activities, they would also be sanctioned. Is that correct? That was my understanding from Secretary Lew's testimony that there would be some economic impact with respect to those sanctions, because they would involve other entities that are involved in economic activities with respect to supporting terrorism.

Mr. DUBOWITZ. So there would still be 32 banks left on SWIFT, including the Central Bank of Iran, which would be more than enough banks for Iran to continue its economic activity.

And the second thing, I think what you are pointing to, Senator, which is important, is what you are really asking is: Are there going to be sanctions that are going to be of such profound economic consequence that it would help us restore the leverage or maintain the leverage, particularly in the later years of this agreement? And, I would say to that that I am deeply skeptical that we will ever reimpose sanctions on terrorism grounds that have that kind of significant economic impact, because the Iranians will then say it is a violation of the clauses of the agreement that I suggested.

They will use their nuclear snapback threat, particularly against the weakest link, which is the Europeans. And if they are able to convince the Europeans not to engage in a transatlantic economic snapback, then we have effectively neutralized our economic pressure.

Senator SHAHEEN. Well, let me just make sure I understand what I think the deal does with respect to the snapback of sanctions. It is my understanding, and I would agree with Ambassador

Burns, that part of what brought Iran to the table was not just the congressional sanctions, which were very important, but it was also the international community. But if Iran violates the deal, those sanctions would come back into place, and they would come back into place both for the United States and for the European Community. Is that everybody else's understanding?

Mr. DUBOWITZ. Well, it depends which sanctions. If they are nuclear sanctions——

Senator SHAHEEN. The nuclear sanctions. I think my understanding is that we are talking about nuclear sanctions, with respect to the agreement.

Mr. DUBOWITZ. Right. But practically speaking, my concern is that—let us talk practically. If you try to reimpose sanctions on the Central Bank of Iran, expel 46 Iranian banks from SWIFT——

Senator SHAHEEN. No, I heard your concern about that, and I appreciate that. But I guess what seemed to be implicit in that was a belief that the European Community, the other parties to the agreement, would not also be concerned about Iran's violation of what they had agreed to as part of the deal and, therefore, would not be willing to come back in.

Do you share that concern, Ambassador Burns?

Ambassador BURNS. Well, I think this is a really difficult area to think about. And in my earlier testimony, I said I think there are clear benefits. I support this. But there are some risks here.

On the sanctions, I think that Mark is right to suggest it may depend on the nature of the violation. If there is a fundamental violation in the next 3 or 4 years, I think the Europeans will be with us and most of the rest of the world. If they test us with small violations, sometimes countries will say let us just overlook that, we cannot. We have to have an exacting standard.

And Chairman Corker asked this earlier. The really difficult one is if there are covert actions by the Iranians and we uncover them, will we be able to reassemble a solid sanctions regime. I do not think it is impossible. It will really depend on the nature of the violation. But it is going to be a hurdle for us. I do not want to minimize that.

Senator SHAHEEN. Well, are there other interim measures that we could take either independently or with the European Community as we have in the past when some of these kinds of issues have occurred, that would give us some leverage before that extreme, overt violation of what Iran has agreed to do? I guess, based on some of the testimony that we have heard, I have assumed that we ought to be thinking about not just other actions we should be taking in the region with respect to supporting our allies there, but also other measures that we could take with respect to Iran, should Iran violate the agreement in some minor or major way. And are there examples in the past that you can think of where that has occurred?

Ambassador BURNS. Right. Obviously, if you look back at the failure of some of the North Korea negotiations, in adequate oversight, inadequate inspection and verification. So lot is going to depend on the IAEA.

Diplomatically, for this administration and the successor, having a private understanding with the Europeans on exactly how we are

going to react together at that small transgression level, when you really have to come back at the Iranians with an unyielding attitude, that is strategic deterrence. That is also why I think that the President needs to reaffirm that we are on a diplomatic path but he is willing to use military force if there is a clear violation and Iran races toward a nuclear weapon.

I think all of this is important in creating the kind of intimidation of the Iranians that we should want to have in our policy.

Senator SHAHEEN. And my time is up but I would just point out that I just came from the Armed Services Committee where General Dempsey was asked very directly if there was anything in this agreement that would deter our ability to take military action against Iran and he testified that there was not.

The CHAIRMAN. Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

I just wanted to get into some of the things that just happened today on the Hill. There is a Senate Armed Services Committee hearing today, and Senator Ayotte asked Chairman Dempsey again about lifting of the ballistic missile embargo. And the question was, from Senator Ayotte, "Just to be clear, when you came before the committee then," talking to comments that Chairman Dempsey had made earlier this month, "you said under no circumstances should we relieve pressure on Iran on those issues," talking about the arms embargo. "So was it your military recommendation that we not agree to lifting those sanctions?" And Dempsey's response was, "Yes, and I used the phrase 'as long as possible,' and that was the point at which the negotiations continue. But yes, that was my military advice."

Mr. Dubowitz, in the conversations you have had and the information that you have seen, was the advice of the Department of Defense, the Chairman of the Joint Chiefs of Staff, completely ignored throughout this deal?

Mr. DUBOWITZ. Well, I cannot answer that with respect to what happened internally. I have seen the public statements, and I think that the record is clear. The advice was ignored because the arms embargo and the ballistic missile sanctions are going to be lifted at year 5 and year 8, which suggests to me that is a complete contradiction of what the military leaders had recommended.

Senator GARDNER. Can you just lay out some of the concerns that Chairman Dempsey is basing that decision on, because we know it. We have heard it. But what, in your mind, does the arms embargoes lifting mean?

Mr. DUBOWITZ. Well, it means that Iranians are going to be able to buy advanced weaponry, including attack helicopters and battle tanks and fighter jets. I mean, I always look at it from the Iranian perspective. I really do try to figure these things out from how they look at it. And if you think about the way they structured the deal, it is brilliant because early years they get all the economic sanctions relief. Then the arms embargo lifts, so they have money to pay for it. Now they are bolstering their conventional military power. By year 8, now they will be able to fully develop their ICBM program and procure technologies from Europe, not just Russia and China. Year 8.5, advanced centrifuge R&D sunsets. By year 10, the file is out of the U.N. Security Council, and they are legitimized as

a nuclear power. And then all of the restrictions start sunsetting on their nuclear program.

So the way they have structured this deal is front-load with relief, buy all the heavy weaponry you can, cause chaos in the Middle East, build up your ICBM program. You are still in compliance with the deal. Amazing. You are still in compliance with the deal. And only then, just wait patiently for the restrictions on the nuclear program to sunset, then get to the year 10 to 15 year period. And now you have an industrial-sized program with an ICBM conventional military power and an economy hardened against our economic sanctions.

It was brilliant the way that Iran structured this deal in terms of the phasing of it.

Senator GARDNER. Ambassador Burns, would you agree that the advice, the testimony, of Chairman Dempsey was not taken into account during these discussions?

Ambassador BURNS. I have no way of knowing that. I would not want to comment. But I would like to address your question very briefly.

I think this is a concern. This is one of the risks in the agreement, the fact that ballistic missiles and the conventional arms prohibitions will be lifted. I would rather have that not have taken place. But we have options.

The United States can maintain bilateral sanctions on the Iranians, of course, which we will. They are in place, and we should continue them. We can lead a coalition of countries to try to prohibit countries from selling arms to the Iranians and trying to block the Iranians on conventional arms, providing arms to nefarious terrorist groups in the United Middle East.

The Iranians have been violating these provisions, by the way, for years in their export of arms to Hezbollah and Hamas.

So a lot will depend on us. We are not without options. I am trying to make the best of a bad situation here. I would rather these restrictions have been kept in place. We will now have to cobble together a separate regime to try to impinge upon Iran's actions.

Senator GARDNER. I find that interesting because every time we talk about the United States continuing to push for a tougher deal, and that we could try to assure that we kept the sanctions, that we increased our sanctions, that we made a tougher deal, the response is that the United States cannot go it alone, that we stand alone and that will not work and it will not be effective. But when it comes to the arms embargo, I am always surprised that the response is that the United States can go it alone and we will create a tough response on the arms embargo.

So I think the proponents of the agreement have an interesting argument that they have made. When it comes to other sanctions, we can go it alone. But when it comes to the arms embargo sanctions, we can go it alone and everything will be just fine.

Mr. Dubowitz.

Mr. DUBOWITZ. In other words, Senator, we can lose Russia and China on the arms. Not to worry, because we will have secondary sanctions and a coalition of the willing. But we have to keep Russia and China with us on the economic sanctions. Otherwise, everything gets dismantled.

I am not sure I understand the logic of that. Either you need Russia or China in order to enforce all of this, or you can afford to lose Russia and China.

My concern is that if you lose Russia and China, the arms embargo is being lifted at year 5, when effectively, there is no longer U.N. cover for an arms embargo. Now if the argument is you always need U.N. cover and a multilateral sanctions regime for sanctions to work, then that argument is internally inconsistent.

So the notion that somehow we are going to be able to keep having weaponry out of the arms of Iran and its surrogates, when an arms embargo is now being lifted and we can do that through the power of U.S. secondary sanctions, well, if you accept that argument, then you need to accept the argument that we can do the same thing on the economic side.

Senator GARDNER. That is exactly right. I think that is well-stated and exactly my point, in pointing out one of the greater problems with the logic of the agreement, the argument of the proponents.

When we had our hearing with Secretary Lew, I asked about the individuals who received relief under the agreement, and I mentioned, in particular, Mr. Fakhrizadeh, who has been described by some as the father of the Iranian nuclear program. When I asked why this relief was given, I think Secretary Lew's response was something to the effect of that it shows that if you do bad acts, if you do bad things, then you will have consequences.

Well, to me, the consequence of this deal is that you are going to get your sanctions lifted. Could you explain what this kind of treatment, reaction, to people like Fakhrizadeh means in terms of other negotiations that will take place in the future with other nations and other actors who are the fathers of nuclear programs for other rogue and terrorist regimes?

Mr. DUBOWITZ. It is an amazing message to me that we are effectively lifting sanctions on A.Q. Khan, Robert Oppenheimer, the Los Alamos Laboratory, and by the way, a South African German who is the right-hand man of A.Q. Khan.

I would make one other point. The U.S. Government, in 6 months to 12 months, is lifting sanctions on Ali Khamenei's $95 billion financial empire. I mean, there has been no discussion of that. It is amazing to me.

We talk a lot about the $100 billion in oil escrow funds. Ali Khamenei was designated in 2013, his EIKO, the Execution of Imam Khomeini's Order, $95 billion holding company. In 6 to 12 months, OFAC is lifting the designation.

Now what does that mean, practically speaking? I think we need to examine the consequences. Does that mean Ali Khamenei can move $95 billion in liquid assets around the world through the formal financial system, including SWIFT? I mean, to me, that is quite an extraordinary consequence. I am just not sure why Treasury decided to lift the designation essentially on Ali Khamenei and his $95 billion empire. It was my surprise of the week.

Senator GARDNER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

After the Israelis bombed the Osirak reactor outside of Baghdad in 1981, I wrote a book called "Nuclear Peril: The Politics of Proliferation" on that raid and all of the other proliferation issues that were related to it—that is, the United States and U.S.S.R., Ronald Reagan, et cetera. They were just engaged in crazy vertical arms race, where we were not making each other safer. We were making each other less safe, MX, Pershing, all the way down the line. And the Soviets were building the same weapons. And it was crazy.

And the point that the Israelis were making was that we should focus on the fact that the IAEA is an inadequate safeguard, and that the Iraqis at the time were using a civilian nuclear power plant as a cover for a nuclear bomb program. And they were correct in their evaluation of the strength of the IAEA and the real protections, which they can build.

So the test here is, have we strengthened the IAEA sufficiently? Have we given them the tools that they need? Are we going to be able to rely upon it as an agency? Because if that is the case, whether we like it or not, that is what the Non-Proliferation Treaty calls for. I do not like it, but we have a system, and we just have to ensure that there are, in fact, adequate safeguards in place.

So, Ambassador Burns, as you look at these safeguards and look out to the 2020s and the 2030s, as Iran has an ever-growing civilian, "peaceful" nuclear program, how do you view the IAEA and its ability to be able to detect violations going forward?

Ambassador BURNS. I have listened carefully to Secretary Moniz, who is a fellow resident of our State, and I think that he is right in making a convincing case that we are going to have an effective line of sight on existing facilities. I would answer your question by saying that the IAEA needs to be strengthened for that second role, which is after the 15 years has expired, 2030, where the danger will be a covert program that Iran could elect, not will elect, but could elect to follow.

I think the IAEA will need more resources, a greater number of skilled, experienced inspectors, contributions from nations. There is no question that has to happen.

Senator MARKEY. So that is a test then for the P5+1 and every other country in the world. Are we going to give the resources to the IAEA in order to be able to do its job, especially as the years expire, and the initial focus, interest, of the world begins to recede a little bit.

So what confidence do you have that the P5+1 and others are going to be able to keep their focus and put those resources in place.

Ambassador BURNS. It is going to be a test of American leadership. My experience when we created the P5+1 in December 2005, when I was at the Bush administration, we were effectively the leader of it. We had the greatest interest. We kind of drove that organization.

In an odd sort of way, the Russian Government never deviated from the P5+1, because it does not want Iran to become a nuclear weapons power. China is somewhat disinterested. It is kind of on the margin. So we need to rely on the Russians. That is difficult. And we need to rely on the Europeans to strengthen that organization.

Senator MARKEY. Yes, and that is always a big question, because President Reagan actually instructed Jeane Kirkpatrick and the U.N. to vote to condemn Israel for what it did, Ronald Reagan and Jeane Kilpatrick. And then they sided with Iraq against Iran in the Iraq-Iran war within just a couple years.

So you are right. Going through the years, you have to have some kind of confidence that you are going to be able to keep a coalition together and keep our eye on the IAEA ball so that we are, in fact, looking at the real issue, this horizontal proliferation, not vertical, horizontal proliferation.

Send could you comment on that, Ambassador Burns?

Ambassador BURNS. I would. And I think this is the key issue, for me at least. And, Senator, before you came in, I just painted a picture. I think there are real benefits and there are some risks.

I think this is a close call. I think the benefits outweigh the risks. But what I am worried about is, can we be effective in implementing the deal? And a lot of that will come down to the inspection and verification regime. Some of it, nation-states can do. Most of it, the IAEA has to do. And the agency needs financial support, and it needs an increase in its budget. And that is an agency that actually operates on behalf of American interests in trying to sustain the nonproliferation regime.

Senator MARKEY. I agree with you, because otherwise if it is ineffective, we wind up spending a hundred times more money to deal with the consequences of its lack of real teeth. It just becomes a paper tiger, and we wind up spending more money with the collateral consequences of that.

So if we can, I would like you to expand a little bit more on what potentially we could do for Israel, for Turkey, for other countries in a regional defense posture to deal with this issue of what Iran might be thinking about and what, in your opinion, the United States should be prepared to do from a conventional perspective in order to ensure that this does not result in a so much more muscular Iran that the price was too high to pay. What would we have to do here in order to make sure that that was not the case?

Ambassador BURNS. Some of the supporters of a nuclear deal, not so much in the administration, but outside, have said we should normalize, in effect, our relationship with Iran, so we can work with Iranians on the Islamic state and other issues.

I see it very differently. I think as we pursue the nuclear deal, and I think we should, we need to push back against the Iranians. Two things we can do.

President Obama has already started a strengthening of the gulf cooperation countries, their military capacity, air defense, that kind of thing. We should continue that. The Saudis will be critical and Emiratis as well, in this regard.

Secondly, very important with Israel, I think we have to close the political gap. There is a big public division and it is incumbent upon our government as well as Israeli Government—we are not going to end the disagreement, but try to put it out of public glare because it is weakening both of us.

Israel needs a qualitative military edge. It needs advanced military technology. I fear that the Iranians will enable Hezbollah and Hamas to test the Israelis again in northern Israel. And some of

those Hezbollah missiles can hit any city in Israel, as well as Hamas in Gaza. We have to defend Israel and help it defend itself.

The 10-year United States-Israel military assistance agreement is about to expire in 2 years. I know it is now being renegotiated. I think we should accelerate those talks and really try to narrow the distance between us and give Israel the support it needs.

Senator MARKEY. I agree with you. I think we have to again evaluate this deal, looking at the advantages and the defects that may exist, and then try to make the best judgment. But no matter what, we have to make sure that Iran fears Israel, that Hezbollah fears Israel, that Hamas fears Israel.

We all have to agree on a bipartisan basis that no matter what happens, that that is the one nonnegotiable on this issue, because that ultimately is how we will negotiate from strength in trying to resolve these regional issues where we are pushing people toward the table to find a peaceful resolution of these historic, oftentimes religious-driven, differences.

And so that is, from my perspective, what we have to evaluate as we are going forward. I think we can accomplish that latter goal.

And I thank you, Mr. Dubowitz, for your work as well. The chairman was good enough to have you come in and talk to us for 2 hours, so I apologize for not asking you a question because I had that opportunity in private.

But we thank both of you for your service.

And we thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

My sense is that Senator Cardin and Senator Menendez have additional questions. I am just going to ask one, I think.

I just want to give you a chance to rethink, Mr. Ambassador, the answer that you gave to Senator Rubio earlier. And that is: Do you really believe that if Congress kept in place the sanctions that we now have, that the other countries that are involved in this will lift their sanctions, regardless of whether Iran complied with this deal or not? That did not ring true to me, but that is what you said, I think. I just wonder if you want to clarify that to some degree.

Ambassador BURNS. Thank you, Mr. Chairman. Of course, we are talking about hypothetical situations here.

The CHAIRMAN. But we have to kind of judge this, in many ways, on hypotheticals, right? That is, unfortunately, the character of this.

Ambassador BURNS. You are right. I understand that. You have to play out these options.

First, I think we agree, I agree with Mark, that the human rights and terrorism sanctions should be kept on. There is no question about it.

The CHAIRMAN. No, that is not the question. The question is, if we keep the congressionally mandated sanctions we have in place on the nuclear deal—in other words, the United States cannot fully implement, I think what you said earlier was that the sanctions regime would fall apart, and even if Iran did not comply with the nuclear deal, the other countries again would allow their sanctions regime to fall apart.

That does not make any sense to me. So you were saying they would be the winner because they could go on with their nuclear program, but the sanctions would be relieved. I just asked the question: Why would the other countries alleviate their sanctions if Iran does not comply? That does not make any sense to me.

Ambassador BURNS. I was answering a question—there were a couple hypothetical questions asked of me—if the United States did not fulfill its requirements, if the Obama administration did not, because Congress was not willing to lift the nuclear-related sanctions, then we would not be in compliance with this agreement.

The CHAIRMAN. Right. I got that.

Ambassador BURNS. I think the practical impact of that would be that the sanctions regime would weaken and atrophy. And some countries would not adhere to it. And the unity of the P5 I think would be weakened considerably. And the agreement would never go into force, and that would mean that the restrictions on Iran's nuclear program would not be in place.

So that is the scenario that I thought I was responding to, that is a very negative scenario for us.

The CHAIRMAN. Would you want to respond to that, Mark?

Mr. DUBOWITZ. Senator Corker, I am having a bit of a difficult time trying to square the circle here.

So on one hand, Russia and China are at the table for their own strategic interests because they do not want to see a nuclear-armed Iran. In addition, we need Russia and China to help strengthen the IAEA so that they are an effective check against Iranian nuclear breakout or sneak-out.

So the Russian and Chinese are committed to stopping Iran from developing a nuclear weapon, but if Congress votes to disapprove, Russia and China are going to walk away, go back to business, and allow the Iranians to break out or escalate their nuclear program. I am having a hard time reconciling that internal contradiction.

So to reconcile it, you have to accept one of two arguments. Either the Russians and Chinese do not care about a nuclear-armed Iran and have only been at the table because this diplomacy for them has just been a way to help build up Iranian strength, build up the Iranian nuclear program, and get back to business, in which case they have not been great P5+1 partners. Or the Russians and Chinese are committed to stopping Iran from developing a nuclear weapon and fundamentally do not want the Iranians to escalate.

Now my view on Russia and China is that I actually believe Russia and China are going to go back to some business with Iran. I do. I have never actually thought that our sanctions regime depends on Russia and China. The Chinese and Russians have been violating our sanctions for the past 10 years. And I can walk you through chapter and verse on why that is the case.

I would get back to first principles on sanctions. The most important sanctions are the U.S. sanctions, the secondary sanctions. The second most important sanctions are the executive branch sanctions, the designations of key entities. The third most important sanctions are the EU sanctions. So that is really the fulcrum of the debate.

Will we retain secondary sanctions? Yes. If we have a President willing to enforce executive branch sanctions, will we retain that? Yes.

So then the real question is Europe. When it comes to Europe, we are only talking about three essential countries that are three essential economies. Will the Brits or the French and the Germans to be with us, in these scenarios? And my view is, on the diplomatic side of this, I find it difficult to believe that our three closest allies in Europe are going to walk away from us and facilitate an Iranian nuclear expansion and breakout. I also find it difficult to believe that German, French, and British financial institutions are going to take the risk of secondary sanctions from the United States by getting back to business with Iran.

I think that the history of the sanctions has shown these financial institutions as market actors respond to market risks. And if they perceive that they can get sanctioned, fined, and shut out of the United States financial system if they go back to business with Iran, I do not believe they go back to business with Iran.

So again, just walking through the logic of this, I believe, yes, Senator Corker, my long answer I would summarize as this: I believe we will retain the Germans, the French, and the Brits in a transatlantic sanctions regime. It will fray around the edges. We may lose the Russians and Chinese with respect to upstream energy investment and some of these other things. But we will have the essential elements of the sanctions regime in place because it is underpinned by powerful U.S. financial sanctions affecting market actors that respond to risk and want to avoid the kind of punishments that have been levied by the U.S. Government, the Department of Justice, and other actors. I am sorry for my long answer.

The CHAIRMAN. That is all right. Thank you both. We respect to both.

It is just that I find it hard to believe that other countries would lift their sanctions and allow Iran to go on with a nuclear program. That is a scenario I just do not believe would be the case. But again, we all have to make those judgments. And we very much appreciate the input of both of you.

Senator Cardin.

Senator CARDIN. Again, thank you. I thank both the witnesses. I really appreciate this discussion, because this is, I think, the most challenging part of the equation. What happens if Congress rejects the agreement? And what is the likely response of our European allies? I happen to think they are going to want to keep Iran from becoming a nuclear weapon power. I think they will work with the United States, but there will be a period in which the United States is going to be isolated.

And it does put Iran in a position of being able to test international resolve again. They are going to be individual country responses that are hard for us to judge.

I agree, Mark, with your comments that the most significant sanctions are the United States sanctions, both the legislatively imposed and executive-initiated sanctions, and then Europe comes second. Therefore, what happens in Europe is going to be of most

significance. But there will be individual countries and there will be leakage and there will be an impact.

I want to get to the reimposing of sanctions that are waived under the JCPOA for nonnuclear activities. We got into a pretty good discussion, and there were three categories here. One is, can we reimpose against an institution that has received relief under the JCPOA? Second, can we do sectorial sanctions in sectorial areas that have been given relief under the JCPOA? And the third is, can we extend our own law that Senator Menendez was commenting on?

Each of those questions were specifically asked of Secretary Lew during the hearing last Thursday. And in case one and two, he said very clearly the answer is, "Yes, we can, if the circumstances justify that." That was his response.

On the third, he gave a very interesting response. He said it depends on timing. I do not know what that means. He said if we were to try to do it now, it would be a breach of the agreement. But if we wait closer to the 2016 date, it would be understood. At least that is my interpretation of the answer I got from Secretary Lew.

But then we read the agreement and we see clauses in the agreement that give us reason for concern. We are supposed to normalize our trade relations with Iran. We are not supposed to reimpose the sanctions that we took off. So it is not quite as clear in the document.

Now, I must tell you, I do not pay a lot of attention from the point of view of the legal significance of what Iran says in its communications. It is interesting to read, and it just shows we cannot trust them. We have to make sure that we have enforceable documents. But the question that is very important, that the chairman raised at the Thursday hearing, that Senator Menendez and I have both raised, and is that it is fine to know what the United States intends to do, but do we have five of the eight votes? How is Europe going to respond to what the United States does?

We know that China and Russia are going to be difficult. We know that Iran is going to be opposed. But what type of international support and what type of intimidation will there be to U.S. initiatives to impose sanctions when terrorist activities escalate as a result of Iran's increased capacity?

Here, Mr. Chairman, I really do think we need clarification. As I said, we are on day 9. We still have some time left. I really do think we need clarification from the administration and our negotiating partners as to what our options are.

Let me just say, I do not think there will be any hesitation by Congress to enhance sanctions against Iran, if their terrorist activities increase. There may be some reluctance by any administration. We know that. In diplomacy, there is always negotiations with our partners and stakeholder interests in what we do.

But I do think we should look for a way to clarify this point with not just comments from our administration, but from our negotiating partners.

Mr. Chairman, I hope we can figure out a way that we can perhaps follow through on that point.

The second point I want to make, Ambassador Burns, I thought you raised a very important point about the regional security commitments by the United States, and we should not wait. We really should be talking about how we underscore the security needs of Israel and the Gulf States that we have strategic partnerships with. That should be pretty specifically clarified, so that there is no misunderstanding at all in the region as to what our security commitments will be. And Iran needs to know that up front. So I think that was a very important point. And I may want to follow up with some specific suggestions that you made as to how we can perhaps follow up on that particular point.

The CHAIRMAN. Senator Menendez and Senator Johnson.

Senator MENENDEZ. Thank you, Mr. Chairman.

I would agree with the ranking member's assessment, except I would have a different view as to the conclusion with Secretary Lew. I think I did test the proposition with the administration, because I actually said at one point, so you want the sanctions to lapse? He never said, no, that is not what we want. And when I asked him about, specifically, you either have the right to reauthorize them or you do not. Timing is maybe a question for political or other purposes, but either you have the right to reauthorize existing sanctions or you do not. And from my perspective, and the language—yes, it is a letter and it is not the agreement. But what I was reading the day we had the hearing was the agreement. I did not know about this letter then.

So I look at the agreement and the wording of the agreement is what flagged for me the concern that led to that line of questioning.

It was pretty clear to me that he never said, yes, at some point, we need to reauthorize this. When I suggested it lapsed, he could have said no, no, no, I am not agreeing that we should let it lapse.

So I think the composite of that testimony, and of the Joint Comprehensive Plan of Action language, and now I further buttress it with the letter on the Iranian intent, and it says to me, we have a problem as it relates to continuing existing sanctions.

Now those sanctions could be suspended by the administration. I am not talking about altering the nature of the existing sanction regime we have. I am talking about just taking it and reauthorizing it. Some people would want to actually diminish the President's waiver authorities. I am not even talking about that. I am just simply saying taking what it is.

And I read both the agreement and the statements of the Secretary to say that they do not support that. That is a problem, because you have to snap back to something.

The other thing that I am concerned about, I look at what this committee did when we authorized the use of force for the issue of Syria, as it relates to its chemical weapons. We heralded it and heard the administration—as a matter of fact, in March, Secretary Kerry said we cut a deal and we were able to get all the chemical weapons out of Syria in the middle of the conflict.

Well, I am concerned that 1 year after that celebration of removing Syria's arsenal, that United States intelligence agencies have concluded that the regime did not give up all the chemical weapons it was supposed to and that the whole process by which inspectors were allowed to pursue, again, is going to be a narrative of what

we are going to have as it relates to our ability to have inspectors pursue Iran in this case.

Syria specified that it would give access to its declared weapon sites, much as Iran is expected to give U.N. inspectors unfettered access to its own declared sites. But for any undeclared sites, inspectors could request access provided they furnish information of their suspicions, giving the regime plenty of time to move, deceive, and hide.

You listen to one of the inspectors in Syria and they said they could not afford to antagonize their hosts in order to not lose access to all the sites.

So this is a recent past as prologue. So it concerns me about our enforcement mechanism moving forward.

Then finally, what I do want to pick your brains on, and you have both been very in-depth with your thoughts, and I appreciate it, but let me ask you this. Let us assume, for argument's sake, that the deal had not been consummated. Would we be going to war right now?

Mr. DUBOWITZ. I think the answer to that is, you should ask the administration, if you can, to provide to you in disclosure what their contingency plan was when they went into the negotiations, what alternatives they were considering, and how they had fully developed those alternatives. Because to go into negotiation without fully developing your alternatives would be a mistake, I think we would all agree. I am sure the administration has done a lot of work and has fully developed alternatives, Senator Menendez, apart from war.

So if they had not developed alternatives, I think we should be disturbed. If they had developed alternatives, we should find out if those alternatives only included war. And if they did not only include war, then the administration, in claiming now that there is no alternative to this deal but war, is actually contradicting the very contingency plans that they built into the negotiation.

Senator MENENDEZ. Ambassador Burns, would we be going to war?

Ambassador BURNS. I do not think that war is an inevitable consequence of the deal falling apart. I know some people have made the argument, if the deal falls apart, or if Congress disapproves, we are going to get war. I do not follow that logic. It all depends on what the Iranians decide to do. I think they are smarter than to try to provoke a military attack by the United States or Israel.

So I would think, if the deal fell apart, if Congress disapproved, if a veto was overridden, I would think we would probably end up with Iran as a nuclear threshold state. They would go ahead on their uranium and plutonium, but I am not sure they cross the line toward a nuclear weapon and, therefore, almost assuredly invite a response by either Israel or the United States.

And very quickly, Senator, I think you are right to focus on the IAEA. In a way, the real enforcement arm is the United States. If there is a clear violation, if there is a covert facility detected by the IAEA, the only country that can do anything about it is the United States and maybe a few of our allies.

Senator MENENDEZ. And I am concerned about that because another independent witness, David Albright, has been before the

committee several times, and I think the chairman has invited him back. He has said at different times, every time that Iran has had a violation, we seem to find a way to excuse it. And Iran has a history here of deceit, deception, delay that has brought us to this point that we are now accepting things, those who believe the agreement is the right agreement, that we are now accepting things we would have never envisioned accepting.

So the one thing I took away, among other things, from you, Ambassador Burns, is that having a very strong response to violations is going to be critically important. But so far our precedent here on that has not been particularly strong.

You know, if you can argue a case both ways, it is fantastic, if you can get away with it. But it is either one or the other.

Now the Secretary was here and said in Iran the Ayatollah has issued a fatwa, which is basically a religious decree that, in fact, there can be no nuclear arms because that is a violation of their religious beliefs. Iran has consistently argued that they have been and are only interested in a peaceful civilian nuclear program.

So if that is the case, and the Secretary is advocating as part of his overall argument about the fatwa and mentions it as part of the element, then why would we presume that Iran is going to rush to a nuclear weapon immediately if there is not a fulfillment of the agreement, as envisioned?

So I think, I do not buy the proposition, and I appreciate the honest answers from both of you, that war is necessarily automatic, because that is the proposition that is being painted.

Finally, I would say, basically, we think about the out-years. The reality is that in about a year, Iran is going to get most of its sanctions relief, assuming they comply with the initial implementation. So in year 2, 3, or 4, forget about, 8, 10, or 15, the regime determines that whatever is happening in the gulf region, that they, in fact, that preservation of the revolution and the regime is best ensured by having a nuclear weapon. So let us say that they decide to break the agreement and move forward, just for argument's sake.

At that point, though, what we will be facing are the same choices that we allegedly have today. And the reality is, however, I do not think it is quite the same choice, Mr. Chairman, because you will have an Iran that is economically resurgent, an Iran that will have taken care of some of its domestic, not all, but some of its domestic challenges, an Iran that will have $100 billion to $150 billion.

Let us assume that it is not all going to be spent on terrorism. But take 5 percent of it. If an Iran that is reeling from economic sanctions today and falling oil prices is willing to engage with Houthis in Yemen, Hezbollah in Lebanon, in propping up Assad in Syria, and creating mischief in Iraq far different than our national interests in Iraq, with the resources they have now, when they are flush with money, when we talk about war, I am really concerned about a regional conflict that emanates from that.

So it is in this balance of things that I think—what I do not care for is the proposition that it is either this or war, because you cannot argue it both ways.

I appreciate the opportunity to explore that with the witnesses.

Mr. DUBOWITZ. Senator Menendez, just one point. I actually do think there will come a point in time where our only option will be military force. I mean, I am going to be as bold to suggest that. This is, again, scenario planning, and I have tried, to the best of my ability in my written testimony, which is excessively long, I apologize for that, but in the 43 pages, I have tried to work through these scenarios to try and understand this. And it would be useful to work through these scenarios, I think, with others.

But my worst-case scenario is that, as you have described, a much stronger Iran, a much more economically resilient Iran, an Iran with conventional and regional power, and an Iran with an industrial-sized nuclear program and near-zero breakout, with an easier clandestine sneak-out, where breakout time is now a matter of days. I have a very hard time figuring out how you use economic sanctions to stop that Iran.

If you do not have economic sanctions to stop that Iran, then you really only have military force, or you concede.

So my concern with this deal is that the very structure of the deal, the way it is architected, positions Iran at that point where we will actually have to use military force against an Iran that will be much stronger. And the consequences will be much more severe.

That is why, again, just pointing out for maybe the fifth time, and I apologize, for me, this is not about walking away from the deal. This is not about blowing up the deal. This is not about going back to no enrichment. This is about some simple amendments to the deal. I say "simple." I understand how complicated they will be to negotiate.

But one of the fundamental amendments is on the sunset provision. I give Ambassador Burns a lot of credit. He helped negotiate U.N. Security Council Resolution 1737, which is the policy of the U.S. Government. In that resolution, it specifically prohibits a sunset provision. It is very interesting language. At that point, under the Bush administration, they made it very explicit that there would not be an artificial time-delineated sunset.

So, yes, this is complicated. It is messy. But we should insist on that one amendment, the way Henry Jackson in the 1970s insisted on amendments, the way that the U.S. Congress has insisted on amendments for its history.

I think that would make a fundamental difference. And if it did, we may not be in the position where we are going to have to use military force against a hardened target and a massive nuclear program.

The CHAIRMAN. I know Senator Johnson is about ready to roll here and has been waiting a while. But if you want to make one comment, Ambassador Burns, but I am turning it over to Johnson and his time will start after you finish.

Ambassador BURNS. Thank you, Mr. Chairman. Very briefly, and excuse me, Senator Johnson.

I just want to say, I agree that we cannot argue that war is a logical consequence if Congress disapproves. I agree with that. I also do not think, however, we can just assume that war is inevitable at the end of the 15 years. Much will depend on us.

There are strategic threats. There are deterrents that the United States has a lot of history in being involved in. We are going to be skillful with that.

So I do not want to accept that somehow war is the only consequence of this deal. I do not agree with that.

The CHAIRMAN. Thank you.

Senator JOHNSON. Thank you, Mr. Chairman.

If Senator Menendez would stick around for 2 seconds, I want to put a few numbers to the stronger Iran. I will ask Mr. Dubowitz about this later, but we hear somewhere between $50 billion and $150 billion. Now here in America, that does not seem like very much.

But $50 billion is 12 percent of Iran's economy right now. That would be the equivalent of over $2 trillion pumped into our own economy. For the $150 billion level, that is 36 percent. That would be like $6.3 trillion of the American economy.

So right now, Iran's economy is about $415 billion, and we see the instability they are sowing in the region at that level. This is an enormous boost to their economy. That is why we are concerned about a stronger Iran with this deal.

Anyway, I just wanted to put some numbers on that for you.

Mr. Dubowitz, the first time we met, we talked about the Iranian sanctions. I came away from that initial meeting understanding that these sanctions were putting a real hurt on Iran, but that they were nowhere near as strong as they were talked about or, certainly, what you would be recommending.

Can you just talk about that? The number I have is that, in 2013, Iran's economy was about $558 billion. In 2014, it was $415 billion. That is a 25-percent drop. That is a lot of hurt.

Can you talk about back then, and we will start moving forward from there?

Mr. DUBOWITZ. The key number that we have been focused on is Iran's foreign-exchange reserves and their ability to withstand a severe balance of payment crisis. It was our assessment in the middle of 2013 that Iran was 4 to 6 months away from a severe balance of payments crisis—in other words, the kind of economic crisis that in notional terms could have collapsed the economy. Why Iran avoided that was because the administration blocked, at the time, the Menendez-Kirk bill, de-escalated the sanctions pressure, and then entered into the JPOA negotiations and gave $11.9 billion in direct relief, as well as sparking a modest economic recovery.

Again, in terms of numbers, we focus on the $100 billion, $150 billion, which we can talk about. Under this deal, Iran will be able to sell oil. If they return to presanctions levels of 2.5 million barrels a day, they will make $40 billion a year just selling oil. So over the lifetime of the agreement, the years we are concerned about, that is $400 billion by year 10. That is $600 billion by year 15.

When you talk about how Iran will restore its economy, I think we need to look at those numbers.

I would just say one final point. Iran will not spend its money just on terrorism. Iran will not spend its money just on economic growth. Iran will spend its money ensuring economic resilience. They will not make the mistake they made last time. They will have a rainy day fund of foreign-exchange reserves. If I were Iran,

it would be of sufficient size that it would provide me an ability to withstand any kind of sanctions pressure you can throw at me in the future.

Senator JOHNSON. So we really are strengthening Iran.

We started this discussion thinking it is about $150 billion. The administration came back and said no, it is really $59 billion, $56 billion. What is your evaluation of what the initial injection is, just based on when they first meet that requirement?

Mr. DUBOWITZ. First of all, I do not understand the administration's logic here. What they are saying is that there is approximately $100 billion in these escrow accounts, but a certain percentage of that China has committed to upstream energy projects. I do not know if I remember the numbers but $20 billion or so. But the administration is saying Iran is going to spend the $100 billion on strengthening its economy.

Well, what is an investment in an upstream energy project? It is strengthening your economy. So why are you excluding the $20 billion when your own logic suggests that that is to be used to strengthen the economy? So you have to add that money back, if that is your logic.

If your argument is that they are going to spend it on terrorism, then you are right. The $20 billion is not available for terrorism because it is available for Chinese investment. But they are saying their money will not be spent terrorism.

So once again, I am having a hard time squaring the circle and the logic here, Senator.

Senator JOHNSON. I have been reasonably vocal in saying that this administration lost these negotiations really before they ever began by, first of all, acknowledging Iran's right to enrich uranium when I think U.N. resolutions are pretty clear that, no, in order for a sanction to be lifted, Iran has to suspend or halt its uranium enrichment.

The whole point of the negotiation really should have been to require them to dismantle, as it was required of South Africa and Libya.

So you acknowledge that right, and then you also start lifting the sanctions, which really starts getting everybody in the world pretty excited about being able to start investing in Iran, to start selling them dollars.

So I do not know. Where do you go with the negotiation, at that point in time? How do you win that one, when you virtually have given Iran what they wanted, again, not all of the sanctions relief, but a pretty clear path that you are signaling that they are going to get it? That is my evaluation. Is that kind of how you saw the thing as well?

Mr. DUBOWITZ. Sure. That is why you end up with a short-term nuclear suspension for a long-term economic sanctions dismantlement, which is what this deal is. I mean, if you give up your most valuable concession at the beginning of the negotiation on enrichment, and then you spend all your time negotiating the number of IR–1 centrifuges that are going to be left at Natanz, then the Supreme Leader is going to flip that on you. He is going to finally give up on the number of IR–1 centrifuges at Natanz, but he is going to do that only in exchange for his most valuable concessions:

dismantle sanctions. I want sunset provisions so the restrictions disappear. I want advanced centrifuge R&D, because I never really cared about IR–1s, even though I pretended I did. And I am going to end up negotiating the kind of deal the Supreme Leader negotiated, where essentially he has taken a concession that we thought was so valuable to him, because he overvalued it in public, and he did that so that he could trade it away at the end for the concessions that actually were most valuable to him.

So that was the problem with the negotiations, and it is a problem with the fundamental architecture of this deal.

Senator JOHNSON. So the very sanctions that this administration resisted, that they in the end gave credit to for bringing Iran to the table and producing this deal, they definitely opposed.

They did bring Iran to the table, but they were relaxed right away. You just testified that Iran was very close to truly being put in a position where they would have had to negotiate in good faith. Can you describe that?

Mr. DUBOWITZ. Well, Senator, I am not sure if they would have negotiated in good faith, but I am suggesting that if Iran was facing a severe balance of payments crisis, where they were literally on the verge of economic collapse, I think it is fair to say that the United States would have had more leverage. Now, whether we would have translated that leverage into a better deal, I cannot say. It is counterfactual history.

I am suggesting that I think, and I think the U.S. Congress has been very clear on this over the past couple years, I think that we made a mistake in not ratcheting up the pressure and increasing our leverage.

And my fear is that the Iranians came to the table for one fundamental reason. Yes, they were under pressure. They came to the table because we offered them a huge concession to come to the table. And the huge concession, Senator, is exactly the one you underscored. It was that we abandoned decades of U.S. policy and we gave them an enrichment capability.

Senator JOHNSON. My point is that is the position they were in. I agree with you. That would not guarantee they come in good faith. We, certainly, had a whole lot more leverage. We were in a far better negotiating position then than we were at the tail end of this deal.

Is there any way we can get ourselves back to that negotiating position? My evaluation is no. I just want to hear your comment on that. In other words, snapback sanctions, that is a fantasy, is it not?

Mr. DUBOWITZ. Well, snapback sanctions are a fantasy. Can we get back to the same negotiating position we were 2 years ago, or 2.5 years ago? Not immediately. I mean, in the scenarios that I lay out, I am not trying to look at this with rose-colored glasses.

My whole approach to the Middle East is expect the worst and be surprised on the upside. Do not expect the best and then be devastated on the downside. So I am trying to be realistic in the scenario planning.

It will be messy, I think, as Ambassador Burns and I both acknowledge. But I do think that we have the ability to retain sufficient leverage. And if past is prologue, and the cold war, I think,

serves as a good example, we are capable of negotiating better agreements, amended agreements, with hardened adversaries.

When I look at Iran and I compare today's Iran to the Soviet Union with thousands of nuclear-tipped missiles aimed at U.S. cities, Senator Jackson was willing to go back to the Nixon administration and say I want a better deal. There are countless examples of that in the cold war.

Senator JOHNSON. But, again, with investment dollars starting to flow in from our negotiating partners, it is going to be pretty difficult to get them on board with another round of sanctions that would actually put ourselves back at the point where we could actually do a good deal, where we could actually demand dismantlement, where we could actually force Iran to be less dangerous.

Mr. DUBOWITZ. As I have testified, I think that we will maintain the efficacy of U.S. secondary sanctions, executive branch sanctions, and I do not believe we are going to lose the Europeans. I believe on the essential core sanctions, the financial sanctions that Europe has passed with us and more importantly that Europe fears from us, we will maintain that leverage.

Will we maintain it right away? Will we have the same leverage right away? No, it will take another President working closely with Congress to restore our leverage and enhance the leverage over time. But to me, that is a better alternative, Senator, than ultimately providing a patient pathway to a near-zero nuclear breakout and a clandestine sneak-out, and just to reiterate, an Iran that will be hardened against that kind of snapback in 10 to 15 years, where I fear, maybe more than Ambassador Burns, that we will only have the ability to use military force to stop this program.

Now, maybe we disagree. I believe in preemption, not containment. If we are in containment mode, then we are in a whole different universe. But I still believe it is the policy of the U.S. Government to prevent Iran from developing a nuclear weapon.

Senator JOHNSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I want to thank you both for your testimony and for being here so long and waiting for us while we voted.

Without objection, the record will be open until Friday, if you would please respond as rapidly as you can to those questions.

But we respect both of you very much. I know that both of you understand the complexities of this. And one of you has ended up on one side and one on the other. It is the type of testimony that you have given today that I think makes this a difficult decision for many. So thank you very much for being here.

[Whereupon, at 1:32 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MARK DUBOWITZ TO QUESTIONS SUBMITTED BY SENATOR JOHNNY ISAKSON

Question. How can the P5+1 hold Iran accountable for small, or potentially incremental infractions as well as major ones? What consequences are there for small infractions of the JCPOA?

Answer. If the United States believes that Iran has violated the deal, Washington can refer Iran to the Joint Commission, which consists of the P5+1, Iran, and an EU representative. If the issue cannot be resolved by consensus within the Joint

Commission, after a process of 35 days, the United States can then unilaterally refer the issue to the U.N. Security Council. The Security Council must then pass a resolution (which the United States can veto) to continue the current sanctions relief. If that resolution is not passed within another 30 days, the previous U.N. sanctions will be reimposed. The "snap" in "snapback" therefore takes more than 2 months. The mechanism in the JCPOA also does not provide for any unilateral reimposition of sanctions, nor does the U.N. Security Council Resolution 2231, which endorsed the JCPOA. The avenue to address Iranian noncompliance is through the Joint Commission's dispute resolution mechanism.

However, this mechanism is not built to address incremental infractions. Resolution 2231 states that the snapback mechanism is for issues of "significant nonperformance," implying that it would not likely be used for incidents of incremental cheating. The Iranian regime has previously been inclined to cheat incrementally, not egregiously, even though the sum total has been egregious. Iran is incentivized to continue to engage in incremental violations of the agreement because there is no enforcement mechanism to punish incremental cheating.

The bigger problem is that the nuclear deal grants Iran a "nuclear snapback." The nuclear agreement explicitly contemplates in paragraphs 26 and 37 of the main text that Iran will walk away from the deal if sanctions are reimposed in response to an Iranian nuclear violation. I call these Iran's "nuclear snapbacks," because a straightforward reading of this text indicates that Tehran will threaten nuclear escalation if the world powers try to force it back into compliance with the agreement.

We have lost our ability to use peaceful economic leverage to enforce a nuclear agreement. If Iran violates the agreement, the United States will be faced with the choice of acquiescing to Iranian cheating or engaging the sanctions snapback and risking dissolving the agreement "in whole or in part." Iran can cheat incrementally, daring us to respond. No President will use military force against incremental cheating, and Iran will have the ability not just to break out or sneak out to a bomb, but to inch out to a bomb.

Question. What is the incentive for Iran to continue to comply with conditions of the JCPOA beyond the 10-year window, if sanctions are not snapped back and are ultimately relieved altogether? Iran has already stated it will reject a plan put forward by the P5+1 about potentially extending them for 5 years.

Answer. When discussing the nuclear deal with Iran, its timeframe is usually discussed as a 10–15 year deal. However, I would argue a better way to examine the deal is not exclusively through the prism of nuclear physics but also accounting for Iranian economic, conventional, and military power.

The benefits to Iran are frontloaded: Iran will receive immediate sanctions relief on Implementation Day and will be permitted back into the formal financial system. On the front end of this agreement, the deal effectively dismantles the sanctions regime. That means that Iran is going to get hundreds of billions of dollars to spend, not only building its economy, but also building economic resilience against future economic pressure. Then, after 5 years, the U.N. arms embargo will be lifted. Then ballistic missile restrictions will disappear. Iran will be able to fortify its regional presence and terrorist proxies. Then, when restrictions on Iran's nuclear activities begin to lapse, Iran will be stronger financially, militarily, and regionally. Iran's breakout time will begin dropping after 10 years and fall to as short as a few weeks after 15 years.

The JCPOA provides Iran a patient pathway to a nuclear weapon. If Iran abides by the terms of the agreement, it can emerge in 10 to 15 years with a massive nuclear program, a short path to a nuclear bomb, intercontinental ballistic missiles, and a strong economy immunized against sanctions pressure. At that time, Iran can choose to continue to abide by the few remaining terms of the JCPOA having already received significant benefits. Iran will be a regional power with a strong military and strong economy. If Iran chooses to violate the JCPOA at that stage, the United States may be left with only military options to prevent an Iranian nuclear bomb.

Question. How does lifting the ballistic arms embargo after 8 years affect our sanctions against Iran's ballistic missiles program?

Answer. Before reviewing the ballistic missile embargo, it is important to discuss the current state of the Iranian ballistic missile program. Even with the current sanctions in place, Iran reportedly has the largest and most diverse ballistic missile program in the Middle East. The U.S. Defense Department has repeatedly assessed that Iran's ballistic missiles could be "adapted to deliver nuclear weapons." Last year, Director of National Intelligence James Clapper testified before Congress that

if Iran chooses to make a bomb, Iran would choose "a ballistic missile as its preferred method of delivering nuclear weapons." According to Clapper, these missiles are "inherently capable of delivering WMD." Under the JCPOA, restrictions on Iran's ballistic missile development will lapse. Notably, the JCPOA permits this to happen after 8 years or after the IAEA reaches a socalled "broader conclusion" that Iran's program is entirely peaceful and contains no undeclared activities, "whichever is *earlier*." (emphasis added). In short, whether or not the IAEA has determined that Iran's program is peaceful, Tehran will be permitted to engage in an expansion of its ballistic missile program after a maximum of 8 years. Why is Iran permitted to engage in ballistic missile development—the development of the likely delivery vehicle if Iran builds a nuclear warhead—before the international community is certain that Iran's existing nuclear program is peaceful?

Even without that certainty, the arms embargo will expire in 5 years, and ballistic missile restrictions will lapse in 8. With those expirations, Iran will be able to buy and sell heavy weaponry. Iran will also be able to develop long-range ballistic missiles, including intercontinental ballistic missiles (ICBMs). Iran may also be able to expand its intercontinental ballistic missile program under the guise of satellite testing. The U.S. Defense Department notes, "Iran has publicly stated it may launch a space launch vehicle by 2015 that could be capable of intercontinental ballistic missile ranges if configured as a ballistic missile."

At the same time, under the nuclear deal, the administration has dismantled the economic sanctions regime by effectively recharacterizing nonnuclear sanctions as nuclear, including sanctions on Iran's ballistic missile program. One particular area that the deal impacts is ballistic missile financing. Prior to the administration's recharacterizing these sanctions as "nuclear-related," they were considered a separate issue of illicit financial conduct. There are a number of designations of Iranian banks including the Central Bank of Iran for the financing of ballistic missiles. But Iran demanded in negotiations that a number of these entities be de-designated, including the Central Bank of Iran. And so the JCPOA has taken ballistic missile financing and recharacterized it as nuclear financing.

Also under this deal, U.N., U.S., and EU ballistic missile sanctions will be terminated. The United Nations will lift ballistic missile sanctions on Iran in 8 years. The European Union will also lift its ballistic missile-related restrictions. At that time, the United States will retain its sanctions provisions under certain Executive orders and under the Iran, North Korea, and Syria Nonproliferation Act. There are two problems with this scenario: the first problem is that because U.S. sanctions and EU sanctions will not be aligned, the United States may confront a situation in which European banks and companies are engaged in activities that are legal under European law but a violation of U.S. law. Will the United States be willing to sanction these companies?

The second problem is that the U.S. State Department is more than 3 years behind schedule issuing reports mandated by INKSNA. According to a GAO study, the State Department has taken an average of 16 months to issue reports that have been due every 6. The last report, delivered to Congress in December 2014, covered the period through 2011. These reports must be published prior to the issuance of sanctions under INKSNA. Sanctions for activities in 2011 were not thus applied until 2014. If this pattern continues, ballistic missile sanctions may remain on the books but be unenforced.

Question. If the "Roadmap for Clarification of Past and Present Outstanding Issues" is not shared with Congress, do you think this deal is credible? What if it is not shared with other members of the P5+1?

Answer. Many of the concerns regarding inspection and verification arise from the side agreements between Iran and the IAEA, including agreements related to the resolution of issues related to the possible military dimensions (PMDs) of Iran's nuclear program, including but not limited to the inspections of the Parchin facility. The leaked details of those agreements, if accurate, raise questions about the IAEA's ability to reach conclusions, with the requisite level of assurances and without undue hampering of the verification process.

Following the announcement of the JCPOA, U.S. intelligence and public sources revealed that Iran may be engaged in cleanup efforts at the Parchin military facility where weaponization activities are suspected to have taken place. Iran's activities may result in the IAEA being unable to collect any useful information about a site which Iran has refused to allow the IAEA to access for more than a decade.

Of grave concern, Under Secretary of State Wendy Sherman admitted during a Senate Banking Committee hearing that the IAEA may not get physical access into Parchin to ensure that Iran is not hiding covert activities. The Associated Press journalist George Jahn reviewed a draft of a confidential agreement between Iran

and the IAEA and reported that Iranian inspectors will investigate the Parchin site themselves and provide environmental samples to the IAEA. According to this report, the IAEA itself will not collect the evidence and will not get physical access to Parchin; instead, inspectors will get video and photo information and only from areas that Iran deems are not off-limits because they don't have military significance.

This is "very unusual," according to Dr. Olli Heinonen, former deputy director general and head of safeguards at the IAEA. "I find it really hard to understand why you would let someone else take the samples and only see through the camera." He noted that he could not think of any similar arrangements with other country in the past.

Nuclear physicist and former weapons inspector David Albright assessed, "It really is not normal, and you have to worry that this would set a bad precedent in the Iran context and in the context of other countries. . . . I don't know why they accepted it. I think the IAEA is getting a little desperate to settle this." He said, "I think how this is settled could very well determine if the deal is ever implemented. This deal can only work if it can be verified, and it can only be verified if the inspectors have access to the suspect nuclear sites." As these experts warn, if this press report accurately reflects the agreement between Iran and the IAEA, it may establish a troubling precedent whereby Iran could deny physical access to IAEA inspectors to other suspicious facilities including military sites.

To address concerns regarding Parchin and other aspects of the inspection and verification regime, the IAEA-Iran side agreements should be shared with the United States and with other members of the P5+1. While confidentiality is an important principle for the IAEA, it should not be used as a pretext to avoid addressing legitimate questions. Furthermore, similar agreements have not always historically been seen as confidential, and the IAEA has disclosed much-more detailed facility-specific approaches in the past. For example, in 2007, the IAEA-Iran work plan to address outstanding issues was made available to all IAEA member states. As a member of the Board of Governors of the IAEA, the United States (both the Executive branch and Congress) could be provided access to the side agreements. The verification and inspection regime must be credible, and therefore concerns regarding the side agreements should be addressed rather than avoided.

PREPARED STATEMENT OF HON. NICHOLAS BURNS

Mr. Chairman, Ranking Member Cardin, and members of the committee, thank you for this opportunity to testify on the international agreement to prevent Iran from becoming a nuclear weapons power.

This is one of the most urgent and important challenges for our country, for our European allies as well as for Israel and our Arab partners in the Middle East. The United States must do whatever it takes to thwart Iran's nuclear weapons ambitions and its determination to become the dominant military power in the region.

We should thus marshal our diplomatic, economic, and military strength to block Iran now and to contain its power in the region in the years ahead.

With that strategic aim in mind, I support the Iran nuclear agreement and urge the Congress to vote in favor of it in September.

This is, understandably, a difficult decision for many Members of Congress. It is an agreement that includes clear benefits for our national security but some possible risks, as well. It is also a painful agreement, involving tradeoffs and compromises with a bitter adversary of our country—the Government of Iran.

I believe, however, that if it is implemented effectively, the agreement will restrict and weaken Iran's nuclear program for more than a decade and help to deny it a nuclear weapons capacity. That crucial advantage has convinced me that the Obama administration is right to seek congressional approval.

I have followed the Iran nuclear issue closely for the last decade. From 2005 until 2008, I had lead responsibility in the State Department on Iran policy. During the second term of the George W. Bush administration, we worked hard to blunt Iran's nuclear efforts. We created in 2005 the group that has since led the global effort against Iran—the United States, the United Kingdom, France, Germany, Russia, and China (the P5+1). This group offered to negotiate with Iran in 2006 and again in 2007. We were rebuffed on both occasions by the Iranian regime.

When Iran accelerated its nuclear research program, we turned to sanctions. I helped to negotiate for the U.S. the first three United Nations Security Council Chapter VII sanctions resolutions to punish Iran for its actions. Led by the Treasury Department, we initiated U.S. financial sanctions and encouraged the European Union to do the same. We built a global coalition against Iran. While Iran became

increasingly isolated, however, it chose to accelerate its nuclear research efforts in defiance of international law.

When President Obama came into office in 2009, Iran had made considerable progress in advancing its uranium and plutonium programs. It made further progress in his first years in office and was on its way to become, in effect, a nuclear threshold state. In response, President Obama expanded the sanctions and coordinated an aggressive international campaign to punish and isolate the Iranian regime.

Congress made a vital contribution by strengthening American sanctions even further. This increasingly global and comprehensive sanctions campaign weakened the Iranian economy and ultimately convinced the Iranian Government to agree to negotiate during the past 18 months.

The Obama and Bush administrations and the Congress acted together over 10 years to expand American leverage against Iran and to coerce it to accept negotiations. Despite these efforts, Iran was far along the nuclear continuum when negotiations began in earnest in 2013.

Looking back, I believe the Obama administration was correct in launching negotiations in 2013 with our many partners on one side of the table and Iran alone on the other. We retained then, as we do now, the capacity and right to use military force to prevent Iran from achieving a nuclear weapon should that be necessary. But, diplomacy made more sense at that point. That judgment has paid off.

The Joint Comprehensive Plan of Action (JCPOA) negotiated by Secretaries Kerry and Moniz is a solid and sensible agreement. It has many concrete advantages for the United States, some of which have been overlooked in the national debate so far.

First, the agreement will essentially freeze Iran's nuclear research program. The restrictions the U.S. negotiated will effectively prevent Iran from producing fissile material for a nuclear weapon (either through uranium enrichment or the plutonium process) at its nuclear facilities for at least 10 to 15 years.

The number of centrifuges at the Natanz plant will be reduced by two-thirds. Use of advanced centrifuges will not be permitted for a decade. Iran's store of enriched uranium will be restricted to levels below those needed for a nuclear device. In addition, there will be no enrichment at all at the Fordow plant for 15 years.

The administration also succeeded in blocking Iran's plutonium program. The core of the Arak Heavy Water Reactor will be dismantled. The reactor will be transformed to make it impossible to produce sufficient quantities of plutonium for a nuclear device. Spent fuel will be transported out of Iran. There will be no reprocessing of fuel for at least 15 years.

The most important advantage for the U.S. is that Iran's current breakout time to a nuclear weapon will be lengthened from 2 to 3 months now to roughly 1 year once the agreement is implemented. This is a substantial benefit for our security and those of our friends in the Middle East. It sets back the Iranian nuclear program by a significant margin and was a major concession by the Iranian Government in this negotiation.

Significantly strengthened inspections of Iran's nuclear supply chain for the next 25 years is a second advantage of the nuclear agreement. Iran has also agreed to be subjected to permanent and enhanced IAEA verification and monitoring under the Additional Protocol. This will give the IAEA much greater insights into Iran's nuclear program and will increase substantially the probability of the U.S. detecting any Iranian deviations from the agreement.

Third, sanctions will not be lifted until Iran implements the agreement in every respect. This could take up to 3 to 6 months. The U.S. and other countries should demand full and unambiguous Iranian implementation to deconstruct and modify its nuclear program according to the letter of the agreement. And, after sanctions are lifted, we must be ready and willing to reimpose them should Iran seek to cut corners, cheat, or test the integrity of the agreement in any way.

A final advantage, Mr. Chairman, is that this agreement gives us a chance to prevent an Iranian nuclear weapon through diplomacy and negotiations, rather than through war. While the U.S. should be ready to use force against Iran if it approaches our redline of acquisition of a nuclear weapon, the smarter and more effective strategy at this point is to coerce them through negotiations. In this respect, I admire the commitment, energy and the achievements of Secretary Kerry, Secretary Moniz, and their team.

While the benefits of this agreement for the U.S. are substantial, there are also risks in moving ahead. The most significant, in my judgment, is that while Iran's program will be frozen for a decade, the superstructure of its nuclear apparatus will remain intact, much of it in mothballs. Iran could choose to rebuild a civil nuclear program after the restrictions begin to end 10 to 15 years from now. This could give

Tehran a base from which to attempt to build a covert nuclear weapons program at some point in the future.

I differ with those critics, however, who believe that the expiration of the agreement will make Iranian acquisition of a nuclear weapon all but certain a decade or two from now. Much will depend on the Iranian leadership at that time. Will they want to risk another generation of international isolation and sanctions if they drive toward a nuclear weapon? Will they risk the possibility of an American or Israeli use of military force in response? A decision by Iran to turn back to a nuclear weapons ambition is a possibility, but by no means a certainty. The actions and resolve of the United States will have a major impact on Iran's calculations. It will be up to the President and Congress at that time to make clear to Iran that we will be ready to use any option available to us, including the use of military force, to prevent Iran from becoming a nuclear weapons power.

The overall effectiveness of the agreement will thus require the Obama administration and its successors to maintain a very tough inspections regime and to be ready to reimpose sanctions if Iran seeks an illicit nuclear weapons program in the future.

Congress is right to focus on these concerns and to require concrete assurances from the administration that they can be overcome. Specifically, the administration will need to focus hard on the possibility that Iran will cheat, as it has done so often in the past and attempt to construct covert facilities. Should this occur, the U.S. would need to ensure that the "managed inspections" set out in the agreement would work effectively. If Iran were to violate the agreement, American sanctions should be reimposed. Gaining broader international agreement for sanctions would be a more effective way to intimidate the Iranian authorities. This would be a priority, but also a challenging hurdle, for American diplomacy.

On balance, however, I believe the nuclear deal will deliver more advantages than disadvantages to the United States. There are greater risks, in my judgment, in turning down the agreement and freeing Iran from the considerable set of restrictions it has now accepted.

Most importantly, I do not see a more effective, credible, or realistic alternative that would give the U.S. a greater probability at this point of preventing an Iranian nuclear weapon. That is the key question Members of Congress should ask before you vote. Is there a more effective way forward than the one negotiated by the Obama administration?

The most common criticism of the nuclear deal is that the U.S. should have walked away from the talks during the last year, sanctioned Iran further and attempted to negotiate a better and stronger agreement.

But, this alternative would leave the U.S. weaker, rather than stronger, in confronting Iran's nuclear program. If the U.S. left the negotiations unilaterally, I do not believe it is likely that Russia and China and even the European allies and other key international economic powers would follow us. These countries are all strong supporters of the nuclear deal before the Congress today. The global coalition we spent the last 10 years building would likely fray and weaken over time. The sanctions regime would crumble along with it. We would lose the strong leverage that brought Iran to the negotiating table in the first place. While American sanctions were very important, it was the global nature of the sanctions with buy-in from nearly every major economy in the world, that made the critical difference in cutting off Iran from the international banking and financial system during the past few years. All of these benefits would be at risk after a U.S. walkout.

Most importantly, the strong restrictions that have effectively frozen Iran's nuclear program since January 2014 would all be lifted if the negotiations are ended. Iran would be free to resume its advanced uranium enrichment and plutonium programs. We would lose the IAEA's insights into Iran's program as the inspections regime would weaken. Iran would not be 1 year away from a bomb under the Obama agreement but on the threshold of a nuclear weapons capability.

While I don't agree necessarily that this "No Deal" scenario would lead inevitably to war, there is no doubt in my mind that it would leave the U.S. substantially weakened and worse off. How could this alternative be preferable to the real restrictions on Iran's program ensured by the nuclear deal?

The nuclear deal is certainly not perfect but will freeze Iran's nuclear efforts for a decade or more and keep its government under the glare of a bright international spotlight for many years beyond. If it seeks to disapprove the President's policy, Congress should offer a realistic and effective alternative. But, I am unaware of any credible alternative that would serve our interests more effectively than the agreement proposed by the Obama administration and the other major countries of the world.

Rather than vote to disapprove the President's policy, I hope members of both parties will work with the administration to strengthen our ability to implement the agreement successfully and to simultaneously contain Iranian power in the Middle East.

We should create, in effect, a two-track American policy toward Iran in the future. On the one hand, we should work to ensure Iran implements the nuclear deal. On the other hand, we will need to construct a renewed effort with Israel, Turkey, and our friends in the Arab world to contain Iran's growing power in the region.

Now that we are talking to Iran again after 35 years of minimal contact, there may be issues on which contact with Tehran will be in our interest. Protecting the Afghan Government from Taliban assaults is one such possibility. Convincing Iran to withdraw its support for President Assad in Syria is another.

But, I do not believe we will experience anything approaching a normal relationship with the Iranian Government as some in our own country have suggested. This is not the time to restore full diplomatic relations with its government. There is too much that still separates us to justify such a decision. Our larger interests in the Middle East require the creation of a coalition of countries to oppose Iran as it makes an assertive push for power into the heart of the Sunni world in Iraq, Syria, Lebanon, and Yemen.

With this in mind, there is more the Obama administration can do to ensure effective implementation of the nuclear deal and to push back against a more assertive Iranian policy in the region. Here are some concrete suggestions toward that end.

—A first-order diplomatic priority should be for the United States to do everything in its power to maintain the ability to reimpose sanctions on Iran, if necessary. Russia and, especially, China will likely be weak and undependable partners in this regard. The U.S. should thus focus on securing commitments from the European allies that they will work with us to reimpose sanctions in the future, if necessary. The administration should also convince Japan, South Korea, India, and other major economies to be ready to curtail commercial links to Iran should it violate the nuclear agreement;

—The United States should set a very high bar for Iran on implementation of the agreement. Specifically, the U.S. should call attention to even the most minor Iranian transgressions from the start of the implementation process. If we do not set an exacting standard, Iran may well diminish the integrity of the inspections regime by cutting corners and testing its limits. Establishing a tough-minded policy now is the right way to convince Iran there will be immediate penalties should it not implement the deal fully;

—The United States should reaffirm publicly that we have vital national interests in the Persian Gulf and that we will use military force, if necessary, to defend them. That was the essence of the Carter Doctrine of the late 1970s and has been the policy of Republican and Democratic administrations since. President Obama should continue the campaign he has already begun to assemble a strong coalition of Gulf States to contain Iranian power in the region. This will require accelerated military assistance to our Arab partners and a strong, visible, and continuous American military presence in the region;

—The United States should also try to close ranks with Israel and to strengthen even further our long-standing military assistance agreement that I led in negotiating in 2007 expires in 2 years. The Obama administration could reaffirm our ongoing commitment to Israel's Qualitative Military Edge (QME) over any potential aggressor in the Middle East region. The administration should accelerate military technology transfers to Israel to head off any potential challenge to Israel from Iran or, as is more likely, from its proxies, Hezbollah and Hamas.

—The United States and Israel should also make a renewed effort to diminish their public divisions. President Obama should take steps to work more effectively with Prime Minister Netanyahu. But, repairing such a wide public dispute requires both leaders to make it work. Prime Minister Netanyahu would be well advised to diminish his excessive public criticism of the U.S. Government. I found in my diplomatic career that allies work best when they work out their differences privately rather than publicly.

—President Obama should reaffirm publicly and in the most unmistakable terms, his readiness to deploy military force to strike Iran should it obtain a nuclear weapon. This would help to create a more durable American strategic deterrence to convince Iran that abiding by the nuclear agreement is in its best interest.

—Finally, the United States should also press Iran to meet the grievances of American families who lost their loved ones in Iranian-inspired attacks on American citizens in past decades. This includes, of course, the bombings of the U.S. Embassy in Beirut and the U.S. Marine Barracks in 1983. It also includes the assassination of Dr. Malcolm Kerr, President of the American University of Bei-

rut, in January 1984. His family has brought suit against Iran in U.S. Federal Court as they believe Iran authorized his murder through its proxies in Lebanon. There are many other such civilian cases against Iran. Implementation of the nuclear deal should not be made conditional on resolution of these cases, in my judgment. But, we should not agree to resume full diplomatic relations until Iran has agreed to settle them. By raising them now, we would send Iran an unmistakable signal that we expect these cases to be adjudicated fairly and with justice for the American families in the future.

—At the same time, the administration must continue to press, as an urgent priority, for the release of those Americans imprisoned or missing in Iran.

These steps would help to strengthen our ability to implement the Iran nuclear agreement and to put Iran on notice that it has a long way to go before it can resume a normal relationship with the United States.

Successful implementation of the nuclear deal will require strong, self confident and determined American leadership. We are the indispensable center of the P5+1 group that negotiated the agreement. We have to insist on full Iranian implementation of the agreement. We must assemble an Arab coalition to contain Iran in the region. And we have to remain Israel's strong and faithful partner in a violent, turbulent, revolutionary era in Middle East history.

Mr. Chairman, I urge Members of Congress to support this agreement. A vote of disapproval in the absence of a credible alternative, would, after 10 years of effort, be self-defeating for our country.

If Congress votes to disapprove and manages to override the President's veto, it would very likely dismantle the agreement, lead to the disintegration of the global sanctions regime and remove all current restrictions on Iran's nuclear efforts. Such a result would leave Iran closer to a nuclear weapon. That is not a sensible course for our country.

I also fear a vote of disapproval would weaken the effectiveness and credibility of the United States in the Middle East and around the world.

There is another path open to Congress. Work with the President to strengthen America's position in the Middle East. Move forward with the nuclear deal. Push back against Iranian power in the region. A Congress that sought greater unity with President Obama would help to strengthen our country for the struggles that are inevitably ahead with Iran in the years to come.

PREPARED STATEMENT OF MARK DUBOWITZ

Chairman Corker, Ranking Member Cardin, members of the Senate Foreign Relations Committee, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, thank you for the opportunity to testify.

I would like to address two areas in which the Joint Comprehensive Plan of Action (JCPOA) contains major design flaws: (1) the limitations (or lack thereof) on Iran's nuclear program, and (2) the precipitous sanctions relief disconnected from changes in Iranian behavior that prompted the sanctions. More specifically:

1. The JCPOA provides Iran with a patient path to a nuclear weapon over the next decade and a half. Tehran has to simply abide by the agreement to emerge as a threshold nuclear power with an industrial-size enrichment program; near-zero breakout time; an easier clandestine sneak-out pathway; an advanced long-range ballistic missile program, including intercontinental ballistic missiles (ICBMs); and hundreds of billions of dollars in sanctions relief to immunize its economy against future economic snapback sanctions, increase its conventional military power, and support terrorism and other rogue regimes.

2. The JCPOA also creates an Iranian "nuclear snapback" instead of an effective economic sanctions snapback. This "nuclear snapback" provides Tehran with the ability to immunize itself against both political and economic pressure, block the enforcement of the agreement, and diminish the ability of the United States to apply any sanctions, including even nonnuclear sanctions, against the full range of Iran's illicit conduct;

3. The JCPOA effectively dismantles the U.S. and international economic sanctions architecture, which, in key areas, was designed to address the full range of Iran's illicit activities. Iranian banks will be allowed back onto the SWIFT financial messaging system without evidence that their illicit conduct no longer poses risks to the global financial system. Once they return to SWIFT, it is difficult for me to image a scenario where they will again be expelled in great numbers, particularly given the deterrent power of Iran's nuclear snapback; and,

4. The JCPOA also emboldens the most hardline element of the regime, Iran's Islamic Revolutionary Guard Corps (IRGC) and Supreme Leader Ali Khamenei's financial empire, which will be a major beneficiary of this agreement.

After discussing the flaws in this JCPOA, I will provide recommendations on what Congress can do to improve the deal with Iran. This analysis, parts 3 and 4 of this testimony, begins on page 28. In these sections, I will discuss the precedents for congressional disapproval of treaties and executive agreements, analyze the likely outcomes of a congressional vote of disapproval of this nuclear deal with Iran, and provide recommendations for specific amendments to the JCPOA. I will conclude by discussing how Congress can defend the sanctions architecture against its precipitous unraveling under the JCPOA so that the U.S. can provide peaceful economic leverage to enforce this deal in the future.

PART 1: NUCLEAR FLAWS

Flawed Deal Construction: The Patient Pathways to a Bomb

The Joint Comprehensive Plan of Action is fundamentally flawed in its construction. Even if Iran does not violate the JCPOA, over time, it will have patient pathways to nuclear weapons, an ICBM program, access to heavy weaponry, an economy immunized against sanctions pressure, and a more powerful regional position where it can continue its destabilizing and aggressive behavior. Even if Iran abides by the deal, it can reopen and expand each of the pathways to a nuclear bomb.

Under the JCPOA, Iran will be permitted over the next 8.5 to 15 years to expand its nuclear program. The deal allows certain restrictions on Iran's nuclear activities to lapse after 8.5 and 10 years, and many additional restrictions to terminate after 15 years (see Figure 1). Additionally, once Iran has implemented its nuclear commitments under the JCPOA to reduce its operating centrifuges, reduce its low-enriched uranium stockpile, and modify the Arak heavy-water reactor, the international economic sanctions architecture will be nearly completely unwound (see Figure 2).

Figure 1: Iran's Nuclear Expansion

After Implementation Day, Iran can:	Iran will retain its Arak heavy water reactor, albeit subject to modernization and redesigning. Enrichment capacity: • Continue enriching uranium up to 3.67% at Natanz. • Enrich uranium using 5,060 IR-1 centrifuges in up to 30 cascades at Natanz. • Put surplus centrifuges in storage. • Maintain a stockpile of up to 300 kg of 3.67% enriched uranium. Centrifuge R&D: • Continue R&D, so long as it does not lead to increases in Iran's stockpile of low-enriched uranium (LEU). • Engage in limited enrichment R&D using advanced centrifuges. • Engage in uranium testing at Natanz. Convert Fordow into a nuclear physics and technology center and will be open for "international collaboration." • Retain 1,044 IR-1 centrifuges provided they are not using uranium, and operate 348 for the production of stable isotopes. • Maintain other cascades in "idle" position.
After Transition Day (8 years):	Iran will seek ratification of Additional Protocol in Majles (Parliament). Iran can start building up to 200 IR-6 and IR-8 centrifuges per year.

After 10 years, Iran can:	Increase its enrichment capacity at Natanz. Expand R&D enrichment using advanced centrifuges. Expand testing of the IR-4 and IR-5 centrifuges. Enrich using advanced centrifuges and/or more than 5,060 IR-1 centrifuges at Natanz (unless otherwise specified in Iran's long-term, voluntary commitment with the IAEA). Breakout time drops to "almost down to zero," according to President Obama.[1]
After 15 years, Iran can:	Build additional heavy water reactors and stockpile heavy water. Build additional enrichment facilities. Enrich uranium and conduct uranium R&D at Fordow. Increase its uranium enrichment levels to above 3.67%. Engage in spent fuel reprocessing (Iran states that it intends not to but is not bound not to). Deploy, at an industrial-scale, advanced centrifuges at Natanz and Fordow and new facilities. Increase without limit its stocks of LEU. Build and/or operate facilities related to the conversion of scrap or fuel plates back to UF6.
After 20 years:	The "containment and surveillance" measures of rotors and bellows for Iranian centrifuges by the IAEA will lapse.
After 25 years:	The IAEA will cease monitoring the production of uranium ore concrete from all such plants in Iran. Iran will no longer have to provide the IAEA with information that would allow the agency to authenticate Iran's inventory of uranium ore concrete or Iran's production or import of this material.
Permanent restrictions:	Iran has promised to ship-out all of Arak's spent fuel for the duration the reactor's life. Should Iran fail to attain a fuel-supply contract for its research reactor in Tehran (TRR), the P5+1 are required to provide Iran with near 20% U308 that will be used for fuel fabrication for the entire time the TRR remains in operation.

Figure 2: Dismantlement of the International Sanctions Architecture

After Implementation Day:	The EU will terminate sanctions on the following from Council Decision 2010/413/CFSP and Council Regulation 267/2012: • Financial, banking, and insurance ○ Financial messaging sanctions remain on the books but entities are de-listed and thus allowed back into SWIFT. • Oil, gas, and petrochemicals • Shipping, shipbuilding, and transport related to Islamic Republic of Iran Shipping Lines (IRISL) and civil aviation • Gold, precious metals, banknotes, and coinage • Metals are allowed through single procurement channel • Software is allowed through single procurement channel The EU will amend counter proliferation-related sanctions consistent with what is permitted by the new UNSC resolution. The EU will remove designated entities (most major Iranian banks, including the Central Bank of Iran (CBI)) from its list.
	The United States will cease the application for non-US persons of the following sanctions: • Financial and banking (including financial messaging services and transactions with CBI, National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC)) • Insurance • Energy and petrochemicals • Shipping, shipbuilding, and port sectors • Gold and other precious metals • Software • Automotive Remove designated entities including major banks (Melli, Mellat, Sepah, Central Bank of Iran), shipping companies, EIKO, and major oil and gas firms from its lists. Of the nearly 650 entities that have been designated by the U.S. Treasury for their role in Iran's nuclear and missile programs or for being owned or controlled by the government of Iran, more than 67% will be de-listed within 6-12 months. Terminate executive orders: • 13574 – prohibiting financial transactions with ISA designated entities. • 13590 – prohibiting provision of goods and services to Iran's energy and petrochemical sectors • 13622 – prohibiting transactions with NIOC and NICO. • Sections 5, 6, 7 and 15 of 13628 – prohibiting goods and technology to expand Iran's domestic refined petroleum production.

	• 13645 – prohibiting transactions in rials, transactions with the shipping sector, transactions with the automotive sector.
After 5 years:	The U.N. arms embargo will be lifted.
After Transition Day (8 years):	The EU will terminate sanctions on the following: • SWIFT (Most major Iranian banks including the CBI are permitted onto SWIFT after Implementation Day) • Shipping, shipbuilding, and transport related to the nuclear and missile technology control lists • Ballistic missiles The EU will also remove additional banks (Saderat, Ansar, Mehr) and the IRGC, IRGC-QF, Qassem Soleimani, and nuclear and missile related entities from its counter proliferation lists.
	The United States will terminate the statutory sanctions. The United States will remove additional entities including: • Some of those designated during the JPOA negotiations like Aria Nikan Marin Industry which sources goods for Iran's nuclear program and whose customers include Khatam Al Anbiya, and Iran Pooya, which supplies material for centrifuge production; • Two central figures in Iran's weaponization and nuclear activities, Fereidoun Abbasi-Davani and Mohsen Fakhrizadeh, the former head of the Atomic Energy Organization of Iran, and the AQ Khan of Iran's nuclear weapons development, respectively; • The Organization of Defensive Innovation and Research (SPND), an entity involved in research related to nuclear weapons; and • Jahan Tech Rooyan Pars and Mandegar Baspar Kimiya Company, which were involved in illicit procurement . After eight years, only 25 percent of the nearly 650 entities that have been designated by Treasury over the past decade for their role in Iran's nuclear and ballistic missile program or for being owned and controlled by the Government of Iran will remain sanctioned.
After Termination Day (10 years):	The U.N. will no longer be "seized of the Iran nuclear issue." The EU will terminate all remaining sanctions in Council Decision 2010/413/CFSP and Council Regulation 267/2012
Sanctions that remain after 10 years:	EU human rights sanctions. U.S. terrorism and human rights sanctions (for example, U.S. sanctions on Bank Saderat and Qassem Soleimani, although neither will be under EU counter proliferation sanctions. Terrorism and Syria-related sanctions on Soleimani will remain.). No U.N. sanctions.

The administration states that the goal of the nuclear deal is to cut off Iran's "four pathways to a nuclear weapon": the two uranium pathways through Natanz and Fordow, the plutonium pathway at the Arak reactor, and the clandestine pathway.[2]

The JCPOA is fundamentally flawed in its design because if Iran abides by the deal, it can still reopen and expand each of these pathways.

During the first 10 years, Iran can test advanced centrifuges in a way that does not accumulate enrichment uranium; however, after 8.5 years, Iran can commence R&D and testing with uranium in up to 30 IR–6's and IR–8's.[3] After 10 years, Iran can increase the number and type of centrifuges operating at the Natanz facility, further reducing the limited restriction on this pathway.

As restrictions on Iran's enrichment program lapse, Iran can operationalize an unlimited number of advanced centrifuges. These centrifuges can more easily be used in a clandestine program because they are more efficient than Iran's basic models, can enrich uranium to weapons-grade faster requiring a fewer number of machines, and can be housed in smaller, harder-to-detect facilities. Iran's breakout time—the

amount of time it takes to enrich enough uranium for one bomb to weapons-grade—will begin to drop below the 1-year breakout time after year 10 and hit near-zero breakout by year 13, according to President Obama.[4] Even if there is a "softer landing" on breakout time after year 10 than the President predicted, Iranian breakout time will fall to near-zero after year 15 given the end of restrictions on the type and quantity of centrifuge deployment, the accumulation of low-enriched uranium, and the enrichment of uranium above 3.67 percent to 20 percent and 60 percent.[5] As a result, Iran's nuclear program will no longer be at the 1-year breakout time that the Obama administration established as its benchmark.

Additionally, after 15 years, Iran can build an unlimited number of advanced centrifuge-powered enrichment facilities.[6] Iran will also be permitted to enrich uranium at its undergrounded facility at Fordow[7]—a facility possibly impenetrable to U.S. military strikes. Indeed, under the deal, Iran will be permitted to build multiple Fordow-type facilities. Thus, in a decade and a half, Iran will be on a path to an industrial-sized, widely dispersed nuclear program with an ICBM program and will have the capability to enrich very quickly to weapons-grade at hardened, buried under mountains, Fordow-type enrichment facilities.

After 15 years, Iran can also build an unlimited number of heavy water reactors. The JCPOA prohibits Iran from building additional heavy water reactors for 15 years and after that, relies on a nonbinding Iranian intention to build only light water reactors. This intention might change.[8] The deal also relies on Iranian intensions not to engage in spent fuel reprocessing,[9] a process from which plutonium for a nuclear bomb can be recovered.

The only permanent restriction on Iran's ability to use its heavy water reactors to reprocess plutonium for weapons purposes is the requirement to ship all spent fuel out of Iran "for the lifetime of the reactor."[10] When Arak is no longer operational, does this restriction also lapse? When Iran has multiple heavy water reactors and assesses that the United States has limited coercive options outside of military force to respond a violation of this ban, it may feel emboldened to retain spent fuel inside the country.

While abiding by the terms of the JCPOA, Iran can exercise strategic patience and wait patiently to open up these multiple pathways to nuclear weapons while building up immunity against economic sanctions, leveraging its nuclear snapback to constrain Western retaliation to violations, and increasing its regional power.

How would Iran achieve these objectives based on the JCPOA's deal terms?

1. Do the bare minimum to address the PMD issue and fulfill the initial nuclear commitments.

Iran is required to work with the International Atomic Energy Agency (IAEA) to resolve past and present issues of concern regarding the possible military dimensions (PMDs) of Iran's program.[11] The IAEA will have tight deadlines to which it has to adhere in a politicized post-Iran deal environment. The IAEA will have limited time and space to resolve the outstanding issues. It remains unclear what will happen if the IAEA is not satisfied. What will be its path of recourse? Will Iran be required to make an expanded declaration of all of Iran's nuclear activities, including past activity, to set a credible baseline for monitoring and verification?

Iran has reportedly already refused to allow certain scientists and facilities to be included in the list requested during the negotiations. The bilateral IAEA–Iran agreement may reportedly include only one visit to Parchin.[12] Will the IAEA be able to interview all of the scientists, visit all of the sites, and see all of the documents to address their questions from the November 2011 IAEA report? What about questions that have arisen since that 2011 IAEA report? These appear not to be permitted under the "Roadmap for Clarification of Past and Present Outstanding Issues."[13]

2. Use sanctions relief to build economic resiliency and benefit the IRGC.

After Iran completes specific, but reversible, nuclear steps, most EU and U.S. economic sanctions will begin to unwind, and Iran can increasingly immunize its economy against future economic pressure. The economic impact of sanctions relief is likely to be substantial, starting slowly after a deal and building over time.

Economic forecasts prior to the announced deal based on expectations of the sanctions relief assessed that Iran's economic growth would likely stabilize around 2.6 percent in FY 2015/16, and then accelerate to about 4 percent in FY 2016/17. In the second half of the decade, Iran's economic growth would likely average 3.5–4 percent.[14] Depending on Iran's economic policy choices, in FY 2017/18, growth might reach 5–6 percent.

The IRGC will be a significant beneficiary of the sanctions relief. Combined with the delisting of IRGC officials and IRGC-linked entities, the relaxed banking standards will grant the Iranian regime the ability to move its money anywhere in the

world. With EU sanctions also set to be lifted on major Iranian banks, Europe will become an economic free zone for Iran's most dangerous people and entities.

3. Begin purchasing arms after the United Nations arms embargo terminates.

According to the U.N. Security Council resolution, the arms embargo will end in 5 years.[15] After 5 years, Iran can begin purchasing "battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, [and] missiles."[16] Iran can purchase these goods with the cash it has received through sanctions relief to build its own military capacities. Tehran may also illicitly provide these heavy arms to its allies and proxies.

4. Develop a long-range ballistic missile system after the termination of the ballistic missile sanctions.

U.N., U.S., and EU ballistic missile sanctions will be terminated.[17] Notably, the JCPOA permits this to happen after 8 years or after the IAEA reaches a so-called "broader conclusion" that Iran's program is entirely peaceful and contains no undeclared activities, "whichever is *earlier*." (emphasis added). In short, whether or not the IAEA has determined that Iran's program is peaceful, Tehran will be permitted to engage in an expansion of its ballistic missile program after a maximum of 8 years. Iran may also be able to expand its intercontinental ballistic missile program under the guise of satellite testing. The U.S. Defense Department notes, "Iran has publicly stated it may launch a space launch vehicle by 2015 that could be capable of intercontinental ballistic missile ranges if configured as a ballistic missile."[18]

Even with the current sanctions in place, Iran reportedly has the "largest and most diverse" ballistic missile program in the Middle East.[19] The U.S. Defense Department has repeatedly assessed that Iran's ballistic missiles could be "adapted to deliver nuclear weapons."[20] Last year, Director of National Intelligence James Clapper testified before Congress that if Iran chooses to make a bomb, Iran would choose "a ballistic missile as its preferred method of delivering nuclear weapons."[21] According to Clapper, these missiles are "inherently capable of delivering WMD."[22] Why is Iran permitted to engage in ballistic missile development—the development of the likely delivery vehicle if Iran builds a nuclear warhead—before the international community is certain that Iran's existing nuclear program is peaceful?

5. Reap additional economic and military benefits when additional sanctions terminate and more entities are delisted by the United States and EU.

Of the nearly 650 entities that have been designated by the U.S. Treasury Department for their role in Iran's nuclear and missile programs or for being owned or controlled by the Government of Iran, more than 67 percent will be delisted from Treasury's blacklists within 6 to 12 months. After 8 years, only 25 percent of the entities that have been designated over the past decade will remain sanctioned.

After 8 years—whether or not the IAEA has determined that Iran's nuclear program is entirely peaceful—additional significant EU sanctions will be lifted. These include sanctions on the IRGC, Quds Force, IRGC Air Force, and the Ministry of Defense. Additionally, the United States will lift sanctions on two central figures in Iran's nuclear development: Fereidoun Abbasi-Davani and Mohsen Fakhrizadeh. Abbasi-Davani is the former head of the Atomic Energy Organization of Iran. Fakhrizadeh is the A.Q. Khan of Iran's nuclear weapons development. The United States will also delist—among other entities involved in Iran's nuclear program—the Organization of Defensive Innovation and Research (SPND), an entity "primarily responsible for research in the field of nuclear weapons development."[23]

Additionally, Iran could argue that other "nonnuclear" sanctions should also be lifted under the JCPOA according to paragraph 26: "The U.S. Administration, acting consistent with the respective roles of the President and the Congress, will refrain from imposing new nuclear-related sanctions. Iran has stated that it will treat such a reintroduction or reimposition of the sanctions specified in Annex II, or such an imposition of new nuclear-related sanctions, as grounds to cease performing its commitments under this JCPOA in whole or in part."[24]

Paragraph 29 of the preface states: "The EU and its Member States and the United States, consistent with their respective laws, will refrain from *any policy* specifically intended to directly and adversely affect the *normalization of trade and economic relations* with Iran inconsistent with their commitments no to undermine the successful implementation of this JCPOA."[25] (emphasis added)

While paragraph 26 only refers to the imposition of new nuclear-related sanctions, Iran may be able to argue that U.S. terrorism-related sanctions to the extent they have any economic impact on Iran are in violation of the JCPOA because they block the normalization of trade and economic relations. For example, Iran could claim that the imposition of sanctions on Iranian banks for terrorist financing would impede normal trade and economic relations. Tehran also can threaten to use its "nuclear snapback" (described below) to persuade the EU and other countries not

to comply with any new U.S. nonnuclear sanctions, complicating Washington's ability to constrain and deter the full range of Iran's illicit conduct.

6. Transform from a nuclear pariah to a nuclear partner.

After ten years, the United Nations will remove the Iranian nuclear file from its agenda and will "no longer be seized of the Iran nuclear issue." At that time, Iran will no longer be under any Chapter 7 resolutions and will have a legitimate and legal nuclear program. Iran can also build additional scientific knowledge because research and development restrictions will be lifted. Even prior to the lifting of restrictions on R&D, Iranian scientists can acquire knowledge and skills that can be used to move quickly to nuclear breakout at the time of Iran's choosing. Under the JCPOA, all parties also commit to cooperate on enhancing Iran's ability to respond to nuclear security threats "including sabotage,"[26] which may limit the use of cyber and other tools to counter Iran's nuclear expansion or to respond to Iranian noncompliance.

7. Use the threat of a "nuclear snapback" to ward off any attempt to use the sanctions snapback.

The JCPOA explicitly states, "Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under this JCPOA in whole or in part."[27] In effect, Iran has given advance notice that using snapback sanctions may lead to cancellation of the JCPOA. If the United States or any of its partners insist on reimposing sanctions, Iran may simply walk away from the deal. If Iran cheats and gets caught, and the international community attempts to punish Iran, Iran can threaten to back out of the deal and expand its nuclear program. It is quite likely under such circumstances that the P5+1 will be reluctant to punish Iran for any violations short of the most flagrant and egregious violations. This would create a permissive environment for Iranian cheating and stonewalling of the IAEA.

8. Build an advanced centrifuge-powered, industrial-size nuclear program.

After 15 years, the significant restrictions on Iran's nuclear program will have lapsed. Iran will be permitted to have:

- Multiple enrichment facilities;
- A near-zero breakout time with faster advanced centrifuges;
- An easier clandestine sneak-out with fewer machines deployed in smaller facilities;
- Plutonium reprocessing;
- A stockpile of enriched uranium to 20 or 60% levels; and,
- An expanded ballistic missile program.

9. Stymie IAEA inspections.

Throughout the duration of the JCPOA, Iran can delay IAEA inspections of suspected sites without facing consequences. The JCPOA creates a 24-day delay between a formal IAEA request to access a suspicious site and the date on which Iran must allow access. As former Deputy Administrator for Defense Nuclear Nonproliferation at the National Nuclear Security Administration, William Tobey, explains, "24 days . . . [is] ample time for Iran to hide or destroy evidence."[28]

Former Deputy Director General for Safeguards at the IAEA, Dr. Olli Heinonen, explains that for small facilities, 24 days is enough time for Iran to "sanitize" suspected sites, including, for example, where Iran may be engaged in weaponization activities.[29] Iran is also likely to have developed contingency plans to respond to IAEA demands to visit these sites. According to Dr. Heinonen, Tehran may only need 2 days to remove nuclear equipment from a small facility[30] and remove any traces of uranium, which even environmental sampling may be unable to detect. As Dr. Heinonen notes: "Time for 'scrubbing' takes on special salience in nuclear-related developments without nuclear material present. Some of the past concealment events carried out by Iran in 2003 left no traces to be detected through environmental sampling."[31]

10. Become a threshold nuclear weapons state.

While adhering to the letter of its commitments under the JCPOA, Iran will emerge in 15 years with multiple pathways to a nuclear weapon. Iran will have a powerful economy, immunized against sanctions pressure and increased military and regional power. Iran will likely be the dominant power in the region and a threshold nuclear weapons state. Iran will have achieved its goals through strategic patience by following the terms of the deal.

The JCPOA does not prevent a nuclear-armed Iran; rather it provides multiple patient pathways for Iran.

The JCPOA's Iranian Nuclear Snapback

The JCPOA contains a weak enforcement mechanism. Throughout the negotiations, Obama administration officials have explained that under a final deal, the United States and its allies would be able to reimpose sanctions quickly in order to punish Iranian noncompliance and bring Iran back into compliance with its nuclear commitments. This was the so-called "snapback" sanction.

Even as originally conceived, this enforcement mechanism was flawed [32] because there would likely be significant disagreements between the United States, European states, and members of the U.N. Security Council on the evidence, the seriousness of infractions, the appropriate level of response, and likely Iranian retaliation. In addition to this diplomatic hurdle, the snapback sanction mechanism was economically flawed because it took years to persuade international companies to exit Iran after they had invested billions of dollars; once companies reenter the Iranian market, it will be difficult to get them to leave again. Just the other day, Foreign Minister Mohammad Zarif noted that the "swarming of businesses to Iran" is a barrier to the reimposition of sanctions, and once the sanctions architecture is dismantled, "it will be impossible to reconstruct it." Zarif boasted that Iran can restart its nuclear activities faster than the United States can reimpose sanctions.[33]

Furthermore, sanctions impacted reputational and legal risk calculations of private companies evaluating potential business deals with an Iranian Government, economy, and entities that had consistently engaged in deceptive and other illicit conduct. The question of risk and the integrity of Iran's economy and financial dealings cannot be turned on and off quickly. The snapback sanction in the JCPOA also has an additional economic delay because it may grandfather in existing deals, providing an incentive for companies to move as quickly as possible to sign major long-term deals so that any existing contacts will not be subject to snapback sanctions.

The JCPOA further undermines the snapback sanction—the United States only peaceful enforcement mechanism—through the dispute resolution mechanism, which is governed by a Joint Commission compromised of the United States, EU, France, U.K., Germany, China, Russia, and Iran. The mechanism creates a 60-plus day delay between the time that the United States (or another P5+1 member) announces that a violation has occurred and the time that United Nations sanctions may be reimposed.[34]

If the United States believes that Iran has violated the deal, Washington will refer Iran to the Joint Commission, which consists of the P5+1, Iran, and an EU representative. If the issue cannot be resolved by consensus within the Joint Commission, after a process of 35 days, the United States can then unilaterally refer the issue to the U.N. Security Council. The Security Council must then pass a resolution (which the United States can veto) to continue the current sanctions relief. If that resolution is not passed within another 30 days, the previous U.N. sanctions will be reimposed. The "snap" in "snapback" therefore takes more than 2 months. The mechanism also does not provide for any unilateral reimposition of sanctions, nor does the U.N. Security Council resolution, Resolution 2231, which the Obama administration pushed forward to a vote despite congressional requests to delay until after Congress had thoroughly reviewed the deal.[35]

Furthermore, the resolution states that the snapback mechanism is for issues of "significant nonperformance," implying that it would not likely be used for incidents of incremental cheating. The Iranian regime has previously been inclined to cheat incrementally, not egregiously, even though the sum total of its incremental cheating has been egregious. The snapback provision incentivizes Iran to continue this behavior because there is no enforcement mechanism to punish incremental cheating.

More importantly, the JCPOA has armed Iran with its own nuclear "snapback" against attempts to reimpose U.N. sanctions in response to Iranian nuclear violations. The JCPOA explicitly states, "Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under this JCPOA in whole or in part." [36]

This nuclear snapback also is included in text relating to both EU and U.S. economic snapbacks: "The EU will refrain from reintroducing or reimposing the sanctions that it has terminated implementing under this JCPOA without prejudice to the dispute resolution mechanism provided for under this JCPOA. There will be no new nuclear-related U.N. Security Council sanctions and no new EU nuclear-related sanctions or restrictive measures." [37]

In addition: "The U.S. Administration, acting consistent with the respective roles of the President and the Congress, will refrain from reintroducing or reimposing the sanctions specified in Annex II that it has ceased applying under this JCPOA, without prejudice to the dispute resolution process provided for under this JCPOA . . . [and] will refrain from imposing new nuclear-related sanctions. *Iran has stated that*

it will treat such a reintroduction or reimposition of the sanctions specified in Annex II, or such an imposition of new nuclear-related sanctions, as grounds to cease preforming its commitments under this JCPOA in whole or in part."[38] (emphasis added)

Finally, the JPCOA contains an explicit requirement for the EU and the United States to do nothing to interfere with the normalization of trade and economic relations with Iran: "The EU and its Member States and the United States, consistent with their respective laws, will refrain from any policy specifically intended to directly and adversely affect the normalization of trade and economic relations with Iran inconsistent with their commitments not to undermine the successful implementation of this JCPOA."[39] (emphasis added)

Iran can use these provisions to argue that any reimposition of sanctions, even if implemented on nonnuclear grounds "adversely affects the normalization of trade and economic relations" and will challenge attempts by the EU or United States to reinstate sanctions on nonnuclear grounds. Iran will threaten to simply walk away from the deal and expand its nuclear program.

Even while incrementally cheating on its commitments, Iran could force the United States and Europe to choose between not strictly enforcing the agreement and abrogating the whole agreement. Given the normal political and diplomatic environment, which encourages parties not to undermine existing agreements, it is highly likely that the United States and Europe would choose not to address incremental cheating. Iran is likely to get away with small- and medium-sized violations, since both the United States and Europe are heavily invested in this deal and would only abrogate it for a major violation. The JCPOA's language also provides Iran with an opening to insist that other nonnuclear sanctions measures, including Iran's inclusion on the state sponsor of terrorism list, hinders trade. and therefore should be terminated.

The JCPOA is flawed in its design; it contains no peaceful, effective means to enforce the deal and explicitly provides Iran with an opening for a nuclear snapback that it can use to characterize itself as the aggrieved party if the EU or U.S. reimposes sanctions. This nuclear snapback could be particularly effective against the Europeans, who will be loath to do anything that leads to Iranian nuclear escalation, and on whose support the United States needs on the Joint Committee, at the U.N. Security Council, in a coordinated transatlantic snapback scenario of EU and U.S. sanctions, or, at a minimum, to comply with U.S. secondary sanctions. To neutralize the effectiveness of economic snapbacks, Iran could target Europe as the weakest link through threats of nuclear escalation or through inducements of substantial investment and commercial opportunities. And we must bear in mind that Iran needs only to move one of the three European nations in the talks or shake the EU consensus in order to undermine this enforcement mechanism.

PART 2: SANCTIONS RELIEF FLAWS

JCPOA & Challenge to Conduct–Based Financial Sanctions

The JCPOA also dismantles the international economic sanctions architecture which was designed to respond to the full range of Iran's illicit activities, not only the development of Iran's illicit nuclear program. The United States has spent the last decade building a powerful yet delicate sanctions architecture to punish Iran for its nuclear mendacity, illicit ballistic missile development, vast financial support for terrorist groups, backing of other rogue states like Bashar al-Assad's Syria, human rights abuses, and the financial crimes that sustain these illicit activities. More broadly, a primary goal of the sanctions on Iran, as explained by senior Treasury Department officials over the past decade, was to "protect the integrity of the U.S. and international financial systems" from Iranian illicit financial activities and the bad actors that facilitated these.[40]

The goal of sanctions was to provide the President with the tools to stop the development of an Iranian nuclear threshold capacity and also to protect the integrity of the U.S.-led global financial sector from the vast network of Iranian financial criminals and the recipients of their illicit transactions. This included brutal authoritarians, terrorist funders, weapons and missile proliferators, narcotraffickers, and human rights abusers.

Tranche after tranche of designations issued by the Treasury, backed by intelligence that often took months, if not years, to compile, isolated Iran's worst financial criminals. And designations were only the tip of the iceberg. Treasury officials traveled the globe to meet with financial leaders and business executives to warn them against transacting with known and suspected terrorists and weapons proliferators.[41] This campaign was crucial to isolating Iran in order to deter its nuclear ambitions and also to address the full range of its illicit conduct.

Following years of individual designations of Iranian and foreign financial institutions for involvement in the illicit financing of nuclear, ballistic missile, and terrorist activities,[42] Treasury issued a finding in November 2011 under Section 311 of the USA PATRIOT Act that Iran, as well as its entire financial sector including the Central Bank of Iran (CBI), is a "jurisdiction of primary money laundering concern."[43] Treasury cited Iran's "support for terrorism, pursuit of weapons of mass destruction," including its financing of nuclear and ballistic missile programs, and the use of "deceptive financial practices to facilitate illicit conduct and evade sanctions."[44] The entire country's financial system posed "illicit finance risks for the global financial system."[45] Internationally, the global antimoney laundering and antiterror finance standards body the Financial Action Task Force (FATF) also warned its members that they should "apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran."[46]

As recently as June 26, 2015, FATF issued a statement warning that Iran's "failure to address the risk of terrorist financing" poses a "serious threat . . . to the integrity of the international financial system."[47]

The Section 311 finding was conduct-based; it would be appropriate, therefore, to tie the lifting of sanctions on all designated Iranian banks, especially the legislatively designated Central Bank of Iran, and their readmission onto SWIFT and into the global financial system, to specific changes in the conduct of these Iranian entities across the full range of Iran's illicit financial activities. However, the JCPOA requires the lifting of financial sanctions—including the SWIFT sanctions—prior to a demonstrable change in Iran's illicit financial conduct.

In the past, Washington has given "bad banks" access to the global financial system in order to secure a nuclear agreement. In 2005, Treasury issued a Section 311 finding against Macau-based Banco Delta Asia,[48] and within days, North Korean accounts and transactions were frozen or blocked in banking capitals around the world. North Korea refused to make nuclear concessions before sanctions relief and defiantly conducted its first nuclear test.[49] The State Department advocated for the release of frozen North Korean funds on good faith,[50] and ultimately prevailed. As a result, however, Washington lost its leverage and its credibility by divorcing the Section 311 finding from the illicit conduct that had prompted the finding in the first place. Undeterred, North Korea moved forward with its nuclear weapons program while continuing to engage in money laundering, counterfeiting, and other financial crimes.

Compromising the integrity of the U.S. and global financial system to conclude a limited agreement with North Korea neither sealed the deal nor protected the system. The JCPOA appears to repeat this same mistake by lifting financial restrictions on bad banks without certifications that Iran's illicit finance activities have ceased.

The JCPOA stipulates that of the nearly 650 entities that have been designated by the U.S. Treasury for their role in Iran's nuclear and missile programs or for being owned or controlled by the Government of Iran, more than 67 percent will be delisted from Treasury's blacklists within 6–12 months. This includes the Central Bank of Iran and most major Iranian financial institutions. After 8 years, only 25 percent of the entities that have been designated by Treasury over the past decade will remain sanctioned. A number of the banks that are to be dedesignated originally were designated for multiple reasons, not just nuclear, including for financing Iran's missile program (e.g., Bank Sepah), providing banking services to those banks designated for missile financing (e.g., Post Bank of Iran, EIH) or, in the case of the Central Bank of Iran, for multiple financial crimes as discussed above.

Many IRGC businesses that were involved in the procurement of material for Iran's nuclear and ballistic missile programs will be delisted as will some of the worst actors involved in Iran's nuclear weaponization activities. Even worse, the EU will lift all of its counterproliferation sanctions on Iran. Although human rights-related sanctions will remain, and terrorism and Syria-related sanctions will remain on notorious Quds Force commander Qassem Soleimani,[51] sanctions against the Quds Force itself will be lifted (although certain Syria-related sanctions will remain).

What is especially notable about the lifting of designations is that the Obama administration has provided no evidence to suggest that these individuals, banks, and businesses are no longer engaging in the full range of illicit conduct on which the original designations were based. What evidence, for example, is there for the dedesignation of the Central Bank of Iran, which is the main financial conduit for the full range of Iran's illicit activities, and how does a nuclear agreement resolve its proven role in terrorism and ballistic missile financing, money laundering, deceptive financial activities, and sanctions evasion? In other words, with the dismantle-

ment of much of the Iran sanctions architecture in the wake of a nuclear agreement, the principle upon which Treasury created the sanctions architecture—the protection of the global financial system—is no longer the standard.

Swift: Case Study in the JCPOA's Precipitous Sanctions Relief

The sanctions relief provided to Iran through its readmission into the SWIFT financial messaging system is a case study in the scale of precipitous sanctions relief afforded to Iran under the JCPOA. It is also a cautionary study in how difficult it will be to snap back the most effective economic sanctions.

The JCPOA obligates the United States, European Union, and United Nations to lift sanctions at two specific intervals: On "Implementation Day" when the IAEA verifies that Iran has implemented its nuclear commitments under the JCPOA to reduce its operating centrifuges, reduce its low-enriched uranium stockpile, and modify the Arak heavy water reactor, among other requirements; and on "Transition Day" in 8 years or when the IAEA has reached a "broader conclusion" that Iran's nuclear program is entirely peaceful, whichever comes first. This last clause is critical: Even if the IAEA cannot verify the peaceful nature of Iran's program, Iran will receive additional sanctions relief.

The JCPOA will provide Iran with more than $100 billion in sanctions relief, if you include the funds reportedly tied up in oil escrow accounts, and as much as $150 billion based on figures quoted by President Obama,[52] which presumably includes funds that are legally frozen and those to which banks have been unwilling to provide Iran free access, even though they were not under formal sanctions. These funds could flow to the coffers of terrorist groups and rogue actors like Hezbollah, Hamas, Palestinian Islamic Jihad, Iraqi Shiite militias, the Houthis in Yemen, and Syrian President Bashar al-Assad's regime in Damascus. President Obama has claimed the money would not be a "game-changer" for Iran.[53] As Supreme Leader Ali Khamenei, however, stated in a speech less than 1 week after the JCPOA announcement, "We shall not stop supporting our friends in the region: The meek nation of Palestine, the nation and government of Syria . . . and the sincere holy warriors of the resistance in Lebanon and Palestine."[54] This infusion of cash will relieve budgetary constraints for a country, which had only an estimated $20 billion in fully accessible foreign exchange reserves prior to November 2013[55] but was spending at least $6 billion annually to support Assad.[56]

The real prize for Iran in the JCPOA sanctions relief package is regaining access to SWIFT, (the Society for Worldwide Interbank Financial Telecommunication) a little-known, but ubiquitous banking system that has been off-limits to the country since March 2012. Iran's successful negotiation of the lifting of this sanction is a case study in how the JCPOA provides precipitous sanctions relief to Iran prior to a demonstrable change in Iranian financial practices.

SWIFT is the electronic bloodstream of the global financial system. It is a member-owned cooperative comprising the most powerful financial institutions in the world, which allows more than 10,800 financial companies worldwide to communicate securely.[57]

By 2012, SWIFT represented one of Tehran's last entry points into the global financial system, as the United States and the European Union had sanctioned scores of banks, energy companies, and other entities under the control of the IRGC. In March 2012, SWIFT disconnected 15 major Iranian banks from its system in 2012 after coming under pressure from both the United States and the European Union.[58] It was a substantial blow to Tehran since SWIFT was not only how Iran sold oil but also how Iranian banks moved money. According to SWIFT's annual review, Iranian financial institutions used SWIFT more than 2 million times in 2010.[59] These transactions, according to The Wall Street Journal, amounted to $35 billion in trade with Europe alone.[60]

As a result of congressional legislation targeting SWIFT,[61] EU regulators instructed SWIFT to remove specified Iranian banks from the SWIFT network.[62] It was congressional pressure, and an unwillingness by Congress to accept arguments advanced by Obama administration officials that such action would undercut the multilateral sanctions regime, which finally persuaded the Obama administration and EU officials to act.

Today, the JCPOA explicitly calls for the lifting of sanctions on the "[s]upply of specialized financial messaging services, including SWIFT, for persons and entities . . . including the Central Bank of Iran and Iranian financial institutions."[63] EU will lift SWIFT sanctions for the Central Bank of Iran and all Iranian banks[64] originally banned from SWIFT.[65]

The nuclear deal also lifts U.S. sanctions on 21 out of the 23 Iranian banks designated for proliferation financing—including both nuclear and ballistic missile activity.[66] The designation of Bank Saderat for terrorist financing will remain in

place, but the sanctions against the Central Bank of Iran will be lifted. Twenty-six other Iranian financial institutions blacklisted for providing financial services to previously designated entities (including NIOC which is being delisted on Implementation Day) or for being owned by the Government of Iran will also be removed from Treasury's blacklist.[67]

The Obama administration is assuming that the SWIFT sanctions (and other economic sanctions) can be reconstituted either in a snapback scenario or under nonnuclear sanctions like terrorism. However, the JCPOA notes that Iran may walk away from the deal and abandoned its nuclear commitments if new sanctions are imposed: "Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under this JCPOA in whole or in part."[68] This gives Iran an effective way to intimidate the United States, and in particular, Europe into not reinstating sanctions, except for the most severe violations.

The threat of this "nuclear snapback" will prevent a response to technical and incremental violations for fear that Iran will walk away from the agreement and escalate its program, provoking a possible military crisis. It will also be used to make it very difficult for the United States and EU to ever reimpose SWIFT sanctions, which the Iranian Government is likely to see as an act of economic or financial war, and will threaten to retaliate accordingly. This nuclear snapback will be discussed in greater detail in a subsequent section.

The IRGC: The JCPOA's Big Winner

The IRGC stand to be the greatest beneficiary from the economic relief granted under the JCPOA through both an improvement in Iran's overall macroeconomic environment and through the dominance of the Revolutionary Guards in key strategic areas of the Iranian economy. Already, the sanctions relief provided as part of the Joint Plan of Action (JPOA) enabled Iran to move from a severe economic recession to a modest recovery. During the JPOA negotiations, Iran received $11.9 billion in direct sanctions relief, including on major sectors of Iran's economy such as the auto and petrochemical sectors, permission to trade in gold, and President Obama's decision to deescalate the sanctions pressure by blocking new congressional sanctions, rescued the Iranian economy and its rulers, including the IRGC, from a rapidly deteriorating balance of payments.[69]

In 2014, Iran's exports to Europe increased 48 percent year over year. Overall, between March 2014 and February 2015, Iran's nonoil and gas exports increased 22 percent.[70] The JPOA facilitated imports from the EU through a relaxation of the bloc's banking restrictions which increased the authorization thresholds for "nonsanctioned trade" tenfold, from €40,000 to €400,000. Iran had better access to European goods, including spare parts for its automotive industry. The JPOA also suspended petrochemical sanctions; these exports rose 32 percent to $3.17 billion.[71]

Economic forecasts prior to the announcement of the JCPOA based on expectations of the sanctions relief assessed that Iran's economic growth would likely stabilize around 2.6 percent in FY 2015/16, and then accelerate to about 4 percent in FY 2016/17.[72] In the second half of the decade, Iran's economic growth would likely average 3.5–4 percent. Depending on Iran's economic policy choices, in FY 2017/18, growth could reach 5–6 percent.

In addition to the improvement in Iran's macroeconomic picture, which reduces threats to the political survival of the regime, the big winner from the unraveling of European and American sanctions will be the IRGC, which will earn substantial sanctions relief. The IRGC not only directs Iran's external regional aggression, its nuclear and ballistic missile programs, and its vast system of domestic repression; the Guards also control at least one-sixth of the Iranian economy.[73] Their control over strategic sectors of the Iranian economy—banking, energy, construction, industrial, engineering, mining, shipping, shipbuilding, amongst others—means that any foreign firms interested in doing business with Iran will have to do business with the IRGC.

In anticipation of the sanctions relief in a final nuclear deal, President Rouhani's 2015 budget rewards the IRGC. It includes a 48-percent increase on expenditures related to the IRGC, the intelligence branches, and clerical establishment. Iran's defense spending was set to increase by one-third, to $10 billion annually—excluding off the books funding.[74] The IRGC and its paramilitary force, the Basij, are set to receive 64 percent of public military spending, and the IRGC's massive construction arm Khatam al-Anbiya (which will be delisted by the European Union and is the dominant player in key strategic sectors of Iran's economy) will see its budget double. Rouhani's budget also included a 40-percent increase ($790 million) for Iran's Ministry of Intelligence.[75] Iran's latest 5-year plan, announced days before the JCPOA, calls for an additional increase in military spending to 5 percent of the total

government budget.[76] With access to additional revenue around the corner and with the termination of the arms embargo just over the horizon, Iran knows how it will spend its new cash.

My colleagues at the Foundation for Defense of Democracies Emanuele Ottolenghi and Saeed Ghasseminejad have done an extensive review of the sanctions relief and the entities that will be delisted under the JCPOA.[77] The following is based on their analysis.

Access to Europe and the delisting of IRGC entities

With the lifting of EU sanctions under the JCPOA, Europe will increasingly become an economic free zone for Iran's most dangerous people and entities. In addition to the lifting of specific types of economic and financial sanctions, the JCPOA requires the United States and Europe to remove numerous IRGC-linked entities from their sanction lists.

Europe will delist significant IRGC entities and persons including the Quds Force. Some of these delistings will occur on Implementation Day, but many more will fall off after 8 years (assuming that they are even enforced over the next 8 years).

Khatam al-Anbiya (KAA), a massive IRGC conglomerate, was designated by the United States as a proliferator of weapons of mass destruction.[78] It is Iran's biggest construction firm and, according to my colleagues' estimates, "may be its largest company outright, with 135,000 employees and 5,000 subcontracting firms."[79] The value of its current contracts is estimated to be nearly $50 billion, or about 12 percent of Iran's gross domestic product.[80] KAA has hundreds of subsidiaries in numerous sectors of Iran's economy including its nuclear and defense programs, energy, construction, and engineering. The company is also involved in "road-building projects, offshore construction, oil and gas pipelines and water systems."[81] EU sanctions against the company will be lifted after 8 years, whether or not the IAEA concludes that Iran's nuclear program is peaceful.

Similarly, the IRGC Cooperative Foundation (a.k.a. Bonyad Taavon Sepah), the IRGC investment arm, was designated by the U.S. Treasury as a proliferator of weapons of mass destruction,[82] but is slated to be delisted by the EU after 8 years as a result of the JCPOA. It is not listed among the entities that the United States will delist. The portfolio of IRGC Cooperative Foundation controls more than 20 percent of the value of the Tehran Stock Exchange.[83]

Ansar Bank and Mehr Bank, which are both IRGC-linked and were designated by the Treasury for providing financial services to the IRGC,[84] will also be delisted by the EU (but not by the United States). They will be allowed back onto the SWIFT system and may open branches, conduct transactions, and facilitate financial flows for the IRGC.

Other IRGC-linked banks, like Bank Melli,[85] will be delisted by both the United States and Europe upon Implementation Day and allowed back onto SWIFT.

The Quds Force, the IRGC's external arm, will also be a beneficiary of sanctions relief. In addition to the EU delisting, the JCPOA will lift both U.S. and EU sanctions on Iran's commercial airline, Iran Air, on which the Quds Force depends to "dispatch weapons and military personnel to conflict zones worldwide. . . . The Quds Force will have access to newer, larger, and more efficient planes with which to pursue its strategic objectives."[86]

The JCPOA also delists several IRGC military research and development facilities. For example, EU sanctions on the Research Center for Explosion and Impact will be lifted after 8 years. This entity was designated by the EU for connection to the possible military dimensions of Iran's nuclear program.[87] Whether or not the IAEA has reached a broader conclusion that Iran's program is peaceful and this center is not engaged in weapons-related activities, the sanctions will be lifted.

In 8 years, United States will also lift sanctions on central pillars of Iran's nuclear and weaponization activities. Two central individuals, Fereidoun Abbasi-Davani and Mohsen Fakhrizadeh, will be delisted. Abbasi-Davani is the former head of the Atomic Energy Organization of Iran.[88] Fakhrizadeh is the A.Q. Khan of Iran's nuclear weapons development and, according to the U.S. State Department, "managed activities useful in the development of a nuclear explosive device" and designated "for his involvement in Iran's proscribed WMD activities."[89]

The United States will also delist the Organization of Defensive Innovation and Research (SPND), an entity "primarily responsible for research in the field of nuclear weapons development," according to the U.S. State Department. The organization was designated less than a year ago, during the P5+1 negotiations with Iran, and was created by Fakhrizadeh.[90] The EU will also delist SPND and Abbasi-Davani and Fakhrizadeh at the same time.

Additionally, the United States will delist Aria Nikan Marin Industry, which sources goods for Iran's nuclear program and whose customers include Khatam al-

Anbiya;[91] Iran Pooya, which supplies material for centrifuge production;[92] and the Kalaye Electric Company, which was designated as a proliferator in 2007 for its involvement in Iran's centrifuge research and development efforts.[93] Kalaye Electric was a site of centrifuge production in 2003. When the IAEA requested access and the ability to take environmental samples, Iran delayed granting access and, according to experts, took "extraordinary steps to disguise the past use and purpose of this facility."[94]

Jahan Tech Rooyan Pars and Mandegar Baspar Kimiya Company will also be delisted. These two entities were involved in illicit procurement of proliferation-sensitive material.[95]

JCPOA Benefits Khamenei's Network of Corruption

My colleagues Emanuele Ottolenghi and Saeed Ghasseminejad have also studied the sanctions relief scheduled to be provided to Supreme Leader Ali Khamenei under the JCPOA. As they explain, the delisting of these entities "will pump tens of billions of dollars into the Supreme Leader's personal coffers, helping him secure his grip on the Iranian people, and bolstering Iran's ability to promote its agenda abroad."[96] The following is based on their analysis.

Khamenei controls a network of foundations reportedly worth $95 billion.[97] At the top, sits the Execution of Imam Khomeini's Order (EIKO) or Setad. The U.S. Treasury Department designated this organization and its subsidiaries in June 2013 and noted at the time that the purpose of EIKO was "to generate and control massive, off-the-books investments, shielded from the view of the Iranian people and international regulators."[98]

Then-Under Secretary for Terrorism and Financial Intelligence David S. Cohen further explained: "Even as economic conditions in Iran deteriorate, senior Iranian leaders profit from a shadowy network of off-the-books front companies. While the Iranian Government's leadership works to hide billions of dollars in corporate profits earned at the expense of the Iranian people, Treasury will continue exposing and acting against the regime's attempts to evade our sanctions and escape international isolation."[99]

An overview of the EIKO's holdings reveals the extent of its control of the Iranian economy. The value of EIKO's real estate portfolio totals nearly $52 billion; its stakes in publicly traded companies total nearly $3.4 billion (in 2013);[100] and Khamenei controls more than 5 percent of publicly traded companies on Tehran's Stock Exchange.[101]

EIKO's investment arm, Rey Investment Company is worth $40 billion, according to the U.S. Treasury.[102] Tadbir Group, EIKO's investment arm on the Tehran Stock Exchange, controls (among other entities) Parsian Bank and Karafarin Bank—valued at $900 and $830 million respectively.[103] EIKO also controlled a factory in Germany that may have provided Iran with critical dual-use technology for its nuclear program.[104]

The United States is scheduled to delist Khamenei's financial empire on Implementation Day (in about 6–12 months) despite the fact that none of these entities were designated for nuclear proliferation. Instead, EIKO and the companies it controls were designated under Executive Order 13599 which blocks the property of the Government of Iran (GOI) or any subdivision, instrumentality or agency of the Government of Iran as well as any person owned or controlled by, or acting for or on behalf of, the GOI. Executive Order 13599 builds on the Section 311 of the USA PATRIOT Act finding that Iran is a jurisdiction of primary money laundering concern.[105]

These entities were involved in illicit financial practices including government corruption, and there is no indication that this conduct has changed. They continue to pose risks to the integrity of the global financial system and to engage in illicit and corrupt business practices. Yet, it appears that they will be granted a clean bill of health as a result of the JCPOA.

List of companies controlled by EIKO scheduled to be delisted by the United States:

- Behsaz Kashane Tehran Construction Co.;
- Commercial Pars Oil Co.;
- Cylinder System L.T.D.;
- Dey Bank;
- Execution of Imam Khomeini's Order (EIKO);
- Ghadir Investment Company;
- Ghaed Bassir Petrochemical Products Company;
- Golden Resources Trading Company L.L.C.;
- Hormoz Oil Refining Company;

- Iran & Shargh Company;
- Karafarin Bank;
- Mahab Ghodss Consulting Engineering Compan;y
- Marjan Petrochemical Company;
- MCS Engineering;
- MCS International Gmbh;
- Modaber;
- Omid Rey Civil & Construction Company;
- One Class Properties (Pty) Ltd.;
- One Vision Investments 5 (Pty) Ltd.;
- Pardis Investment Company;
- Pars Oil and Gas Company;
- Pars Oil Co.;
- Parsian Bank;
- Persia Oil & Gas Industry Development Co.;
- Polynar Company;
- Rey Investment Company;
- Rey Niru Engineering Company;
- Reyco Gmbh.;
- Rishmak Productive & Exports Company;
- Royal Arya Co.;
- Sadaf Petrochemical Assaluyeh Company;
- Sina Bank;
- Sina Shipping Company Limited;
- Tadbir Brokerage Company;
- Tadbir Construction Development Company;
- Tadbir Economic Development Group;
- Tadbir Energy Development Group Co.;
- Tadbir Investment Company;
- Tosee Eqtesad Ayandehsazan Company; and
- Zarin Rafsanjan Cement Company.

PART 3: ALTERNATIVES TO THE CURRENT JCPOA

Discussions of disapproving this current JCPOA quickly turn to questions of the alternative to this agreement. Those who support this JCPOA present a false choice between this agreement and war, and portray those who question this agreement as having no proposed alternative. As the liberal public intellectual Leon Wieseltier eloquently explains: "But what is the alternative? This is the question that is supposed to silence all objections. It is, for a start, a demagogic question. This agreement was designed to prevent Iran from acquiring nuclear weapons. If it does not prevent Iran from acquiring nuclear weapons—and it seems uncontroversial to suggest that it does not guarantee such an outcome—then it does not solve the problem that it was designed to solve. And if it does not solve the problem that it was designed to solve, then it is itself not an alternative, is it? The status is still quo. Or should we prefer the sweetness of illusion to the nastiness of reality? For as long as Iran does not agree to retire its infrastructure so that the manufacture of a nuclear weapon becomes not improbable but impossible, the United States will not have transformed the reality that worries it. We will only have mitigated it and prettified it. We will have found relief from the crisis, but not a resolution of it." [106]

There is an alternative to this current JCPOA. It is an amended JCPOA. Congress should require the administration renegotiate certain terms of the proposed JCPOA and resubmit the amended agreement for congressional approval. The amended JCPOA should much more effectively "cut off every single one of Iran's pathways" [107] to a nuclear bomb and retains tools of effective and peaceful sanctions enforcement against Iranian illicit behavior on multiple fronts. President Obama and his Cabinet have repeatedly said, "No deal is better than a bad deal." [108] In making this commitment, the President had an acceptable alternative path in mind or he would not have threatened to walk away from the table.[109] It is reasonable to assume that no President would enter negotiations, especially over something as fundamental to American national security as preventing Iran from developing nuclear weapons, unless that President had a well-developed best alternative to a negotiated agreement.

As I discuss below, it is not unprecedented for Congress and a U.S. administration to work together to renegotiate the terms of a treaty or nonbinding agreement. Congress can use this precedent to encourage the strengthening of the deal on its technical and conceptual merits. Congress should insist on an alternative to this deeply flawed deal and keep the President to his commitment that such alternatives

always did—and continue to—exist. An agreement that gives Iran patient pathways to a nuclear weapon, access to heavy weaponry and ICBM technology, while enriching the leading state sponsor of terrorism, and its most hardline elements the IRGC and Iran's Supreme Leader with hundreds of billions of dollars in sanctions relief, should be unacceptable. An agreement that undermines the use of peaceful economic leverage should be unacceptable. An agreement that leaves military force as the only effective option for a future President to stop Iran's nuclear weapons development should be unacceptable.

The current JCPOA legitimizes Iran's nuclear program, provides significant sanctions relief prior to a demonstrable change in the conduct that prompted the sanctions, and risks spurring nuclear proliferation in the Middle East. No deal is better than this current JCPOA, and a better alternative is achievable.

Precedents of Congressional Rejection or Modification of International Agreements

Throughout American history, Congress has rejected or required amendments to more than 200 treaties and international agreements (of which about 80 were multilateral).[110] This includes major bilateral and multilateral arms control and nuclear agreements during and after the cold war. My colleague at the Foundation for Defense of Democracies Orde Kittrie, professor of law at Arizona State University and former lead attorney for nuclear affairs at the State Department, has studied the issue of congressional review of international agreements. The following is based on his research as well as the analysis of other experts.

During the cold war, Congress played an active role in the negotiation and renegotiation of critical arms control agreements. Democratic Senator Henry "Scoop" Jackson took a leadership role in this respect in opposition to the Nixon administration. Following the Strategic Arms Limitation Talks (SALT I), Jackson authored an amendment to the resolution of approval that required future strategic arms control negotiations to set American strategic arms at parity with those of the Soviet Union. The Jackson amendment provided criteria for future agreements and "emphasize the disquiet of many Members of Congress . . . concerning the terms" of the agreement.[111] It expressed a Sense of Congress that, "urges and requests the President to seek a future treaty that, inter alia, would not limit the United States to levels of intercontinental strategic forces inferior to the limits provided for the Soviet Union."[112] On September 11, 1972, the Senate passed the Jackson amendment by a vote of 56 to 35. This amendment laid the predicate for Senator Jackson's later critique that the Carter administration did not meet this standard in the SALT II Treaty.[113]

The Threshold Test Ban Treaty (TTBT) of 1974 was also initially blocked by the Senate because of concerns over Soviet compliance. TTBT was not submitted to the Senate for approval for 2 years after signing and was not ratified until after the United States and Soviet Union reached agreement 14 years later on additional provisions to enhance America's ability to verify Soviet compliance.[114]

Republicans and Democrats in the Senate also expressed disapproval of SALT II in a letter to President Carter in 1979. After the Soviet invasion of Afghanistan, Carter withdrew the treaty from Senate consideration.[115] President Reagan withdrew from voluntary adherence when the treaty expired in 1985, and then began negotiating the Strategic Arms Reduction Treaty (START) and working on the Strategic Defense Initiative (SDI).[116]

During the Presidency of Bill Clinton, Congress and the administration engaged in a 4-year-long discussion over the ratification of the Chemical Weapons Test Ban Treaty. It was only approved by Congress after the inclusion of 28 conditions in the resolution of ratification.[117] This treaty included 87 participating countries. The 1997 resolution of ratification of the Conventional Forces in Europe also contained 14 conditions. Congressional input derailed neither treaty.

At the end of the George W. Bush administration, the United States and United Arab Emirates negotiated a civil nuclear cooperation agreement (called a 123 agreement). However, then-Chairman of the House Foreign Affairs Committee Howard Berman (D–CA) objected that the agreement did not ensure that the UAE would not engage in enrichment and reprocessing.[118] In response to congressional pressure, the treaty was not submitted for approval, but instead, the incoming Obama administration reopened the negotiations. The amended agreement then included a binding commitment from the UAE not to engage in domestic enrichment or reprocessing. In short, Congress expressed concerns about specific components of an agreement; the administration listened to Congress and renegotiated a stronger agreement.

In these examples, Congress played a significant role in rejecting or modifying important national security treaties or agreements. In some cases, like SALT I, TTBT, and SALT II, these were arms control agreements negotiated with the Soviet Union,

a much more formidable adversary than Iran, in possession of thousands of nuclear tipped missiles where the risk and consequences of war were much greater. In the case of the Chemical Weapons Ban Treaty, this was a complicated multilateral negotiation involving 87 countries as compared to the six countries involved in the Iran negotiations. In the example of the 123 agreement, this was a complicated agreement that set a "gold standard" for civil nuclear cooperation that barred enrichment or reprocessing that is being overturned by the JCPOA. In several of the above examples, these were treaties that were legally binding as opposed to the non-binding political agreement that is the JCPOA.

Likely Scenarios if Congress Rejects this Current JCPOA

If Congress passes a Joint Resolution of Disapproval of the JCPOA and overrides a Presidential veto, there are three likely scenarios that will result. None is good, but each is preferable to the current JCPOA, which provides Iran with multiple pathways to a nuclear bomb and provides the international community with no peaceful means to enforce the agreement.

Scenario 1: Iranian faithful compliance

In this scenario, despite the rejection of the JCPOA by Congress, Iran could decide to implement its commitments in good faith. The implementation of Iran's nuclear commitments would then trigger U.N. and EU sanctions relief under the terms of the JCPOA.

In this case, the President would have two options:

(A) Rebuff Congress and wield Executive authority to the extent possible to neutralize the Corker-Cardin statutory sanctions block and proceed with the deal, In this case, the President could provide a substantial amount of the sanctions relief committed under the JCPOA by dedesignating Iranian entities on Treasury's Specially Designated Nationals list,[119] working with the Europeans to permit most Iranian financial institutions back onto the SWIFT financial messaging system, and dedesignating the Central Bank of Iran and permitting Iranian oil exports to increase. He would do this by following his signing statement where he declared section 1245 of the National Defense Authorization Act of 2012 (which imposed the legislative designation of the CBI and the legislative scheme to grant exceptions only to countries buying Iranian oil which "significantly reduced" these purchases) to be "nonbinding" if it "conflicts with [his] constitutional authorities" to "conduct foreign relations";[120] or,

(B) Accept the results of the Joint Resolution of Disapproval passed by Congress and undertake efforts to persuade our partners to join the U.S. in demanding that key parts of the agreement be renegotiated on better terms.

Scenario 1B would be the preferable outcome as it would maintain U.S. economic leverage and also lead to a renegotiation of the most troubling elements of the agreement (some of these are outlined below as examples). Even Scenario 1A would be preferable to the current JCPOA because although the United States would be providing certain sanctions relief, congressional disapproval would temper the markets. Western companies and banks, which are hesitant about reentering the Iranian market because of market and counterparty risks—would be even less likely to enter into new business transactions. International banks are likely to take a wait-and-see approach before doing business with Iran—especially given the market-based risks, continued financial sanctions that target the IRGC and terrorism activities, and their uncertainties of what a new American administration would do with respect to the JCPOA and sanctions enforcement.

Foreign companies and financial institutions are likely to be cautious even if a vote of disapproval fails. They will be even more cautious if it succeeds. The U.S. financial sanctions regime will still retain its powerful deterrent effect even if Congress requires the administration to renegotiate the JCPOA. However, over time, under the JCPOA, market risks will diminish, banks will grow more confident about the counterparty risks, and political pressure will applied to finance the investment and trade that their home-country energy and industrial companies are seeking. The U.S. will never have greater economic leverage than it has now to renegotiate a better deal.

Scenario 2: Iranian walk away

If Congress disapproves of the JCPOA, Iran could decide to abandon its commitments and walk away from the JCPOA. The new U.N. Security Council resolution would not be implemented and the existing U.N. sanctions and arms embargo and ballistic missile restrictions would remain. If past is prologue, Iran will escalate its nuclear program incrementally not massively to avoid crippling economic sanctions or U.S. military strikes. Iranian nuclear escalation historically has involved incremental increases with the goal of avoiding a U.S. massive response.

For example, based on the IAEA reports from December 2008, February 2013 and November 2013, during the approximately 5-year period of the most intense sanctions escalation during President Obama's term, Iran's nuclear program expanded as follows:

- Increase from 3,936 IR–1 operational centrifuges (5,412 total installed) in the December 2008 IAEA report to 9,146 IR–1 operational centrifuges (15,748 total installed) in the November 2013 IAEA report at the Natanz enrichment facility;
  - Increase of 1,042 IR–1 operational centrifuges per year,
  - Increase of 2,067 IR–1 installed centrifuges per year.
- Increase from zero IR–1s at Fordow in December 2008 to 696 IR–1 operational centrifuges (2,710 total installed) in November 2013;
  - Increase of 139 IR–1 operational centrifuges per year,
  - Increase of 542 IR–1 installed centrifuges per year.
- Increase from 180 IR–2m centrifuges partially or fully installed in February 2013 at Natanz to 1,008 IR–2ms fully or partially installed in November 2013;
  - Increase of 828 IR–2m partially or fully installed centrifuges in 9 months.
- Increase from 630 kg of Iran's low-enriched 3.5 percent stockpiles in November 2008 to 10,357 kg in November 2013;
  - Increase of 1,945 kg of 3.5% LEU per year.
- Increase from zero kg of Iran's low-enriched 19.75% stockpiles in November 2008 to 410 kg in November 2013;
  - Increase of 82 kg of 19.75% LEU per year.

While this increase was concerning, Tehran was careful not to engage in massive nuclear escalation that could trigger more crippling economic sanctions or military strikes. Despite President Hassan Rouhani's statement that if the West does not provide Iran with the nuclear deal it wants, Iran "will go back to the old path, stronger than what they [the West] can imagine," [121] Iran has moved cautiously.

Iran is unlikely to rapidly move to rapid nuclear breakout because this would risk war (which despite the U.S. aversion to war, Iran understands it would ultimately lose). Rapid breakout would also likely unify Europe and the United States (and perhaps even Russia and China)—the opposite of what Iran seeks to achieve. All the P5+1 countries, including Russia and China, have been committed to stopping an Iranian nuclear weapon because of their own self-interest. This was even true of Russia, which faced U.S. and EU sanctions during the Iran negotiations over their invasion of Crimea and eastern Ukraine.

In this scenario, the President would use the power of secondary sanctions to persuade the Europeans to join a U.S.-led effort to isolate Iran again. EU sanctions would likely hold or, at a minimum, European companies and banks would be reluctant to reenter Iran. China, India, Japan, South Korea, and Turkey would be unlikely to release the $100 billion in oil escrow funds for fear of U.S. sanctions. Furthermore, these sanctions require Iran to spend the funds on goods from those countries so it is advantageous to those countries to keep the funds in escrow. It is a boon to their exports. Why would they release the funds so that Iran can spend the money elsewhere?

If Iran were to massively escalate, for example to 15,000 operational IR–1 centrifuges or deploy its existing 1,000 IR–2m centrifuges plus thousands more in a break-out scenario, the U.S. would be forced to respond with crippling sanctions or military force.

In addition to the reimposition of sanctions suspended under the JPOA, these crippling sanctions could include the following new sanctions measures:

- Designating all remaining Iranian financial institutions and instructing SWIFT to expel all remaining financial institutions from the SWIFT messaging system;
- Sanctioning any U.S. or foreign financial institution that provides Iran access to, or use of, any of its funds except for humanitarian-related transactions;
- Dramatically reducing permissible imports of Iranian crude products;
- Banning countries buying Iranian crude from using oil escrow funds to export all nonhumanitarian commercial goods to Iran;
- Blacklisting additional sectors of the Iranian economy owned or controlled by the Government of Iran and/or the IRGC, including the mining, engineering, and construction sectors;
- Reimposing and vigorously enforcing gold sanctions to deny Iran access to gold to replenish its FX reserves;
- Imposing tighter sanctions on nonoil Iranian commercial exports;
- Expanding the definition of crude oil sanctions to include all oil products; and,

- Imposing additional sanctions against the holdings of Iran's bonyads and investment funds, and entities owned and or controlled by the IRGC, the Quds Force, the Supreme Leader and other entities.

The credibility of the U.S. threat to use crippling sanctions or military force is critical to deterring Iran from crossing U.S. redlines, which need to be clearly set by this or the next President.

Scenario 3: Divide the P5+1

In the third scenario, Iran could implement certain nuclear commitments but choose not to implement others, thus creating diplomatic ambiguity. Iran could then try to use diplomatic leverage to divide the Russians and Chinese from the West, and the Europeans from the United States. Iran's compliance with certain commitments might still trigger U.N. and EU sanctions relief, but Iran could exploit the P5+1 discord to demonstrate obstinacy on their JCPOA commitments, including on inspections, resolution of PMD issues, and the pace of nuclear compliance, among others.

This would be a messy scenario because of the divisions between the P5+1 partners, but ultimately, if all of the members were united around the goal of preventing an Iranian nuclear weapons, the situation may not reach a point of critical escalation—either in tensions between the U.S. and its partners and Iranian nuclear escalation. The President could threaten the use of new sanctions to keep countries and companies from normalizing with Iran and work to persuade the Europeans to join the United States in demanding that key parts of the agreement be renegotiated on better terms.

If we take the Secretary of State at his word, and he feels he would have no credibility in negotiating a new agreement, the Obama administration can leave the issue of negotiations to the next administration. We would survive the period of time until a new administration (Democratic or Republican) takes office because Iran would not want to trigger major U.S. retaliation by engaging in massive nuclear escalation (see above).

Continue Economic and Diplomatic Pressure on Iran

None of the above scenarios is ideal but they are not likely to be disasters, either. And they are better than this deal. These options ultimately depend on the power of American coercive diplomacy, economic sanctions, and the credibility of the American military option.

The alternative to the current JCPOA depends on American coercive diplomacy: (1) leveraging the power of U.S. secondary sanctions to persuade international financial institutions and companies to stay out of Iran; (2) the use of military power, either directly or through the support of allies, against Iranian regime interests in Syria, Iraq, Yemen; and (3) the credible threat of conventional and cyber-enabled strikes against Iran's nuclear program, which is likely to increase after January 2017.

If the President believes that the United States has an effective economic snapback a decade or more in the future after companies have invested billions of dollars in the Iranian economy, then U.S. sanctions remain strong today. The international sanctions architecture is not yet crumbling, and Iran's economy is still fragile.

If the President believes, however, that the multilateral sanctions regime cannot withstand the fallout of the above scenarios, how will the United States have economic leverage in the future? If multilateral sanctions will not hold in the face of a renewed commitment to negotiate an improved agreement, then United States does not have sufficient peaceful economic leverage to enforce this agreement in the future when Iran's nuclear program will be much bigger, Iran can leverage its "nuclear snapback" against the reimposition of sanctions, Iran's economy will be much stronger, and America's P5+1 partners will have made significant investments that they will be loathe to lose.

Furthermore, if the P5+1 unity and the international sanctions architecture would have held when the United States was prepared to walk away from the table during the negotiations, it can hold now. It is better to test the strength of international sanctions and U.S. secondary sanctions now rather than in a future breakout or sneak-out scenario when Iran's nuclear program and economy are greatly expanded.

Even if the international community lifts all other sanctions, the world would merely revert to a pre-2010 dynamic in which the Washington imposed unilateral sanctions and presented foreign companies with a choice of doing business in the United States or Iran. Washington would have difficult conversations with its allies about sanctions enforcement, but given the power of U.S. markets and the dominance of the U.S. dollar, foreign companies are likely to keep Iran at arm's length.

Amendments to Improve the JCPOA

The JCPOA can be improved by returning to the principles that Congress has laid out and that are contained in six U.N. Security Council Resolutions. These include:

(1) Sufficient dismantlement to insure Iran cannot build a nuclear weapon;

(2) Gradual sanctions relief and an agreement of sufficient duration tied to Iranian performance;

(3) Serious inspection regime that combines short-notice surprise inspections with extensive monitoring of declared sites; and,

(4) Maintenance of sufficient economic leverage to peacefully enforce the agreement against Iranian noncompliance.

This current JCPOA can be improved in key areas. The following section provides a few examples of the specific changes that should be made. This is not an exhaustive list but is provided as an illustration of how Congress could require reasonable modifications to the agreement. The President should to be able to build consensus with U.S. allies that these (and other) amendments strengthen the deal and that congressional support is critical for a durable agreement.

1. Include a sunset clause that must be voted on every 10 years.

If it is currently unacceptable for Iran to obtain a nuclear weapons capacity, what is the reason for an arbitrary 10 and 15 year sunset of the limitations on Iran's nuclear activities? Instead, the agreement could be structure in such a way that the limitations only sunset upon an affirmative vote of the United Nations Security Council.

2. Permanently require excess uranium to be shipped out of Iran.

In the current JCPOA, Iran is required to ship out spent fuel from the Arak reactor for the lifetime of this facility. A similar requirement should be included that requires that excess enriched uranium above 300 kg be shipped out from Iran. During the Joint Plan of Action (JPOA) interim agreement, Iran failed to abide by its commitment to convert all excess uranium into uranium dioxide. Rather than leave open the possibility that Iran may be unable to fulfill its commitments regarding conversion of excess uranium, it could simply be required to be exported. In addition, there should be a permanent ban on Iran's ability to produce highly enriched uranium (HEU) and a permanent ban on reprocessing and reprocessing R&D.

3. Limit Iran's enrichment to IR–1 centrifuges and prohibit advanced centrifuge R&D.

Iran has no need for advanced centrifuges to meet its practical needs for civilian energy. These advanced models, once operational, reduce Iranian breakout time, and given a much easier clandestine sneak option. The JCPOA permits this capability beginning in year 8, accelerates in after year 10, and permits unlimited and industrial-scale deployment after year 15. Breakout time drops after year 10 from 1-year, the Obama administration's benchmark for an adequate time to mount a diplomatic, economic, and military response, to perhaps "almost down to zero" by year 13, according to President Obama.[122] Once restrictions disappear at year 15 on full-scale deployment of advanced centrifuges, enrichment about 3.67 percent and the accumulation of stockpiles of LEU about 300 kg, Iran will be at near-zero breakout. With high-powered centrifuges capable of reaching enrichment targets at much greater efficiency, Iran also will need far fewer machines; this makes it easier for Iran to hide these centrifuges in a heavily fortified Fordow enrichment facility (which it will be able to use for enrichment or to build multiple Fordow-type facilities after year 15)—and enable an easier clandestine sneak-out option to a nuclear weapon. An amended agreement would ban the use of, and R&D into, these advanced centrifuges.

4. Require an invasive inspections regime that allows go anywhere, anytime access to places, personnel, and paperwork. The inspections regime should be modeled on the South Africa experience.

Former IAEA Deputy Director General for Safeguards, Olli Heinonen, was recently asked by a Member of Congress to rate the JCPOA verification and inspection regime on a scale of one to 10. He responded that:

> HEINONEN: Thank you, Mr. Congressman. And I perhaps use this opportunity also to clarify my rating, which Ranking Member Lynch asked earlier today. He asked me to rate the deal with a scale from one to 10. *And as you see from my testimony, I actually have divided this testimony in three parts.*
>
> *One part is the declared facilities with declared materials; one is the rights and provisions to access undeclared activities, where I raised those*

concerns; and then there is a third category, which I mentioned in my written statement, which are some other activities which are proscribed, like activities related to acquisition of computers software to design nuclear explosive devises, to certain multipoint detonation systems.

When I look the rating from—for each of those I think it's better to look each of those and you'll make your own risk assessment on that. *The first one, when I said a rating seven to eight, this is for declared facilities, the way I see. And why it is not higher is because there is this dispute settlement process, which you miss in 24—after 24 days or even more. But then if you ask me to give the rating for this access to suspected sites, undeclared sites, I don't think that I would give more than five, if we use this—this rating. And then if you ask my opinion with other possibilities to find these computer codes and someone using them, and there is actually even not really an inspection procedure for that, I think it's a zero. It's not even one. So I think that this clarifies and answers to your concerns.* (emphasis added) [123]

Elsewhere, Dr. Heinonen has written: "The IAEA verification regime must go further than the Additional Protocol (AP). Contrary to what is commonly understood, the AP does not provide the IAEA with unfettered access. Currently, the IAEA does not have access to Iran's sensitive nuclear information. For years, inspectors have been stonewalled. A verifiable agreement would require unfettered access to all key facilities, personnel, documentation, and other information being sought. The AP, by itself, does not fully oblige this." [124]

Dr. Heinonen argues that this "AP-plus" verification and inspection regime must be permanent: "AP-plus verification activities cannot end upon the expiration of an arbitrary period of time, but rather only when the IAEA has concluded that all nuclear material and activities in Iran are in peaceful use, that there are no undeclared activities, and the U.N. Security Council is able to conclude that Iran has fully restored international confidence in the peaceful nature of its nuclear program." [125]

There is precedent for the IAEA to carry out additional verification measures alongside the Additional Protocol. Dr. Heinonen writes: "South African authorities adopted, in the early 1990s, an open, completely transparent policy of IAEA inspections "any time—any place, with a reason." Although South Africa ratified the AP in 2002, the IAEA continued to conduct such additional transparency measures parallel to its implementation of the AP until South Africa was given a clean bill of health in 2010. The rationale for the approach and extended monitoring was that enrichment and weapons-related know-how remained after the dismantlement of the actual infrastructure.[126]

5. Require upfront ratification of the Additional Protocol.

Under the JCPOA, Iran is not required to ratify the Additional Protocol until 8 years into the agreement. Iran is only required to provisionally and voluntarily implement it. Iran signed the Additional Protocol in 2003 and provisionally implemented it while negotiating with the EU3.[127] But after the IAEA referred Iran to the U.N. Security Council for noncompliance with the NPT Safeguards Agreement, Iran suspended its voluntary implementation.[128] Iran has in the past used these "voluntary" measures to avoid complete and consistent implementation. Since the Additional Protocol plays a role in the verification regime, Iran should be required as part of the final deal to ratify the Additional Protocol up front. As discussed, verification and inspection requirements must go beyond the AP and must be permanent.

6. A Proper resolution of the PMD Issue.

The "Road-Map for the Clarification of Past and Present Outstanding Issues Regarding Iran's Nuclear Program," is of great concern both because of the expedited timeframe and the fear that this process will not address sufficiently the many outstanding questions that the IAEA and the U.S. intelligence community has about the possible military dimensions of Iran's nuclear weapons program. For Congress to judge that the PMD issue has been resolved sufficiently, according to William Tobey, the former Deputy Administrator for Defense Nuclear Nonproliferation at the National Nuclear Security Administration, the IAEA must confirm that:

- It has a complete and correct understanding of the full extent of Iran's nuclear activities, including any military dimensions;
- It has found no indication that Iran is engaged in any military dimensions;
- It has found no indication of the diversion of declared nuclear material from peaceful activities nor any indication of undeclared nuclear material or activities; and,

- It can monitor the people, facilities, sites, equipment, and materials involved in any military dimensions to ensure timely detection of any resumption of this work.[129]

7. Tie sanctions relief to concrete changes in the conduct, which prompted sanctions.

As explained in the next section, the sanctions relief in the amended JCPOA should link the lifting of sanctions with concrete changes in the conduct that prompted sanctions in the first place. The P5+1 could provide certain temporary relief without lifting sanctions.[130] Such a model would provide immediate economic relief to the Iranian people while retaining international economic leverage to enforce the agreement and address the range of Iranian illicit conduct that sanctions were aimed at addressing.

PART 4: CONGRESSIONAL DEFENSE OF THE SANCTIONS ARCHITECTURE

In addition to working with the administration to renegotiate the most concerning components of the JCPOA, Congress can also act unilaterally and with the administration to ensure that the sanctions architecture is not precipitous unraveled. This defense of the sanctions architecture will provide peaceful economic leverage to enforce a better deal.

Tie Sanctions Relief to Demonstrable Changes in Iranian Conduct

Since sanctions snapbacks are a flawed mechanism, the lifting of sanctions should be tied to changes in Iran's conduct that prompted the sanctions in the first place. The provision of sanctions relief should only occur after Iran meets specific, verifiable nuclear and illicit finance benchmarks.

Congress should require that the Obama administration renegotiate the terms of the sanctions relief. The administration and Congress should work together to create a more effective sanctions relief program that deters and punishes Iranian noncompliance and supports the monitoring, verification, and inspection regime. The United States should also make it clear to Iran that Washington will continue to impose sanctions and target Iran's support for terrorism and its abuse of human rights, and particularly the dangerous role played by the IRGC across a range of illicit activities.

The following recommendations outline how Congress can defend the conduct-based sanctions architecture. These recommendations are aimed at providing a more effective mechanism for sanctions relief under an amended JCPOA.

1. Develop a rehabilitation program for designated Iranian banks that puts the onus on Tehran to demonstrate that the banks are no longer engaged in illicit financial conduct.

While U.S. financial sanctions are implemented and enforced by the Treasury Department, Congress can play a crucial role by legislating the terms of a rehabilitation program for designated Iranian banks and by laying out specific benchmarks that must be met prior to the suspension of financial sanctions.

Congress should require that Treasury submit a financial sanctions rehabilitation program plan that includes specific benchmarks that institutions must meet before Treasury suspends or terminates key designations. The rehabilitation program should focus on industry standards of financial integrity. Congress should also require Treasury to include a certification, subject to periodic reviews, that will be published in the Federal Register prior to dedesignation.

2. Work with the Obama administration on licenses to foreign financial institutions and foreign companies engaging in business transactions with Iran.

Given the significant presence of the IRGC in key strategic sectors of Iran's economy,[131] including the financial sector, it will be very difficult for foreign financial institutions to confirm that their counterparts on any transaction are not connected to the IRGC. Only those institutions with the strictest compliance procedures may be able to differentiate between upstanding Iranian corporations and corrupt firms. Western banks, especially those that have previously run afoul of U.S. sanctions, may be hesitant to reenter the Iranian financial market and reportedly only considering financing non-Iranian firms working in Iran.[132]

The United States can incentivize the implementation of strict due diligence and "know your customer" procedures by granting special licenses to companies to operate in Iran, but only for transactions not connected to the IRGC and not in support of terrorism, ballistic missile development, and human rights abuses. Even those foreign financial institutions will face significant risks from IRGC, ballistic missile, terrorism, and human rights sanctions; from lawyers seeking to collect on tens of billions of dollars in judgments on behalf of victims of Iranian terrorism; and from

the reputational damage from association with repressive and dangerous regime elements. Buyer and seller beware will likely still be the operating principle for heads of global compliance of these banks long after a nuclear deal is concluded.

3. Legislate criteria for the suspension of sanctions on the Central Bank of Iran and the lifting of the Section 311 finding.

The suspension of sanctions against the Central Bank of Iran, even more than the dedesignation of individual Iranian banks, will provide significant relief to Iran and should therefore also be tied to verifiable changes in Iranian behavior. Lawmakers could require the President to certify to Congress, prior to suspending sanctions against the CBI and prior to the lifting of the Section 311 finding, that Iran is no longer a "jurisdiction of primary money laundering concern" and that the CBI, as the central pillar of Iran's illicit financial activities, is no longer engaged in "support for terrorism," "pursuit of weapons of mass destruction," including the development of ballistic missiles, or any "illicit and deceptive financial activities." Congress should stipulate that Treasury must certify that the entire country's financial system no longer poses "illicit finance risks for the global financial system." Congress should consider enshrining the Section 311 finding in legislation and making the lifting of the 311 subject to specific termination criteria relating to Iranian illicit conduct.

4. Legislate under what circumstances funds in escrow accounts can be released.

An estimated $100 billion in Iranian oil revenues have accumulated in semirestricted escrow accounts and can only be spent on nonsanctionable goods in the countries where they are accumulating or on humanitarian goods from a third country. Between January 2014 and June 30, 2015, under the JPOA, Iran received $11.9 billion in installments from these escrow accounts.[133] Instead of allowing the repatriation of the funds to Iran, Congress should amend the Iran Threat Reduction Act (ITRA) to create a mechanism for the release of specific amounts in installments if Iran is complying with its commitments. However, these funds should not be repatriated to Iran and be moved to escrow accounts where Iran can spend them on nonsanctionable European goods and where they can be more easily recaptured in a snapback scenario (European banks are more likely to comply than Chinese banks, for example). None of these escrowed oil funds should be repatriated back to Iran until Treasury certifies that Iran is no longer a "primary money laundering concern" and a state sponsor of terrorism and Congress approves this certification.

5. Enforce and expand designations of IRGC-affiliated entities.

Even an amended JCPOA will not address Iran's support for terrorism, threatening, and destabilizing behavior toward its neighbors, and systematic human rights abuses. As such, Congress should require Presidential certifications that no sanctions relief will go to the IRGC or IRGC-affiliated entities.

Congress could clarify that it expects that no sanctions on IRGC-linked entities, whether based on nuclear, ballistic missile, or terrorism activities, will be lifted against any entity or financial institution until the President certifies that Iran is no longer a state sponsor of terrorism and the IRGC no longer meets the criteria as a designated entity under U.S. law. Congress should go further and designate the IRGC in its entirety under Executive Order 13224 for its role in directing and supporting international terrorism (it is currently only designated under Executive Order 13382 for proliferation purposes; the Quds Force is designated under EO 13224).

6. Enforce and expand IRGC, terrorism- and human rights-related designations.

Iran's continued support for global terrorism requires that U.S. terrorism sanctions be maintained and expanded. Iran's human rights record has, by numerous expert accounts, deteriorated under President Hassan Rouhani.[134] Congress should work with the Obama administration to enhance terrorism sanctions, particularly focused on the IRGC and Quds Force and its various officials, entities, and instrumentalities. Congress should work with the Obama administration to significantly expand U.S. human rights sanctions against any and all Iranian officials, entities, and instrumentalities engaged in human rights abuses. The penalties for both of these sanctions should go beyond travel bans and asset freezes and target the sectors, entities, and instrumentalities that provide revenues to fund Iranian terrorism activities and/or human rights abuses.

CONCLUSION

As a result of the sunset of restrictions on Iran's nuclear program and ballistic missile program and the access to heavy weaponry, Iran over time will be permitted

not only to maintain its current nuclear capacity, but also to develop it further to an industrial-size nuclear program with a near-zero breakout time, an easier-to-hide and more efficient advanced-centrifuge-powered clandestine sneak-out pathway, and multiple heavy water reactors. Iran will be able to buy and sell heavy weaponry with the expiration of the arms embargo, bolstering IRGC military capabilities, and arming the most destabilizing and dangerous regimes and terrorism organizations. Iran will also be able to access key technologies to further develop its long-range ballistic missile program, including for the building of an ICBM that threatens the United States.

At the same time, the JCPOA dismantles much of the international sanctions architecture, while abandoning the core principles of the conduct-based sanctions regime that the Obama and George W. Bush administrations had built up for more than a decade. The unraveling of the U.S. and EU sanctions regimes leaves Iran as a growing economy increasingly immunized against future economic sanctions snapbacks. It provides Iran with $150 billion in early sanctions relief and hundreds of billions of dollars in future relief with which the leading state sponsor of terrorism can continue to fund its dangerous activities. Of great concern, the JCPOA provides Iran with a "nuclear snapback" to intimidate Europe, the United States, and other countries, to refrain from using sanctions as an effective mechanism to enforce the nuclear agreement and to target the full range of its illicit conduct including its support for terrorism.

The JCPOA is a fundamentally flawed deal in its inherent design. Rather than block Iran's pathways to a nuclear bomb, it provides a new path, the "patient path." Congress should require the Obama administration to renegotiate and fix the major flaws of the agreement and resubmit an amended JCPOA to Congress for review. Throughout American history, Congress has rejected or required amendments to more than 200 treaties and international agreements (of which about 80 were multilateral). This includes major bilateral and multilateral arms control and nuclear agreements during and after the cold war.

This testimony provides examples of reasonable and modest amendments to the current JCPOA. These amendments would create an agreement that improves the chances of permanently blocking all of the Islamic Republic of Iran's pathways to a nuclear bomb. Simultaneously, Congress should defend the economic sanctions architecture it helped create and tie all future sanctions relief to verifiable changes in Iranian conduct that prompted the sanctions in the first place.

Notes

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[2] Ernest Moniz, "A Nuclear Deal that Offers a Safer World," The Washington Post, April 12, 2015.

[3] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, Annex I, paragraphs 32, 37, 38.

[4] "Transcript: President Obama's Full NPR Interview on Iran Nuclear Deal," NPR, April 7, 2015.

[5] The JCPOA notes that Iran will only enrich to 3.67 percent for 15 years but does not specify the restrictions after that. Iran's enrichment levels after 15 years will be governed by its "voluntary commitments" in its long-term enrichment and enrichment R&D plan, submitted to the IAEA. There are nonmilitary uses for 20 percent and 60 percent enriched uranium, and therefore Iran may argue that it needs to enrich to those higher levels after 15 years. "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, Annex I, paragraphs 28 and 52.

[6] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, Annex I, paragraph 31.

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[8] Ibid., paragraph 16.

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[25] Ibid., paragraph 29.
[26] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, Annex III, paragraph 10.2.
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[64] On Implementation Day, the EU will lift sanctions on the Central Bank of Iran and Bank Mellat, Bank Melli, Bank Refah, Bank Tejarat, Europaische-Iranische Handelsbank (EIH), Export Development Bank of Iran, Future Bank, Onerbank ZAO, Post Bank, and Sina Bank. On Transition Day, the EU will also lift sanctions on Ansar Bank, Bank Saderat, Bank Sepah and Bank Sepah International, and Mehr Bank. See Attachment 1, parts 1 and 2 and Attachment 2, parts 1 and 2.
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[67] Over the past decade, the Treasury Department has designated 51 banks and their subsidiaries inclusive of the 23 banks designated as proliferators, Bank Saderat which was designated for financing terrorism, and the Central Bank of Iran. With the exception of Bank Saderat, Ansar Bank, and Mehr Bank, all Iranian financial institutions will be delisted on implementation day. Note, there is an inconsistency in Attachment 3. The Joint Iran-Venezuela Bank is listed as the same entry as Iran-Venezuela Bi-National Bank. On the SDN list, the two are listed with unique entries and different designations. FDD assumes, however, that both banks are being delisted.
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SANCTIONS AND THE JCPOA

THURSDAY, JULY 30, 2015

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

The committee met, pursuant to notice, at 10:02 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Rubio, Flake, Gardner, Perdue, Isakson, Cardin, Menendez, Shaheen, Coons, Udall, and Kaine.

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

The CHAIRMAN. The Senate Foreign Relations Committee will come to order. Today's hearing is the third in a series of hearings we are holding to evaluate the nuclear agreement reached between Iran and the six major world powers.

We have heard from the administration and from private witnesses about evaluating the agreement as a whole. Today's hearing gives us an opportunity to look closely at one of the key aspects of the agreement, sanctions relief. Next week, we will have an opportunity to hear from experts on the nuclear aspects of the deal, but today we have two well-respected experts on sanctions.

We thank you both for being here.

It is worth noting that real questions about sanctions relief remain. On the same day the U.N. passed the resolution endorsing the deal and setting up the snapback mechanism, Iran wrote a letter to the U.N. saying that they would treat use of the snapback as grounds to walk out of the agreement.

Again, I think you all know this passed in about 90 seconds last Monday. And at that moment, Iran sent a letter refuting the ability to use snapback.

That same letter outlines that extension of current sanctions would be in violation of the agreement. I know we had an exchange the other day where it was asked if we had some sanctions that are rolling off in 2016, if we just extended those so there would be something to snap back to. I know Senator Menendez has made a strong point about this—that that itself would be a violation, and Iran would consider any imposition of new sanctions with the nature and scope identical or similar to those that were in place prior to the implementation date, irrespective of whether new sanctions are introduced on nuclear aid, or other grounds.

We have a number of very powerful sanctions that are being alleviated. Most of us have felt that if for some other reason Iran was

out of order, we could reapply those sanctions against terrorism, human rights, or other activities. I think there is a major debate over whether that could happen. As a matter of fact, Iran has said that it could not.

I will also say that our partners in the West very strongly told me the same thing. Recently, they have been backing off of that a little bit. So I do not know exactly where that stands.

Those statements, the agreement itself, and the lack of clarity from our administration have left Senators with unresolved questions. Those include questions about the efficacy of U.S. secondary sanctions, if Congress disapproves the deal, a very important factor for us to be considering. There are also remaining questions about whether or not the United States can reimpose sanctions lifted in the agreement should we need to use them for terrorism purposes.

I am very honestly surprised to say, but there are remaining questions about whether or not extending the Iran Sanctions Act would constitute a violation of the agreement, as I mentioned earlier. I see no reason why simply extending existing authority, which could be waived, would be in violation of the agreement, but Secretary Lew and the Iranians seem to think otherwise.

I hope our witnesses will address these questions as well as expand on what you might see as the current climate for doing business in Iran.

Both of you have spent time with the companies affected by these sanctions, and if you could, I would appreciate hearing any valuable takeaways.

It is important to note that the sanctions this Congress put in place are responsible for bringing Iran to the negotiating table. In exchange for suspension of virtually all of our economic leverage, Iran will, over time, get to develop an industrial-scale, internationally legitimate nuclear program.

While this agreement is not intended to address terrorism, many of us worry that the agreement will prevent the United States from using economic tools to counter Iranian regional aggression.

Our witnesses have extensive experience in both economic coercion and combating terrorism. I would appreciate your perspective on how this agreement could affect our ability to use sanctions in response to terrorism.

Secretary Kerry said last week we are free to adopt additional sanctions as long as they are not a phony excuse for just taking the whole pot of past ones and putting them back. I worry that Iran will not agree with our definition of phony and that through this agreement the administration could inadvertently be hampering its own ability to combat Iranian terrorism.

In September, we will have the opportunity to vote to approve or disapprove the agreement. At its core, that choice is whether or not this agreement merits Congress voting to lift those sanctions.

Thank you very much for appearing before our committee.

I turn to our distinguished ranking member for his comments and look forward to a very good hearing.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Mr. Chairman, thank you for arranging this hearing to deal with the sanctions aspects of the JCPOA.

I thank both our witnesses, two experts in this area, for sharing their thoughts and engaging our committee in a discussion, so that we can better understand the impact of the JCPOA as it relates to sanctions.

Yesterday, we had, I thought, a very helpful hearing that dealt with the overall effect of the agreement. I think we spent a good deal of time looking at the alternatives. If Congress effectively rejects the JCPOA, what would the consequences be?

In that discussion, we did talk about sanctions. And I think today we want to concentrate on the sanction aspects of the agreement.

Ultimately, the members of this committee, the Members of the United States Senate and House, are going to make a decision whether the benefits of the agreement outweigh the risks or whether the risks of the agreement outweigh the benefits.

That is our test, and the sanctions have a major impact on our evaluation of those issues.

Let me first deal with an issue I have raised since day one, and that the chairman raised again in his opening comments. I hope that we will get your views on this. And that is, it has been stated very clearly by this administration that we are not relieving sanctions related to terrorism and human rights or their missile program. It has also been stated, and I asked the direct question at the hearing last Thursday, if we have credible information that Iran has violated our policies on terrorism, can we reimpose sanctions on the specific organizations that received relief under the JCPOA, or the economic sectors that were affected, such as the crude oil sales by Iran? Could we reimpose those types of sanctions?

And Secretary Lew said fairly directly the answer is "Yes," depending on the circumstances, if we can demonstrate, in fact, that it is related to terrorism.

Mr. Chairman, I asked similar questions to the representatives of Europe that were here this week because we know that it is going to require, ultimately, five of the eight votes in the commission that oversees this. And their response was pretty similar to what Secretary Lew said, in all fairness. I am just relaying what they said to me.

But I am tempered by the language of the JCPOA. After all, that is what we agreed to. I said frequently, I am more interested in what is in the JCPOA than what the Iranians say about what is in the JCPOA or, for that matter, our own administration's words, because we are bound by the language in the JCPOA, if we go forward with it.

It says in Section 29, the EU and its member states, the United States, consistent with the respective laws, will refrain from any policy specifically intended to directly and adversely affect the normalization of trade and economic relations with Iran. Then it says in paragraph 30 that the EU+3 will not apply sanctions or restrictive measures to persons or entities for engaging in activities cov-

ered by the lifting of sanctions provided for in this JCPOA. Then there are some qualifications in the JCPOA.

So what I would hope to discuss today is would we be out of compliance with the JCPOA if we reimposed sanctions for nonnuclear activities of entities or economic activities that were relieved from sanctions under the JCPOA?

And secondly, what type of pressure would there be on the United States if we wanted to go forward? Would there be international pressure for us not to be as aggressive as perhaps the Congress or the administration wants to be?

And we were told yesterday by both of our witnesses that we should be very aggressive in holding Iran to high standards, if this agreement goes forward. What type of pressure would there be on us effectively being able to impose the type of sanctions to prevent Iran from their nonnuclear nefarious activities?

That is one set of questions I hope we can get into today.

The second is, how effective would snapback sanctions be? After they are lifted and during that period of time before they are repealed, if any of the negotiating partners felt that there was a material breach to the point of snapping back all or part of the sanctions that were relieved by the U.N., EU, and/or the United States, how effective and how quickly can we reimpose sanctions that will require Iran to rethink its behavior? I would be interested in your views in that regard.

Then a last point I would like to have you respond to, and that is, if we do not approve the agreement, if we reject it, and the United States sanctions remain in place, how effective will those sanctions be if we do not have the support of the international community to cooperate with us in a sanctions regime?

I think these are important questions for the Members of the Congress to understand. And I just look forward to our discussion today.

The CHAIRMAN. I do want to say again I know when I met with our Western partners, they were very explicit in agreeing with Iran. They did get back with us since that time, and since there may have been some reach-out from the administration, they moderated their views much in line with what you may be saying.

I want to also say the ranking member and I asked Mr. Amano to testify before us next week, just so we could get an understanding of the IAEA issues that we have been concerned about, whether we do that in a classified setting or someplace else. We have been turned down. So I do want to make people aware of that.

Obviously, there are a lot of concerns about the agreement that we have not seen. What we do know about it, I think we all know is, at best, very questionable. So I am sorry to say we are not going to have the benefit of their testimony to help clear up some of the concerns that we have.

So with that, we have two outstanding witnesses today that will be very helpful.

Our first witness is Hon. Juan C. Zarate, chairman of the Financial Integrity Network and chairman of the Center on Sanctions and Illicit Finance at the Foundation for Defense of Democracies. Mr. Zarate previously served as Deputy Assistant to the President and Deputy National Security Adviser for Combating Terrorism. In

addition, Mr. Zarate was the first-ever Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes.

You have not been very successful in that regard.

Just kidding. Thank you.

Our second witness today is Mr. Richard Nephew, program director for the Economic Statecraft, Sanctions and Energy Markets at the Center for Global Energy Policy. Previously, Mr. Nephew served as Principal Deputy Coordinator for Sanctions Policy at the Department of State and the lead sanctions expert for the U.S. team negotiating with Iran. He has also served as the director for Iran on the National Security staff.

Thank you both for being here. We are excited about you being here. If you would sort of abbreviate your comments, you are going to have lots of questions. Your written testimony, without any opposition, will be made part of the record.

Thank you, both. You can start in whichever order you wish.

STATEMENT OF THE HON. JUAN C. ZARATE, CHAIRMAN AND SENIOR COUNSELOR, CENTER ON SANCTIONS AND ILLICIT FINANCE (CSIF) AT THE FOUNDATION FOR DEFENSE OF DEMOCRACIES, WASHINGTON, DC

Mr. ZARATE. Mr. Chairman, thank you very much for that kind introduction. Ranking Member Cardin, distinguished members of this distinguished committee, thank you for this privilege and opportunity to speak to you about the sanctions implications of the JCPOA. I am honored, privileged, so thank you very much.

I am also grateful to be here next to Mr. Richard Nephew. I am going to pass all the difficult questions to him. But I do want to thank him in all honesty for his service to the U.S. Government, to the State Department, and on the issues related to sanctions.

I take this responsibility before you today incredibly seriously, given the gravity and implications of this agreement. I appreciate the questions you have already posed, which are nuanced and important. I am happy to answer any others that you pose.

But I come to this issue with views borne from relevant experience dealing with Iran from both the Treasury Department and National Security Council. I know that all involved have been working incredibly hard toward a peaceful solution to the Iranian nuclear program, through painstaking strategies of coercion, sanctions, and diplomacy.

Indeed, the financial and economic constriction campaign built methodically over the course of a decade helped bring Iran to the table. In the words of President Rouhani, the sanctions threatened to drive Iran back into the Stone Age.

These efforts have also been designed to constrain and isolate rogue Iranian behavior—its support of terrorism, the Assad regime, proliferation, human rights abuses, and other dangerous activity—as well as to protect the integrity of the U.S. and international financial systems.

I will, based on your invitation, focus my testimony on the sanctions relief framework in the JCPOA.

Mr. Chairman, I will tell you the framework in the JCPOA is flawed. The relief is too front-loaded. It does not account for the increased risks stemming from Iranian commercial and financial ac-

tivity. And the JCPOA, as you have alluded to, broadly constrains the U.S. Government's ability to use effective financial power against Iranian nonnuclear national security risks.

There are structural problems in the JCPOA that undermine the ability of the United States to use these powers to affect Iranian behavior. The snapback framework itself proves problematic and is a blunt instrument. It will only be applied if the most egregious violations can be proven openly and convincingly to all parties.

If new contracts signed are grandfathered, as is suggested in some of the text of the U.N. resolution and discussions around the JCPOA, the snapback loses its real-world effect to ensure compliance. Instead, it has the potential to create a gold rush incentive for commercial actors to get into the Iranian market quickly.

The Iranians maintain a heckler's veto on any reimposition of nuclear sanctions and can simply walk away from the agreement.

With the appellate processes, any U.S. sanction or related action to which Iran objects would be subject to review by the other parties, including Iran, China, Russia, creating a whole new paradigm for how the United States reviews and issues its sanctions.

The JCPOA unwinds sanctions bluntly, encompassing issues of proliferation and weaponization without addressing the underlying conduct. This creates real risks, and it does damage to the ability to use the very same tools against Iranian individuals and entities in the future.

This proves highly problematic with the delisting of Iranian banks, for example, Bank Sepah, the Central Bank of Iran, and transport companies, like IRISL, which have been used not just to facilitate the nuclear program but also for proliferation and sanctions evasion.

Though nonnuclear sanctions were supposedly off the table, the spirit and letter of the agreement may actually neuter U.S. ability to leverage one of its most powerful tools. The normalization of economic relations with Iran, which is embedded in paragraph 29 of the preface to JCPOA and also further ensconced in the new U.N. Security Council resolution, does grave damage to that ability and to those powers.

Mr. Chairman, from the start of negotiations, as you know, what the Iranians wanted most was the ability to do business again, unfettered and plugged back into the global financial and commercial system. With a commitment to the reintegration of the Iranian economy on the back of the nuclear deal, the administration effectively put all sanctions on the table.

To understand this, one needs to appreciate why these financial and commercial measures were so effective in the first instance. These were not the sanctions of old.

The financial constriction campaign, which began against Iran in 2005, has proven effective over the past decade not because Iran was hermetically sealed with naval blockades or classic trade embargoes, but because it was unplugged from the elements of the global financial and commercial order.

The regime has needed access to banking, shipping, insurance, and new technologies, and connectivity to the oil and global economic markets to maintain and sustain the regime.

That is what they lost over the past decade. That appears to be what they have gained and guaranteed in this deal.

Now, Mr. Chairman, in addition, the United States will need to amplify its use of financial measures aggressively against key elements of the Iranian economy to deal with increased risks based not just on this deal but also Iranian foreign policy. It is not at all clear to me that this is well understood by all parties or that this is part of our strategy.

The risks from Iran are real and will increase. Iran will get a massive infusion of capital from initial sanctions relief, with some of the estimates up to $150 billion. No doubt some of this will go to support terrorist and militant groups from the Golan to Yemen.

With the allowance of an Iranian nuclear program, the deal will likely increase, not decrease, the risk of proliferation. The regime will use its control of the economy not only to further enrich itself, but to suppress internal opposition brutally and ensconce its rule.

The concerns over human rights abuses and regime kleptocracy will grow. And the reality and risks of Iranian sanction evasion, money laundering, and other financial crimes will increase, not decrease, over time.

The United States, therefore, will need to use the same types of financial strategies and campaigns to isolate rogue Iranian activity, which will necessarily affect the trade, commerce, and economy of Iran.

Mr. Chairman, I think there are three critical principles for Congress to demand related to sanctions and the JCPOA. Congress, I think, should ensure there is clarity in the JCPOA and in the execution of any sanctions unwinding plan or framework. It should ensure that the United States maintains as much financial and economic power and leverage as possible. Congress should as well mitigate the risks attendant to an enriched and emboldened regime in Tehran.

These principles then could help inform the basis of a new strategy to address the real and dangerous risks stemming from Iran. The United States should adopt a financial constriction campaign focusing on the IRGC, Quds Force, and core elements of the regime that engage in terrorist financing, proliferation of weapons and nuclear technology, and support of militias. This could include the use of secondary sanctions.

There should be a recommitment to the elements of a nonproliferation regime and a dedicated strategy focusing on the proliferation risks attendant to any deal with Iran. This would include tighter export control enforcement, interdictions, and financial restrictions tied to suspect Iranian actors and activities, including Iranian banks.

The elements of the PATRIOT Act Section 311 action against Iran and the Central Bank of Iran should be reiterated and reinforced with a designation of primary money laundering concern against the class of transactions involving any Iranian bank.

This, Mr. Chairman, could be amplified with a program, perhaps led by the European Union, to create a monitoring system through SWIFT, the bank messaging system, akin to what we built in the Terrorist Financing Tracking Program, to track and analyze suspect Iranian banking transactions.

Mr. Cardin, the Global Magnitsky Human Rights Accountability Act could be used expansively to target the finances and holdings of the Iranian regime and those involved in gross human rights violations on its behalf. Senator, I know this is of deep concern for you.

Mr. Chairman, these are just some of the measures that could be taken to confront the risks from Iran. But, of course, undertaking these types of steps in whatever form will likely be seen by diplomats from whatever country as interfering with the JCPOA or any deal, for that matter.

Instead, they should be seen as necessary steps to enable any nuclear deal, temper market enthusiasm for doing business with a dangerous regime and jurisdiction, and preserve, importantly, a key element of America's power and leverage against Iran and other rogues.

Mr. Chairman, when the Iranians came back to the table after President Rouhani's election to negotiate over the nuclear agreement, one Western diplomat based in Tehran told me in confidence, "You have won the war using economic sanctions and financial pressure." But he then asked, "Can you win the peace?"

I think and hope we can still win the peace, but it will require using and leveraging the very same powers and authorities that helped bring the regime to the table. We must ensure that the JCPOA has not inadvertently empowered the regime in Tehran while taking one of America's most potent powers off the table.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Zarate follows:]

PREPARED STATEMENT OF JUAN C. ZARATE

Chairman Corker, Ranking Member Cardin, and distinguished members of the Senate Foreign Relations Committee, I am honored to testify before your committee to discuss the sanctions implications of the recently announced Joint Comprehensive Plan of Action (JCPOA) between the P5+1 and Iran. I am especially privileged to speak to the sanctions-related elements and dimensions of the JCPOA.

I take this responsibility seriously given the gravity, stakes, and implications of this agreement and Congress' role in reviewing the JCPOA on behalf of the American people. The question of a nuclear-armed Iran is a critical security issue for the United States, our allies, the broader Middle East, the global nonproliferation regime, and has serious implications for the potential and future use of American power in all its forms.

I come to this issue with views born from relevant experience—as the first-ever Assistant Secretary of the Treasury for terrorist financing and financial crimes until May 2005, and then as the Deputy Assistant to the President and Deputy National Security Advisor for combating terrorism (2005–2009). While in these positions, we shaped the financial constriction campaign against Iran starting in 2005, and confronted the world's leading state sponsor of terror.

I also come to this issue now as an outside expert, having written, taught, and spoken extensively about the use of sanctions and financial power in national security; counterterrorism and transnational threats, strategy, and policies; and legal principles and constructs in national security decisionmaking, including in our coercive statecraft and diplomacy.

The task of negotiating a deal of this nature and complexity—with multiple parties and against an avowed enemy of the United States—has been a daunting and lengthy task. I know that those involved from the United States Government—from multiple agencies and across two administrations—have worked tirelessly on this issue.

And I know that all involved have been seeking a peaceful solution to the Iranian nuclear problem—through painstaking strategies of coercion, sanctions, and diplomacy. The financial and economic constriction campaign has been built methodically over the course of a decade to help drive the Iranian regime to the table and change

the course of their nuclear program. Indeed, these efforts built on over three decades of sanctions against the Iranian regime for its support of terrorism, quest for a nuclear program, human rights abuses, and other dangerous activities.

These efforts have also been designed to constrain and isolate rogue Iranian behavior and protect the integrity of the U.S. and international financial systems. This was a monumental task, and there is no silver bullet that will get us everything we want in a deal.

Unfortunately, this is a flawed agreement. I have not been asked today to delineate all the gaps, problems, or challenges in the JCPOA, nor would I be qualified to do so. But I do want to point out three fundamental problems with the JCPOA that frame my analysis:

1. *Problematic End State: Iran as a Nuclear Power.* The JCPOA does not ultimately constrain the Iranian nuclear program, but instead helps to expand and to legitimize it. The JCPOA moves fundamentally away from the agreed-upon baseline restrictions and demands of Iran that were long the basis of U.N. Security Council Resolutions (UNSCRs). Ultimately, the JCPOA stalls, enables, and then validates an Iranian nuclear program. After 10 years, the program will not be subject to any United Nations Chapter 7 scrutiny, and after 15 years, many of the key restrictions imposed will end. The provisions enabling advanced research and development, uranium enrichment activities, evolution toward the use of more sophisticated centrifuges, and the sunset provisions embedded in the agreement all contribute to a legitimated Iranian nuclear program.

These provisions are agreed absent clarity on Iran's prior attempts at militarization—"possible military dimensions" (PMDs)—and without a stricter inspection protocol or the allowance for American inspectors to be included on international inspection teams. Moreover, the arms and ballistic missile sanctions are scheduled to be lifted automatically after 5 and 8 years, respectively, on the back of the JCPOA without account for Iran's belligerence, proliferation, or other dangerous behaviors now or later.

With strategic patience, Iran can march toward a weaponized program with greater capabilities, breakout capacity, and more economic resources, resilience, and connectivity to the global oil markets and commercial system. Even if Iran complies with all elements of this deal, Iran will end up with an unfettered opportunity to break out and weaponize its nuclear program, overtly or covertly, along with an ability to arm itself and its allies more openly and aggressively. The end state of the agreement takes us far afield from the declared goal of successive administrations at the start of negotiations.

2. *Problematic Construct: Iran as Co-Equal*. The presumptions and processes of the JCPOA embed and define Iran as an equal party in pursuit of a peaceful nuclear program. Though a negotiating party should be treated fairly and with respect, it does not mean that the construct of the agreement should treat the parties equally. Iran has been the suspect party in the eyes of the international community, subject to strict UNSCRs and caught on several occasions in the past hiding elements of its nuclear program and its weaponization efforts. Iran should be required to prove the peaceful nature of its program and activities whenever challenged. It also does not mean that Iran should be treated as an aggrieved party when restrictions are placed on its program or questions asked. Instead, it should remain the suspect party in the eyes of the world's powers for the purposes of any deal.

Iran has been given a right to object, question, and stall any challenge to its nuclear program or application of sanctions. For example, it must be presented with evidence by the International Atomic Energy Agency (IAEA) and others if an inspection is requested; it can interrogate the information or object to "reimposition" of sanctions; it sits on the new JCPOA appellate body, the "Joint Commission," and can use procedural hurdles to delay; and it has the agreed-upon right to walk away from the deal unilaterally based on its perception that the JCPOA is not being honored.

Iran should be required to present information to answer legitimate questions and rebut reasonable assertions. The burden of persuasion and proof should always lie with Iran. The United States and her partners should not be put in the position of having to prove ab initio its concern or the basis for its question, having then to calculate whether and how to reveal sensitive information and intelligence to Iran (along with China and Russia). The structure, processes, and nature of this agreement give Iran the benefit of the doubt that it is pursuing a peaceful program, when the onus should remain with Iran throughout to prove the peaceful nature of its program, as constructed in the relevant UNSCRs. Importantly, Iran should not be given the unilateral right to withdraw from the deal when the world powers' actions are subject to review and appeal under the JCPOA.

3. *Problematic Sanctions Relief: Constraints on U.S. Financial and Economic Power.* The sanctions relief provided is too front-loaded, does not account for the increased risks stemming from Iranian commercial and financial activity, and broadly constrains the U.S. Government's ability to use effective financial power against Iranian "nonnuclear" national security risks. Despite the attempts to phase out various sanctions lists and retain a "snapback" provision, the JCPOA contemplates early relief by allowing for frozen Iranian funds (upward of $150 billion) to be released after Implementation Day without constraint and for many of the financial, oil, and commercial sanctions and restrictions to be lifted.

Though there will be reticence by legitimate actors to jump back into Iranian markets too quickly, the sanctions architecture that has been put in place methodically over the course of many years will be unwound in swaths and will be difficult to maintain once momentum grows to do business with and in Iran. Instead of targeted unwinding and control of related risks, the sanctions unwinding framework appears to be driven by a desire to help reintegrate and rehabilitate the Iranian economy. The cost of this deal was the dismantling of the sanctions architecture and the defanging of America's financial and economic power against Iran.

I will focus my testimony on this sanctions relief framework and why this presents a fundamental flaw in the structure of the JCPOA. Fundamentally, the JCPOA sacrifices the ability of the United States to use its financial and economic power and influence to isolate and attack rogue and problematic Iranian activity—beyond the nuclear program. Beyond simple sanctions relief, we have negotiated away one of our most important tools of statecraft—the very financial and economic coercion that helped bring the Iranian regime to the table.

TAKING U.S. FINANCIAL AND ECONOMIC POWER OFF THE TABLE

In terms of sanctions relief, the most troubling question for Congress to consider is whether we have negotiated away the ability to use U.S. financial and economic power aggressively against the Iranian regime and economy—even to constrain "nonnuclear" activities that present real and increasing threats.

Though "nonnuclear" sanctions were supposedly off the table, the spirit and letter of the agreement may actually neuter U.S. ability to leverage one of its most powerful tools—its ability to exclude rogue Iranian actors and activities from the global financial and commercial system.

Paragraph 29 of the preface commits the parties to the following:

> The EU and its Member States and the United States, consistent with their respective laws, will refrain from *any policy* specifically intended to directly and adversely affect the *normalization of trade and economic relations* with Iran inconsistent with their commitments not to undermine the successful implementation of this JCPOA. (Emphasis added) [1]

This provision, which appears in the section related to sanctions, clearly expresses the intent of the JCPOA to help normalize trade and economic relations with Iran as a cost of the deal. This text incorporated directly—along with the entire JCPOA—into the new U.N. Security Council Resolution (2231) passed unanimously on July 20, 2015, and the intent is reiterated explicitly in the preamble:

> *Emphasizing* that the JCPOA is conducive to promoting and facilitating the development of normal economic and trade contacts and cooperation with Iran, and having regard to States' rights and obligations relating to international trade.[2]

Ultimately, this means that the deal shields Iran's economy from any efforts to exclude it from the global commercial and financial order. This power is at the heart of U.S. strategies post 9/11 to use financial and economic power to exclude rogue actors and illicit activities from the global order. With this constraint, the United States appears to have bound itself to restrict the type of effective tools it will use to affect Iranian behavior.

From the start of negotiations, what the Iranians wanted most was the ability to do business again—unfettered and plugged back into the global financial and commercial system. With a commitment to the reintegration of the Iranian economy on the back of the nuclear deal, the administration effectively put all effective sanctions on the table—those that can be used against Iranian support for weapons and technology proliferation, terrorism, human rights abuses, support for Assad, and even cyber attacks.

To understand this, one needs to appreciate why these financial and commercial measures were so effective in the first instance. These are not the "sanctions" of old. The financial constriction campaign which began against Iran in 2005, has proven

effective over the past decade not because Iran has been hermetically sealed with naval blockades or particular individuals in the regime have been designated by the United Nations but because the United States—with help from its allies and the private sector—helped unplug Iran from the global financial and commercial system.

This campaign was not built on the principles of classic trade embargoes. In this new construct, it did not matter if Iranians could buy Wrigley chewing gum on the streets of Tehran. Instead, the U.S. Government, through the U.S. Treasury mounted a targeted financial campaign against key elements of the Iranian economy, which they needed to be able to do business effectively and give global reach to their activities. This began by targeting Iran's banks. The Iranians' use of their financial and commercial system to advance their nuclear weapons program and to support their military and intelligence operations was their Achilles' heel.

Like a hunter's trap, the financial campaign squeezed Iran's ability to access the international financial system in stages—actually feeding off of Iran's attempts to evade the program's heightened scrutiny. This approach took time, patience, and coordination within the U.S. Government and with allies. The driving principle would be the same as what had been driving the isolation of illicit financial activity since 9/11—protecting the integrity of the international financial system.

This campaign unfolded in stages, and the international environment would need to be conditioned to reject doing business with Iran. It would not be a financial shock-and-awe campaign. Instead, it took time, using a series of coordinated steps to isolate key elements of the Iranian economy, starting with its banks, then shipping, then insurance, and finally its oil sector. If anything, this campaign looked more like a financial insurgency than a traditional sanctions program. The Iranians themselves called it the "hidden war."

The U.S. Treasury targeted Iran's banks by using Iran's own conduct—its proliferation activity, support for terrorist groups and Shia militias, and lack of anti-money-laundering controls, as well as the secretive and corrupt nature of the regime itself—as the cornerstone of the campaign. Iran's suite of suspect activities and attempts to avoid international scrutiny spurred the private sector to stop doing business with Iran. No reputable bank would want to be caught facilitating Iran's nuclear program or helping it make payments to Hezbollah terrorist cells around the world. If they did, they would be caught and sanctioned, with enormous reputational and business consequences.

This was a virtuous cycle of isolation that would reduce Iranian access to the international financial system more and more over time. The more the Iranians tried to hide their identities or evade sanctions, the more suspect their transactions would appear and the riskier it would become for banks and other financial institutions to deal with them. Over time, bank accounts, lines of credit, and correspondent accounts were shut down. Like prey caught in a boa constrictor's lethal embrace, Iran's own actions to avoid scrutiny and obfuscate transactions would lead to greater financial constriction.

The Iranians deepened their greatest vulnerability. They were blending legitimate business transactions with illicit ones by funneling them through similar conduits. The Iranian regime often tried to hide the nature of its transactions and the identities of the Iranian Government entities involved. They used front companies, cutouts, and businessmen to acquire items and goods abroad that were hard to acquire, sanctioned, or tied to their nuclear ambitions or their weapons programs.

At the same time, the Iranian military was taking greater control of the nation's economy. Importantly, the predominant economic player was Iran's Islamic Revolutionary Guard Corps (IRGC), the elite military and security unit founded in 1979. The IRGC had gained more power and influence over time as the protector and exporter of the revolution and reported directly to the Supreme Leader, Ayatollah Ali Khamenei.

The IRGC—with its vast network—has embedded itself into more industries within Iran, ultimately building what has been called a veritable business empire.[3] The regime and the IRGC's control of "charitable" foundations—known as bonyads—with access to billions of dollars of assets in the form of mortgages and business interests for veterans of the Iranian military—served as the baseline of its economic power, along with its ability to construct infrastructure through a corps of engineers. The reach of the IRGC's economic empire now extends to majority stakes in infrastructure companies, shipping and transport, beverage companies, and food and agriculture companies.[4]

In 2006, the IRGC acquired control of the Iranian telecommunications sector, and it began to control more elements of the nation's energy sector, including the development of pipelines and the valuable South Pars oil field. Some estimates note that the IRGC controls between 25 and 40 percent of Iran's gross domestic product (GDP).[5] The IRGC is deeply involved in building Iran's infrastructure, pursuing

projects such as deep-water ports and underground facilities important to Iran's defense and economy. These projects and industries give the IRGC political power and access to profits and capital, which has grown over time.

The IRGC is an economic juggernaut, with responsibilities relating to the development of weapons of mass destruction, missile systems, and overseas operations. It is deeply involved in the Iranian nuclear program, and its international arm, the Quds Force (IRGC–QF), is responsible for providing support to terrorist proxies and exporting the Iranian Revolution. Between them, the IRGC and its Quds Force are responsible for all the activities—weapons proliferation, terrorist support, and militant activity—for which Iran has been sanctioned in the past.

From the U.S. perspective, this blend of activities created the ultimate vulnerability, particularly the blurred lines between legitimate industry and support for Iran's nuclear program and terrorist groups. Wire transfers to terrorist groups and front companies flowing money into the coffers of the Revolutionary Guard were actions seen to threaten not only international security but also the integrity of the financial system. The nefarious nature of the activities, tied with the IRGC's attempts to hide its hand in many of its economic dealings and operations, made Iran's financial activity inherently suspect. Iran was making itself a prime target for the kind of financial isolation that fed off of the suspect conduct of rogue individuals, companies, and countries.

This constriction campaign would focus not on squeezing or punishing the Iranian people, but instead on the financial infrastructure of the IRGC and the regime's profits. This was not an embargo intended to punish Iran for political delicts. The financial campaign targeted suspect Iranian financial and commercial activity in order to protect the international financial system from Iran's illicit financial activity.

As part of this effort, an argument was made directly to banks and companies around the world that it was too risky to do business with Iran, since no one really knew who was lurking behind corporate veils, pulling the strings, and accessing bank accounts and funding in Tehran. Would a bank be willing to risk its reputation by doing business, even inadvertently, with the IRGC or the Quds Force? Could their compliance officers guarantee that they knew who was behind their Iranian customers and transactions? Was trade with Iran worth the risk of access to American markets and banks?

All of this was amplified by parallel national legislation, UNSCRs, greater scrutiny from authorities around the world, and enforcement actions, led by the United States. The U.S. created a layered sanctions regime, with overlapping Executive orders, designations, and eventually legislation, focused on the key elements of the Iranian regime and economy facilitating illicit and dangerous behavior. Each U.S. action spurred private sector and allied responses. The effects of this suspicion and isolation—driven by the private sector's risk calculus and government actions—had a real world impact.

Iranian banks, including its Central Bank, could no longer access the international financial system; its shipping lines could not traverse ports easily or obtain insurance to operate; and—thanks to congressional and international action—its oil sales and revenues were suspended. Iran had to create workarounds, evasion schemes, and bartering arrangements to continue to do business.

The regime was affected by cascading isolation, and the pressure was increasing—especially as the price of oil began to drop. The pressure was increasing—belying the notion that the United States has been facing a cracking sanctions coalition and system. Quite the opposite was occurring. The ayatollahs' concern over the strangulation of the Iranian economy and ultimately the regime—in concert with lingering fears of the ghosts of the Green Movement—is what brought them to the negotiating table and launched them on the charm offensive that allowed them to turn the tables on the West. The sanctions pressure was not sustainable for the regime. President Rouhani admitted that these measures threatened to drive Iran into an economic "the Stone Age."

The regime has needed access to capital, new technologies, and connectivity to the global economy and oil markets to maintain and sustain their regime. That is what they lost over the past decade. That appears to be what they have gained and guaranteed in this deal.

In essence, the U.S. and her negotiating partners appear to have agreed to immunize Iran from any effective future financial or economic pressure—precisely the type that brought the regime to the table. And our negotiating partners—most champing at the bit to do business with Iran again—were willing to take advantage of this offering. Even during negotiations, China, which rejects the use of America's global financial power and sanctions, and Russia, chafing under the weight of U.S. and EU sanctions, were all too willing to undermine U.S. economic leadership.

China named Iran a founding member of its Asian Infrastructure Investment Bank (AIIB), and Russia quickly renewed its deal to sell SA–300 missiles to Tehran and then supported Iran's demand to lift the arms and missile embargo.

We appear to be giving up this power by intending to "normalize" economic relations. This is a commitment we should not be making. This is highly problematic if the U.S. hopes to maintain any ability to use financial and economic power and suasion to affect Iranian behavior in the future—either to ensure compliance with any agreement or confront other elements of Iranian behavior. We will need to rely on sanctions and economic constriction campaigns even more aggressively to keep Iran honest in any deal and check its aggressive revolutionary agenda. Though administration officials assure that it was clear at the table that all "nonnuclear" sanctions would remain in effect, the United States will need to amplify its use of financial measures aggressively against key elements of the Iranian economy to deal with the increased risks of Iranian activity. It is not at all clear that this is well understood by all parties or part of our strategy.

Unfortunately, we have already begun this process of unwinding by agreeing to lift international sanctions under previous UNSCRs, without clarity on what restrictions will be placed on Iran moving forward in any new UNSCR. Once gone, the international architecture built via the UNSCRs will be difficult, if not impossible, to replace. This matters because the UNSCRs set the baseline for legal obligations for all member states to use various national laws and authorities against Iranian illicit behavior, including those that have been reluctant to confront Iranian activity. It also matters because the new UNSCR commits the United States to others' review of U.S. financial and other measures that may impact the Iranian economy. In this sense, it risks that the United States may appear isolated in any future action to sanction Iranian behavior outside the bounds of existing UNSCRs—and could have the Joint Commission established under the JCPOA reject U.S. actions against Iran.

If the United States now commits to the normalization of economic and trade relations, it may also be committing to a rehabilitation of the Iranian regime in the eyes of the global financial and commercial community. This proves highly problematic and undermines U.S. credibility and power internationally if this is done without concern for the underlying concerns that drove its isolation in the first place—proliferation, support for terrorism, and development of weaponry and programs of concern controlled by the IRGC. These concerns will remain and increase even under the JCPOA.

This fundamental constraint of American financial power and economic influence against Iran in the JCPOA is exacerbated by structural, substantive, and other challenges enshrined in the unwinding framework.

Structural Problems with the Sanctions Relief Framework

There are structural problems in the JCPOA sanctions unwinding framework that undermine the ability of the United States to use sanctions to constrain Iranian behavior and monitor Iranian compliance.

The "snapback" framework itself proves problematic and does not preserve U.S. and international ability to leverage effectively the sanctions regime against Iran. Initially, the snapback is a blunt instrument. Given that "snapback" would reimpose the international sanctions regime and potentially threaten any deal, there will be a great deal of reluctance to trigger this provision. In addition, pursuant to UNSCR 2231, paragraph 11, the snapback provision applies only to "significant nonperformance of commitments under the JCPOA."[6] This provision would not be seen as a tool to be used frequently or initially, and the incentive will be to negotiate away apparent or proven violations, even if deemed material yet not "significant." The international community may have left itself no real recourse or sanction for incremental violations, which are likely and in line with past Iranian behavior. Realistically given the construct and consequences, only the most egregious violations that could be proven openly and convincingly to all parties would be subject to an international snapback.

How the snapback would work also affects its utility. If the snapback provisions allow the "grandfathering" of contracts signed before any snapback, the "snapback" loses its real-world effect to ensure compliance. Instead, such a provision might have the opposite impact intended by creating a "gold rush" incentive for commercial actors to get into the Iranian market and sign contracts as soon as possible. UNSCR 2231 seems to provide for such grandfathering in paragraph 14, noting that application of previous resolutions triggered by the UNSCR "do not apply with retroactive effect to contracts signed between any party and Iran or Iranian individuals and entities prior to the date of application. . . ."[7] Clarity on this question is critical to understand whether any "snapback" procedure will even prove useful.

Importantly, in the notion of "snapback," there has always been an assumption that the financial pressure could simply be turned on and off like a light switch—perhaps informed by a now-outdated view of sanctions. Unfortunately, the kind of global constriction campaign launched against the Iranians needed to be maintained and managed—like a garden infested with weeds. To maintain the pressure, the environment had to be tended to—with continual actions (quiet and public) against a set of Iranian financial and commercial targets that would try to find a way to access the international system

The financial argument at the heart of Iran's isolation has been that Iran is engaged in a host of nefarious and illegal activities that have been facilitated by its interactions with the international financial system. It is the threat to the international financial system of the illicit and suspect flows of money that is the baseline for Iran's isolation. If the perception is that this suspicion is gone and normalization is to follow, then the ability to use this kind of financial suasion to isolate Iran—even with snapback provisions that work—will be weakened.

The JCPOA also creates an Iranian snapback—a heckler's veto on any reimposition of "nuclear" sanctions. The JCPOA explicitly states, "Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under this JCPOA in whole or in part."[8]

Thus, if the United States attempts to trigger the "snapback" procedures or imposes any new sanctions, Iran could object to the reimposition of "nuclear" related sanctions and simply walk away from the agreement. The broad definition of "nuclear" sanctions as used in the JCPOA context to include proliferation-related concerns adds to the concern that Iranian objections could be broad and used often to temper aggressive use of any snapback. If Iran cheats and gets caught, and the international community attempts to punish Iran, Iran can threaten to back out of the deal and expand its nuclear program. This may create reluctance to punish Iran for any violations short of the most flagrant and egregious violations and create a permissive environment for Iranian cheating and stonewalling of the IAEA.

With the appellate processes in the agreement—to include the Joint Commission and the Working Group on Implementation of Sanctions Lifting—any U.S. sanction or related action to which Iran objects would be subject to review by the other parties—including Iran, China, Russia, and Europe. This could become a venue to constrain American financial power—especially if it implicates national commercial interests that are intertwined with Iranian interests. This process creates a geoeconomic incentive for Iran to entangle the economic interests of the parties—so as to use economic investments and interests as both a sword and a shield against future financial and economic pressure. In this regard, the Iranians would take a page out of Saddamussein's playbook in fracturing the international sanctions regime by picking commercial winners and losers from key countries in the Oil-for-Food Program.

Conduct-Based Sanctions and Concerns in the Unwinding Architecture

The JCPOA sanctions unwinding framework does damage to the conduct-based sanctions and measures that have been so effective and driven most of the listings and designations by the United States and the international community. Though the international sanctions architecture has been built largely around concerns about the Iranian nuclear program, there are key elements of this regime—and especially in the United States—that relate to other serious international security concerns, including WMD and weapons proliferation, grave human rights abuses, support for terrorism and militia groups causing instability in countries like Yemen, and money laundering, corruption, and illicit financial activity facilitating these activities. This is not just a U.S. construct, but one embedded in other national and international sanctions and measures.

The JCPOA attempts to unwind sanctions tied to the nuclear file, but the unwinding is difficult and complicated given the interconnected nature and effects of such sanctions. In some instances, the unwinding can be managed. For example, the Obama administration has tied the taint of Iranian and Syrian activity together. The Iranian and Syrian Governments collaborate to support terrorism, proliferate weapons, and to crack down on political opposition and civilian populations. The U.S. Government has taken actions to designate Iranian entities and individuals for supporting the Assad regime. Helpfully, the European Union followed suit on August 24, 2011, by designating the Quds Force for supporting Syrian security services to repress civilians. On October 12, 2011, the Treasury designated Mahan Air for helping the Quds Force to ship weaponry—especially to Syria. Though these kinds of sanctions will remain in place, others that touch on Iranian illicit activity will not.

In many other cases, the unwinding schedule and some of the scheduled delistings implicate actors and activities beyond the nuclear file. The planned delisting of some key Iranian entities that have facilitated a range of Iranian illicit activities and the cessation of sanctions prohibitions against them, especially financing, raises serious questions and challenges to U.S. ability to affect Iranian behavior of concern.

The reintegration of Iranian banks into the global financial system, including via the SWIFT bank messaging system, presents perhaps the most concerning issue. For example, Bank Sepah, scheduled to be delisted after Implementation Day (listed in Annex II, Attachment 3), has been designated under U.S. authorities not simply because of its facilitation of the Iranian nuclear program and procurement but also its role in financing arms and missile deals, activities that should remain a concern and are subject to U.N. sanctions.

The Central Bank of Iran (CBI) itself has been designated in part because of broader sanctions evasion facilitation on behalf of the Iranian banking system. Treasury issued a finding in November 2011 under Section 311 of the USA PATRIOT Act that Iran, as well as its entire financial sector including the CBI, is a "jurisdiction of primary money laundering concern."[9] Treasury cited Iran's "support for terrorism," "pursuit of weapons of mass destruction," including its financing of nuclear and ballistic missile programs, and the use of "deceptive financial practices to facilitate illicit conduct and evade sanctions."[10] The entire country's financial system posed "illicit finance risks for the global financial system."[11] Those concerns persist and are not alleviated by the JCPOA.

The concerns about the integrity of the Iranian financial system are international in nature. The Financial Action Task Force (FATF), the global standard setting and assessment body for antimoney laundering, counterterrorist financing, and counterproliferation financing, has labeled Iran—along with North Korea—"a high risk and noncooperative jurisdiction." FATF has called on its members to "apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran."[12]

As recently as June 26, 2015, FATF issued a statement warning that Iran's "failure to address the risk of terrorist financing" poses a "serious threat . . . to the integrity of the international financial system."[13]

Overall, the JCPOA lifts U.S. sanctions on 21 out of the 23 Iranian banks designated for proliferation financing—including both nuclear and ballistic missile activity.[14] The designation of Bank Saderat for terrorist financing will remain in place, but the sanctions against the Central Bank of Iran, which included concerns over sanctions evasion, will be lifted. Twenty-six other Iranian financial institutions blacklisted for providing financial services to previously designated entities (including the National Iranian Oil Company (NIOC) which is being delisted on Implementation Day) or for being owned by the Government of Iran will also be delisted by the U.S. Treasury.[15]

The JCPOA explicitly calls for the lifting of sanctions on "[s]upply of specialized financial messaging services, including SWIFT, for persons and entities . . . including the Central Bank of Iran and Iranian financial institutions."[16] The European Union will lift SWIFT sanctions for the Central Bank of Iran and all Iranian banks[17] originally banned from SWIFT.[18]

By allowing most of the Iranian banks back into the international financial order without dealing with their underlying conduct or controls, the United States is assuming the good faith of the Iranian regime and perhaps allowing the Iranian banking system to be used by the regime to finance and facilitate other issues of significant national security concern.

This concern applies similarly in the transportation sector. The delisting of the various elements of the Islamic Republic of Iran Shipping Lines (IRISL) and the National Iranian Tanker Company (NITC) removes a significant restriction on Iran's ability to proliferate weapons and evade existing or future sanctions. Many IRGC businesses that were involved in the procurement of material for Iran's nuclear and ballistic missile programs will be delisted as will some of the worst actors involved in Iran's nuclear weaponization activities. Problematically, the EU will lift all of its counterproliferation sanctions on Iran. The future delisting of individuals tied to the Iranian nuclear program, procurement, and likely proliferation adds to the concern that underlying proliferation issues and concerns have been left aside in the wake of the nuclear deal.

The delisting of these individuals and entities that present risks related to proliferation as well as the nuclear program underscores additional risk to U.S. national security and the integrity of the financial system. It also calls into question whether the United States and international community are concerned about the integrity of the financial system and will defend it.

There is no question trying to unwind any effective and global sanctions regime is difficult. Unwinding intertwined, conduct-based sanctions for a regime that uses its economy and system for various dangerous and problematic activities of international security concern is incredibly challenging. But tearing down sanctions bluntly—encompassing issues of proliferation and weaponization—without addressing the underlying conduct creates real risks and does damage to the ability to use the very same tools against Iranian individuals and entities in the future. Under the JCPOA construct, those tools against delisted entities may no longer be available.

Heightened Risks Under the JCPOA Sanctions Unwinding

The risks from Iran are real and will increase in an environment of sanctions unwinding under the JCPOA for a variety of reasons.

In the first instance, the unfettered return of funds to the Iranian regime will allow Tehran the flexibility to fund its allies and proxies and flex its muscles in the region. Iran will get a massive infusion of capital from initial sanctions relief, with estimates up to $150 billion from frozen oil proceeds. The administration has admitted that some of this will go to support terrorist and militant groups, like Hezbollah, HAMAS, Iraqi Shia militias, and the Houthis in Yemen. Iran could even use its capital to support the Taleban and al-Qaeda, with which Iran has maintained a relationship and provided support in the past.

With Iran expanding its reach and presence throughout the Middle East, witnessing IRGC commanders and proxies positioned from the Golan to Yemen, there will be more concern about Iran's misuse of the economy, the benefits of sanctions relief, and the international financial and commercial system for dangerous and illicit activities. This infusion of cash will relieve budgetary constraints for a country that had only an estimated $20 billion in fully accessible foreign exchange reserves prior to November 2013 [19] but was spending at least $6 billion annually to support Assad.[20]

The regime itself, and its core institutions like the Ministry of Intelligence and the IRGC, will benefit most immediately and deeply. Iran is a theocratic regime that controls the key elements of the economy, with the IRGC controlling the nation's largest construction company, much of its telecommunications sector, strategic sectors like shipping, and a large portion of the value on the Tehran Stock Exchange.

Economic forecasts prior to the announcement of the JCPOA based on expectations of the sanctions relief assessed that Iran's economic growth would likely stabilize around 2.6 percent in FY 2015/16, and then accelerate to about 4 percent in FY 2016/17.[21] In the second half of the decade, Iran's economic growth would likely average 3.5–4 percent. Depending on Iran's economic policy choices, in FY 2017/18, growth could reach 5–6 percent.

The IRGC has used the nation's banks, oil industry, infrastructure projects, and other nodes of the Iranian economy to profit, strengthen its hand, and repress internal threats to the regime. The mullahs have used their control of the economy—through bonyads and the Supreme Leader's vast financial network, known as Setad or EIKO, worth tens of billions of dollars to enrich themselves and exert more control over the country.

Despite the notion that the JCPOA resolves all "nuclear-related" concerns, it does not address real concerns over continued Iranian proliferation, to include missile and arms trade. With the allowance for an Iranian nuclear program, infrastructure, and research, the deal will likely increase (not decrease) the risk of proliferation—with potential Iranian trade and exchange with rogue third countries like North Korea.

The JCPOA delists several IRGC military research and development facilities. For example, EU sanctions on the Research Center for Explosion and Impact will be lifted after 8 years. This entity was designated by the EU for connection to the possible military dimensions of Iran's nuclear program.[22] Whether or not the IAEA has reached a broader conclusion that Iran's program is peaceful and this center is not engaged in weapons-related activities, the sanctions will be lifted.

The JCPOA will lift both U.S. and EU sanctions on Iran's commercial airline, Iran Air, on which the Quds Force depends to "dispatch weapons and military personnel to conflict zones worldwide. . . . The Quds Force will have access to newer, larger, and more efficient planes with which to pursue its strategic objectives." [23] Without financial constrictions or checks, Iran Air and other elements of the Iranian economy can be used to proliferate weapons and support the revolutionary activities of the regime beyond its borders.

The lifting of the arms and missile embargoes at the end of 8 years exacerbates these concerns and serious risks. Whether or not the IAEA has determined that Iran's program is peaceful, Tehran will be permitted to engage in an expansion of

its ballistic missile program after a maximum of 8 years. Iran may also be able to expand its intercontinental ballistic missile program under the guise of satellite testing.

There will need to be vigilance—within the context of the JCPOA and outside its bounds—to the real potential of illegal and suspect Iranian procurement activities, which has been a part of Iranian evasion in the past. Counterproliferation concerns—and the financing that supports these activities—will actually increase over time.

With the IRGC in control of more of the Iranian economy, including its infrastructure, telecommunications, and oil sector, risks of doing business in and with Iran will increase. The regime will use its control of the economy not only to further enrich itself but also to suppress internal opposition brutally and ensconce its rule. The concerns over human rights abuses and regime kleptocracy will grow.

The IRGC intervenes in Iran's economy through three principal channels: The IRGC Cooperative Foundation (its investment arm), the Basij Cooperative Foundation, and Khatam al-Anbiya Construction Headquarters. The Khatam al-Anbiya (KAA), a massive IRGC conglomerate, was designated by the United States as a proliferator of weapons of mass destruction.[24] It is Iran's biggest construction firm and, according to my colleagues' estimates, "may be its largest company outright, with 135,000 employees and 5,000 subcontracting firms."[25] The value of its current contracts is estimated to be nearly $50 billion, or about 12 percent of Iran's gross domestic product.[26] KAA has hundreds of subsidiaries in numerous sectors of Iran's economy including its nuclear and defense programs, energy, construction, and engineering. The company is also involved in "road-building projects, offshore construction, oil and gas pipelines and water systems."[27] EU sanctions against the company will be lifted after 8 years, whether or not the IAEA concludes that Iran's nuclear program is peaceful.

These three holding companies are direct shareholders of almost 300 known businesses. My colleagues at the Foundation for Defense of Democracies have created a database of these companies and board members and provided it to the U.S. Government.[28] As a result of the IRGC's control of the economy—which has grown over time—and sanctions relief, the risk of regime control over the economy will grow. In addition, the reality and risks of Iranian sanctions evasion, money laundering, the lack of transparency, and other financial crimes—the subject of international concern and U.S. regulatory action against Iran under the Patriot Act Section 311—will increase, not decrease over time.

Sanctions relief will increase risks over time, and Iranian foreign policy will continue to challenge and threaten U.S. interests. This makes the preservation and use of financial and economic power all the more important, with or without the JCPOA.

THE NEED FOR ECONOMIC AND FINANCIAL TOOLS TO "PUSH BACK" AGAINST IRAN

The dangers, challenges, and risks from Iran on a regional and global scale will only increase over time. In the wake of the JCPOA, Secretary of State Kerry has stated that we will need to "push back" against Iran's provocative and dangerous policies and tactics. CIA Director John Brennan has said that the United States will "keep pressure on Iran" and "make sure that it is not able to continue to destabilize a number of the countries in the region."[29]

Indeed, the United States will need to push back, especially against increasing risks and threats from Iran. To do this, the United States will want to use its financial and economic tools and strategies to make it harder, costlier, and riskier for Iran to threaten the United States and our allies. This will mean devising and deploying aggressive strategies to exclude key elements of the Iranian regime and the IRGC, Quds Force, Ministry of Intelligence from the global financial and commercial system.

In many ways, the use of financial power and the strategies of financial and economic isolation, which have dominated the post 9/11 period, have become the national security tools of choice. This is especially the case in cases where there are no military or kinetic solutions available and the United States needs to influence behavior and shape the environment well beyond its borders.

The United States has expanded the use of sanctions and preventive financial measures (like Section 311) in recent years to address a wider range of national security threats and risks—terrorist financing, proliferation, corruption/kleptocracy, organized crime, human rights abuses, money laundering, and most recently malicious cyber attacks. Iran, the leading state sponsor of terror, presents a special case where all of these risks apply and U.S. interests are threatened.

As noted above, the JCPOA does not alleviate these risks—and in fact, some of these threats will likely increase over time due to the loosening of financial and

commercial restrictions on the regime in Tehran. Most would recognize that we must be able to use these sanctions against Iran and that the JCPOA cannot mean that Iran can use the JCPOA as a shield against such measures in the future. We certainly cannot have negotiated "most favored nation" status to avoid the aggressive use of sanctions and financial measures to address growing threats from Iran. And it should not be that we have unilaterally disarmed by taking effective financial measures and strategies of economic exclusion off the table.

We must be sure of this. The United States will need to use the same types of financial strategies and campaigns to isolate rogue Iranian activity. If done well, this will inherently and necessarily affect the trade, commerce, and economy of Iran. If the intent is to maintain existing sanctions without enforcing them or to use symbolic designations as a foreign policy tool, then we will have given up one of our most important and innovative national security tools. If there is not clarity, we may find our tools more limited, we may exacerbate divides in policy and approach between Europe and the United States, and we could find ourselves isolated as we attempt to use America's continued economic and global economic reach for national security purposes.

Indeed, we can and should use these tools aggressively moving forward and should ensure that the JCPOA does not represent a functional surrendering of this power. Pushing back against Iran by the international community and the United States will mean the United States using financial tools aggressively to impact the Iranian regime. If based on core international principles and underlying Iranian illicit and dangerous conduct, there will be inherent international and market support. Congress should ensure that these authorities and power—to isolate Iran financially and commercially when necessary—are preserved and leveraged against Iran's illicit conduct and attendant risk.

CONGRESSIONAL ACTION: LEVERAGING U.S. FINANCIAL AND ECONOMIC POWER TO ADDRESS THE RISKS FROM IRAN

There are three critical principles for Congress to pursue, demand, and ensure related to sanctions and the JCPOA:

1. *Clarify the Deal*. Congress should ensure there is clarity in the JCPOA and in the execution of any sanctions unwinding plan. Most importantly, the United States needs to make clear to its negotiating partners and Iran that it will continue to use its financial and economic power aggressively to address real and perceived risks stemming from underlying suspect Iranian activity and actors. Many of the actions may overlap with prior "nuclear" sanctions and designations, and there must be a seriousness of enforcement of sanctions and vigilance against sanctions evasion, proliferation, and terrorist support. This will impact Iran's economy and trade, if done properly and with effect, and it is important for all parties to understand this now before the JCPOA is agreed and implemented.

2. *Maintain U.S. Power.* Congress should ensure the United States maintains as much financial and economic power and leverage as possible. If any deal is to succeed, the Iranians need to know that the United States can and will wield its financial and economic power aggressively to police compliance with the agreement. We should do what we can now to maintain our ability to use U.S. financial and economic reach to isolate rogue behavior and protect the integrity of the financial system. This not only allows us to make it harder, costlier, and riskier for Iran to engage in provocative, dangerous, and suspicious activity, but it could be the only tool available to the United States to counter a more aggressive Iran around the world.

3. *Confront Risks.* Congress should mitigate the risks attendant to an enriched and emboldened regime in Tehran. This includes the real and admitted risks that the flow of unfrozen funds and the business deals and investments will be used by the regime to fund terrorist and militant proxies, prop up Assad and his brutality, further repress human rights in the country, fill the coffers of the mullahs and the Revolutionary Guard Corps, and continue a provocative and violent revolutionary agenda well beyond its borders. This may be seen as a perceived cost of any deal, but the attendant risks are not acceptable and must be confronted and mitigated. This will need to be done with a full suite of national powers and authorities, including our ability to isolate rogue Iranian activity from the global financial and commercial order.

With these three principles at the heart of the next steps, Congress and the administration should consider aggressive steps and measures that leverage U.S. financial power and economic influence, based on accepted and adopted international standards. This could form the basis of a new strategy to address the real and dangerous risks stemming from Iran.

The U.S. should adopt a financial constriction campaign focusing on the IRGC, the Quds Force, and the core elements of the regime that engage in terrorist financing, proliferation of weapons and nuclear technology, and support to militias and activities that destabilize countries like Syria, Lebanon, Iraq, and Yemen. There will likely be overlap between prior nuclear sanctions and new sanctions and preventive measures, but doing this will test the notion that all parties understand that these kinds of measures were not on the table. Such an approach could also take from elements of key Iran sanctions legislation, like the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), to leverage the potential for secondary sanctions against those companies or individuals who decide to do business with designated Iranian actors. We would need to be prepared to designate third country companies willing to choose to do business with Iran over the United States.

There should be a recommitment to the elements of a nonproliferation regime and a dedicated strategy, focusing on the proliferation risks attendant to any deal with Iran and the continued challenges with North Korea. This is critical in the context of the increased risk of proliferation and the ongoing crisis in Syria and the brutality of the Assad regime, which reportedly continues to use chemical weapons despite the international agreement that supposedly emptied his stockpiles and ended his programs. This would include tighter export control enforcement, interdictions, and financial restrictions tied to suspect Iranian actors and activities—including Iranian banks. This would also require a recommitment to the application of Executive Order 13382 for those engaged in proliferation finance as well as the foreign sanctions evader program under Executive Order 13608.

The increased risk of corruption, money laundering, and illicit financial activity should also be addressed explicitly. The elements of the Section 311 action against Iran and the CBI should be reiterated and reinforced with a designation of "primary money laundering concern" against the class of transactions involving any Iranian bank. This will ensure that the global financial system accounts for the increased risks of Iranian banks being misused by the regime for a whole host of dangerous activities and movement of money.

This could be amplified with a program—led by the European Union—to create a monitoring system through SWIFT (akin to the Terrorist Financing Tracking Program) to track and analyze suspect Iranian banking transactions. Instead of the blunt unwinding measure of plugging all Iranian banks (minus a few) back into the global banking messaging system, a monitoring program could provide a "halfway" house for reintegration of Iranian banks over time while managing the risk of more Iranian money traversing the banking system.

The Global Magnitsky Human Rights Accountability Act could be used expansively to target the finances and holdings of the Iranian regime and those involved in gross human rights violations on its behalf. This would entail holding elements of the regime accountable for human rights violations (to include the investigation of the murder of Argentine prosecutor Alberto Nisman) but also might include a preemptive asset recovery venture against the mullahs and IRGC leadership for kleptocracy and embezzlement of the Iranian people's assets. This could be done in concert with key authorities and governments in Europe, where human rights are a major concern, and with global financial organizations like Transparency International, Interpol, and the World Bank Stolen Asset Recovery Initiative.

These are just some of the measures that could be taken to confront the risks from Iran, clarify the contours of the JCPOA, and ensure the preservation of American leadership to protect both national security and financial integrity. Undertaking these types of steps—in whatever form—will likely be seen by diplomats as interfering with JCPOA or any deal. Instead, they should be seen as necessary steps to enable any nuclear deal, temper market enthusiasm for doing business with a dangerous regime and jurisdiction, and preserve a key element of America's power and leverage against Iran and other rogues.

Effective sanctions and financial measures rely on accepted international norms, a dedication to the principles of financial integrity, and the reputational and real risks attendant to touching tainted goods, money, or actors. These measures—often relying simply on suasion instead of enforcement—depend on the psychology of markets and the expectations of legitimate actors. Regulation and enforcement—most often coming from the United States—can shape environments and reduce the resources, reach, and impact of our enemies.

The United States has been behind sanctions enforcement globally for the past two decades—whether with respect to countries like Iran and Sudan or illicit conduct like terrorist financing, money laundering, and kleptocracy. The world will continue to rely on this reality, and global banks, multinational companies, and market actors will respond to legitimate U.S. actions to identify and isolate rogue activity.

Importantly, we should stop undermining the perception of our financial and economic power. We cannot argue in the same breath that the "snapback" sanctions as constructed offer a real Sword of Damocles to be wielded over the heads of the Iranians for years while arguing that there is no way now for the U.S. to maintain the crippling financial and economic isolation which helped bring the Iranians to the table. We can still wield our financial and economic power. Others will follow our lead.

CONCLUSION

When the Iranians came to the table after President Rouhani's election to negotiate over the nuclear agreement, one Western diplomat based in Tehran told me in confidence, "You have won the war [using economic sanctions and financial pressure]." But he then asked, "Can you win the peace?"

I think and hope we can still "win the peace," but it will require using and leveraging the very same powers and authorities that helped bring the regime to the table. We must ensure that we have these financial and commercial authorities and suasion available in an era where such tools are critical to national security. We must also ensure that the JCPOA has not inadvertently empowered the regime in Tehran and taken one of America's most potent powers off the table.

Notes

[1] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, paragraph 29.

[2] United Nations Security Council, "Resolution 2231 (2015)," July 20, 2015, page 2.

[3] Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, & S. R. Bohandy, The Rise of the Pasdaran: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps (Washington, DC: RAND Corporation, 2009).

[4] Emanuele Ottolenghi, The Pasdaran: Inside Iran's Islamic Revolutionary Guard Corps (Washington, DC: Foundation for Defense of Democracies, 2011), pages 44–45.

[5] Ibid., page 43.

[6] United Nations Security Council, "Resolution 2231 (2015)," July 20, 2015.

[7] United Nations Security Council, "Resolution 2231 (2015)," July 20, 2015.

[8] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, paragraph 37.

[9] U.S. Department of the Treasury, Press Release, "Finding That the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern," November 18, 2011.

[10] Ibid.

[11] U.S. Department of the Treasury, Press Release, "Fact Sheet: New Sanctions on Iran," November 21, 2011.

[12] The Financial Action Task Force, Public Statement, "FATF Public Statement 14 February 2014," February 14, 2014.

[13] The Financial Action Task Force, Public Statement, "FATF Public Statement 26 June 2015," June 26, 2015.

[14] U.S. sanctions on Ansar Bank and Mehr Bank are scheduled to remain in place. Sanctions on Arian Bank, Banco International de Desarollo, Bank Kargoshaee, Bank of Industry and Mine, Bank Melli, Bank Mellat, Bank Refah, Bank Sepah, Bank Tejarat, Europaisch-Iranische Handelsbank, Export Development Bank of Iran, First East Export Bank, First Islamic Bank, Future Bank, Iranian-Venezuela Bi-National Bank, Kont Investment Bank, Moallem Insurance Company, Persia International Bank, Post Bank, Sorinet Commercial Trust Bankers, and Trade Capital Bank (aka Bank Torgovoy Kapital ZAO) as well as the Central Bank of Iran (aka Bank Markazi Jomhouri Islami Iran) will be lifted on "Implementation Day." See Attachment 3.

[15] Over the past decade, the Treasury Department has designated 51 banks and their subsidiaries inclusive of the 23 banks designated as proliferators, Bank Saderat which was designated for financing terrorism, and the Central Bank of Iran. With the exception of Bank Saderat, Ansar Bank, and Mehr Bank, all Iranian financial institutions will be delisted on Implementation Day.

[16] "Joint Comprehensive Plan of Action," Vienna, July 14, 2015, paragraph 19(iv).

[17] On Implementation Day, the EU will lift sanctions on the Central Bank of Iran and Bank Mellat, Bank Melli, Bank Refah, Bank Tejarat, Europaische-Iranische Handelsbank (EIH), Export Development Bank of Iran, Future Bank, Onerbank ZAO, Post Bank, and Sina Bank. On Transition Day, the EU will also lift sanctions on Ansar Bank, Bank Saderat, Bank Sepah and Bank Sepah International, and Mehr Bank. See Attachment 1, parts 1 and 2 and Attachment 2, parts 1 and 2.

[18] The Council of the European Union, "Council Regulation (EU) No 267/2012 of 23 March 2012 Concerning Restrictive Measures against Iran and Repealing Regulation (EU) No 961/2010," Official Journal of the European Union, March 24, 2012.

[19] Mark Dubowitz & Rachel Ziemba, "When Will Iran Run Out of Money?," Foundation for Defense of Democracies & Roubini Global Economics, October 2, 2013.

[20] Eli Lake, "Iran Spends Billions to Prop Up Assad," Bloomberg, June 9, 2015.

[21] Mark Dubowitz, Annie Fixler, & Rachel Ziemba, "Iran's Economic Resilience Against Snapback Sanctions Will Grow Over Time," Foundation for Defense of Democracies & Roubini Global Economics, June 2015.

[22] The Council of the European Union, "Council Implementing Regulation (EU) No 1245/2011 of 1 December 2011 Implementing Regulation (EU) No 961/2010 on Restrictive Measures against Iran," Official Journal of the European Union, December 2, 2011.

[23] Emanuele Ottolenghi & Saeed Ghasseminejad, "The Nuclear Deal's Impact on Iran's Revolutionary Guards," Foundation for Defense of Democracies, July 17, 2015.
[24] Department of State, Office of the Spokesman, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007.
[25] Parisa Hafezi & Louis Charbonneau, "Iranian Nuclear Deal Set to Make Hardline Revolutionary Guards Richer," Reuters, July 6, 2015. Emanuele Ottolenghi & Saeed Ghasseminejad, "The Nuclear Deal's Impact on Iran's Revolutionary Guards," Foundation for Defense of Democracies, July 17, 2015.
[26] Benoit Faucon & Asa Fitch, "Iran's Guards Cloud Western Firms' Entry After Nuclear Deal," The Wall Street Journal, July 21, 2015.
[27] Ibid.
[28] Iranian Official Journal, accessed July 20, 2015.
[29] "CIA Director Says U.S. Will Keep Pressure on Iran over Nuclear Capabilities No Matter Outcome of Ongoing Talks," Fox News, March 23, 2015.

The CHAIRMAN. Mr. Nephew.

STATEMENT OF RICHARD NEPHEW, PROGRAM DIRECTOR, ECONOMIC STATECRAFT, SANCTIONS AND ENERGY MARKETS CENTER ON GLOBAL ENERGY POLICY, NEW YORK, NY

Mr. NEPHEW. Thank you, Chairman Corker, Ranking Member Cardin, and other distinguished members of this committee for inviting me to speak today. It is a privilege and an honor to speak to you about a subject to which I have dedicated my professional life, the Iranian nuclear program and sanctions, and with Juan, who pioneered a lot of the work we will be discussing today.

I would like to begin by extending my personal gratitude to the members of the U.S. negotiating team. Regardless of how one evaluates this deal, we are all most fortunate that this country produces diplomats, civil servants, and experts like those who worked on this deal.

In my opinion, the deal that they negotiated is a very good one, especially compared to the most realistic alternatives, and any negative consequences can be managed.

It satisfies the two most important national security objectives for Iran's nuclear program, first, lengthening the time Iran would need to produce enough nuclear material for one nuclear weapon; and second, ensuring that any such attempt could be quickly detected. In doing so, it creates a 10-to-15-year band of time in which fears of an Iranian nuclear weapon will be much reduced.

Some may argue that the sunset key provisions renders the deal unacceptable. I disagree that these concerns are worth killing the deal.

The argument against sunset presupposes either that there is no point in time in which Iran could be trusted with a nuclear program, requiring regime change, or that negotiations could possibly have delivered a longer sunset. Having been in that room, I believe the length is as long as was achievable.

In any event, after key restrictions lapse, the United States is also free to declare that Iran's nuclear program remains a concern. Getting international support to do something about it will require effective diplomacy, but it is an option for a future President.

A principal complaint and main subject for today is on the nature of sanctions relief in the deal. Some have argued that it provides Iran with far too much relief and that the practical effect of increasing trade with Iran will render snapback ineffective.

First, it is a blunt reality that Iran was not going to accept major restrictions in invasive monitoring on the cheap. The administration did the right thing in leveraging sanctions relief for maximum

early nuclear steps. Iran is now under every incentive to take the steps required of it as soon as possible, which the IAEA will verify before Iran gets an extra dollar.

Of course, the sanctions relief provided by the United States does not equate with unilateral sanctions disarmament. The United States retains a number of sanction authorities that will continue to exact consequences for Iranian violations of human rights and damage Iran's ability to engage in terrorism financing, though I personally believe that fears about the extent of new Iranian spending in this regard are overblown, and according to the L.A. Times, anyway, so does the CIA.

But foremost of our tools include secondary sanctions. The United States will still be able to pressure banks and companies into not doing business with the IRGC, Quds Force, Qassem Solemani, and Iran's military and missile forces, as well as those who facilitate their business.

Even if the EU and U.N. remove some of these from their list, these bad actors and Iran generally will find business stymied until they correct their own behavior in the eyes of the United States. This is both due to the direct risk of U.S. sanctions and the improvement in international banking practices since 9/11, a bipartisan effort begun under George Bush and Juan and continued under Barack Obama.

The United States will also retain its ability to impose sanctions on those trading with Iran in conventional arms, as well as with respect to ballistic missiles, even after U.N. restrictions lapse.

The United States can also trigger snapback of existing sanctions. Even just one JCPOA participant can trigger a UNSC review and a vote on a UNSC resolution to continue with relief. The U.S. veto power in the U.N. Security Council gives us the ultimate free hand to reimpose these sanctions. And snapback can be less draconian to deal with lesser violations, as Secretary Lew has testified.

This could come with political costs. Many skeptics point to these costs as likely meaning that no such snapback would ever be triggered. But international reaction to U.S. actions will always depend on the context. If the rationale for doing so is credible, then chances for success will always be higher.

Iran, too, would have much to lose if snapback were to be triggered. Iran's leaders would therefore have to carefully evaluate the costs and benefits of any course of action that threatens the integrity of the nuclear deal. These costs will grow as Iran's economy grows. Some may see this as resilience, but I see it as Iran having more to lose.

A critic once referred to this deal as a Marshall Plan for Iran. While the analogy is very far from perfect, it is interesting. The Marshall Plan was intended in part to prevent the spread of radicalism in Europe after the Second World War in recognition of the effect that harsh sanctions had on German politics in the 1920s and 1930s, and the liberalizing benefits of trade and growth. In fact, the Soviets refused to participate, fearing the effect that economic openness would have on their population.

As the President has outlined, one potential benefit of the deal is the possible transformation of Iranian society, and, over time, government policy. This may not happen. But at a minimum, Iran's

leaders will have to wrestle with the benefits of economic openness and the risk of losing control as a result of this deal, as well as the threat of returning sanctions if they break its terms. This will be a challenge for them and possibly an existential one.

To conclude, though it is not a perfect deal, I believe the nuclear deal reached by the United States, its P5+1 partners, and Iran meets our needs, preserves our options, and possibly lays a path to a better future.

I urge the Congress to make the right choice and to support it. Thank you, sir.

[The prepared statement of Mr. Nephew follows:]

PREPARED STATEMENT OF RICHARD NEPHEW

Thank you, Chairman Corker, Ranking Member Cardin, and other distinguished members of this committee for inviting me to speak here today. It is a privilege and an honor to speak to you on a subject to which I have devoted nearly 12 years of my professional life as a civil servant at the Department of Energy, Department of State, and National Security Council. In my current position at the Center on Global Energy Policy at Columbia, I have continued my study of the use of sanctions for foreign policy reasons, with Iran as the centerpiece.

I would like to begin by extending my personal gratitude to the members of the U.S. negotiating team, all of whom set aside personal commitments large and small in the pursuit of the agreement reached in Vienna on July 14. Regardless of how one evaluates this deal, one cannot contest that the people who worked so hard and diligently to conclude it did so with anything other than the intention of addressing a profound threat to U.S. national security. These men and women, many of whom I can call friends, are dedicated to stopping Iran from acquiring a nuclear weapon. Some of them have pursued this goal for decades. We are all most fortunate that this country produces diplomats, civil servants, and experts like these.

I would like to offer here my evaluation of the Iran nuclear deal first as a general matter and then focus specifically on the sanctions relief portion of the deal. In doing so, I will describe what the deal itself has achieved, the consequences of this achievement, and the alternatives that would be facing us absent the deal. I come to the conclusion that, compared to the most realistic alternatives, this deal is a very good one.

The agreement reached 2 weeks ago will prevent Iran from having a credible opportunity to produce weapons-grade nuclear material for use in a bomb for at least 10 years and likely beyond that. It does this through a combination of restrictions and monitoring that will ensure Iran faces a long path to weapons-acquisition, which can be detected almost as soon as it begins. In this respect, President Obama and his successors will have the time they need to evaluate Iranian compliance with the agreement, and to take any necessary decisions to address Iranian deficiencies.

This includes the use of military force. President Obama has not taken this off of the table through this deal, nor would any President. Instead, President Obama has ensured that if such a decision is ever needed, it can be undertaken with greater time and clarity as to Iranian intentions.

SETTING THE CONTEXT

To some degree, Iran has been at the precipice of a nuclear weapons capability since it first began operating centrifuges at the underground Natanz plant in 2007. Both Presidents Bush and Obama have had to consider regularly whether the Iranian nuclear program was getting out of hand, growing too large to be addressed through diplomacy.

In my opinion, we were reaching just such a dangerous crossroads in 2013. Iran's nuclear program had grown to involve over 20,000 installed centrifuges, nearly 7,000 kilograms of up to 5-percent enriched uranium gas (enough for multiple weapons), nearly 200 kilograms of up to 20-percent enriched uranium gas (nearly enough for one weapon), and a reactor at Arak that was nearly finished. Moreover, Iranian cooperation with inspectors at the International Atomic Energy Agency (IAEA) was stagnant, with access granted to confirm only that declared nuclear material was where it ought to be. While important, outstanding questions about Iran's past nuclear program remained unaddressed and with little prospect of answers or access forthcoming.

At the same time, sanctions were beginning to run out of steam. International oil prices were over $100 a barrel and prospects for taking away further Iranian oil revenues were slim. Despite aggressive diplomatic efforts, including at the Presidential level, we were getting fewer returns on our demands for oil reductions. Iran was the worse for our sanctions, suffering a GDP contraction of 6.6 percent between 2012–2013 according to the World Bank.[1] Unemployment was high, as was inflation. But, still, Iran was continuing to expand its nuclear program and engage in all manner of destabilizing activities in the region.

This was leading to calls both within the United States and from our partners to consider military action. The problem was that no one could articulate a theory of such action that would be decisive in stopping Iran from ever getting a nuclear weapon without involving regime change.

Faced with this situation, the United States decided to test the proposition that newly elected President Rouhani was committed to fulfilling his campaign promise to seek removal of sanctions and a new relationship with the international community. Talks began in secret to see if a first step arrangement could be concluded that would, if not step back from the brink of military confrontation or an Iranian nuclear weapon, at least hold us at the lip. Such an arrangement would require—and did elicit in the end—major nuclear concessions from the Iranians. They would be forced to halt their progress, something they had sworn never to do, and even roll the program back in key respects. Sanctions relief would need to be part of it, in order to create incentives to keep Iran negotiating for a final deal. It had to promise Iran a return on its investment but not make a final deal meaningless.

The result was the Joint Plan of Action (JPOA), a much derided document at the time of its announcement but one that I think even critics would grudgingly agree has served these purposes well.

Iran made clear during the negotiations on the JPOA that they would not be able to accept it as a permanent arrangement; the sanctions still in place were too severe and political pressure would prove toxic for Rouhani if talks went on too long. So, they wanted to complete the deal faster. Unfortunately, a similar desire to speed up the negotiations also emerged from the United States and some of our partners, despite the fact that Iran gave up much in its nuclear program for a modest amount of relief. This was the first time, but not the last, that opponents of the deal in the United States and Iran share a common view. Unfortunately, a similar desire to speed up the negotiations on a comprehensive deal emerged from the United States and some of our partners, despite the fact that—for a modest amount of relief—Iran gave up much. It was the first time, but not the last, that opponents of a deal in both the United States and Iran were in full agreement.

As a direct consequence, deadlines were established that Iran sought to use as leverage against the United States. Iran came to believe that the deadlines put in place were more important for U.S. negotiators than for themselves, leading to inevitable delays in Iranian decisionmaking and extended talks.

Still, the United States did not rush into a deal. Had it done so, talks would not have been extended first in July 2014, then in November, and then multiple times at the end of June and into July 2015. Instead, the U.S. negotiators demonstrated time and again that, as Secretary Kerry said, "we will not rush and we will not be rushed."

In the end, the administration successfully demonstrated to Iran that, if it wished to conclude a nuclear deal, then it would have to make a number of concessions on issues that no less an authority than the Supreme Leader had established as redlines. Admittedly, this did not surprise me. Iranian negotiating style often involves brinksmanship and some degree of exaggeration. It is only through testing and prodding such redlines that the real limits of Iran's negotiating room could be established. For this reason, key redlines—like the requirement that immediate sanctions relief be furnished before any nuclear changes could be implemented or that R&D continue without restriction or even that Iran would require 190,000 centrifuges in the near term—were broken by Iran in the final deal.

EVALUATING THE NUCLEAR ASPECTS OF THE DEAL

The result of these negotiations is a deal that, in my view, satisfies U.S. national security objectives. I define these as being:

1. Lengthening the time that Iran would need to produce enough nuclear material for one nuclear weapon; and,

[1] World Bank data, downloaded on July 20, 2015, and available at: http://data.worldbank.org/country/iran-islamic-republic?

2. Ensuring that, during this time, any such attempt could be quickly detected, such that the entire length of the breakout time is available for response.

With respect to the first objective, the deal manifestly delivers.

The deal negotiated by the P5+1 will create a 1-year, or longer, breakout timeline for Iran's declared nuclear program for the first 10 years of the implementation phase of the deal. And, that's just for uranium; for plutonium, the breakout timeline is far longer, potentially measurable in decades. Why?

With respect to uranium, the deal restricts Iran's installed centrifuges to just over 6,000 IR–1 type machines for 10 years. Iran will be able to do some small scale enrichment using advanced machines at the end of this time period, but in numbers far too modest to contribute to breakout. This limitation will also hold back the progress of Iran's enrichment program. One does not go immediately from small scale enrichment on small numbers of centrifuges to installing and operating thousands of machines. Iran will have to spend time perfecting these machines and it is unreasonable to expect that they will achieve perfection in a few months of work. Iran has spent nearly 20 years working on the IR–1 centrifuge, 1970s technology that it bought outright, and only managed to operate this centrifuge at roughly half of its design capacity.

Iran will also be limited to solely 300 kilograms of 3.67 percent U–235 in any form for 15 years. This restriction alone would hold Iran back from quick breakout because 60–70 percent of the work required for a bomb is in the initial period of enrichment from natural levels to ~4 percent.

But, combined with the centrifuge limits, Iran will be a year away for at least 10 years—until 2025—and anywhere from 6–12 months away for another 5 years beyond that. It is also important to note that, during this time, inspectors will have continuous, online enrichment monitoring of Iran's centrifuges. So, if a move to breakout were to take place, it could be detected almost immediately through a system of sophisticated, secure sensors.

After that, it is true that breakout probably will narrow. But, only with respect to the declared uranium path. For plutonium, the breakout timeline is multiple years long and will not shrink for a considerable length of time. The Arak reactor's modification will render it incapable of producing such plutonium, essentially permanently because of difficulty of modifying the reactor core of a once-operated reactor. Iran's agreement to not engage in reprocessing R&D, to construct a reprocessing facility, or to construct a reactor capable of producing weapons-grade plutonium in useful quantities will last until 2030. But the impact of this decision will go farther: having been stymied in this work for so long, it is unreasonable to expect a rapid improvement in Iran's capabilities or physical capacity. Judging by how long Iran has been building the Arak reactor (i.e., since 2007), it is reasonable to argue that it would be 2035 at least before Iran could have another such reactor, let alone spent fuel reprocessing capabilities.

Breakout is not the sole measure of a deal. But, compared to the status quo—2–3 months to breakout for uranium, with 1–2 weapons worth of plutonium being produced per year at Arak—we are far better off with the deal than without it.

The deal also offers much by way of timely detection. Daily access to Iran's most sensitive nuclear sites remains possible. But, continuous monitoring—including through use of sophisticated new safeguards technology—may make this unnecessary. The right to utilize advanced monitoring technology is perhaps one of the most important if unsung elements of the deal, reducing cost and labor burdens while also dealing with problems of immediate access that would have constantly raised questions as to whether Iran was cheating at any particular moment.

Beyond the declared facilities, there is an impressive array of monitoring provisions with respect to all of the key aspects of the nuclear fuel cycle. From uranium production through centrifuge manufacturing, the IAEA will have the right to monitor what Iran is doing to ensure that it cannot be diverted to a covert path. Similarly, Iran will be forced to utilize a procurement channel that enables the United States to have a vote on what Iran can procure and end use verification by exporters and, in some cases, the IAEA. Some of these provisions lapse at the 10-year mark but others—including the important provisions on centrifuge manufacturing and uranium production—continue for 20 and 25 years respectively. This means that the world will have visibility into Iran's nuclear program beyond the international norm, even enhanced by the Additional Protocol, until 2040. And, of course, the access Iran is required to provide under its Comprehensive Safeguards Arrangement and Additional Protocol will continue so long as Iran is adhering to those treaties; a decision to withdraw from either would, naturally, trigger an international response.

Some may argue that the time available to the President is far less than promised, seeing as there is now a dispute resolution process that participants are

obliged to observe if there are difficulties with JCPOA implementation. This process could take perhaps as long as 80 days. But, within a 1-year breakout time, that is still enough time to seek new diplomatic action, based on the reapplication of pressure via the snap-back mechanisms that would be triggered at the end of that process as well as additional sanctions.

Moreover, we must bear in mind that any contingency that requires less time than 80 days is also probably not one that sanctions would have addressed in any event. Exposure of an ongoing, near-breakout and covert Iranian nuclear weapons program would prompt consideration of military options more than sanctions, and I personally believe that use of force would be the best course of action in this instance. At the same time, more modest actions prompting snap-back also would be less likely to shrink the breakout time by any discernible degree. Discovery that Iran has 100 more kilograms of 3.67 percent enriched uranium would be a problem. But, it would not shorten breakout below the snap-back threshold.

In my view, therefore, any discussion of snap-back and the dispute process needs to be based on a thorough evaluation of likely scenarios and responses. Doing so results in different expectations for the risk created by any particular Iranian violation.

AFTER THE SUNSET

Even some skeptics may agree that, within a 10–15-year band of time, the deal may work as designed. However, this is distinct from the concerns that exist about what would happen after the deal's main restrictions end in 2030. Some, most notably Prime Minister Netanyahu, have alleged that it is in this fashion that the deal paves the way to an Iranian nuclear weapon.

I disagree. First, the argument against sunset presupposes that there is either no point in time in which Iran could be trusted with a nuclear program—or, anyway, the Islamic Republic of Iran—or that negotiations could possibly have delivered a sunset far longer than what is in the deal. Having experienced these talks personally, I can vouch for the fact that there was no scenario in which Iran would accept voluntarily the absence of a serious nuclear program for decades. If the Iranian negotiators had delivered such a deal, people—including important people in the security services—would be right to ask why Iran endured sanctions for as long as it did. Moreover, Iran has become an advocate for the entire nonnuclear world in its defense of a nuclear program including enrichment. Expecting Iran to back away from that role, even in return for sanctions relief, went beyond what negotiations could achieve.

Some would argue in response that this does not mean that sunset of 10 years is acceptable. Certainly, I too would have preferred a multi-decade-long set of restrictions. But, it is legitimate to question why that would be necessary as well as to ask how many years would be enough to build confidence. Given that, taken in combination, the restrictions and access provisions extend in some respects for 15–25 years, it is reasonable to argue that sunset will be a prolonged affair.

During this time period, of course, the United States is also free to abrogate the agreement and to declare that Iran's nuclear program, at the time, remains a concern. Successful execution of this step will require effective diplomacy and the right context at the time. But, it is achievable if a future President decides that no other options would work. And, of course, a future President could also decide that Iran's nuclear program must be met with force.

BUT WHAT ABOUT SANCTIONS?

The other major complaint about the nuclear deal is that it provides Iran with far too much sanctions relief and that the practical effect of increasing trade with Iran will render snap-back ineffective.

First, on the issue of scale, it is a blunt reality that Iran was not going to accept major restrictions on its nuclear program and invasive monitoring on the cheap. No one in the United States Government would disagree that Iran should take these steps without compensation, seeing as it is Iran that stands in violation of its international obligations. But, in the real world, this is not a sustainable argument. Just as Iran could not scrap its nuclear program to make a deal work, Iran could also not accept nuclear steps being taken without reciprocation. De-escalation of the nuclear program required de-escalation of sanctions.

Faced with this reality, the administration did the right thing in leveraging sanctions relief for maximum, early nuclear steps. Instead of debating whether one sanction was worth 10 centrifuges, the administration cut Iran a deal: in exchange for big nuclear steps, big sanctions relief could be given. Iran is now under every incentive to take the steps required of it as soon as possible (and, arguably, would be

even now removing centrifuges if the Iran Nuclear Agreement Review Act had not been passed, mandating the present 60-day review period). The United States insisted, and Iran agreed, that no such sanctions relief could be enacted until the IAEA verifies that Iran has done its part. As a result, we will be able to see—and have the IAEA report—that Iran has done everything required of it before any relief flows.

But, the sanctions relief provided by the United States does not equate with unilateral sanctions disarmament. The United States retains a number of sanctions authorities that will continue to damage Iran's ability to engage in terrorism financing, as well as to exact consequences for violations of Iranian human rights and other destabilizing activities. This includes the all-too-important tool of secondary sanctions through the Comprehensive Iran Sanctions, Accountability and Divestment Act or CISADA. With this tool, the United States will still be able to pressure banks and companies against doing business with the IRGC, Quds Force, Qassem Solemani, and Iran's military and missile forces. The EU and U.N. decisions to remove some of these entities from their own sanctions list is therefore important to Iran mainly as a symbolic step; practically, these entities and individuals will find their international business activities stymied due to the centrality of the United States in global finance until they correct their own behavior in the eyes of the United States.

Moreover, the United States will retain its ability to impose sanctions on entities and individuals trading with Iran in conventional arms and ballistic missiles, even after U.N. restrictions in this regard lapse in 5 and 8 years respectively. The U.N.'s provisions were important in terms of setting international approval and backstopping for U.S. unilateral efforts. But, they were conditioned, even as early as 2006 and 2007, on Iran's failure to fulfill its nuclear obligations. Even the earliest UNSC resolutions laid out a package in which these sanctions would be terminated when Iran satisfied the P5+1 and IAEA on the nuclear issue. Further, it is the consequence of U.S. sanctions on these targets that can best deter bad behavior. Similarly, international export controls governing transfers of these types will remain fully in force.

Second, on the issue of snap-back, Iran's growing international economic integration will cut both ways. Certainly, it is possible that the politics around future Iran sanctions will be prejudicial to rapid snap-back. However, the structure of the dispute process gives even just one country the right to insist that the UNSC consider whatever matter is in question with respect to compliance with the deal. And, the deal structures the snap-back of UNSC sanctions such that the P5 veto power only works to end sanctions relief. In other words, though the process may need to be navigated, in the end, even acting alone, the United States can bring existing UNSC sanctions back into operation.

As noted, this could come with political costs. Many skeptics point to these costs as likely meaning that no such snap-back would ever be triggered. But, many of these same skeptics also argue that it is theoretically possible to end the deal now and keep international partners moving forward with the imposition of sanctions. This is out of joint with reality and practical experience. Simply put, international reaction to U.S. actions now or in the future will always depend on the context and narrative. If the rationale for doing so is credible and the context demands action, then chances for success will always be higher.

Additionally, Iran too would have much to lose if snap-back were to be triggered. Iran's leaders would therefore have to carefully evaluate the costs and benefits of any course of action that threatens the integrity of the nuclear deal. These costs will grow as Iran's economy recovers and grows. Explaining to Iran's people why a civil nuclear program has gone out of alignment with any practical needs, prompting reversion of sanctions, would prove a difficult conversation for Tehran, maybe as difficult as the one the United States would need to have with partners about the imperative of reapplying sanctions.

Putting these issues aside, there is the matter of what Iran will do with the money. I believe that fears that Iran will take all of the proceeds of sanctions relief, including the $100–$150 billion in restricted assets held abroad, and plow them into terrorism and other bad acts are overblown.

It is certainly true that Iran will continue to support terrorism and activities that we oppose throughout the region. No level of sanctions could stop them from doing so. This is a government that has, after all, funded and armed radical elements since the fall of the Shah of Iran in 1979, through the Iran-Iraq war, and after the intensification of crippling sanctions in 2010. Tehran continued to invest in the Assad regime, despite the immediate loss of over a quarter of its 2012 oil revenues from sanctions imposed in December 2011, and $60 billion in potential revenues from that point forward. Likewise, Iran has assisted Shiite militants in Iraq, the

Taliban in Afghanistan, and is now supporting the Houthis in Yemen, despite major economic crisis at home.

But Iran's population as well as its leaders know how much money is at stake, and how it can be used. It is implausible that, after the Supreme Leader allowed Rouhani to be elected President in 2013 on a platform pledging economic recovery—in part, through promises of sanctions relief—either man would support initiatives that leave the Iranian population in the cold in order to protect foreign groups and leaders like Assad. To do so would be to risk the very instability and threat to the regime that the Iranian Government has sought to prevent by seeking sanctions relief through this deal.

Since the international community intensified sanctions against Iran in 2010, Iran has only grown more desperate. For example, the country's oil sector now needs anywhere from $50 to $100 billion in investment to improve production, a point that Iranian officials, including Oil Minister Bijan Namdar Zanganeh, have emphasized repeatedly over the past 2 years. External investment was cut off by sanctions, and Iran has not had the spare capital to maintain, much less improve, its facilities. Nor has it enjoyed access to new technologies that could enhance oil field productivity.

Oil is, of course, only one part of Iran's economy, which includes struggling industries like automobile and domestic manufacturing. To avoid an overdependence on global oil markets, Iran has also made it state policy to build a diversified export economy. Given the prevailing low global oil prices, Iran is likely to continue trying to strengthen other sectors to maximize its growth potential and limit its vulnerability to an uncertain market.

Lest observers assume that Iran would have turned its entire economy into a terrorism-financing machine if only it had the money, consider the fact that the most intensive sanctions on the country are only 3 years old. Before January 2012, oil sales were bringing in nearly $88 billion a year, money that Tehran largely spent as any government would: on domestic and foreign-policy priorities—not solely to back anti-Western interests.

As with the effort to wean its economy off oil, Iran has also sought to reduce costly subsidies on everything from food, to housing, to energy, in order to improve the economy's efficiency, reduce waste, and spur competitiveness. But sanctions targeting Iranian oil revenues hampered that effort, as the country lacked the hard currency—and political will—to forge ahead with subsidy reform, at least until Rouhani's election. It is now struggling to complete this project, one that sanctions relief would undoubtedly boost by providing Iran with fresh revenue and reducing its citizens' dependence on government handouts. This is particularly important for Rouhani, who will be looking to shore up domestic support in the runup to parliamentary elections in February 2016 and to win reelection in 2017.

But beyond this, any rosy expectations for Iran's economy must be tempered by the reality that oil, still its primary economic driver, is worth less today than in years past and is predicted to stay that way for the foreseeable future. Iran simply won't have as much money coming in on an annual basis, due to global economic conditions, until the rest of its economy picks up speed. Even if Tehran had wanted to spend $100 billion on nefarious side projects a few years ago (and let's be clear: given $100 billion was more than the entire annual oil export revenue for Iran at the time, even when prices were high, this would hardly be credible), it makes even less sense today.

Consequently, it is much more likely that only a portion of the liberated $100 billion and any future revenues will go to support Tehran's regional adventurism. No one knows how much, but experts have made some educated guesses, suggesting that the regime has spent anywhere from $3.5 to $20 billion a year in Syria, figures that pale in comparison to annual military spending by the United States and the Gulf Cooperation Council.[2]

In any event, even if Iran does wish to sink all of its newfound relief into terrorism, it will have to deal with residual U.S. and international sanctions inhibiting it. As mentioned earlier, this includes sanctions that preserve the secondary application of U.S. sanctions on foreign businesses and banks. But, beyond this, since 9/11, the international banking system has adopted new standards and helped create intergovernmental groups like the Financial Action Task Force to crack down on money laundering and terrorism financing. Banks monitor their business far more aggressively now than ever before to detect and prevent such activities, in part by using the best practices and guidelines developed by FATF. Banks are also under greater scrutiny by their national regulators——and, in fact, by the U.S. Treasury

[2] Stockholm International Peach Research Institute, "SIPRI Military Expenditures Database,"1Ahttp://www.sipri.org/research/armaments/milex/milex—database.

Department—to keep their systems from being used by terrorists and their financiers for illicit acts.

Moreover, if need be, Washington and its partners can always augment sanctions to deal with specific Iranian threats, such as Iran's conventional arms market. These could be modeled on an existing authority, like sanctions covering the manufacture, shipping, and financing of weapons of mass destruction. Rather than completely abandoning sanctions as part of the nuclear deal, the United States could use them as an effective deterrent in this regional context. Care, however, will have to be taken to avoid giving Iran a pretext to argue that the United States is undermining the very sanctions relief that made a nuclear deal possible in the first place.

In sum, I believe that the United States has tools to combat Iranian regional adventurism beyond sanctions, and that it does not need to jettison the nuclear deal to preserve sanctions. Regardless of the conflicting views of the nuclear deal itself, there is near-universal agreement that it will benefit Iran economically. And there is a convincing body of information and analysis to support the position of President Barack Obama's administration that Tehran will use sanctions relief to generate economic stability at home. If the LA Times is to believed, this is a conclusion that CIA has itself reached.

CONCLUSION

I believe that the nuclear agreement reached by the United States, its P5+1 partners, and Iran is a good deal. It is not a perfect deal. There are things that, in a perfect world, would be changed, starting with the fact that—ideally—Iran would not be permitted to engage in enrichment, reprocessing or heavy water activities in perpetuity. And, such an Iran would also be forced to change into a better actor in the region and beyond.

But, we do not have the luxury of that world. Instead, we face two options. We can either accept the deal that has been negotiated. Or, we can turn our backs on it. To do so is to go in an ill-defined alternative scenario. Some argue that in this scenario, sanctions can be intensified in order to achieve a better deal. Still others argue that military action could be undertaken. But, each of these courses of action would require taking significant risks that either they would not be successful and, in the attempt, that we would lose the support of the international community. An Iran strategy based on "going it alone" is not a recipe for success.

Moreover, while pursuing such an alternative, Iran would either wait expectantly for the sucker punch to be delivered that would complete the job of undoing global support for U.S. efforts, or march forward on its nuclear program, beginning the operations of thousands of new centrifuges and constructing the Arak reactor in its original, bomb-factory design.

For, at this point, there is no magical middle ground to be occupied. If the United States rejects the deal now, it will not be possible to negotiate a new one and certainly not before Iran undertakes a potentially dramatic expansion of its nuclear program. This is because of both the politics that will be associated with doing so in Iran—whose leaders would convincingly argue "if the United States is not going to fulfill this deal, what is to say they would fulfill a future one?"—and because the JPOA would collapse at the same time as the Joint Comprehensive Plan of Action. Some argue that Iran could continue to observe its JPOA commitments and so could the United States. But, U.S. law now makes that impossible. Under the terms of the Iran Nuclear Agreement Review Act (INARA), if a joint resolution of disapproval is passed by Congress, the JPOA can no longer be observed by the United States as a legal matter. The law states that the President is no longer permitted to provide relief from sanctions established by congressional action. So, waivers could not be extended under the statutory authorities in place.

As such, the executive branch would have to restart efforts to reduce Iranian oil exports—paused under the JPOA—and impose sanctions for the movement of Central Bank of Iran funds. It is inconceivable that, even if Iran wished to keep the JPOA afloat, Iran would accept U.S. efforts to reduce Iran's oil exports by holding steady on the nuclear program. So, even if new laws are not adopted by Congress or the executive branch, U.S. sanctions under the JPOA would again be active and in need of enforcement.

Would international partners join us in this effort? It is highly doubtful and certainly not with the vigor needed to be effective. And, as such, the United States would be brought into confrontation with key trading partners.

So, Congress must make the choice that it asserted was essential in the passage of INARA and decide if the alternative to the JCPOA is worth it. Leadership and vision from Congress, as the President has shown in pursuing this deal, is now needed. I urge Congress to make the right choice, and to support this deal.

The CHAIRMAN. Thank you, both. We can see from these two witnesses why this is a difficult decision for people to make, so we thank you so much.

So that I can reserve my time for various interjections along the way and not dominate in any way, I will turn to our ranking member for questions, and then move on down the line. Thank you.

Senator CARDIN. Let me also join the chairman in thanking you both for your presence here today and for your testimony.

Let me give you a hypothetical. It is a year from now, and Iran complied with all of the preliminaries required, and they have received the sanction relief from both the United States, through the waivers being exercised by the administration on sanctions, as well as the U.N. and Europe. We get clear evidence that Iran has used crude oil sales to directly finance terrorist activities in Lebanon and Yemen. They have done it through the Central Bank of Iran. We have clear evidence of that.

The U.S. Congress passes a statute that says that we will impose sanctions against Iran for their support of terrorism against the Central Bank of Iran and crude oil sales.

First, if that were to occur, are we in compliance with the JCPOA? And secondly, what pressure would there be on the administration to implement such a statute, if Congress were to pass it? Any thoughts?

Mr. ZARATE. Senator, it is an astute hypothetical because it points out the difficulty of disentangling the sanctions regime, with respect to a country and a regime that controls key elements of the economy, strategic elements like the banking system, and when they are still engaged in some of the underlying activity that is subject to, at a minimum, U.S. sanctions. So it certainly is within the Congress' right and I would argue, certainly, it should be a focus of the administration to go after the financial conduits that the Iranian regime or any other state uses to support destabilizing activity or to support terrorist groups anywhere around the world. So it would be wholly justified.

To Richard's point, I think in the context of any action taken in the penumbra of the JCPOA context, it would depend on what information and evidence we have. The problem I have with the JCPOA framework, as I laid out in both my submitted testimony and orally this morning, is that we have now established and placed ourselves into a framework where we ourselves are going to have to submit or potentially have to answer to other parties justifying why we are using U.S. national power with respect to these other types of challenges and risks.

So under the agreement, the Iranians, for example, could object, could threaten to walk away. And perhaps even, in the view of some, legitimately say you are simply trying to reimpose sanctions that were just lifted under another name. Of course, the administration is saying and we would argue, all of us, that these are different sanctions, and they should be imposed and they can be imposed. But there would be a question in the context of the JCPOA and probably a process triggered, if it were a significant enough action, that would call into question whether or not we could take the action.

Ultimately, we may prevail. But it would put us into a completely new venue and into a new process to have to explain ourselves, demonstrate evidence to parties like the Chinese and Russians, and ultimately justify our action in the contours of the JCPOA. I just do not think that is an acceptable outcome.

Mr. NEPHEW. Thank you, Senator. I would agree with much of what Juan said, but I would add two important, I think, caveats or conditions to it.

The first is we always had to justify and explain our secondary sanctions. You have to bear in mind that the sanctions you are referring to govern the trade activity of foreigners with foreigners. To get them to do things, we have to explain why, and we have to explain in what context it is appropriate.

I think that going after the hypothetical that you brought up would be complicated because the Chinese, for instance, or other importers of Iranian oil would say that we have known for a long time that Iran supports these groups. That is a given. It was a given when we were writing the JCPOA. So what changed that made you have to do this?

I think this points to the second problem. The hypothetical you brought up will happen, because oil is a primary revenue stream for Iran, and it is a primary way in which they support groups that we believe are terrorists and that we engage as terrorists. I think the bigger question to my mind is, is that the most effective way of curtailing Iranian terrorism? In my view, no. We have had very crushing oil sanctions on Iran for the last 3 years, and they still supported Assad. They have still supported the Houthis. They have still supported Hezbollah. That is because, frankly, the scope and scale of that support does not have to be oil-revenue-worthy. It can be much smaller, and it is something the Iranians believe in strongly.

So I would argue that rather than go for an oil embargo-type sanction, we actually have to think of a better policy response to deal with the terrorist issue that we have identified.

Senator CARDIN. Do we have the flexibility to do that? You may very well be right. We may choose other ways. The reason I use those two examples is because they were lifted by the sanctions. Absolutely.

Here I guess is the question. Yesterday, we heard from both witnesses that the United States should be pretty aggressive in making sure Iran complies with everything it said in this agreement and be prepared to start taking action. Iran's past activities show that they test us. They try to push the envelope as far as they can. So they will interpret some of the JCPOA differently than we do, and they will do things we think are wrong.

How aggressive should we be? Can we get our partners to agree with us on less than major violations? Will we be able to do that?

Mr. NEPHEW. Sir, I would argue again that it depends on the context. If we go with a good case and we are able to justify why we are doing it, then we can be very effective, as we were from 2011 to 2013 with respect to the oil embargo.

On the other hand, if we are seen as acting capriciously and if the Iranian response is to say "we are walking away from the nuclear deal," that will be a challenge. Ultimately, we need to be ag-

gressive, but we also need to be mindful that the nuclear deal, again, in my view, is something that is worth preserving.

So I do not think that precludes our use of sanction tools in a very aggressive way, but just like we have already done, we are going to have to be careful about the unintended consequences of those acts.

Senator CARDIN. Lastly, let me point out, if we have to snap back, if there is a substantial violation that we have to take to the international community and maybe exercise our veto, how quickly can they bite strong enough to affect Iranian behavior?

Mr. NEPHEW. Senator, I would say that if we are able to get snap back and in a context that is conducive to people imposing swift sanctions, we can start biting the Iranian economy quickly. The oil embargo that we were just talking about started having dramatic economic effects on Iran within 2 or 3 months of being imposed, starting in January 2012.

So again, I think with the right context, with cooperation, we can start to really have an impact on the Iranian economy.

Senator CARDIN. I would just point out you were a little bit inconsistent on oil. You said at one time that would not be effective to stop them from financing terrorism if we impose a sanction, but now you are saying that could bite quickly.

Mr. NEPHEW. Sir, what I would say is: I am not saying it would not bite the economy. My point on terrorism is that biting the economy does not necessarily preclude Iranian support for terrorism.

So you can have damaging impact on the Iranian economy, but will that translate into stopping Iranian terrorism? In my view, the history suggests not.

Mr. ZARATE. Senator, if I could address this question of strategy and the use of these tools. Our tool kit is not expansive. We have limited tools to address whether it is terrorism, human rights abuses, et cetera. The use of financial power and the power to exclude from the global system is one of our principal if not most effective tools.

So I take Richard's point, which is an important one, which is that we have to have a comprehensive strategy. We have to use all tools of national power. No doubt. But the reality is, at the end of the day, these tools are the ones that prove to be most effective.

And as I said in my testimony, I actually think the risks to the international financial system go up with this deal or any other deal with respect to Iranian activity. So we are going to have to, if we are honest about what is happening in the international financial commercial order, we are going to have to crack down on Quds Force front companies, IRGC funding flows, and contracts run by the Ministry of Intelligence. That is the nature of the Iranian economy and the way that they do business and the way that they have reach—precisely what we have cut off that harmed them so much.

So you have asked a very astute set of questions, because I think at the heart of this is, have we given up too much of our power to deal with all these other risks that Iran presents that will actually go up over time?

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Before I move to Senator Flake, just since you guys have somewhat different views, I wonder if we could get consensus.

It would be fair to say, on the other hand, that in 9 months when most people believe all the sanctions will be gone, and then Iran has, in essence, the nuclear snapback, that people are going to be somewhat reticent to put sanctions in place if Iran cheats by inches because of the things that you are saying. Iran does have the ability to say at that moment, well, we are out of the program.

Would you agree? I think both of you are shaking your head up and down, that that does create a dilemma? I will take that as a yes.

Mr. NEPHEW. Yes, Senator. Incrementalism is a risk here.

The CHAIRMAN. Senator Flake, thank you.

Senator FLAKE. Thank you. I want to thank the chairman and ranking minority member for putting these hearings together.

Hearing your testimony today, each on one side of this in terms of whether you favor the agreement or not, I think demonstrates that the only thing that is certain is this is no easy call. For those who stand and say that it is, I think they have not examined the agreement or the broader foreign policy context in which this is going to be implemented. So I appreciate the testimony and the way you have gone about it.

And I appreciate the question from the ranking minority member, and I think all of us will have some variant of the same kind of questions, because we have asked administration witnesses. We have been assured that we have not diminished our tool kit, that we can distinguish between nuclear and nonnuclear sanctions. But when you read the plain text of the agreement, that seems to conflict with the assurances that we have received.

Let me just turn to the financial sanctions. I could not agree more and I have always felt that that is what really finally bit, because it is more difficult with these financial tertiary or secondary sanctions for the Russians, the Chinese, or others to help Iran evade, which is easier to do with just crude oil sanctions or other petroleum sanctions.

But if we find that Iran is linked directly to terrorism, and we want to punish and go in, when I look at the agreement, it seems difficult to do that.

On the financial sanctions, if we decide to do so, how effective will that be if our European allies are not with us? I would like your assessment. I hear conflicting testimony and discussion from others about whether or not we can lead on that and that our European partners will eventually have to follow, or if they can go their merry way and we are left with unilateral sanctions, which rarely work.

What is your assessment on the financial sanctions? Is this something we can we lead our partners back to be with us? Do they have to be with us, given the nature of these sanctions, whether people choose to do business with a $17 trillion economy or $1 trillion economy?

What do you make of that, Mr. Zarate, first?

Mr. ZARATE. Senator, again, another very astute question. I think the financial sanctions have been led by the United States

because the United States is the dominant economic and financial center of the world. The U.S. dollar is the reserve currency. And we have the moral and strategic suasion to be able to affect what others do, both governments and the private sector.

I want to emphasize the last point. I do think we should not undervalue or undercut the power of our financial sanctions. In many ways, U.S. unilateral sanctions that affect the financial community—in the first instance here, Iranian banks—are global by definition. There is no unilateral U.S. financial sanction. What the United States says in terms of how to interact with U.S. financial institutions and U.S. markets is a global standard and, in fact, is applied as such by the private sector.

This goes to a time dimension of this issue. One of the interesting things here, I think, is that there is still a major opportunity to shape the environment and the risk calculus of the private sector. In many instances, the major global banks, non-American banks around the world, are derisking enormously. They are making decisions not to do business in Iran, perhaps not to do business in Cuba, regardless of where our sanctions policy is going, almost in an opposite direction.

And so what Congress says, what the United States does, what the U.S. Treasury may put out in advisories or designations, has an enormous power and capability to shape the market. So I do not want anything I say here to undercut that reality.

But in the context of this deal and the way it is framed, that diminishes over time, because the international sanctions architecture in the U.N., in the EU directives, really does enable countries that may not be quite as enthusiastic about this risk calculus to participate in the sanctions regime.

But I would say that if we wanted to affect the global financial system, if we wanted to isolate Iranian banks, based on legitimate concerns that are demonstrable, that we can put out in registries, that we can put out and show to our allies, that has enormous power and capability to isolate the Iranians.

Would that be accepted by the Iranians? Based on the reading of the deal, probably not. That is why I am so concerned about the constraint on our power, based on the agreement.

Senator FLAKE. Mr. Nephew.

Mr. NEPHEW. Senator, I would actually agree with what Juan had to say. I think the only thing I would add is, again, this concept of the context matters.

If we are going after an Iranian bank because of very clear evidence of support for terrorism, a direct facilitation for payment of terrorism, then I think our ability to go to European countries to say "you need to impose sanctions against this bank" will be quite strong. It has been in the past.

If on the other hand, we are seen as capricious, then I do not think that is going to have the same kind of impact.

That does not mean we will not have financial companies and financial institutions cooperate. This is an important point I want to note. It may be that we are able to influence banks and company behavior even if their governments are not supportive. Frankly, this is what we did from 2005 until 2010 in Europe. But the danger of that is that you start to have European governments or the Jap-

anese Government or anybody else pass laws that say you are not allowed to comply with United States sanctions. That is what happened in 1996 with the Iran Sanctions Act originally.

So I think there is still United States unilateral power we can use in the financial sector, but with that power comes the responsibility to wield it, I think, effectively and carefully, lest we court a challenge ourselves with the WTO, and so on and so forth.

Senator FLAKE. I think the concern that we have is that the leverage point actually goes to Iran. If we find that they are engaged in nefarious activities that we want to impose sanctions on, and given the multilateral nature of this agreement, and the fact that we would have to submit to the body that we believe that Iran has violated good behavior and we want to impose sanctions, given the interlocking nature of these financial sanctions and how it affects banks, private companies, and governments, that it might be even more difficult to get them to agree to allow us to impose those sanctions if that is what we have to do. If we go it alone, then that is a whole different can of worms.

My time is done, but I appreciate the answers, and I am sure this will be touched on later.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Before going to Senator Menendez, there was another question Senator Flake asked in a previous setting that I am going to use part of my time to follow up on.

We sent out a nine-page summary of about 13 documents to kind of help everybody understand quickly what the deal was. In that, we talked about contracts that were entered into, in other words, if you lift sanctions, contracts that you are entered into. The way we read it, those contracts are grandfathered. In other words, you can continue to do business under those contracts even if sanctions are put in place after.

We had some pushback. And obviously, we do not want to be accused of sending something out that has fault, so we asked the White House for red lines. We never got that. And then we started to send out something to qualify. Actually, I think we did. But candidly, as we sat down and talked with the experts that we typically rely upon for these kinds of things, they are telling us that, in fact, we were right in the first place, that contracts that are entered into when sanctions are lifted are grandfathered.

Could you give us some clarification as to whether that is or is not the case, Mr. Zarate?

Mr. ZARATE. Mr. Chairman, it is a great question.

I read paragraph 14 of the new U.N. Security Council resolution which creates some sort of a grandfather provision. Now, this is not a typical paragraph in these kinds of sanctions regimes.

Now, of course, this is related to a snapback provision, which is not usual in these types of regimes anyway. But I read that to open the door for some sort of grandfathering provision. So you could read it in a way to say, look, there is no application of the snapback to contracts that are signed between the lifting of the sanctions and the snapback. That creates the potential gold rush effect that I talked about.

If you read this to say that contracts that do not have anything to do with prior sanctions, then you say, "look, if there is a contract with the IRGC or some other element that is now relisted, that has to be nullified," perhaps.

But I would say in the interpretation of any of these sanctions, whether they are related to Iran or North Korea, there has always been slippage of interpretation, especially when talking to the Chinese or Russians, about what some of these provisions mean. So I would imagine at a minimum there would be a fight, diplomatically, over what this provision means and what contracts with Chinese banks, Chinese companies, Russian banks, Russian companies would ultimately mean.

I would say, Mr. Chairman, it is interesting that the Russians are a part of this commission in part because they are chafing under the sanctions regime led by the United States and European Union. So they are going to have every interest to undermine any capability of thwarting commercial relations that affect their economy as well.

The CHAIRMAN. Can I get you again to try to reach at least a degree of agreement? Would you say at a minimum that it is highly unusual that a clause like that would be in an agreement like this when typically it is very clear that there is no ambiguity? It is an unusual clause to have in an agreement like this.

Go ahead, Mr. Nephew.

Mr. NEPHEW. Senator, if I can, I think this is an unusual agreement in a lot of respects, so I would not necessarily call that particular provision the most unusual.

I would disagree with the idea that this immunizes long-term contracts. I think the intent here is basically to assure people that if they invest in Iran and snapback is triggered, that we will not impose sanctions for the plant that was built or for the business that was conducted. The intent is to say that business will not be sanctioned, but that does not stop us from saying you now have to stop performing the business under the contract.

So it is less an issue of "does it nullify or protect contracts." It is more that the performance of the contract from snapback forward cannot occur, very similar to what we did with the special rule under the CISADA.

The CHAIRMAN. If BP built $1 billion facility to produce oil in Iran, so they invested that $1 billion, so they are performing under that contract, they are producing X barrels a day, and they did that after the sanctions were lifted, could they continue under that contract or not?

Mr. NEPHEW. Senator, my understanding is no, that at the moment snapback is triggered, the BP staff and whatever financing is still going on or whatever technical assistance is still going on has to be stopped, but that the U.S. Government will now not sanction them for having built the plant in the first place.

The CHAIRMAN. You agree with that, Mr. Zarate?

Mr. ZARATE. I am not so sure. I think this is a question as to how this gets executed and who is interpreting it. I think this can be affected by the nature of the snapback. If there is a tailored snapback, this could be impacted. This could be impacted by the nature of the contract itself. There could be special purpose vehi-

cles created to contend with this provision to make sure that there could be continuity of the actions.

I think you could have parties at the U.N., the Permanent 5, arguing that as long as the continued activities are not furthering the activities that are sanctioned, if you can assure that they are clean, for example, or productive, that they should not fall under this provision.

So I am not convinced yet that there is clarity as to how this would apply.

The CHAIRMAN. Thank you very much.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Chairman, before I get to the issue that our witnesses are here for, I want to comment on your and the ranking member's request to the IAEA. I am deeply, deeply disappointed of their unwillingness to come in any session, public or classified, to have a discussion.

This whole agreement rests upon, if you support it, the concept of inspection and verification by whom? By the IAEA. We are putting an enormous part of the national security of the United States and of our allies in the region in the IAEA, a U.N. organization for which we pay membership dues. Maybe they fear questions on Parchin, which they can allege and take the position that is private and we are not going to talk about that.

But the entire inspection regime, the entire verification regime, depends upon the IAEA. And not to be able to question the IAEA about how they are going to go about it, about their abilities to do so, about the budgetary realities that they may need in order to accomplish what we want them to accomplish, I do not know how one can come to a conclusion on this agreement without understanding from the agency that is involved. The most critical element of this agreement is them.

Forget about the sanctions, because sanctions only come into play if they are not performing. We have to know whether they are performing, in the first instance, in the implementation. And then we have to know, subsequently, if they are performing afterward.

So I would hope that we would find a mechanism, whether that is a letter from you and the ranking member, I applaud for having done that, or every member of this committee, whether that is a resolution of the U.S. Senate that could be quickly passed calling upon the IAEA to engage in consultations with the Senate.

You cannot advise and consent, in a sense, to something for which you are going in the blind on pure faith without knowing the wherewithal as to how that agency, essential to this agreement, if one believes in it, is ultimately going to do its job, and for which we are going to depend upon our interests for.

It is amazing to me. So I would urge the chair and the ranking member, and I would be happy, and I am sure many other members would agree, to engage with you in any way possible to bring that about. If it does not, that is a critical material issue for me. So I just want to speak to that.

Let me thank both of you for not only your testimony but your service to our country. It has been both exceptional.

I look at this whole question of sanctions vis-a-vis incrementalism, and it is a very poignant question. Why? How did Iran get to where we are today? Through incrementalism, through deceit, deception, delay, through notwithstanding U.N. Security Council resolutions in the world saying you cannot, you shall not, but they did.

Each step of the way, we were collectively reticent to do what was necessary to stop them, until it got to a certain point that both the world and, to be very honest with you, Congress drove some of the most critical elements, despite the opposition of administrations.

So when I think about the context of potential violations and looking at the agreement and thinking about what is substantial or not substantial, I see a history. If you go by the Archives building here in Washington, over its portal it says what is past is prologue. And you have a 20-year history here of getting to the point of being a threshold nuclear state by everything that Iran did.

So you give it a little bit and give it a little bit, because you want to preserve the agreement, and you do not, as some of our witnesses yesterday, including those who support it, give it a quick—say no, no, no, this agreement is not for you to play with. We are not going to give you a little bit. We are not going to give you a little bit more. We are going to come down heavy now.

But I am concerned, based upon other iterations, at our unwillingness at times to engage in the type of sanctions regime that are necessary. I look at how hard it has been on the Magnitsky list to get people listed. I look at how hard it is, despite congressional legislation signed into law, on Venezuela. I look at how hard it is in Russia and the Ukraine to pursue additional sanctions to try to get them to deter their actions. I look at how difficult it is as it relates to Syria, where we still have not gotten all the chemical weapons.

So the concern for me is if you want the deal so bad and you hope that it will work so well that you are willing to overlook elements that may seem small at the time but begin to grow collectively, and then collectively have a point in time which you say, oh, my God, which is where we are at right now.

So I think that those are critical questions.

Now, Mr. Zarate, I want to understand something. I am pretty convinced of it, but I want to make sure I have not just self-convinced myself because I want to be convinced.

On page 26 of the agreement, it says the U.S. administration, acting consistent with the respective roles of the President and the Congress, will refrain from reintroducing or reimposing the sanctions specified in Annex 2, which is basically the congressionally mandated sanction, that it has ceased complying under the JCPOA without prejudice to the dispute resolution.

So I tried to get from Secretary Lew a very clear, definitive view. You either have the right to reimpose ISA sanctions that expire next year or you do not. You can maybe argue about the timing, but you either have the right or you do not.

Now, I did not get a clear answer from him. If anything, I suggested that, well, it sounds like you want the sanctions to expire. He did not oppose that view, did not say, yes, that is what I want. But he did not say, no, I was absolutely wrong. When I pursued,

why should we not reauthorize those sanctions so that if deterrence is in part by the virtue of consequences, which is that there is an actionable activity, there is an actionable consequence to an activity you take that is in violation of the agreement, you have to think twice about it, which is a lot of what your discussion was, why we should we not have those sanctions in place with all the same provisions in the President's waiver options? And secondly, do you read this agreement to suggest that we cannot do that or we will be in violation of the agreement?

Mr. ZARATE. Senator, I think I am in full agreement with you. It appears that reimposition would put us in violation of the JCPOA or at minimum would subject any action by Congress in that regard to reimpose the Iran Sanctions Act as——

Senator MENENDEZ. Actually, it is not only reimposition. Reimposition could suggest that you are actually imposing the sanctions. It says reintroducing.

Mr. ZARATE. I think that is exactly right, which raises the question as to whether or not the waiver provision is good enough as a safeguard. I think this goes to the larger point that we were discussing earlier about whether or not this framework itself, the way it is structured, actually takes away the ability of the U.S. Government to dictate how it is going to frame the use of these powers, whether it is in deterrent mode or whether it is in application.

The other part of this, Senator, that we have already discussed is the problem that if you begin to impact those same elements of the economy of Iran that are implicated by ISA in some other way, that that too could potentially be viewed as a violation of that provision.

So I just think that the construct as laid out puts too much power in the hands of Iran and those who might object to what it is that we are trying to impact, either in deterrent mode or in effect.

Senator MENENDEZ. Let me ask two other questions. One is an observation.

It seems to me that the burden is shifting here, that under the Joint Comprehensive Plan of Action, it is almost like we have to prove our case versus that, look, you are in violation. And, of course, we should say why a country is in violation, right? We should not just arbitrarily or capriciously do it. But the burden of proof seems to shift. We all talk about violations in the short term. What about in the long term when Iran has become a more significant nuclear, potentially industrial-sized, the dual use potentials of that will be far harder to make the case on than it will under its present circumstances.

Is that a fair statement?

Mr. ZARATE. I would say you are absolutely right in terms of the framework of the JCPOA. In my written testimony submitted to the committee, what I suggest is that this is one of the fundamental problems of the JCPOA. Putting aside the sanctions issue, it is the fact that Iran has suddenly become an equal partner in this framework and the United States, along with other parties, is now on equal footing with Iran in terms of how each presents evidence and information.

The burden of persuasion and proof, which all along under the U.N. Security Council resolutions had been on Iran as the suspect actor, has now shifted. I think that is part of the problem with the process, whether it is with respect to the nuclear delicts or with respect to sanctions. I think we have moved into a different frame of reference diplomatically, which does get harder over time. You are absolutely right.

Senator MENENDEZ. My final point, Mr. Chairman, as my time has expired, is that one of the things I grapple with, and it came to me again when Mr. Nephew was responding to one of your questions, is the hope here that the Iranians enter into a deal that changes the course of their country's conduct.

But you know, the whole focus, at least as I see it up to now with their actions, is the ayatollah trying to think about, "How do I preserve the regime and the revolution?" And it would be a unique thought to think that they are entering into an agreement that would mean the end of the regime and revolution. Certainly, if they are doing that, certainly, I do not think it is their intent. And hopefully, if this all passes and happens, it will be the consequence. But I do not think they are entering into it with the intent of the thinking that this will end the revolution or the regime.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

I would like to read just a few sentences here and lead to a quick question.

Thank you, guys, for your careers and your help. This is very helpful today.

I am encouraged because so far this committee has really addressed this issue in a nonpartisan, I am not going to use bipartisan, but a nonpartisan issue. This is the security of our country and, indeed, I think the security of the world.

But this is from the JCPOA: "This historic JCPOA will ensure that Iran's nuclear program will be exclusively peaceful. Iran reaffirms that under no circumstances will Iran ever seek, develop, or acquire any nuclear weapons. This JCPOA will allow Iran to move forward with an exclusively peaceful, indigenous nuclear program in line with scientific and economic considerations."

I have just one question on the whole process. We started in the beginning and allowed them to have enrichment in the very beginning. There are 18 countries. We talked about this yesterday. There are 18 countries, out of 180-plus countries in the Non-Proliferation Treaty. There are 32 countries that have peaceful nuclear programs. There are only 18 that have civil programs but can enrich—18. So there are only about 14 countries that have the combination. Only nine countries have the bomb. Five countries have civil programs that can enrich, countries like Germany and Japan.

So my question is, if you look at this thing historically, we did a similar deal with North Korea, and it did not work out so well. I think we might have been naive, looking at it back in historical terms.

The problem with this deal that I can see so far, and I am still trying to look at it in a measured way, truthfully, is that this deal

in my mind does not preclude Iran from becoming a nuclear weapons state even though we just saw the intent of the agreement was to do that.

I think, Mr. Nephew, even this morning you said, over time, we talked about sunsets and so forth. This deal, over some period of time certainly gives them an opportunity to have a nuclear weapon.

So when I look at this thing, it comes down to, do we have a false choice to accept this deal or war? And I do not accept that.

My question this morning leads to that. But initially, when we did this enrichment and allowed them to go that way, in my mind, it violates the very issue that we have here. A peaceful, indigenous nuclear program does not require enrichment, although we have now taken that up as a presumption. And I challenge that, but that is historical. It is given. In this agreement, they are allowed to enrich.

So I have a question. If we have to go it alone, let's just say—I am trying to understand, is there an alternative to the position we are in right now?

I would like both of you to address it. In my opinion, I am a business guy. I am outside of this process. You do not sanction countries. You sanction companies. So when you look at the financial industry and their energy industry and you sanction, from our $18 trillion economy, and you start sanctioning businesses, you can have a lot of teeth. We do not need any other sanctions, in my opinion, to really have a dramatic impact on this regime.

And we know from past history, recent history, just in the last 5 years, under this administration, when they doubled down on those sanctions, it brought them to the table. In my opinion, we gave in too early.

My question to both of you this morning, do we have an alternative we have not talked about in detail, another alternative to war or this deal as it is?

Mr. Nephew.

Mr. NEPHEW. Senator, I think that is a very important question. I do not know that you will like my answer.

My view is that——

Senator PERDUE. Why would you say that?

Mr. NEPHEW. I think, at the end of the day, while it is certainly true that it would be our preference that Iran not have an enrichment program, there is nothing in the Non-Proliferation Treaty, that goes back the late 1960s, that precludes countries from having one.

The way in which we were able to mount all this pressure and all these sanctions on Iran is because, as Senator Menendez was describing, they engaged in years of cheating on that program.

Senator PERDUE. I am sorry to interrupt, but they went back and said we need to have enrichment because we cannot secure a consistent flow of material, and yet 18 countries do that. So I push back a little bit on the presupposition.

Mr. NEPHEW. But, sir, those 18 countries were not subjected to the kinds of pressures and sanctions campaign and——

Senator PERDUE. They were not violators of NPT laws like this regime has been either.

Mr. NEPHEW. That is correct. That is why I would never apologize for what we have done.

But the practical reality is that Iran in 2015 faces a history in which we attempted to strangle the nuclear program in the cradle as often as we possibly could, including throughout the 1990s and even going back beyond that.

From the Iranian perspective, they could not sign onto a deal that did not enshrine their ability to have an indigenous nuclear energy program, including enrichment. While that certainly would not have been my preference going into this conversation, I started my job as the guy going after Iranian enrichment efforts, the practical reality is we faced a country that was not relinquishing this capability.

Senator PERDUE. I am going to run out of time. Address the idea of is there an alternative to what we are doing now? In other words, we have to consider that. If we don't agree with this deal, do we have an alternative?

Mr. NEPHEW. Sir, my view is that if we do not agree to this deal, the Iranians are going to start installing more centrifuges. And if we get back to the table, we are going to be dealing with 30,000 centrifuges and a completed reactor.

Senator PERDUE. Specifically, though, would sanctions unilaterally have impact? That is really what it comes down to.

Mr. NEPHEW. I do not believe United States sanctions would stop Iran's enrichment program permanently.

Senator PERDUE. Okay, thank you.

Mr. Zarate.

Mr. ZARATE. Senator, I think U.S. financial power and influence is enormous and would have an impact. Would it stop a nuclear program alone? I do not think so. I have argued for a long time that the use of financial power and influence has to be part of a broader strategy of influence and leverage against the regime to bring them to the table and also to get them to stop movement toward a nuclear program.

Senator PERDUE. You are experts in this, both of you. Do you believe that they have to have enrichment capability in order to have a peaceful nuclear program in Iran?

Mr. NEPHEW. Absolutely not.

Mr. ZARATE. No. I am not a nuclear physicist, but my understanding——

Senator PERDUE. I know it is not your field.

Mr. ZARATE. But it raises an interesting point. You talk about that having been a concession up front. The other problem with the structure is we may be conceding Most Favored Nation status in terms of a sanctions regime. Again, this is part of my problem with the structure.

Given the structure, we are now allowing Iran a process and a vehicle to challenge the use of U.S. financial power and, oh, by the way, we put it in a context where the Chinese and the Russians, which are no fans of and not in favor of United States power, financial power, in particular, have a voice and a vote.

So I think the very structure of that is debilitating, not just with respect to Iran but more broadly to the use of our power for these other issues that we care about.

So it goes to this question of, have we given Iran Most Favored Nation status in terms of how we negotiated this deal?

Senator PERDUE. Mr. Chairman, I am out of time, but I want to echo Senator Menendez's point. I am very troubled by the side deals. I know that side deals are deals directly done between IAEA inspectors and individual countries as normal practice. This is not normal practice.

We are signing a deal for the future of America. And it assumes that those deals are part of this deal, the way I read this document. And in this document, those special deals are not mentioned. And I am really troubled that we are not going to be able to get the best advice from those people.

I just do not know how we can make a decision without that, frankly. I would encourage more pressure to be put on the IAEA to come before us to explain that. There may be very good explanations.

But when I hear the types of inspection processes that are going to be done at places like Parchin, which are not mentioned in this document at all, I am very troubled by that.

The CHAIRMAN. I think almost everything that has occurred in this committee since Chairman Menendez was chairman and I became chairman and Senator Cardin became ranking member has been done in a strong, bipartisan way. So we are going to craft a letter for everyone, if they wish, to sign that will be crafted in such a way that it will not hopefully affect anybody's sensibilities, urging them to reconsider that and to come before us next week. So that is under way right now.

Certainly, I would like everybody to have the opportunity to sign that, if they wish.

Senator SHAHEEN. Mr. Chairman, as long as we are making requests, I would also ask that we request a confidential, classified briefing by our intelligence agencies.

The CHAIRMAN. Okay, we will do that. I appreciate it.

Senator Coons.

Senator COONS. Thank you, Chairman Corker, Ranking Member Cardin. Thank you for the spirit in which you are conducting these hearings. I think they are vitally important, and I would associate myself with the previous conversations about the IAEA and their centrality to the enforcement of this, and the importance of our understanding of their roles and their capabilities. Some of the concerns that have been raised I think are very central to our understanding of this agreement.

Let me, if I might, gentlemen, just broadly touch on four different questions that I hope in the next 6 minutes we will get some response to.

You had a vigorous disagreement about the grandfathering clause and what it means. Will it lead to a gold rush? As long as they are not explicitly furthering of the sanctioned activity, contracts entered into will either be allowed to continue to perform or, no, what it means is you will not be subject to sanctions for having entered into an agreement.

I am a lawyer. Who decides the outcome of that dispute resolution? I have gotten both answers from folks in senior levels of this government, current and former. But the reality is this is an agree-

ment, and it is a multilateral agreement. There are inevitably going to be disputes over this exact provision. And it raises the larger question about the extent to which we can rely on our allies in dispute resolution and the potential consequences of our ability to actually, meaningfully enforce. First.

Second, Mr. Nephew, in a previous exchange, you were saying that a certain proposal involving sanctions was not the best policy response to restrain likely ongoing Iranian support for the Houthis, for Hezbollah, for Assad.

What is the best policy response? I think there is very legitimate concern by all of our regional allies that sanction relief, whether it is $50 billion or $100 billion, will lead to a significant flow of funds into the Iranian Central Bank and then out regionally to support folks who we view as terrorists and who are significant bad players in the region.

What would be the ideal policy response, whether sanctions, interdictions, or otherwise? If you were in a position to advise the administration, what would you do?

Third, and I think this is an important question, if we go it alone, if we reject this deal and we rely on U.S. economic power to reimpose sanctions and seek to renegotiate tougher terms, what are the consequences for our role in the global financial system?

The Chinese have made persistent efforts to suggest to others that our central role, the fact that the dollar is the reserve currency of the world system, the fact that the vast majority of financial transactions run through the United States, should be lessened or weakened.

What are the longer term consequences? Will our allies really support us? Can we use the enormous leverage we have effectively and sustain it over time?

And then last, any insights on the impact that those flows will have on Iran? Some suggest that the relief from sanctions they will overwhelmingly have to invest in restoring their own oil and gas sector. The oil sector has suffered a nearly 50 percent drop in the per-barrel price of oil over the last year. How will that influence their ability to finance and sustain what I think is their enduring commitment to promoting terrorism in the region and to being a destabilizing force and a determined opponent of our objectives in the region and the world?

So gentlemen, please, have fun.

Mr. NEPHEW. I will be quick, to leave time.

On the issue of grandfathering, sir, the decision on whether or not to impose sanctions with respect to the issue of grandfathering is with the United States. The United States gets to make the decision as to whether or not sanctions can be imposed under our own laws.

Now that does not mean, though, that we are not going to have response from our partners. If we were to go and sanction, BP, Total, a number of other institutions, I think we can expect a reaction from that.

So as we have done in previous instances, I imagine that there will be at least consultation and engagement with our partners, both to ensure that we deal with any particular concerns they have with the action as well as to protect our broader interests.

But that does not mean we cannot, as we did in 2010, curtail the activities of partner companies in Iran, including with regard to the oil and gas sector, which we did with the use of the Comprehensive Iran Sanctions, Accountability, and Divestment Act.

On going it alone, my view is that if we decide to reject this deal and just use our sanctions, we will have an effect, and we will have an effect on Iran. But I do not think it will be as strong, nearly as strong, as we would have if we had cooperation, particularly out of Europe.

Long term, I am very concerned about overuse of U.S. sanctions removing it as a tool. You spoke to the idea of the Chinese and others looking for alternative financial systems. That is my fear. My fear is that if we go it alone here, as well as in other circumstances, we may actually invalidate the tool of financial sanctions in the future because people will just create systems that do not have to involve us.

On the issue of flows in Iran and what they will do with them, my view is they will use a lot of them on domestic economic issues. As you pointed out, they have a lot of infrastructure problems there. I think that Rouhani was elected on the basis of solving those problems. He wants to be reelected.

More importantly, the Iranian system does not want to have instability and conflict on the inside. They are very concerned about things like Arab Spring and the color revolutions that happened in Eastern Europe. They don't want to see that happening in Iran. The way you deal with that is through domestic development at home.

That does not mean they will not support some amount of terrorism with some of these additional funds, but I think they will spend most of the money at home.

Very quick on the best policy response for the region, I think it needs to be a multifaceted approach involving targeted sanctions on individual bad actors and financial flows, but also it needs to be support such as weapons sales, logistical support, cooperation with partners in dealing with individual terrorist groups, and the broader regional security architecture.

But the solution cannot simply be just choke off all Iranian money and the problem is solved.

Senator COONS. Thank you.

Mr. ZARATE. Senator Coons, I will take them seriatim.

I think we run into a risk that the Joint Commission and the sanction subcommittee become the arbiters of how to interpret these sections, which by definition is kind of how it is set up. So I think we certainly can impose sanctions, but a lot of that then becomes subject to discourse and debate in that context.

Senator COONS. Would you try to find ways to prelitigate that question?

Mr. ZARATE. I think so. This is an important point, I think, for the Congress, which is, I think, gaining clarity on what this all means, to ensure—you are a lawyer, sir—that there is a meeting of the minds here among all parties as to how this is all actually going to work. You cannot figure out all permutations, of course. But some of these fundamental questions should be answered before we move into the agreement, because I think it gets harder

over time to either buck the agreement or to impose unilateral sanctions. I think we are in sort of the most effective and powerful position to actually determine how this goes and how it is shaped.

In some ways, it is how customary international law is created. You create the doctrine, the interpretive notes, et cetera, that explain how this is going to be applied. So I think that is right.

Otherwise, I think you create an incentive for Iran to do what Saddam Hussein did in the Oil for Food scandal. I helped chase down his assets on behalf of the Treasury Department when I was there.

What he did in the context of that sanctions regime was to pick winners and losers, in part for geopolitical and diplomatic shielding. So you have the potential here of the Iranians picking Chinese, Russians, perhaps a selection of other European allies on the ground who are going to have vested commercial interests in ensuring that this is interpreted the right way. So I think that is a real danger here.

In terms of strategy, just to repeat Richard's point, I think it has to be multifaceted. It has to involve interdictions. It has to involve strategic, targeted financial measures. It has to involve aggressive support to our proxies on the ground and our allies, which I think we failed to do from a counterterrorism perspective to date.

On another point, if we go it alone, I think, again, it is easier to do now than later, because, over time, the sanctions regime sort of melts away. But I think the reality is, and I have written about this, there are potential long-term consequences. The Russians and the Chinese are clearly trying to challenge and create alternate platforms, payment platforms, currency arrangements, trade arrangements, to circumvent the dollar and the United States markets.

On the margins, you talk to most experts, most Treasury officials, they will say this is marginally relevant. There will be other factors that really drive whether or not the United States is the principal economy and the dollar is the principal reserve currency around the world—rule of law, capital markets, the functionality of our Congress, for example. So all those things matter, perhaps, more.

Finally on the flows in Iran, I think we should take the Iranians at their word. They are going to support their proxies and allies. They have in the past. There is no question that the sanctions restrictions that we put in place for oil purposes, which Richard was a part of and this administration did a great job on, has impacted their ability to support Hezbollah, the Palestinian rejectionist groups, and their proxies.

They will, no doubt, and this is an expectation of folks like the secretary general of Hezbollah that they will receive more funding from Iran in the future as a result of the sanctions relief.

Senator COONS. Thank you, both. Thank you for your service.

The CHAIRMAN. Thank you.

Before turning to Senator Gardner, even though there may have been a little groundwork underway in advance, just for reporting back to New Hampshire as to your efficacy, the intel briefing will take place at 5 o'clock Monday. Okay. Thank you.

So, Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

And thank you to our witnesses today. I appreciate your time, service, and testimony.

Mr. Chairman, I wanted to clarify on the IAEA, they were offered both a setting such as this or a classified setting, is that correct?

The CHAIRMAN. Yes. In any form. And, again, I think based on what we know about Parchin, all of us would like to dig into that more. I know that these agreements, generally speaking, are between the country and the IAEA. But generally speaking, we are in sort of new territory here altogether. And so again, we will write a letter though for all of us to participate in trying to get them to change their mind.

Senator CARDIN. Mr. Chairman, if I might, just to clarify. In setting up with the chairman and our staffs how we would proceed with the review period, our staffs, Senator Corker and myself, all felt that information about the IAEA would be critically important and we should hear it directly from the IAEA. So from the beginning, it has been our hope that we could get direct communications with the IAEA.

We know there is confidentiality between the IAEA and the participating state. We know that. We understand that. We also understand that information is shared at times in a confidential way with other member states.

The United States, because of its separation of branches, it becomes a little more complicated.

So we made that request from the beginning. We do not know how much of that is under the control of our own government and how much is IAEA. And that has been one of the difficulties. There are two documents that we specifically requested that are confidential documents between Iran and the IAEA that we think are important for us to be able to see and review.

So it is not just a direct contact with the IAEA for our review, which would be done, I would believe, in a confidential setting because of the information we would have to get.

So we will continue to press for that, but it is an independent agency. It is not under the control of the U.S. Government.

Senator GARDNER. Thank you for that. Thank you to the ranking member for being a part of these and making sure that these hearings are successfully completed.

I think it is important that we have that opportunity to hear. And I cannot imagine anybody, regardless of where you are in the government, would be opposed to us hearing the full details of the agreement. I think that is important.

In the meantime, Mr. Chairman, perhaps if the IAEA is unavailable, maybe we hear from Olli Heinonen, who was a deputy at the IAEA. I know he has testified in the House, I believe, and I think our witnesses yesterday mentioned some of the comments he made about the agreement.

The CHAIRMAN. We have experts in and out of our office nonstop. And we have had him in. But the problem is, he has not seen the agreement. So that is problematic.

Senator GARDNER. I understand. Thank you, Mr. Chairman. And thank you for that.

Turning to Mr. Zarate, I have a question for you. Under the terms of the nuclear agreement, we talked a lot at the hearing with Secretary Lew about some of the individuals, some of the businesses that were dedesignated, delisted. And one of the companies that is set to be delisted is controlled by the Supreme Leader Khamenei. It was designated in 2013. It is known as the EIKO, which is a group of companies. It includes Rey Investment Company, Parsian Bank, Karafarin Bank, and Tadbir Group, which is their investment arm on the Tehran stock exchange.

This EIKO was originally listed in 2013 under Executive Order 13599, which was not a nuclear-related sanction, but it was a sanction addressing deceptive financial practices and the risk that they pose to the integrity of the international financial system.

In 2013, the U.S. Treasury designated them, along with 37 subsidiaries, stating that they continued to generate and control massive off-the-books investments shielded from the view of the Iranian people and international regulators. That happened in 2013.

We have also talked about the amount of money that will be freed up to Iran. It has been characterized being between $100 billion to $150 billion. Secretary Lew spent time at the hearing last week talking about how that number may be around $55 billion or $56 billion, not $100 billion.

But I guess I wanted to hear from you, Mr. Zarate, what in your view is the purpose of delisting these entities? And from Reuters' studies and others, we know that EIKO has $95 billion worth of assets, and they are coming off of this list. There may be some sanctions the United States will maintain to be in place against them directly. But $52 billion in a real estate portfolio, $3.4 billion in publicly traded companies and more. So $95 billion.

Should that $95 billion that will be freed up, it looks like, be included in the $100 billion to $150 billion figure, or the $56 billion figure that will be an impact to Iran's economy up front?

Mr. ZARATE. Senator, you raise a great question. Because EIKO and other elements of the first tranche of delisting after implementation day do present this risk and this challenge, which is they may have had elements that support dimensions of the nuclear program. Some of them may have been captured by some of the nuclear executive orders. But others had other problems attendant to them that were making them subject to these sanctions and these other financial, what I call preventive measures, given the risks to the international financial system.

I think this is a fundamental challenge for how we have constructed the unwinding, because in some ways, we have given up on much of the underlying conduct that we have worried about in terms of what these entities, owned and controlled by the regime and various elements, are able to do in the international financial system. And I think, unfortunately, what I see as the sort of blunt unwinding tranches here is really part and parcel of what is stated as the intent of the JCPOA, which is the normalization of trade and economic activity with Iran.

Now I want this deal to work. I do not want to be sort of perceived as throwing stones at this, because this is incredibly hard. And the unwinding of the sanctions, which is the most significant sanctions regime out there, is incredibly difficult.

But I think what we have done with precisely the example you described and others, Bank Sepah is another good example, is we have thrown them into the lot of unwinding without having the Iranians contend with the underlying conduct that is still a risk to the international financial system and our national security.

Again, this is why I worry that, you know, viewed in maximalist terms, we have given Iran a get out of jail free card on some of these underlying issues. Again, I have been critical of even my own administration, our own actions, when I was at the Treasury and at the White House. What we did in 2005, 2006, to let up too early on our financial leverage against North Korea, not forcing the North Koreans to deal with the underlying conduct, and stopping further financial and commercial isolation on the back of a nuclear deal, that was a mistake. And I said so, and I have written about it. I think it was a mistake at the time, and I still think so.

So I do not think we should repeat those mistakes and ignore the underlying conduct that still presents a real risk to our national security.

Senator GARDNER. I think EIKO, one of the businesses the supreme leader has control through this group are assets in Europe that include a German factory with advanced dual-use machinery that Iran needs for indigenous production of centrifuges. And under the lifting of sanctions, they would be able to put money into that. Is that correct?

Mr. ZARATE. That is right. And the other challenge is that, given how we have defined not only the unwinding but "nuclear-related" sanctions, I put that in quotes, we have included elements of proliferation and dual use and even missile trade that is still of concern and still is subject to other sanctions. So we have in some ways ensconced and embedded in here a very broad definition of what we are calling nuclear sanctions, which then affects the rest of the implementation of the deal.

Senator GARDNER. Thank you, Mr. Chairman. I need to go vote on the Energy Committee, so I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

And I thank both witnesses for your testimony today.

Let us assume the deal is approved. We go forward under the deal. What do you think the United States needs to do to ensure the snapback option remains a legitimate threat for Iran for breaking the agreement? And how can we work with the P5+1 to ensure we have international buy-in for the use of these kinds of sanctions, if needed?

Mr. NEPHEW. Senator, my view, again, remains that context is important. So I believe so long as we are insisting on very tough verification and interrogation of any incidents of even modest violations of the terms of the deal, and we respond to them directly, both in the joint commission and dispute process, including through even potential more modest sanction snapback for those more minor violations, that we can address the broader issue of snapback.

The bottom line is the Iranians need to understand that we will respond at all times. And this starts by continuously monitoring

the program, prompting and challenging them when we see things that are inconsistent with the terms of the deal or that cause us to question, and vigorously question, using the dispute process that we have put in terms of the deal.

We have to do that with a high level of attention, and we need to do that with rigorous enforcement and monitoring.

Senator UDALL. Mr. Zarate.

Mr. ZARATE. Senator, I think Congress has a role to play here, because I think Congress can put in place measures that makes it very clear, not just to the negotiating parties but also the private sector, that there are going to be sanctions and sanctions provisions that are potentially brought to bear if there is evidence and suggestions of illicit Iranian activity.

So creating a sanctions framework where Congress itself shapes the environment and shapes expectations around how the international community may view doing business with the IRGC or Quds Force or the intelligence services, that actually I think could be incredibly helpful.

This grandfathering provision, getting clarity on that, I think is really important and will shape the marketplace.

And then to Richard's point, enforcing the elements of the deal quickly and often and demonstrably I think will be critical.

Senator UDALL. One of the things that I think your testimony that I heard this morning highlights is that there definitely is a role for Congress to play. You have the approval or disapproval of the agreement, but if you move forward on the agreement, there is a role for Congress to play in order to strengthen it, to bring transparency, to plug holes that occur that we do not think are going to be there. Would you agree with that?

Mr. ZARATE. Absolutely. Whether or not you agree with the deal, I think Congress has a role to play in clarifying the deal, maintaining our power, and ensuring that it is executed properly to deal with the risks that are very real, deal or no deal.

Senator UDALL. Mr. Nephew.

Mr. NEPHEW. Senator, I would agree as well.

Senator UDALL. There have been concerns about what happens at year 10, year 15, year 20, under the deal. What are your thoughts on these sunset provisions? And do you think the existence of a sunset is reason enough to reject the deal?

Mr. NEPHEW. Senator, I do not. I do not believe there is any arms control arrangement that is either possible or has been achieved thus far that does not include sunset. Even the original NPT included a sunset. We had to get it extended permanently in the mid-1990s only after demonstrating it had been working for so long.

So the idea that a country would voluntarily renounce its nuclear program in perpetuity I do not think was ever credible.

Mr. ZARATE. I think one element of the sunset provision that is problematic and, certainly, does not match with the 15-year timetable and the presumption of the peaceful nature of the Iranian regime is the cessation of Chapter 7 obligations and scrutiny by the U.N. at year 10.

Again, I am a bit more skeptical and I think we should be presumptive of ill intent on the part of the Iranians, or at least an in-

tent to incrementally push the envelope in terms of what they are able to do in terms of an overt or covert nuclear weapons program. So I think that in and of itself is problematic.

To Richard's point, sunset provisions are a part of the international legal landscape. But I think in this case, we are dealing with a unique circumstance. We are dealing with high risk. And we are dealing with a suspect party that was subject to a number of Security Council resolutions that assumed that they were a suspect party.

Senator UDALL. Thank you, both.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

And just as clarification, how would we appropriately understand the grandfather issue? In other words, if we wanted clarification, as we talk with people, we have various opinions, and obviously we are in the selling mode at this moment, how would we best clarify that issue? What would be the responsible way for us to know what the grandfather or nongrandfather clause truly means, in advance of voting?

Mr. ZARATE. It is a great question. I have thought about it a little bit but perhaps not enough. So with that caveat, I will think out loud a little bit, if that is okay, Chairman Corker.

One is Congress can lay out what you think it is and have people push back and reshape the definition. So a letter from the Senate or this committee proclaiming what it deems this to be actually has some impact and would force open reaction.

Secondly, asking for in writing the interpretation from the various parties to the agreement, in particular our allies. How do they interpret this deal, and how are they going to enforce it?

Third, I would suggest that the Treasury Department is going to have to have a role in clarifying how the sanctions unwinding is going to play out. So as part of that regulatory process, they are probably going to have to put out interpretive notes or other regulatory guidance. And so it is probably in that context that the administration is going to have to be incredibly clear, I hope, for the marketplace to then determine.

So those are three ways that I can think of off the top of my head that might help.

The CHAIRMAN. Thank you very much.

Senator Isakson.

Senator ISAKSON. Thank you, Mr. Chairman. I appreciate the issues you and the ranking member have raised on the IAEA.

And, Senator Menendez, I agree with you entirely and associate with your remarks.

I am not a nuclear scientist and certainly not an expert in this subject. I was, however, a real estate broker for 33 years and negotiated a lot of deals. And I have run for office 17 times.

When you run for office, you get to a point where if you are in the final two, there is a frontrunner and there is a challenger. I have been both at one time or another. But eventually, the press wants to challenge both of you to a debate toward the end of the campaign. And so you appoint your best guy to go negotiate your position on the debate. They appoint their best guy. They negotiate whether you are sitting or standing, whether you talk in English

or French, whatever it might be, whether you can have a prop or anything else.

It appears to me that the Iranians negotiated a lot of wiggle room in this agreement for them to do a lot of nefarious things if they wanted to. I think there is a paragraph in your testimony where it says, the problematic construct is Iran is a coequal, which really illustrates what I am talking about.

As I understand it, and I want Mr. Zarate to correct me if I am wrong, if somebody challenges the Iranians to an inspection over a suspected violation of the agreement, they first of all can question, reject, and stall any challenge they want to. They can interrogate the people making the request. They can object to the reimposition of sanctions. And they can appeal anything they want to to the joint commission, which they sit on.

Am I reading that correctly?

Mr. ZARATE. Yes, sir. That is my reading as well.

Senator ISAKSON. So not only is there a potential 24-day period of time for due diligence to get to an inspection by the IAEA, which by contract cannot include an American inspector, but there is an additional way to do rope-a-dope for an extended period of time to keep that inspection from taking place. Am I correct?

Mr. ZARATE. Yes, Senator. And there have been other experts who have done analysis, and, certainly, Richard can comment on this as well, as to how many days that really means. And it means more, certainly, than 24 days, given the potential for stall and the potential for challenge.

Of course, what has been negotiated in the letter of the JCPOA is the right of Iran to walk away. So they get the ultimate, what has been called the nuclear snapback by my colleague Mark Dubowitz, what I call it the heckler's veto. Whatever you call it, they get sort of the ultimate sanction here, which is, they get to start a nuclear program if they don't like it.

Senator ISAKSON. Well, Senator Perdue, when he read part of the opening preamble to the agreement, where the Iranians say they will not develop a nuclear weapon, but from the day that JCPOA is signed, there is a glide path for them to eventually get to a position where they can. It may be as long as 15 years, in the most strict interpretation, or 8.5 in the most liberal interpretation. But either way, you take that combined with the wiggle room they have negotiated with the joint commission where you can make the appeal or other things, you give them a glide path to being able to have a nuclear weapon.

Which is why when the chairman asked the question yesterday about is there an alternative to agreeing to the deal or war, there should be, because we need to reclaim some of the equality we ought to have in standing in this agreement once it is signed. There will be bumps and bruises. The Iranians have negotiated a lot of excellent little rat holes for them to run into if something pops up, but we are pretty much exposed.

I want to just call everybody's attention to one other thing Mr. Zarate put in his testimony, and that is paragraph 29 of the preface of the entire agreement, where it says the EU and its member states and the United States of America consistent with their respective laws will refrain from any policies specifically intended to

directly and adversely affect the normalization of trade and economic relations with Iran inconsistent with their commitments not to undermine the successful implementation of the JCPOA.

So it looks like from the beginning there is a speed bump for all of us to be able to have any snapback, reimposition of sanctions, or any other economic tool we want to use, if we suspect the Iranians have violated the agreement. Is that correct?

Mr. ZARATE. That is right, Senator. The reason I highlight that paragraph is that I think it is essential, because it reinforces and illuminates what the intent of the deal is for Iran, which makes sense. They want reintegration into the international financial and global order.

What I am arguing, though, and it is important, is that the reason these sanctions have been so darn effective post-9/11—a regime that has been subject to sanctions for three decades has come to the table. Why? Because they were unplugged from the global financial and commercial system.

We messed with, we interfered, we interrupted their very trade and economy.

My point is, if we want to preserve that power moving forward for terrorism, human rights, support to Assad, proliferation, and the rest, we may have just negotiated away the effective use of those kinds of measures. And that was the point of that portion of my testimony.

Senator ISAKSON. That was my point, because we all know what got them to the table to negotiate with us. It was not that they liked us or respected us, but that we were squeezing them. They were calling "uncle."

When they got to the table to negotiate from day 1, the construct of it brought them up to be a coequal with the United States when, in fact, it was our power and leverage that brought them there in the first place. That is what concerns me so much about the way in which the negotiations ended up.

We have raised and elevated their stature and their position, and given them various windows along the way to be able to violate exactly what they promised in the preamble, which is to not develop a nuclear weapon.

Thank you very much to both of you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Shaheen.

Am I out of order? You all can politely decide.

Senator SHAHEEN. Go ahead.

Senator KAINE. Thank you, Senator Shaheen. Thank you, Mr. Chairman. And thanks to the witnesses.

Mr. Zarate, since I last saw you, I have not finished reading "Treasury's War," but I have enjoyed reading it. I would commend all to read the book he's written about the really significant advance on how Treasury has been an implement of our foreign policy with sanctions and applying them the right way. It is a wonderful book.

Mr. ZARATE. Thank you very much, Senator. I appreciate that.

Senator KAINE. Three points. So I agree with the comment that Senator Menendez made following up on the chair and ranking

about IAEA and the needing to dig more into their situation, whether it be agreements they may have with Iran as they do with other NPT members or just to get a comfort level with how they inspect. But I do not want to leave this room with an unstated, what I think would be an inaccurate impression that we do not trust the IAEA or they do not know what they are doing.

If I can, just to remind everybody of a painful history, in March 2003, the IAEA issued an opinion that they said: To date, the IAEA has found no evidence or plausible indication of the revival of a nuclear weapons program in Iraq.

That was in March 2003. The administration at that time immediately jumped out, trashed the IAEA, said they were wrong, and said that the United States needed to initiate a war that has proven highly costly in American lives, in treasure, in instability in the region, because the administration said, no, we have better intel. They do have a program of weapons of mass destruction and nuclear weapons. We need to worry about the mushroom cloud, and we need to begin this war because they will not disarm.

The IAEA was right. The United States was wrong. And there was a significant generation-altering consequence of that.

So I completely get the notion that we want to dig in to what the IAEA is going to do on this. I do not want to leave this room with the impression that the IAEA has not demonstrated their chops.

The IAEA has not been perfect either. There were weaknesses in the North Korean negotiation, especially with respect to North Korean covert programs. But the IAEA and the international community went back to add the additional protocol that Iran is obligated under this deal to ratify in year 8 to fix challenges.

So let us not leave the impression that the IAEA does not know what they are doing, because in one of the most critical decisions that we have made as a Nation in our foreign policy history, we trashed their conclusions. They were right. We were wrong. And a war that should never have been started, that is an editorial opinion, was the result.

Senator MENENDEZ. Would the Senator yield, just very briefly?

Senator KAINE. Yes.

Senator MENENDEZ. I do not want you to think—I do not know if you are referring to my comments.

Senator KAINE. Actually, no, not you, Senator.

Senator MENENDEZ. Okay, fine, because I agree, except that I want to know what they are going to do and do they have the wherewithal, financially and otherwise.

Senator KAINE. I agree. Actually, your point is very good. The agreement says they will put between 130 and 150 inspectors into Iran to carry out inspections. Do they have the financial ability to do that? I think that is critical.

But I was worried that there was an unstated point, and I wanted to clarify that.

I think you both hinted at this but I want to ask your opinion on this statement. I was intrigued. I was going back, as part of understanding this deal, trying to understand the status quo ante before negotiations started in November 2013 or before the public phase of the JPOA began. I went back and I looked at the speech

that Prime Minister Netanyahu gave to the U.N. in September 2012.

He had a quote that I thought was interesting: Seven years of international sanctions have hurt Iran's economy, but let us be honest, they have not stopped Iran's nuclear program.

I think the evidence suggests that the sanctions have been incredibly effective in hurting Iran's economy and getting them to the table to negotiate. Certainly, the congressional sanctions have been at the core of it, but also the international sanctions and the compliance of all allies in that.

However, I think the Prime Minister was honest, and I think as you look at the data, it would suggest that the sanctions did not stop Iran's nuclear development. In some way, because of a resistance mentality or a defiance mentality, the sanctions may have accelerated centrifuge development to 19,000, enriched uranium development to 11,000 to 12,000 kilograms, the enrichment level to 20 percent, the progress on the Iraq plutonium reactor.

But I was just curious, do you share that opinion? Did sanctions slow down Iran's nuclear program?

Mr. NEPHEW. Senator, I would say that sanctions did have an impact, in terms of Iranian supply and procurement efforts. It caused difficulties.

But I think your point is exactly right. If you look at the end of the 2011, Iran had about 9,000 installed centrifuges. At the end of 2013, they had 20,000 installed centrifuges. This is while our sanctions were as intense as they possibly could have been, given oil prices and so forth.

My view is that sanctions were always a means to an end. The end was a diplomatic outcome that probably was not the end of the Iranian nuclear program but was putting it under significant restraints and very aggressive monitoring.

Senator KAINE. Mr. Zarate.

Mr. ZARATE. Senator, again, thank you for your kind remarks.

I think you are right. I do not think sanctions were a silver bullet here or were ever going to be a silver bullet. I have argued that we needed multiple points of leverage. I think it is important to keep in mind that sanctions have multiple purposes.

To Richard's point, they can throw sand in the gears of what a country is trying to do, or a transnational organization. It can help deter actors willing to act with sanctioned parties. And it can ultimately hopefully change behavior and policy.

I think the reality is the Iranians were brought to the table because of the sanctions, but they were also facing the reality of internal economic mismanagement, demographics that were not conducive to regime stability, and, I would argue, the ghost of the Green Movement. Even though they were able to crush it in its infancy, the very threat to the regime of internal instability, in combination with that external pressure, I think is really what drove President Rouhani and his team back to the table.

So you are absolutely right. Sanctions alone were not going to do it. But sanctions were a necessary element to getting them to the table.

Senator KAINE. The reason I ask about your thoughts about the Prime Minister's statement is this is a risk analysis, a very com-

plicated one, where every option has both some predictable upsides and downsides, and then some unpredictable upsides and downsides.

One of the alternatives we have to contemplate is if we walk away from a deal and we think that reimposing sanctions, now assuming we can get the international partners to completely go along, and I think that is a big assumption, but reimposing sanctions, getting everybody to go along, is going to lead to a better deal. It could lead to a better deal. It could also lead to the same kind of acceleration.

I think in that same speech, the Prime Minister said they are just months away from crossing the nuclear threshold.

Now the critique is, in 15 years, they could be months away from crossing the nuclear threshold. I think even some of the critics' critique of the deal acknowledged that the deal has moved the needle.

But sanctions could get us a better deal. They could. Sanctions could also lead to an acceleration of an Iranian nuclear program that could put us in a worse position.

Actually, we might assign different percentages to that, but we are dealing with, again, some upside risks and some downside risks, and some are known and some are unknown. This is a very complicated analysis, for that reason.

Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. And thanks for that line of questioning.

Just to further clarify the IAEA situation, we can reach out and talk to former people nonstop to get a comparison between the inspection regime that is going to take place in Iran versus the ones that have taken place in other places. I know the Secretary of State mentioned this is by far the best we have ever had. I think most people dispute that. The one you are talking about in Iraq was actually a much better inspection regime. Much better.

I know the other day in his testimony he tried to—well, he twisted around, I do not know if that was what he was trying to do, indicate that we had a lot of eyes on the ground when we invaded, but that is not what I was talking about. It is back in the 2003 timeframe.

And the ability to go anywhere, anyplace, was much better with Iraq than exists with this. I think that is all the more reason that we need to get them in to understand.

At least, let me say this, the elements we know thus far—about Parchin, certainly—is much better, and the "anywhere, anytime" inspection that has been alluded to that could be 24 days, it could be 74 days, is very different than what we had in Iraq.

Senator KAINE. If I could, you are absolutely right. But we purchased those better inspections with a war. We got the significant inspections of Iraq as a result of gulf war 1.

So I do not want to have to go to war to get a slightly better inspection regime. I want this regime to be as strong as it can be.

The CHAIRMAN. Yes, I do not know. That is sort of a non sequitur to me. But I got it.

Senator Rubio.

Senator RUBIO. Thank you. I actually want to continue on that point, because the choice before us was two things.

On one hand was to continue with what we thought was the strategy, which are international sanctions that had an impact on Iran's economy. They continued to make progress in their enrichment capabilities and so forth. But it was the combination of international sanctions and the threat of credible military force, which no one wants to talk about, but that was on the table. The President has said that, if it came down to it, that the United States would do that if it were necessary. Versus what we have now, which is a deal that basically argues what this will do is, if they comply with it, it will slow them down. And in 10 years, if they want to breakout, it buys us 10 years of time, assuming everybody complies with everything.

Here is my problem with that analysis. My problem with it is, in 8 to 10 years, which sounds like a long time to all of us here, it is nothing. Ten years goes very quickly. And that is if we are optimistic.

In 10 years, Iran will be in a much stronger position. In fact, I think in 10 years, they will be immune from international pressure compared to where they are today.

Here is why. First of all, they are going to use the sanctions relief and the billions of dollars that it frees up, and I know everybody wants to believe they are going to invest in hospitals and roads and social services in order to win their next election. I promise you they are going to win their next election. I do not think they are worried about that as much as they are about their need? For example, they are going to get to modernize their enrichment capability into a 21st century industrial system.

It actually falls right in line with the mandate that the supreme leader, I believe, gave his negotiators, which is do not agree to anything that is irreversible. Go as far as you need to go to get the sanctions removed, but do not agree to anything that is irreversible.

So they will have less centrifuges but they will be better ones. They will be modernized. And they will retain that infrastructure, which is the hardest part of any nuclear program, the infrastructure, the hardware that it takes to do it.

But here is what else they will continue to do. They are going to continue to build their conventional capabilities. We do not think about that enough, but Iran in 10 years will have conventional capabilities, maybe less, that could potentially drive us out of the Persian Gulf and the Strait of Hormuz, because the price of being there will be too high. They can buy Chinese asymmetrical capabilities that allow them to kill ships, add to the fast boats things that they have been able to come up with that can threaten an aircraft carrier. They are going to continue build long-range rockets.

Why are you building a lock-range rocket, an ICBM? Are they going to put a man on the moon? No. They are building it for purposes of targeting the continental United States. And they look at North Korea and say, yes, the North Koreans have a long-range rocket. We do not know whether it is going to hit, because they are not very good yet at guidance, but it will hit somewhere, like the

West Coast of the United States. That alone has made North Korea immune.

And they are going to continue to build up their surrogates in the region, which I would argue already, even now before sanctions relief, has given Iran tremendous leverage over U.S. policy.

As an example, Iran has laid out some pretty clear redlines. They are going to hold back the Shia militia in Iraq from attacking American troops or going after Americans. They will agree to hold them back if we do not cross certain redlines that they have made very clear.

What are their redlines? For starters, they do not want to see any United States combat troops in Iraq. And if we make any moves toward any sort of permanent presence in Iraq in the future, we are going to get attacked by Shia militias at their orders.

They do not want to see us take any concrete steps to remove Assad from power. If they see us moving toward getting Assad out of power, we are going to get hit by their surrogate groups in the region, including Hezbollah and the Shia militia.

If we take steps to try to help put in place an Iraqi Government that actually unifies that country and is not a puppet of Iran, not to mention one that may actually be hostile toward Iran's ambitions in the region, they are going to attack us.

So they already have leverage over our policy. Now extrapolate that 8 to 10 years from now when their conventional forces are higher, when these groups are better armed, when Hezbollah in a couple years does not have just rockets, they have guided rockets, guided missiles, that do not just hit somewhere in Israel, hit exactly what they want to hit.

So imagine a world in 10 years where Iran decides, or 8 years or 12 years, where they just decide, you know what? We are building a nuclear weapon because we believe Israel has one or because we think someone else is going to threaten us.

What can the world do then? Well, then reimposing sanctions really will not be an option at that point because all these companies that are deeply invested in that economy just will not let their nations, their governments do anything about it. We have already seen that in the case of the Europeans.

But what will the price be of actually going after their systems? It will be worse than the price of going after North Korea now.

Do we have a credible military option today to target the North Koreans' program? We do not. We do not because we know that the price of going after the North Korean program, through a credible military option, the price of that is Tokyo. The price of that is Seoul. The price of that is Hawaii. They will hit us back.

Imagine Iran where the price of going after the Iranian program in 10 years, if they decide to break out, will be Washington, DC, or New York City, not to mention Tel Aviv and Jerusalem and any number of places in the region that are our allies.

So my argument is that, in fact, what I think we have done here is walked right into the situation they wanted to lay out. They did not want a nuclear weapon next week anyway. But we have created a system where in 8 to 10 years, they will have the capability to quickly walk into the nuclear weapons club, not sneak in, walk in to the nuclear weapons club with a world-class industrial enrich-

ment capability, a much more powerful conventional force capable of actually asymmetrically driving our Navy from the region or further out, and, quite frankly, immune from any sort of credible military action because if we attack them, the price is going to be a nuclear devastating strike, potentially even on the continental United States.

So my point is that when people vote on the deal in a few weeks, you are going to live with this for the rest of your life. In 10 years, 12 years, when Iran has a nuclear weapon and we cannot target them, people are going to remember this vote that is coming up and this deal as what laid the groundwork for it.

I keep hearing this notion there is no other alternative or way forward. I disagree. I believe U.S. sanctions are the most important part of all the sanctions. I believe that these banks in Europe, German banks, whatever banks may be, if they were forced to choose between having access to the American economy and access to the Iranian economy, that is not going to be a hard choice for them.

I know there is not a question embedded in any of this, other than, I guess, Mr. Zarate, in the 30 seconds I have left, I would ask you, do you have any doubt that when the sanctions are removed and the billions of dollars flow in that a significant percentage of that money will be used for the things I just outlined, to develop long-range rockets, to develop their conventional capabilities, and to better equip their surrogate groups in the region?

Mr. ZARATE. Senator, I do not know what the percentage will be, but this is a regime that is already investing in those capabilities, has already increased its budget allocation for the IRGC that could forge other elements of its security infrastructure. There is no doubt in my mind that they are going to use some of the relief and the actual flow of capital to support their proxies, as I said in my testimony, from the Golan to Yemen.

There is no doubt in my mind. I do not know what the percentage is going to be. But it is going to be significant.

The CHAIRMAN. Thank you.

I do not have additional questions, but I think other members may, and we would be glad to entertain those for a moment.

I do not want to let the war thing hang, though. I hope you are not trying to indicate that there are some of us who would like to see a war.

Senator KAINE. No. Actually, let me be real clear what I meant about that, Mr. Chair, if you do not mind.

You are absolutely right. The inspections in Iraq were the gold standard. This deal is not at that level. But the inspections in Iraq flowed from our winning gulf war 1. So there was a war we won. And then it set a pattern of an inspections regime in Iraq that we then used the intel from the inspections to bomb Iraq in the late 1990s.

But there was a war that led to this super-comprehensive inspection regime.

It is not a comment upon what anybody——

The CHAIRMAN. I do not think anyone here is interested in that. I would say, just in response, that I think we all know from the meetings that we have had that Iran has never thought that the threat of force was real in recent times. And I hope we do not get

to that. And I think that is what we are all trying to assess right now: is this an agreement that keeps us from that?

But I might say, because they never thought that to be a threat, maybe that is the reason they purchased something that is, certainly, at a minimum, not near as good as what we had in the past. Maybe.

But, Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

When I passed to Senator Kaine it was not because I did not have questions. It was because he was first. And having started out at the end of the row here, I appreciate how challenging it is when somebody comes in with more seniority and bumps your questioning.

Thank you both for being here.

Senator Rubio presented a fairly stark, doomsday scenario, in his time. And I just want to go back and see if I can clarify a couple things with respect to what he said.

First of all, does this agreement in any way affect our ability to take any military action in Iran should we choose to do so?

Mr. Nephew.

Mr. NEPHEW. Senator, no, it does not.

Senator SHAHEEN. Mr. Zarate, do you agree with that?

Mr. ZARATE. I do, Senator.

Senator SHAHEEN. Are you both in agreement with what I understand to be the intelligence assessments that today, before we enter into this agreement, that Iran is 2 to 3 months away from breakout to build a nuclear weapon, should they choose to do that?

Mr. Nephew.

Mr. NEPHEW. Senator, that is my understanding, 2 to 3 months.

Senator SHAHEEN. Mr. Zarate.

Mr. ZARATE. Senator, I have not seen the recent estimates, but that is my general understanding, based on what has been published.

Senator SHAHEEN. It is also my understanding, again, based on estimates that I have seen, that should we enter into this agreement, at the end of the 10-year time period that Iran will be between 8 and 12 months away from building a nuclear weapon? Is that your understanding?

Mr. NEPHEW. Yes, Senator, that is my understanding.

Senator SHAHEEN. Mr. Zarate.

Mr. ZARATE. Yes, Senator. But at the end of the restrictions, Iran can quickly shrink that timetable back to 2 months or even sooner.

Senator SHAHEEN. And they will be able to shrink that timetable because they already have an enrichment program, and they have built or are in the process of building a plutonium program at the Arak site because of the work that they are doing right now, not because of what they are going to be able to do over the next 10-year time period. Is that your understanding?

Mr. ZARATE. That is. But it also the case they are likely going to be able to accelerate their activities given the modernization, in particular, around the centrifuge program and the enrichment.

Senator SHAHEEN. That is actually not my understanding, based on the testimony from Secretary Moniz.

But, Mr. Nephew.

Mr. NEPHEW. Senator, my understanding is that, from years 10 to 15, the Iranians are still going to be constrained with respect to their research and development activities, as well as the uranium stockpile. Furthermore, the Arak plutonium path is going to be even more closed down since they cannot do any of that.

So my understanding is that, as of year 15, we are still going to be in that 6 to 8 month timeframe for the uranium breakout, but we are going to be years and years away from a plutonium-based bomb.

Senator SHAHEEN. And you agree?

Mr. ZARATE. I was referring to uranium enrichment, not the plutonium capabilities.

Senator SHAHEEN. So I want to go back and see if I can understand. There has been some suggestion that one of the challenges with relying on the IAEA is that the United States would not have inspectors on the ground as part of those activities. Are there other agreements that we have entered into where we have inspectors on the ground? And can you describe those, Mr. Nephew?

Mr. NEPHEW. So I am aware of some, things like, for instance, bilateral arms control efforts with the Soviet Union. You had inspectors from the United States. And Soviet inspectors came here, and when it became Russia, obviously Russians. But again, there were restrictions and constraints placed upon those inspections because there were national security interests involved there.

From the Iranian perspective, my understanding is that they have concerns with Americans tromping around their military sites. I think from their perspective there is reason to be concerned. But I do not think that should imply we will not have access to information from those inspections. The IAEA will be asked to provide reports and information, both to the members of P5+1, of which we are one, and the IAEA Board of Governors, of which we are one.

Senator SHAHEEN. And with respect to our activities in Russia, since you gave that example, and with respect to Iran, we will also continue to have intelligence assessments about activities going on there; is that correct?

Mr. NEPHEW. Absolutely. I think it will still be one of the most watched targets in the U.S. intelligence community.

Senator SHAHEEN. Thank you.

I want to go now to the sanctions question, because you all have testified, and I think I have heard this at every hearing that I have been in, that it is more likely that if we agree to the negotiated JCPOA, that Iran would most likely violate that in an incremental way rather than in a flagrant way. And, therefore, as you testified, Mr. Nephew, that the situational challenge will be how we respond to that and how we get the international community to go along with us in our response.

So you both mentioned several other incremental options with respect to sanctions and other disincentives that we could engage in with Iran. And I wonder if I could get you to talk a little bit more about that.

Mr. Nephew, do you want to start, and then Mr. Zarate.

Mr. NEPHEW. Sure. I believe, at base principles, we still have the ability to impose sanctions with respect to particular bad conduct.

Now, the terms of the deal require us to go through this dispute process to engage Iran on the terms of its violation.

If it is a valve that is out of place, we may not wish to impose draconian sanctions for that or sanctions at all. Instead, there may be other restrictions that are imposed on Iran as a result of that violation.

Senator SHAHEEN. Like what?

Mr. NEPHEW. Additional monitoring, for instance. If a valve is found out of place, then it might be because the monitoring regime is not sufficient. So in my opinion, you can use the dispute process to tailor further the deal to make sure you do not have those problems in the future.

But overall, if you have violation upon violation, it can become ticky-tack with lots of little ones that add up. Frankly, then you may believe that Iran is trying to systematically undermine the deal, which may push you in a direction of more aggressive sanctions response options.

Senator SHAHEEN. Mr. Zarate.

Mr. ZARATE. Senator, I think there are a variety of things you could do. Certainly, unilaterally, you could impose a different type of sanctions. If the snapback had an element of tailored snapback as opposed to blunt snapback, potentially that is one way of dealing with relatively minor yet material infractions.

I think the bigger question is going to be systematically how infractions are viewed. Will they be viewed as Iran really trying to cheat? Or is it simply Iran being Iran, pushing the envelope? I think that is going to be the biggest challenge, because I think those who do not want the deal to fail, and certainly may have commercial interests, et cetera, will make the assumption that these are forgivable offenses. Those that are more suspicious of Iran, obviously, will see these as just the tip of the iceberg reflecting what Iran may or may not be doing covertly, for example.

So I think how all those delicts and infractions are viewed actually in toto becomes really important.

Senator SHAHEEN. Can I continue?

The CHAIRMAN. Sure.

Senator SHAHEEN. My time is expired.

The CHAIRMAN. You already have had such an impact on things with the intel briefing, we need to let you go ahead.

Senator SHAHEEN. All right. Good. Thank you.

So if you are going to divide the P5+1, so negotiators who are party to this agreement, would you put certain of them in one camp, people who think Iran is looking to violate the deal, and people who think we want to give them some slack on these things? And how would you divide that out? And then what options would we have as we are looking at those partners in negotiation to try to bring them around to our point of view?

Mr. NEPHEW. Senator, I think I would say this: I think every party to the P5+1 wants to see the deal work. I think that they would treat any violation as being a potentially serious one.

Now, on the one hand, if it is a valve issue, we will probably react more seriously to that than, for instance, Russia would. But I think a real, very substantial, significant violation of the deal

would be as big a problem for the Russians and the Chinese as it would be for the P5+1.

I think, ultimately, again, it will come down to the context of the violation and what we are suggesting in response. If we are able to be proportional and reasonable and serious about how we are handling this, I think the P5+1 will stay together.

Senator SHAHEEN. Do you agree?

Mr. ZARATE. Senator, I have a slightly different view, in part because I think there is a question of how the nuclear program and Iran are viewed in the context of the negotiation.

And Richard is right. Everyone wants the deal to work.

But then there are other geopolitical factors that I think create gradations among the negotiating parties. One of the gradations is actually how willing the parties are to allow sanctions to be used effectively, is the way I would put it. I would put China and Russia in the camp where they certainly do not want to see the effective use of sanctions wantonly. And they certainly do not want to encourage the United States to use these powers effectively.

And I think that is a real challenge in terms of the sanction framework.

Senator SHAHEEN. Excuse me for interrupting, but on the other hand, they have been effectively working with the United States in terms of imposing those sanctions on Iran. Is that not the case?

Mr. ZARATE. Yes, because they had to. In many ways, they had to not only because of U.N. Chapter 7 obligations but also because of the market implications. CISADA and the rest of the regime imposed by the U.S. Government have really forced the choice. Are you going to do business in the United States or are you going to do business in Iran? I think that choice has been fairly stark for most market actors, to include Russian and Chinese actors.

Senator SHAHEEN. Thank you both very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I do want to say, because of the Chinese relations, we did grant some significant flexibilities to them. So to say that they have held firm to this would be a little bit of an exaggeration because they were not going to hold firm so we granted them some flexibility. With Russia, maybe so.

Senator Menendez.

Senator MENENDEZ. Just a quick question, and a comment.

If it is true that sanctions did not stop Iran's nuclear program, neither does this negotiated agreement. It may delay it, but it does not stop it. So let us look at the standard we are trying to look at, in terms of judging.

I have a concern that people think of snapback as an instantaneous reality. And yet in page 6 of your testimony talking about how we got to the point, you say this approach took time, patience, and coordination within the U.S. Government with allies. It would not be a financial shock-and-awe campaign using a series of coordinated steps to isolate key elements of the Iranian economy, starting with its banks, then shipping, then insurance, and finally its oil sector.

So my question is, how instantaneous, assuming we have all the laws in place, which is still a big question for me, how instanta-

neous is snapback in terms of both its actual—you have to give notice to the world, to companies, that you are now in violated space, in sanctioned space. We used to give people at least 6 months' notice of that.

This idea that it is instantaneous, give me a sense of that.

Mr. ZARATE. It is a great question, Senator, because I think there are two different answers.

One is the mechanics. You are absolutely right. The implementation of a snapback would have legal and mechanical implications, and you have to allow for contracts to be unwound, investments to be rejiggered and moved, et cetera. So the mechanics of that will take months, potentially.

The second part, which is perhaps the most important is, as we get further along in the implementation of this deal, and the erosion of the sanctions architecture, you begin to lose the ability to affect the marketplace and its risk aversion to doing business with Iran. So that would take even longer to reinstitute, even though the snapback would certainly help.

I think that would depend on enforcement. That would depend on expansion of sanctions lists. That would depend on a whole set of other measures, with the market understanding that Iran is being not only punished for its violations, but also being isolated from elements of the financial and commercial system.

That in some ways would be in violation of the current reading of the JCPOA, which is in part why I have such grave concerns.

But in any event, I think those are the two elements that do add delay to any snapback.

Mr. NEPHEW. Senator, I generally agree, I think, with Juan that "instantaneous" is not going to be how this works. I think, Senator, you are absolutely right. There is going to be some wind-up period to the sanctions' immediate effect.

But I think some of this time is going to be in the dispute resolution process. I do not anticipate that the dispute process itself is going to be a secret. I think there is going to be publicity about there being violations.

Certainly, when a Security Council consideration and consultation begins, there is going to be attention paid. To my mind, that is part of the warning time and preparation time that companies and banks and businesses are going to have to build into their snapback calculations. They will see this coming, and that 30, 50, 60, 80 days of a dispute resolution period is a lot of time for them to start preparing for response to snapback. That does not mean on day 80 I think you are going to have zero economic activity with Iran. But it does mean I do not think that it will require 3 months plus 6 months. I think if there is a 6-month windup period, some of that is in the dispute process.

The second point I would just make in reaction to Juan's comment, I think it is true that over time the market is going to normalize its expectations. But I think it is going to be a much longer time than we have in mind, because our secondary sanctions are still in effect.

So banks and companies are still going to have to be screening against the Treasury Department SDN list. They are still going to have to do their due diligence. They are still going to have to treat

Iran as different, because otherwise they run the risk of being cut off from the United States.

Senator MENENDEZ. Thank you.

My point, Mr. Chairman, is as we are calculating here, the sense of instantaneousness, there are going to be months involved under any circumstances. Months involved. Which means that this whole breakout period, months involved, to have an effect before you try to move the Iranians into changing their course if they are violating is a lot less.

So when you take the totality of the consideration, even in the case of snapback, you are talking about a limited window in the future. And that has a real consequence as to judgment at the end of the day.

Thank you.

The CHAIRMAN. Certainly, between yourself and the two people at the table, there is a vast amount of experience on how long it takes for these things to kick in, no question.

I want to thank our witnesses. It has been an outstanding hearing. We will leave the record open for questions, if it is okay, through close of business Monday, and hope that you would respond.

But we thank you both for your service to our country. It has been important service. We thank you for being here today.

And again, it has been an outstanding hearing. Thank you.

We are adjourned.

[Whereupon, at 12:23 p.m., the hearing was adjourned.]

JCPOA: NON–PROLIFERATION, INSPECTIONS, AND NUCLEAR CONSTRAINTS

TUESDAY, AUGUST 4, 2015

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

The committee met, pursuant to notice, at 10:02 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Risch, Flake, Perdue, Isakson, Barrasso, Cardin, Menendez, Shaheen, Udall, Murphy, Kaine, and Markey.

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

The CHAIRMAN. The Foreign Relations Committee will come to order.

We thank each of our three outstanding witnesses for being here and look forward to not only your comments but certainly the questions that will come.

This is the fifth in a series of hearings and briefings that we have had to evaluate the Joint Comprehensive Plan of Action between Iran and the P5+1. Over the past 2 weeks, we have received testimony from administration and private witnesses with regard to the strengths and weaknesses of the deal. We have also heard from sanctions experts about consequences of the fast pace and very generous sanctions relief provided to Iran under the agreement. And today, with you thankfully, we are going to have the opportunity to hear from experts on the capabilities of the inspections regime included in the Joint Comprehensive Plan of Action, the constraints the agreement will or will not, as the case may be, effectively place on future advancements toward nuclear weapons by the Iranians, and the overall implications of the deal for U.S. and global nonproliferation objectives. Yesterday, we had a classified briefing—the ranking member and I were just talking about it—relative to our capabilities to verify the agreement.

This committee and Congress are about a month away from having to decide if this deal is better than no deal. Obviously, in order to cast this vote responsibly we have to answer the fundamental question, does this deal achieve our key objective of keeping Iran from gaining a nuclear weapon, rendering the United States and our allies and partners more secure from Iranian coercion and aggression? I am concerned about the leverage we have given up but,

like others here, want to continue to understand whether we achieve that goal or not.

In addition to addressing those aspects of this agreement, I hope our witnesses today will also provide their expert opinions on the following questions. What precedent does the Iran deal set for proliferation of enrichment technologies in regions of particular concern to the international community? What role will the eventual repeal of the conventional arms and ballistic missile embargos play in launching regional competition for advanced military systems? What examples from recent WMD history suggest that this deal does not include the strongest possible inspections and monitoring regime possible? Do you believe a better deal remains possible if the United States rejects the current deal? Obviously, a big question. And what are the risks? If you are recommending a course of action to Congress, what would you recommend and how would you support that recommendation?

So we thank you all. We have tremendous respect for all of you. I know you have differing views on this topic, which is what is helpful to us.

And with that, I will turn it over to our distinguished ranking member, Ben Cardin.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Well, first, Chairman Corker, thank you very much for your leadership in the way that our committee has moved forward during this review period. We are only on day 16. We have 44 more days left before the clock runs out on our 60-day review.

And as you pointed out, this is our fifth hearing or briefing that we have had. This is our third public hearing. The first public hearing dealt with the JCPOA more broadly and how it works. The second dealt with the sanctions and how the sanctions regime operated. Today we are looking more at the constraints on Iran's nuclear programs and the inspection and verification regime. And we have three true experts, and we thank all three of you for joining us today. You are all very familiar with our committee, and we are very familiar with you. And this is going to be, I think, a great discussion. So Dr. Samore, Ambassador Joseph, and Mr. Albright, thank you for being available and being here today.

Mr. Chairman, you laid it out correctly. I mean, our responsibility at the end of the day is to determine as individual Senators whether we think this agreement is in the best interests of our country. If we support it, we think it makes it less likely Iran would become a nuclear weapon power. If we oppose it, we think there is a better course. That is our objective. And it is a complex matter. Anyone who believes it is not a complex matter has not really studied it. It is not an easy yes or no answer.

What I hope we will get into during today's hearing is the fact that there are certain time differences in this agreement, but we are, by this agreement, providing for a legal enrichment program for Iran. Can they use that legal enrichment program to move forward on a covert program for a nuclear weapon? What does the NPT requirements and the additional protocols do after the time periods have elapsed? Does that give us enough time to prevent

Iran from breaking out to a nuclear weapon? Is the breakout time long enough? Does the IAEA have the capacity and the ability through this inspection regime and through the NPT and the additional protocols to detect if Iran in fact is trying to break out to a nuclear weapon in time for the international community to take action?

It is also, I think, important for us to understand the priority activities in Iran, particularly its weaponization programs and its possible military dimensions. Is the agreement strong enough and is IAEA strong enough and do they have enough capacity in order to understand that?

And then lastly, we need to remember that we are discussing a nonproliferation agreement with a hostile but sovereign country. We need to judge this agreement on its own terms, not against an imagined agreement. What can we really accomplish? We need to determine if this agreement accomplishes what it purports to do in the long run, or are there loopholes or gaps in areas that undermine its implementation or enforcement?

As was the case during the Cold War, it is possible that meaningful diplomacy, combined with pressure, under the right conditions can yield positive results for U.S. national security. I think everyone would like to see a diplomatic solution to the Iranian nuclear weapon program. The question before us is whether the nuclear constraints contained in this agreement and this inspection and verification regime that it sets up meet that standard.

And, Mr. Chairman, I am looking forward to the discussion with our distinguished panel.

The CHAIRMAN. Thank you very much, Senator Cardin.

Our first witness is David Albright, founder and president of the Institute for Science and International Security. Our second witness today is Ambassador Robert Joseph, Ph.D., senior scholar at the National Institute for Public Policy and former Under Secretary of State for Arms Control and International Security. Our final witness is Dr. Gary Samore, executive director for Research at the Belfer Center for Science and International Affairs at the Harvard University.

We very much look forward to your testimony today and the questions that will follow. And if you will just start in the order I introduced you, I would greatly appreciate it. Thank you.

STATEMENT OF DAVID ALBRIGHT, FOUNDER AND PRESIDENT, INSTITUTE FOR SCIENCE AND INTERNATIONAL SECURITY, WASHINGTON, DC

Mr. ALBRIGHT. Thank you. Thank you, Chairman Corker, Ranking Member Cardin, and other esteemed members of the committee for the opportunity to testify today.

Congress has a special responsibility and opportunity to evaluate the JCPOA. As Senators think about how to evaluate a nuclear deal, their scrutiny should not only lead to an up-or-down vote of the agreement but also result in legislation that enshrines and elaborates on its provisions and its implementation over time, clarifies key interpretations of its provisions, establishes important conditions, and creates a framework for effective implementation.

Most of my testimony that I am going to cover is really highlighting what we have found as significant concerns in the agreement and steps we have recommended in order to anticipate or remediate these weaknesses.

I would also like to highlight that my organization and I are neutral on whether the JCPOA should be supported. We believe at this time of intensive, highly charged debate about the merits of the agreement, our analysis is sounder if we avoid taking a position on the agreement.

There remain significant doubts that Iran will address the IAEA's concerns about the possible military dimension of Iran's nuclear program before implementation day. Failing to do that will impact negatively the success of the agreement. As such, action should be taken now to clarify that U.S. policy requires that the IAEA's concerns about possible military dimensions of Iran's nuclear program must be addressed before sanctions are lifted on implementation day. I believe that Congress should, thus, declare and make binding in legislation that the lifting of U.S. sanctions requires the determination that the IAEA's PMD concerns are adequately addressed.

The JCPOA's fundamental goal is to ensure that Iran's nuclear program is peaceful even after its major nuclear limitations end. For 10 years, this agreement creates the conditions that any serious effort by Iran to build nuclear weapons will be time consuming and will be vulnerable to detection. However, whether the deal meets the goal of preventing Iran from building nuclear weapons in the long term is doubtful, and this uncertainty poses one of the more fundamental challenges to the agreement.

After year 10, and particularly after year 15, as limits on its nuclear program end, Iran could reemerge as a major nuclear threat. The agreement does not prohibit Iran from building a large uranium enrichment capability and even a reprocessing or plutonium separation capability. The agreement essentially delays the day when Iran reestablishes its nuclear weapons capability and possibly builds nuclear weapons.

To head off that day, the United States and its E3+3 partners should not accept or approve Iran's nuclear plans after year 10. Ten to fifteen years from now, Iran will still have no reason to produce enriched uranium for civil purposes. The United States should state that an Iranian semicommercial enrichment plant will be neither economic nor necessary and will be inconsistent with the intent of the JCPOA.

The verification provisions in the agreement have weaknesses and some must be remediated or compensated for if the agreement is to be verifiable. As a general finding, the verification provisions—with some remediation of their implementation—are likely to be adequate during the first 10 to 15 years of the agreement, but they will be inadequate afterward if Iran implements its plan to expand its centrifuge program and possibly start a reprocessing program.

I should also note that the agreement does not contain an anytime/anywhere access, particularly an anytime access, provision. The JCPOA does deliver on creating an access provision with con-

sequences for noncompliance, and that is an important accomplishment. Where the JCPOA fails is on ensuring prompt access.

A key criterion in the development of the agreement is the time Iran needs to produce enough weapon-grade uranium for a nuclear weapon, called "breakout." The administration has used a 12-month breakout criteria in designing limits on Iran's centrifuge program. However, the agreed limits do not appear to guarantee a 12-month breakout timeline during the first 10 years of the agreement. If Iran can relatively quickly redeploy its already manufactured IR–2m centrifuges, our preliminary calculations—and I want to emphasize "preliminary," we got to this late in our assessments, and it is still ongoing—result in only a 6-to-7-month breakout timeline, not a 12-month breakout timeline. And this redeployment issue of the IR–2ms in our preliminary assessment require clarification. In any case, the United States should ensure the additional negotiations, if necessary, that IR–2m centrifuges are dismantled in a manner to make them more difficult, if not impossible to deploy.

The procurement channel created by the agreement requires special congressional attention I believe. The success of the procurement channel to deter and thwart Iranian violations will rest fundamentally on the supplier states and their companies. There is much work to do to ensure the procurement channel is implemented effectively.

The agreement provides only 30 days to reject a proposed export to Iran, which for many states is not enough time to review adequately whether the particular exports are legitimate. Even in the United States, that could very well be a challenge and particularly when the United States is assessing whether goods could violate the intent of the agreement. And Congress is certainly going to need to support the deployment of necessary resources to improve the executive branch's capabilities to rapidly review exports to Iran and ensure that they do not contribute to activities inconsistent with the agreement. Pending the development of an adequate review system, the United States should state that it will maintain a presumption of denial if it determines that 30 days are not sufficient to adequately review proposals.

In conclusion, the agreement should be recognized as having numerous strengths, and my organization has produced studies showing those and certainly the administration has provided many of those. However, the agreement cannot be evaluated without a critical look at its provisions and with some thought on ways to mitigate its weaknesses.

Thank you.

[The prepared statement of Mr. Albright follows:]

PREPARED STATEMENT OF DAVID ALBRIGHT

Congress has a special responsibility to evaluate the Joint Comprehensive Plan of Action (JCPOA), judge its adequacy to protect U.S. national security interests in the short and long term, and ensure its effective implementation. That effort should include a detailed look at the strengths and weaknesses of the agreement. As part of evaluating weaknesses in the deal, it should also seek ways to remediate its weaknesses

Congress should create legislation to codify the agreement and interpretations of critical provisions, ensure its effective implementation, create reporting requirements, and mitigate weaknesses in the agreement. It should also ensure adequate

funding for the International Atomic Energy Agency (IAEA), which will be the principal verification entity under the JCPOA and will require dramatically more staffing and resources to effectively carry out its responsibilities.

LEGISLATION

As Senators think about how to evaluate a nuclear deal, their scrutiny should not only lead to an up-or-down vote of the agreement but also result in legislation that enshrines and elaborates on its provisions and its implementation over time, clarifies key interpretations of its provisions, and creates a framework for effective implementation. While the Iran Nuclear Agreement Review Act of 2015 satisfies some of the following provisions, Congress should ensure that any new legislation includes those provisions as well as additional measures and supporting reporting requirements, such as:

- A detailed description of the motivation, intent, and scope of the agreement;
- Key technical and policy interpretations of major provisions;
- Assessments about the adequacy of the agreement's verification regime;
- Conditions to ensure adequate implementation of the agreement;
- Clear statements of what constitutes violations, both material and incremental;
- Consequences in case of Iranian noncompliance, including in particular those that go beyond or complement the snapback of sanctions; and
- Procedures for addressing Iranian unwillingness to comply with remediation or cease the disputed activity.

It is important to state that the need for this agreement has resulted from Iran's pursuit of nuclear weapons and its building of secret nuclear capabilities, which led to a crisis spanning more than a decade due to noncompliance with its safeguards obligations. Iran remains a suspect country. Therefore, it would be useful that legislation lay out a detailed chronology of Iran's violations of its nonproliferation commitments and describe its history of noncooperation with the IAEA. Moreover, the U.S. intelligence community should provide an unclassified assessment of Iran's nuclear weapons efforts up to 2004 and any efforts related to nuclear weapons research and development that occurred afterwards.

The legislation should lay out a common understanding of major provisions of the JCPOA. The information, clarifications, and interpretations gathered and recorded during congressional hearings can also contribute to the implementation legislation. The legislation should also state that the executive branch cannot alter the key interpretations of the agreement without consulting Congress.

The legislation should contain major interpretations of specific provisions and declarations about key goals of the agreement. Obama administration officials have already stated one interpretation, namely that uranium enrichment (or by implication plutonium separation) is not a right of Iran under the Nuclear Non-Proliferation Treaty. The administration has also stated that it fully intends to prevent Iran from obtaining a nuclear weapon in the long term and that all options remain on the table to achieve this goal.

Another needed interpretation is that any Iranian production of uranium enriched over 5 percent or separated plutonium, whenever that would occur, would be a significant threat to U.S. and international security and be viewed as inconsistent with the overall intent of the JCPOA. Moreover, an Iranian semicommercial enrichment program (or any reprocessing program) will be neither economic nor necessary and unlikely to be consistent with international nonproliferation norms, likely furthering nuclear proliferation and instability in the region.

Congress should also endorse the steps that Iran must meet in order to receive sanctions relief on Implementation Day. The JCPOA has a list of conditions Iran must meet in order for key sanctions to be lifted on Implementation Day. The legislation should expressly link Iran fully meeting those conditions to U.S. sanctions relief. One condition is not sufficiently clear. Congress should clarify the relationship between resolving the IAEA's concerns about the possible military dimensions (PMD) of Iran's nuclear programs and Implementation Day. In particular, Congress should condition such relief on a determination that the IAEA's PMD concerns are addressed prior to Implementation Day.

Congress should ensure that the IAEA is adequately funded to carry out its responsibilities under the JCPOA including enforcement of the Additional Protocol. It should also condition funding on U.S. nationals being able to usefully contribute to, and be employed by, the IAEA in carrying out its Iran safeguard and JCPOA responsibilities, while recognizing that U.S. nationals are barred from participating in inspections in Iran. But that regrettable concession should not prevent U.S. nationals from working on or even leading IAEA Iran verification efforts under the JCPOA.

The legislation should include reporting requirements that require more detailed reports than contained in the Iran Nuclear Agreement Review Act. In order for Congress to have ongoing oversight during the implementation of the JCPOA, legislated Reporting Requirements should include periodic assessments such as:

- An annual unclassified compliance report, including review and determination of the ongoing adequacy of the agreement's verification and Iran's cooperation with the IAEA;
- Prompt reporting of all violations, noncompliance, and noncooperation episodes;
- IAEA progress on reaching a broader conclusion under the Additional Protocol in resolving PMD issues;
- Quarterly reports on the precise size of Iran's low enriched uranium (LEU) stocks, both less than 5 percent and between 5 and 20 percent enriched, and natural uranium stocks;
- Precise updates on Iran's breakout timelines;
- Yearly report on the status of Iran' R&D developments, particularly with regards to advanced centrifuges;
- Updates on the progress of modifications to the Arak reactor;
- Regular reporting on Iran's procurements of proliferation-sensitive goods from abroad (especially if illicit);
- Prompt reporting of any Iranian exports of any proliferation-sensitive goods;
- Reports on the spread of sensitive technologies, such as enrichment- or reprocessing-related technologies, to other countries of proliferation concern;
- Status and impact of the lifting of sanctions;
- Yearly nonproliferation assessment which addresses among other issues whether this agreement has increased the risk of the spread of sensitive nuclear technologies and ballistic missiles, and if so what steps the administration is pursuing to reduce the likelihood of further proliferation of sensitive technologies.

The legislation should also require:

- Regular consultations between Members of Congress or congressional staff and appropriate executive branch officials;
- Regular hearings;
- The establishment of a specific congressional oversight body in the Senate or House, or with Members in both;
- The creation of a senior executive branch implementation office in the White House.

In addition, the procurement channel created by the JCPOA requires special congressional attention. To implement the procurement channel, the United States needs to expand efforts to significantly strengthen export control systems internationally and commit anew to counterproliferation efforts against Iran's illicit procurements for its missile and military programs and any potential illicit nuclear programs. The success of the procurement channel to deter and thwart Iranian violations will rest fundamentally on the supplier states and their companies. This effort is necessarily international in scope and will require significant U.S. resources to ensure that all nations are implementing the requirements of the procurement channel and trade controls more broadly. As part of that effort, it is important to review and expand U.S. trade control outreach programs. The United States also needs to expand its domestic efforts aimed at the timely detection and disrupting of Iran's illicit procurement attempts. The JCPOA provides only 30 days to reject a proposed export to Iran, which for many states is not much time to review adequately whether particular exports are legitimate. Even the United States may be facing a severe challenge addressing proposals, particularly in determining if the export could contribute to activities inconsistent with the JCPOA within that 30 day window. Pending the development of an adequate review system, the United States should state that it will maintain a presumption of denial if it determines that 30 days are not sufficient to adequately review proposals. Congress should support the deployment of necessary resources to improve the executive branch's capabilities to rapidly review exports to Iran and ensure that they do not contribute to activities inconsistent with the JCPOA. It should also encourage greater cooperation with allies to improve their timely detection and thwarting of Iran's illicit trade.

The snapback provision has been extensively discussed in the context of major violations of the JCPOA. However, in anticipation of less major violations, a range of options are needed in an escalatory ladder, where the rungs, not in any order, could be reporting a violation to the Joint Commission, reimposing some sanctions, delaying the provision of some or all civil nuclear energy cooperation, or blocking some or all exports to Iran under the procurement channel mechanism. The top rung

would be the snapback of sanctions. Congress should require the executive branch to develop and report on a range of responses to incremental cheating by Iran.

CONCERNS ABOUT THE JCPOA

The JCPOA has numerous strengths, which we at my organization and others have identified in numerous publications. In addition, the administration has been a fount of positive information about the deal to Congress and the public. However, the agreement cannot be evaluated without a critical look at its provisions.

I would like to focus my testimony on what our analyses have highlighted as significant concerns in the agreement and the steps we have recommended in order to anticipate or remediate these weaknesses. I will focus on the nuclear provisions and not the sanctions provisions.

Before doing so, I would like to highlight that my organization and I are neutral on whether the JCPOA should be supported. We believe that at this time of intensive, highly charged debate about the merits of the agreement, our analysis is sounder if we avoid taking a position on the agreement. We are also realizing as we dig deeper into the details of this agreement that its effectiveness, and thus whether or not it is sound, depends on the outcome of actions that are difficult to predict at this time. However, it is more likely that their outcome will be positive if additional steps are taken now. As Congress reviews this agreement, it should seek ways to ensure that the agreement is implemented effectively, which renders it more likely to succeed.

Much of my testimony is based on our several-week assessment of the JCPOA. For greater detail about our findings, one can consult the following ISIS reports:

- The Plutonium Pathway, Arak Heavy Water Reactor and Reprocessing;
- Possible Military Dimensions;
- The Joint Comprehensive Plan of Action "Kicks the Can Down the Road": How To Prepare for the Day When the Can Finally Lands;
- Heavy Water Reactor Restrictions in the JCPOA;
- Verification of the Joint Comprehensive Plan of Action;
- Removing Stocks of Near 20 Percent Enriched Uranium;
- When is the 300 Kilogram Cap on Low Enriched Uranium not a Cap?;
- Reconciling the 300 kg Cap with Iran's Monthly Production of Low Enriched Uranium; and
- Civil Nuclear Energy Benefits.

In addition, we are finishing two additional reports:

- The Highly Enriched Uranium Pathway, and
- The JCPOA's Procurement Channel.

I will summarize (or in one case restate) concerns from the abovementioned reports.

POSSIBLE MILITARY DIMENSIONS (PMD)

There remain significant doubts that Iran will address the IAEA's PMD concerns before Implementation Day, and such a failure will impact negatively the success of the agreement. As such, actions should be taken now to clarify that U.S. policy requires that the IAEA's concerns about possible military dimensions of Iran's nuclear programs must be addressed before sanctions are lifted on Implementation Day

The JCPOA appears to require Iran to resolve these PMD concerns. The JCPOA explicitly requires Iran to complete a set of agreed upon steps with the IAEA prior to Adoption Day, which falls in October 2015, and well before Implementation Day. By mid-December, the IAEA will issue a final assessment on the resolution of all past and present, outstanding PMD issues. The public portion of the agreement is not specific regarding what constitutes Iran satisfactorily addressing the IAEA's PMD concerns. For example, the IAEA could report in December that Iran had a nuclear weapons program, parts of which may have continued, and Iran has so far cooperated adequately with the IAEA's investigation. This should be sufficient to allow an interpretation that the IAEA has initially addressed its PMD concerns. (A longer IAEA investigation would be required to reach a broader conclusion about the peacefulness of nuclear activities in Iran which could proceed until Transition Day or year 8). But what if the IAEA reports that its concerns remain unaddressed in whole or in part, or Iran denies access to sites sought by the IAEA? Or a more complicated possibility, what if the IAEA provides an ambiguous answer or even accepts Iranian answers that are incomplete or use civilian rationales for nuclear weapons related activities? To date, Iran has denied to the IAEA ever having a nuclear weap-

ons program. As a consequence of this unclear situation, the PMD provisions may be left to an interpretation by the parties that is not yet clear to publics.

The conditions in the agreement allow any member of the E3+3 to not lift sanctions on Implementation Day if Iran has not met its obligations. Whether Iran is addressing the IAEA's concerns should be apparent well before that day. If it does not, and Implementation Day happens nonetheless, this failure could undermine the IAEA's credibility and cast a long shadow on this agreement. The E3+3, and in particular, the United States, should not back down regarding the linkage of these two issues and abandon all leverage of sanctions relief. The administration should made clear in public statements that Implementation Day can occur only after the IAEA's concerns about PMD are adequately addressed.

U.S. lawmakers are rightly skeptical that the U.S. administration will not require Iran to address the IAEA's PMD concerns prior to Implementation Day, or ever, in fact. In documents the administration submitted to Congress under legislative requirements, the administration wrote: "An Iranian admission of its past nuclear weapons program is unlikely and is not necessary for purposes of verifying commitments going forward." [1] While stating that Iran conducted nuclear weapons activities in the past, and thus confirming that Iran is deceiving the IAEA, the administration claims it knows enough about Iran's past nuclear weapons work, and has shared relevant information with the IAEA, to "enable inspectors to establish confidence that previously reported Iranian [nuclear weaponization] activities are not ongoing." [2] But the flaws in this argument include that U.S. knowledge may be incomplete, particularly on the key questions: what continued after Iran halted its structured nuclear weapons program in 2003, how far has Iran gotten in learning to build nuclear weapons, where did it carry out this work, and who conducted these activities? Moreover, the issue is broader than the IAEA certifying that activities previously ongoing are halted. It must also determine that no such activities are ongoing, and a lack of Iranian cooperation about its past work on nuclear weapons will make that determination all but impossible to make. Then, there is the issue of the IAEA's credibility, which means that a pass on Iran addressing the IAEA's concerns prior to Implementation Day will signal to Iran, and any other state for that matter, that intransigence on verification issues will ultimately succeed. In essence, the agreement would start off already weakened and provide Iran and other countries a dangerous precedent for future intransigence.

Congress should thus declare and make binding in legislation that the lifting of U.S. sanctions requires a determination that the IAEA's PMD concerns are adequately addressed.

JCPOA'S FUNDAMENTAL GOAL

The Joint Comprehensive Plan of Action's fundamental goal is to ensure that Iran's nuclear program is peaceful even after its major nuclear limitations end. Put in alternative formulations, it seeks to ensure that Iran will not build nuclear weapons, or more directly, that Iran will be prevented from building them.

For 10 years, this agreement creates the conditions that any serious effort by Iran to build nuclear weapons will be highly time consuming and will be vulnerable to detection. However, whether the deal meets the goal of preventing Iran from building nuclear weapons in the long term is doubtful. This uncertainty poses one of the more fundamental challenges to the agreement.

The JCPOA's preface conditions Iran's nuclear program and its growth on "scientific and economic considerations" and assurances that the programs are for "exclusively peaceful purposes, consistent with international nonproliferation norms." But these conditions are unlikely to be met 10–15 years from now, based on Iran's nuclear plans.

One may argue that buying 10, perhaps 15, years should be a key factor in judging this agreement and that after 10 years the United States will have the same leverage as it has today to confront Iran over its nuclear weapons capabilities or any movement toward nuclear weapons. However, at that point, this U.S. leverage may not exist. That the United States may be in a worse position 10 to 15 years from now to influence Iran's nuclear plans should be a consideration of implementing the JCPOA.

Ten years after the 1994 U.S./North Korean Agreed Framework was signed, North Korea had renounced this framework and was in the process of building nuclear weapons. At the time, the United States and its allies were poorly positioned to stop North Korea, or even judge accurately when it would actually cross the threshold of possessing nuclear weapons. Looking back to 10 years after the signing of the Agreed Framework, the United States had lost the valuable leverage it had had in 1994 when it negotiated the agreement.

Given the volatility of the Middle East, firm predictions about substantial, effective U.S. leverage 10 years from now should be viewed more as wishful thinking than credible projections. While some voice confidently that Iran will change for the better over the next 10 to 15 years, similar or same voices also said this 10 to 15 years ago. In the last 10 years, events in the Middle East have not unfolded as predicted, let alone as expected. Today, Iran can hardly be called more responsible or friendly to U.S. interests than it was 10 years ago.

It should also be remembered that the 10-year limitation on Iran's centrifuge program, despite its value, is already a compromise of the initial E3 goal of 10 years ago to achieve a 10-year suspension in Iran's centrifuge program. And this compromise took 12 years to negotiate. So, 10-year nuclear limitations are not as lengthy as they seem, given how long the Iranian nuclear debacle has lasted, how little the onerous aspects of the Iranian regime have changed, how unpredictable the Middle East has proven to be, and how U.S. leverage may not be sufficient to stop Iran from building nuclear weapons 10 years from now.

Thus, any consideration of the JCPOA should carefully weigh its long-term prospects. As part of that evaluation, the United States supported by Congress needs to take steps today to increase the chance that it can respond successfully to stop Iran moving to build nuclear weapons after the major nuclear limitations end. This policy may help deter Iran from trying later.

After year 10, and particularly after year 15, as limits on its nuclear program end, Iran could reemerge as a major nuclear threat. The agreement does not prohibit Iran from building a large uranium enrichment capability and even a reprocessing, or plutonium separation, capability; the agreement essentially delays the day when Iran reestablishes a nuclear weapons capability and possibly builds nuclear weapons. During the negotiations, according to discussions with negotiators, Iran laid out its plans for expanding its nuclear programs, in particular its gas centrifuge program. Iran's priority was its centrifuge program, and it stated its intention to deploy advanced centrifuges, such as the IR–2m, IR–4, IR–6, and/or IR–8 centrifuges, after year 10 of the agreement and in particular to greatly ramp up their deployment after year 13.

The United States should view the agreement as by no means approving of Iran's plans for a large uranium enrichment program or its possible plans to create a reprocessing program. It should oppose these plans on the basis that they are uneconomic and unnecessary, pose a threat to regional and international security, and are inconsistent with the intent of the JCPOA.

After year 13, the breakout timelines are expected to reduce steadily, as Iran deploys centrifuges at an expanded rate. After year 15, this rate could increase significantly. This planned ramp-up after year 13 combined with the removal of limitations on enrichment level after year 15 means that Iran's breakout timelines could shrink to just days. Within a few short years, Iran could emerge with a nuclear arsenal of many nuclear weapons.

Iran might abide by its commitments and value the benefits of international nuclear cooperation, in the process deciding to abandon its plans to expand its centrifuge program or give up any remaining aspirations to build a weapon after the major nuclear limitations end, but it could also choose to build up a large nuclear weapons capability and ultimately seek nuclear weapons after these limits sunset.

Making a political predicate clear for not accepting or approving of any plutonium reprocessing or large growth in uranium enrichment will lay the basis for the United States to be able to deal with issues that could emerge after most of the deal's restrictions end. One part of that effort is the United States and its E3+3 partners not accepting or approving of Iran's nuclear plans after year 10. Ten to fifteen years from now, Iran will still have no reason to produce enriched uranium for civil purposes. The United States should state that an Iranian semicommercial enrichment program (or any reprocessing program) will be neither economic nor necessary and likely to be inconsistent with international nonproliferation norms.

A set of intrusive verification measures, such as the Additional Protocol, will remain in place after year 15 of the deal, but they are not sufficient to stop Iran from obtaining nuclear weapons. Armed with a large centrifuge program, an Iranian attempt to break out to nuclear weapons would be detected, however probably not in time to take action to prevent it. Even with intrusive verification, the production of the first one or two significant quantities of weapon-grade uranium could well be missed by inspectors until after the fact, since breakout could happen so quickly at that point and Iran could take a few simple steps to delay the inspectors from becoming aware of the breakout. Moreover, small, secret enrichment plants using highly advanced centrifuges could escape detection for months. Finally, Iran may simply choose to walk away from its nonproliferation commitments and build

nuclear weapons at a time when the United States and its allies are poorly positioned to stop it.

More broadly, it is incumbent on those states, experts, and individuals concerned about Iran's future nuclear direction to find ways to dissuade it from implementing nuclear plans that will create a great deal of instability and possibly lead to war, given the reduced certainty about its nuclear weapons capabilities as its nuclear programs grow. Easing making the case, these plans, centered on uranium enrichment and possibly plutonium separation, are unnecessary and uneconomic.

Congress should declare that any production of separated plutonium or uranium enriched over 5 percent, whenever it occurs, is inconsistent with the intent of the JCPOA. It should also make clear that the JCPOA does not endorse or approve of Iran creating a semicommercial enrichment program and that U.S. policy opposes such a program on the grounds of it being unnecessary, uneconomic, a proliferation risk, and a threat to U.S., regional, and international security.

VERIFICATION ISSUES

Collectively, the verification requirements, if fully implemented, are designed to deter Iranian cheating and provide assurance that violations will be detected promptly, leaving time for a response. Several of the provisions are innovative. All aim to create an intrusive verification environment, backed up by the resources of the E3+3.

The verification provisions have weaknesses, however, and some must be remediated or compensated for if the agreement is to be verifiable. Moreover, without stringent, long-term limits on Iran's sensitive nuclear programs, such as uranium enrichment activities, these verification conditions, some of which are also of limited duration, are unlikely to be sufficient. Thus, as a general finding, the verification provisions, with some remediation of their implementation or compensation for expected issues, are likely to be adequate during the first 10 to 15 years of the agreement, but they will be inadequate afterwards if Iran implements its plan to expand its centrifuge program and possibly start a reprocessing program.

Lack of Prompt Access to Suspect Sites

Because of its controversy, I would like to focus on the access provision in the JCPOA. It is significant that the agreement does not contain a provision requiring anywhere, anytime inspections at suspect sites. Such prompt access has long been viewed as critical to ensure that undeclared activities are not hidden or moved prior to the inspectors' access. Instead, the agreement contains a procedure that will last for 15 years and is designed to ensure IAEA access to Iranian nuclear sites within 24 days of the formal request for access.

Anywhere, anytime inspections, sometimes called "snap" inspections by administration officials, describe prompt inspections of sites suspected of undeclared nuclear or nuclear-related activities or facilities. The Additional Protocol seeks to ensure that its provisions of access approach anytime inspections. It has a condition of gaining access to suspicious sites in as little as 24 hours. This prompt access requirement in the Additional Protocol was the result of intensive negotiations among the IAEA's member states in the mid-1990s and represents a collective judgement of its fundamental importance in ensuring the absence of undeclared activities in a state. Prompt access is of particularly critical consideration in the case of Iran with its long history of conducting undeclared nuclear activities.

IAEA inspectors had prompt access in Iraq in the 1990s and early 2000s. South Africa declared that that its policy was to provide the IAEA anywhere, anytime access "within reason," which was explained only as a request to not ask to go to a site in the middle of the night. In practice, the IAEA could get access to any South African facility soon after the request.

The Additional Protocol recognizes the need for its access provisions to approach anytime inspections by its 24-hour rule. However, it fails to contain a means to impose immediate consequences on a state for allowing prompt access.

The E3+3 negotiators of the JCPOA had to correct this shortcoming of IAEA safeguards agreements. Moreover, this shortcoming was not a theoretical exercise; Iran has frequently denied critical access to the IAEA. In fact, one could argue that the JCPOA was only possible if it contained a mandatory access provision, namely the certainty that an Iranian access refusal would lead to severe consequences.

The JCPOA does deliver on creating an access provision with consequences for noncompliance. Where the JCPOA fails is on ensuring access promptly.

One can ask why does the access provision of the JCPOA allows a delay of 24 days. As far as we could determine, it was a compromise between Iranian demands for 3 months and reasonable demands for at most a few days, where the latter is more consistent with the Additional Protocol's requirement of access to suspect sites

within 24 hours. To any partner who said 24 days were too long, the U.S. answer was that 24 days was what was possible to achieve in the agreement.

The 24-day condition has stimulated a controversial public debate. Twenty four days could be enough time, presumably, for Iran to relocate undeclared activities that are in violation of the JCPOA while it undertakes sanitization activities that would not necessarily leave a trace in environmental sampling.

This possibility poses special challenges because of Iran's long experience in hiding its nuclear activities. In that sense it has extensive practice at defeating IAEA and U.S. detection methods. Iran would be expected to plan ahead in case access is sought for any undeclared activity. This could include the use of specially designed equipment and facilities aimed at defeating the constraints in the JCPOA's verification rules. Iran could anticipate and plan to implement an effective way to defeat IAEA methods in case access was requested to a site conducting undeclared activity. When requested for access, Iran could rapidly try to hide its activities and avoid leaving any evidence for the IAEA.

In past cases of subterfuge, Iran did not have to hide its activities within 24 days, as it would in the future. However, it gained valuable experience useful in sanitizing its activities more rapidly. Three cases are note-worthy and provided Iran with experience that would be valuable in the future, if it decided to build and then hide the evidence of undeclared facilities:

- Kalaye Electric, an undeclared centrifuge research and development site. This site secretly produced relatively small amounts of enriched uranium in violation of Iran's safeguards agreement. It is here in 2003 where Iran is thought to have first tried to defeat IAEA's environmental sampling methods. After several months, however, Iran had not sanitized the site adequately, and the IAEA detected enriched uranium as a result of sampling a ventilation duct. Iran had mistakenly not replaced this duct during its cleanup operations;
- The Lavizan-Shian facility, a site alleged to have housed in the 1990s the Physics Research Center and its undeclared military nuclear program. Likely out of fear of the IAEA asking to visit this site and take samples, Iran decided in late 2003 to eliminate the entire site. It had many months to destroy the buildings and level the site, including scraping the earth. After the IAEA eventually asked to go to the site, it found no evidence of nuclear materials, which was eventually rebuilt as a sports center; and
- The Parchin military site, linked to high explosive work related to nuclear weapons. One allegation is that the site was used to test a nuclear weapons neutron initiator made with uranium deuteride. Its sanitization status is unknown, but efforts at sanitization have ostensibly been ongoing, as visible in satellite imagery, for 3 years since the IAEA's first request for access and are likely aimed at hiding traces of uranium.

These experiences, plus others, mean that Iran has extensive experience hiding its nuclear activities and importantly learning from its mistakes, in essence evolving its sanitization strategies. Kalaye Electric was a huge embarrassment for the Iranians, who were caught cheating on their safeguards agreement because of an oversight in sanitization. The next case chronologically, Lavisan-Shian, involved Iran destroying everything and carting away the rubble and earth. It subsequently refused an IAEA request to examine and sample the rubble. The Parchin case is more subtle, where the Iranians know that they cannot credibly destroy the key buildings where the tests are alleged to have occurred. Instead, Iran appears to have opted for a strategy of cleaning up and rebuilding the major buildings at the site.[3]

Although Iran so far has not needed to hide its activities within 24 days, it is experienced enough to be able to do so in the future for certain nuclear and nuclear-related activities. In the past, Iran could delay access with few consequences, and not surprisingly it took time to sanitize its facilities. Moreover, Iran needed this time since it did not anticipate getting caught in these three cases. It had to implement sanitization steps at facilities that were in no way prepared ahead of time for a rapid cleanup. With the JCPOA, it no longer has the option for a lengthy cleanup. But that does not mean Iran cannot adjust its strategies to plan for a rapid evacuation and sanitization of undeclared sites. The IAEA and the E3+3 should certainly anticipate Iran modifying its tactics of deception if it seeks to cheat on the agreement.

What could Iran potentially hide or disguise in a 24-day time period? At ISIS, over the years, we have conducted several assessments on countries such as Iran, North Korea, and Iraq which have all cheated on their safeguards obligations. We have assessed the types and quantities of uranium releases from gas centrifuge plants as part of official safeguards studies and evaluated many cases where environmental sampling was used to uncover undeclared activities or failed to do so.

Based on this work, we assess that Iran could likely move and disguise many small scale nuclear and nuclear-weapon-related activities. These include:

- High explosive testing related to nuclear weapons;
- Small centrifuge manufacturing plant;
- Small centrifuge plant that uses advanced centrifuges (in this case, we assume a facility of tens of, or at most a few hundred, centrifuges, organized in specially designed facilities suitable for rapid removal and with a containment system).

Activities that would be difficult to hide successfully would include:

- Large-scale uranium conversion;
- Centrifuge plants holding thousands of gas centrifuges;
- A reactor or reprocessing plant;
- High explosive work with natural uranium as a surrogate.

As can be seen, larger scale activities are more vulnerable to detection, as are those that use significant amounts of tell-tale nuclear materials, such as uranium or plutonium. But small-scale activities matter, and this is one of the key reasons why inspectors want prompt, or anytime, anywhere access.

What can be done within the confines of the agreement? The IAEA should use the access provision to ensure that Iran will comply, and the agreement is sound. Soon after Implementation Day, it should request access to sites associated with the PMD issue.

However, the IAEA cannot depend on prompt or snap access to detect a range of undeclared activities. It will have to weigh carefully whether to ask for access when it has suspicions but lacks conclusive evidence. It will have to consider the risk of Iran successfully sanitizing a site, something that would not be possible with a 24-hour access rule. The JCPOA's access provisions, while being an important enforcement mechanism, could inadvertently weaken the IAEA's ability to detect undeclared activities and materials.

As a result, the E3+3 should view any Iranian delay in allowing access to the IAEA beyond 24 hours as requiring a calibrated response. At that point, and well before the 24 days have passed, the E3+3 should already slow nuclear cooperation and approvals of exports to Iran via the procurement channel. At the very least, Iran should get a message that prompt access is required under the Additional Protocol, despite the language in the JCPOA.

To compensate for the uncertainties of potential sanitization, Western intelligence will likely be critical in exposing any Iranian cheating and defining where the inspectors should request access. The evidence will need to provide high confidence that even if the site is sanitized, complementary evidence and requests for access to other sites can establish that undeclared activities have occurred. However, Western nations are going to have to dedicate considerable resources to discovering reliably and promptly any secret nuclear activities in Iran. This task has gotten harder since Iran has tightened its security and intensified its counterintelligence efforts in recent years. Overcoming Iran's greater capabilities to hide its most sensitive activities is a central challenge facing this agreement.

Moreover, Western intelligence will have to share information more routinely with the IAEA, and the IAEA will have to be more willing to act using this information and provide any results to the E3+3. It must be a two-way street, with both assigning a high priority to the detection of any suspect Iranian nuclear activities.

In the first few years of the agreement, one would expect all the key countries will work diligently to achieve these goals. But this entire process may become harder for some of the E3+3 countries as vigilance wanes, trade expands, and potentially, relations with Iran improve. The IAEA may also encounter renewed internal resistance from member states which balk at intrusive inspections and information sharing in general.

STOCKS OF LESS THAN 3.67 PERCENT LEU: THE ISSUE OF EXCEPTIONS

For 15 years, the JCPOA imposes a 300 kilogram (kg) cap on Iran's stock of less than 3.67 percent LEU hexafluoride in order to inhibit Iran's ability to break out. However, the JCPOA creates exceptions to this cap, which Iran may try to exploit by attempting to justify fuel fabrication for power or research reactors. To avoid the risk of significantly reducing the breakout timelines and instead preserving the value of the 300 kg LEU cap during the full 15 years of this limitation, the United States should officially state that an exception to the cap will not be granted except in extraordinary circumstances, and in no cases will an exception be made for Iran to domestically produce LEU slated for fuel in nuclear power reactors. In the case of research reactors, any exception will depend on the technical merits of the fuel and the size of the reactor. The fundamental position is that fresh LEU can be read-

ily converted into uranium hexafluoride (UF_6) and, therefore, the core goal of this 300 kg cap is not compatible with fuel fabrication in Iran. An exception is circumstances such as those involving the Arak reactor which importantly also has limited LEU requirements.

The U.S. Government and at least some of its E3+3 allies appear fully prepared to block any Iranian attempt to exercise this option, except in the case of the Arak reactor. A public commitment to that affect should be sought collectively from the E3+3 governments.

Congress should declare in legislation that U.S. policy is to block any exception involving making nuclear fuel in Iran, except for the Arak reactor.

STOCKS OF 3.67 LEU: ENFORCING THE CAP

Under the JCPOA, Iran for 15 years must adhere to a cap of 300 kg of LEU hexafluoride. This cap must hold even though Iran is allowed to continue producing LEU. For the first 10 years, Iran can enrich with 5,060 IR–1 centrifuges at the Natanz Fuel Enrichment Plant (FEP); afterwards, it can increase the number of centrifuges enriching. Enforcing this cap could prove challenging and an early test of the adequacy of the JCPOA.

Based on previous performance data, using about 5,000 IR–1 centrifuges, Iran is expected to produce about 100 kg of 3.67 percent LEU in uranium hexafluoride form ($LEUF_6$) every month. The fact that every month Iran will be producing about one-third of its allowed stockpile means that it will regularly have to take actions to reduce its stock of LEU in order to comply with the cap.

As discussed above, Iran could claim an exception to the cap under the agreement and seek approval to use the excess LEU to make reactor fuel. However, any such exception should be opposed except in a few cases, such as for Arak reactor fuel. In any case, an exception for the Arak reactor is unlikely to be suggested for years, since it is not expected to operate for at least 5, if not 10 years, and when it does, it will require very little LEU.

Thus, for years, if Iran continues to produce LEU, it will need to take steps almost monthly that reduce its LEU stockpile. It has three steps it can take, two of which are spelled out in the JCPOA. It can remix the LEU with the depleted uranium tails to generate natural uranium or it can send the LEU overseas. The more reliable of the two methods will be down-blending to natural uranium. Remixing the LEU hexafluoride with depleted uranium hexafluoride is easy to do, and Iran has already done this type of remixing with its near 20 percent LEU under the Joint Plan of Action. It could also regularly sell the LEU abroad. However, finding buyers for such a small stream of LEU, relative to the much larger amounts typically sold in the international commercial market, may be challenging. The third step is to halt the production of LEU, at least temporarily. In fact, it could not produce LEU for many years, resuming LEU production if it needs it for the Arak reactor. A halt is in all fairness the only one of the three steps consistent with its practical needs.

With Iran potentially bumping up against the cap monthly, what about violations? Because Iran can stop producing LEU, even if temporarily, and at any point and can down-blend LEU into natural uranium, Iran has the tools to immediately avoid any violation of the cap. As a result, any overage over the cap should be treated as Iran testing the limits of the agreement and a violation that requires a firm response.

In anticipation of violations, the E3+3 should prepare a range of options in an escalatory ladder, where the rungs, not in any order, could be reporting a violation to the Joint Commission, reimposing some sanctions, delaying the provision of some or all civil nuclear energy cooperation, or blocking some or all exports to Iran under the procurement channel mechanism. The top rung would be the snapback of sanctions.

Whether Iran abides by this cap and how violations of the cap are enforced will be an important indication of the performance of this agreement. But what should not be forgotten is that Iran does not need to produce LEU for several years. To avoid unneeded tension and misunderstandings over the cap, the United States and other members of the E3+3 should initiate discussions with Iran aimed at convincing it to sharply limit or halt LEU production on a voluntary basis. The agreement by no means prohibits this discussion, and Iran can always say no.

Congress should state that incremental violations of the LEU cap are significant and warrant a firm response. It should explore how to reimpose U.S. sanctions in case of violations. In addition, it should declare that Iran has no need to produce LEU for years, if ever, and pending a need, such as the Arak reactor, should halt any further LEU production. It should also require the executive branch to engage

Iran in discussions for halting LEU production soon after Implementation Day, unless a practical need is identified.

STOCKS OF NEAR 20 PERCENT LEU

A special concern is Iran's remaining stock of near 20 percent LEU, because it can be used to significantly lower breakout timelines. The JCPOA seems to adequately address the issue of the remaining near 20 percent LEU oxide stock by providing that: "All uranium oxide enriched to between 5 percent and 20 percent will be fabricated into fuel plates for the Tehran Research Reactor or transferred, based on a commercial transaction, outside of Iran or diluted to an enrichment level of 3.67 percent or less."

On balance, it is expected that most of Iran's near 20 percent LEU will leave the country prior to the lifting of sanctions on Implementation Day. Although it is legitimate to assume that Iran would want to recover the relatively large amount of LEU in scrap, it has little incentive or capability to do so by Implementation Day. Nonetheless, to ensure effective implementation of this provision, we recommend that all of the 125 kg (uranium mass) in scrap and waste be deemed unfit for use in TRR fuel and sent out of Iran prior to Implementation Day, since dilution would likely be overly difficult. The 45 kg in powder form is eligible to stay in Iran until Implementation Day since it can clearly be made into TRR fuel. Much of it, however, will probably end up in scrap, waste, or process forms, and this material should also be sent out of Iran prior to Implementation Day.

Congress should require that the vast bulk of near 20 percent LEU leave Iran before sanctions are lifted.

BREAKOUT ISSUES

A key criteria in the development of the JCPOA is the time Iran needs to produce enough weapon-grade uranium for a nuclear weapon, called breakout. The administration has used a 12-month breakout criteria in designing limits on Iran's gas centrifuge program. However, the agreed limits do not appear to guarantee a 12-month breakout timeline during the first 10 years of the agreement, if Iran can relatively quickly redeploy its already manufactured IR–2m centrifuges. This redeployment issue, and our preliminary assessment, require clarification. In any case, the United States should ensure, via additional negotiations if necessary, that IR–2m centrifuges are dismantled in a manner to make them more difficult, if not impossible, to redeploy.

After 10 years, based on discussions with knowledgeable U.S. and E3 officials, the breakout timeline decreases to about 6 months at year 13 of the agreement and can rapidly decrease after that year. After year 15, the breakout timeline can reach a few days, as Iran institutes its stated plans to resume production of near 20 percent LEU and installs thousands of its most advanced centrifuges.

Similar Breakout Results as the Administration

For many years we have calculated breakout timelines in collaboration with centrifuge experts at the University of Virginia. Our understanding from U.S. officials is that the U.S. methods and ours are similar in outcome. For example, our breakout results are similar to those of the U.S. administration when considering the centrifuge limits Iran has accepted during the first 10 years of the JCPOA. In the case of about 6,000 IR–1 centrifuges, a stock of 300 kilograms of 3.5 percent LEU hexafluoride, and no available near 20 percent LEU hexafluoride, our breakout estimate would have a mean of about 12–14 months, where the minimum breakout time would be 11–12 months.[4] We have used the mean as the best indicator of breakout time and interpret the minimum time as a worst case. Thus, our estimate of breakout would confirm the United States assessment that these limitations satisfy a 12-month breakout criterion.

Iran's Stock of Near 20 Percent LEU

We have frequently expressed our concerns that Iran's stock of near 20 percent LEU could unacceptably lower breakout timelines.[5] Breakout estimates depend critically on Iran's usable stock of near 20 percent LEU. Thus, as discussed above, it is significant that the JCPOA requires Iran to get rid of the bulk of its remaining stock of near 20 percent LEU prior to Implementation Day. If Iran does not do so, Implementation Day should be postponed until it does.

Effect of 3.5 Percent LEU[6]

Another consideration is that Iran may accumulate additional 3.5 percent LEU over the limit of 300 kilograms LEU hexafluoride (equivalent). The accumulation of a few hundred kilograms of 3.5 percent LEU over the limit would lower the break-

out times by a few to several months. If it can accumulate more than about 1,200 kilograms, it could lower the breakout time to below 6 months. As a result, Iran exceeding the cap is a serious potential violation and one that should be deterred.

Effect of Redeployed IR–2m Centrifuges

A major gain in the JCPOA is that Iran must dismantle its excess centrifuges and place them in monitored storage. However, reinstallation of these same centrifuges is possible and such an act would lower breakout timelines.

According to the JCPOA, Iran will remove all excess centrifuges, in particular IR–2m centrifuges, its most advanced currently deployed centrifuges. However, Iran is not removing all the associated equipment at the Natanz Fuel Enrichment Plant. At this plant, Iran will remove "UF_6 pipework including subheaders, valves and pressure transducers atg cascade level, and frequency inverters, and UF_6 withdrawal equipment from one of the withdrawal stations, which is currently not in service, including its vacuum pumps and chemical traps." However, the agreement does not appear to require the full dismantlement of all feed and withdrawal equipment used in the cascades at the Fuel Enrichment Plant.[7] Leaving this equipment in the Natanz plant provides Iran a head start on restarting enrichment in reinstalled cascades.

If Iran were to break out, it would be expected to reinstall centrifuges to lower breakout timelines. Secretary of Energy Ernest Moniz stated in Senate testimony before this committee that it would take Iran 2–3 years to reinstall all its dismantled equipment. This corresponds to an average rate of about 2 to over 3 cascades per month. Another estimate, which is used by another member of the E3+3, is that Iran could install no more than two cascades per month.

These estimates depend critically on assumptions about issues that are very difficult to know precisely. How much equipment will remain in the centrifuge plants, and how quickly could Iran reinstall the centrifuges and associated equipment? Can Iran start enriching in these newly installed cascades rapidly, or are there additional delays before enrichment could resume in them, which lengthen breakout? Can Iran successfully redeploy its roughly 1,200 IR–2m centrifuges within about 3 months of starting a breakout, despite not having operated any of these cascades previously in the Natanz Fuel Enrichment Plant? Can actions still be taken to make reinstallation more difficult?

In our calculations, the key variable is the number and installation rate of the IR–2m centrifuges after breakout starts. For the purposes of this discussion, a reinstallation rate of two cascades per month is used, where Iran first reinstalls IR–2m centrifuge cascades and afterwards reinstalls IR–1 centrifuge cascades. We assume that in a breakout Iran would deploy its most advanced machines first. Although it has not operated any of the six installed IR–2m cascades at the Fuel Enrichment Plant, Iran has for several years been operating a single cascade at the Natanz Pilot Fuel Enrichment Plant. Given this prior experience, we judge Iran could redeploy IR–2m centrifuges first, despite the risks. The reward would be a considerably faster breakout.

Another assumption is that the enrichment output of the IR–2m centrifuge while operating in cascade will be about four separative work units (swu) per year, where the range is 3–5 swu/year. With these assumptions, the breakout timeline drops to approximately 6 to 7 months. If only IR–1 centrifuges were reinstalled at a rate of two cascades per month, the breakout timeline would decrease to approximately 9–10 months.

In our evaluations, a decrease in breakout time to 9–10 months, given all the uncertainties, would not be that significant. However, a decrease to 6–7 months is significant and appears to contradict claims that Iran would need 12 months to breakout under limitations stated in the JCPOA. This discrepancy needs further study and clarification.

An additional uncertainty is how many IR–2m centrifuges Iran has produced. Some experts have speculated that Iran has made up to 3,000 IR–2m centrifuges by now. Installation of additional IR–2m centrifuges would further reduce breakout timelines. The answer may be clearer once Iran declares its existing inventory of rotor tubes and bellows under the JCPOA. However, if Iran declares it has enough rotor tubes and bellows for only 1,200 IR–2m centrifuges, questions about these numbers may persist.

The JCPOA's verification arrangements on Iran's centrifuge numbers do not appear sufficient to determine if Iran has hidden away a large number of centrifuges. The JCPOA does not contain a provision that ensures that the IAEA can verify the number of centrifuges Iran has manufactured. Under the JCPOA, the IAEA is allowed to verify Iran's declared inventory of existing rotor tubes and bellows by item counting and numbering. These conditions are not sufficient to determine

whether the declaration of the number of rotor tubes and bellows is complete (and therefore whether it may secretly possess hidden centrifuges). Iran does not appear obligated to provide to the IAEA additional needed information, such as the amount and type of raw materials and equipment procured historically for its centrifuge program that would allow a verification that Iran has fully declared its inventory of rotors and bellows and is not hiding a significant number of them, or by implication, centrifuges.

In determining a broader inventory of centrifuge rotor tubes and bellows produced in Iran, a value lies in records and evidence from procurement information related to goods Iran obtained from abroad over the years that needed to make those centrifuge parts. In several cases, it procured goods used in those parts only from abroad, such as in the case of high quality materials, such as maraging steel and carbon fiber. If Iran had to declare all its imports of key goods for its centrifuge program, or at least the ones relevant to the manufacture of rotor tubes and bellows, the IAEA can check with the supplier and member state to verify the amounts sent to Iran and can also ask about other possible procurements. In addition, it can compare Iran's declaration of goods to existing member state information about such procurements. Once the IAEA can determine an inventory of key imported goods, it can recreate the Iran's supply chain for centrifuge manufacturing and estimate whether Iran's declaration of centrifuge rotors and bellows (along with other components) is complete. Without obtaining Iran's declaration of key procurements, checking its declaration of centrifuge rotors and bellows will depend on existing member state information, which is almost always incomplete or not of sufficient quality for the IAEA to verify or challenge Iran's declaration of centrifuge rotor tubes and bellows.

Nonetheless, the IAEA should use its authorities under the Additional Protocol to press Iran for procurement information relevant to rotors and bellows. In particular, it can argue that it needs this information to ensure that Iran does not have covert centrifuge plants enriching uranium. The United States, backed by Congress, should insist that the IAEA do so.

Breakout Estimates in Years 10–13 and afterwards

There is little public information about the numbers and types of centrifuges the agreement allows Iran to install from years 10 through 13. According to several negotiators, Iran's centrifuge capability, which will comprise a mix of advanced centrifuges, will build up after year 10 and reach a breakout timeline of about 6 months by year 13. We are unaware of the uncertainties in this estimate. For example, would it be shorter, if reinstallation factors were more fully considered?

After year 13, the centrifuge limitations will unwind relatively rapidly. With the ending of restrictions on near 20 percent LEU in year 15 and Iran's stated intention to resume producing this LEU, Iran can lower breakout timelines significantly. Within a few years and under a variety of scenarios, Iran could deploy sufficient advanced centrifuges and accumulate enough near 20 percent LEU to lower breakout estimates to a few days. At this point, breakout of enough weapon-grade uranium for one or two nuclear weapons could occur without the IAEA being aware it happened until after the fact. Preventing Iran from reaching this level of capability remains a priority.

PROCUREMENT CHANNEL

The JCPOA lays out an entity and a set of procedures for states to make direct- and dual-use nuclear related sales to Iran via a procurement channel. It creates a set of new procedures and an oversight body called the Procurement Working Group under the Joint Commission. The Working Group will oversee direct- and dual-use nuclear related purchases by Iran. The IAEA will have authority to check the end use of direct nuclear-use goods and can use its access provision to check the end use of dual-use goods. Otherwise, the state responsible for dual-use good sales will have authority to check the end use of an important subset of dual-use goods.

A preliminary assessment of the procurement channel provisions overall shows that a large burden will remain on countries to regulate their national nuclear-related trade with Iran. Likewise, the burden will be on suppliers, law enforcement, and intelligence agencies to detect and prevent illicit attempts to procure or sell goods, and to report in some manner to the Working Group on any illicit attempts they see from Iran that would indicate or signify possible noncompliance or covert nuclear activities. The E3+3 will need to take into account that it will need to ensure states seeking to export nuclear wares to Iran understand the new procedures. The E3+3 should understand that its failure to lay out how non-JCPOA states should report on, or moreover, how the Joint Commission should address Iranian lapses relating to nuclear-related imports and exports, may create problems as the

deal is implemented. The lack of penalties for minor or incremental violations by Iran regarding illicit procurements (or other noncompliance) is a major weakness in the deal.

Effective planning and remediation steps are necessary now to prepare for problems and strengthen these provisions. Outreach by governments will be needed to explain these provisions to domestic companies and ensure they do not circumvent the proscribed, official channel. In addition, any suppliers seeking to make sales to Iranian entities outside the channel will need to be detected and stopped.

Moreover, the success of the procurement channel will depend on export control systems working throughout the world. The United States will need to expand its outreach to help countries improve their export controls more generally and to implement the procedures of the procurement channel more specifically.

Several countries, including China, Turkey, and possibly Russia, can be expected not to implement the new procedures adequately. The former two countries have not adequately implemented the United Nations Security Council sanctions on Iran; they cannot be expected to implement the new procedures effectively when new business opportunities in Iran begin to multiply. Nonetheless, the United States and its allies will need to press these countries to improve implementation of their domestic export controls and abide by the new procedures of the procurement channel.

However, even fully responsible states can expect challenges, some of which will be difficult to overcome without new resources and commitments. One concern is that the JCPOA provides for only a 30-day window to decide on proposals to transfer sensitive goods to Iran. According to the JCPOA, "Each participant in the Procurement Working Group will have to communicate to the Coordinator, within 20 working days, whether it approves or rejects the proposal. The timeline for consideration may be extended for an additional period of 10 working days at the request of a participant of the Procurement Working Group." Although the JCPOA process requires only one state on the Working Group to stop the export, no state is likely to want to disapprove exports without a justification. But 30 days is unlikely to be sufficient time for states, including the United States, to conduct due diligence on the full range of expected dual-use exports to Iran, including those a state determines "could contribute to activities inconsistent with the JCPOA." All supplier states will need to devote sufficient resources and develop adequate systems to review export proposals quickly and adequately. Pending the development of such systems, the United States should state that it will maintain a presumption of denial if it determines that 30 days is not sufficient to adequately review proposals. Congress should authorize more resources to improve the executive branch's capabilities to rapidly review exports to Iran and ensure that they do not contribute to activities inconsistent with the JCPOA.

Notes

[1] Jay Solomon, "Lawmakers Say Iran Unlikely to Address Suspicions of Secret Weapons Program," Wall Street Journal, July 26, 2015. See also: Unclassified Verification Assessment, submitted by Obama administration to Congress under the Iran Nuclear Agreement Review Act of 2015 (INARA). Delivered to Congress on July 19, 2015.

[2] Ibid.

[3] Iran's activities at Parchin raise the question of why it has been sanitizing actively during negotiations if it is supposedly prepared to address the PMD issue. The ongoing sanitization activities also raise serious doubts about the soundness of the reported proposal for Iran to take its own environmental samples at Parchin, instead of the IAEA doing so, as is the standard procedure.

[4] More recent ISIS calculations that assume a more efficient average arrangement of the cascades shorten our previous estimates somewhat. This reflects a view that Iran may keep under a deal its cascades that are the more efficient ones.

[5] For additional detail and sources see David Albright and Serena Kelleher-Vergantini, "The U.S. Fact Sheet's Missing Part: Iran's Near 20 Percent LEU (Updated June 5, 2015 with new IAEA data)," ISIS Report, June 5, 2015.

[6] For additional detail and sources see: Albright and Kelleher-Vergantini, "Iran's Stock of Less than Five Percent Low Enriched Uranium, June 2015 Update," ISIS Report, June 2, 2015.

[7] In the case of the Fordow centrifuge plant, the dismantlement of the excess centrifuge cascades, which total about half of those at the plant, appears more complete. In the second hall of the Fordow Enrichment Plant, Iran must "remove all excess centrifuges and uranium enrichment related infrastructure from the other wing of the FFEP [Fordow Fuel Enrichment Plant]. This will include removal of *all* centrifuges and UF_6 pipework, including sub headers, valves and pressure gauges and transducers, and frequency inverters and converters, and UF_6 *feed and withdrawal stations*" (emphasis added).

The CHAIRMAN. Dr. Joseph.

STATEMENT OF AMBASSADOR ROBERT G. JOSEPH, PH.D., SENIOR SCHOLAR, NATIONAL INSTITUTE FOR PUBLIC POLICY, WASHINGTON, DC

Ambassador JOSEPH. Good morning, Chairman Corker, Ranking Member Cardin, other distinguished members of the committee, thank you for the opportunity to testify today. It is a privilege for me to provide my views and my recommendations.

In my prepared statement, I identify what I call five fatal flaws of the nuclear agreement with Iran: ineffective verification that will not detect or deter cheating at suspect sites such as at military facilities that Iran's Supreme Leader has declared to be off limits to inspectors; recognizing and legitimizing Iran's path to nuclear weapons both through uranium enrichment and in 15 years through reprocessing of plutonium; busting the sanctions regime and thereby abandoning our most important leverage to ensure Iran's compliance with the terms of the agreement; failing to prevent breakout in a meaningful way, both after the constraints are lifted and in the interim when Iran may decide to race to a bomb; and failing to limit Iran's ballistic missile force, including its ICBM program that makes sense only in the context of a nuclear front end.

I also identify four strategic consequences: first, the likelihood of more nuclear and missile proliferation in the gulf and the broader Middle East; second, undermining the international nonproliferation regime by setting very damaging precedents on verification and undercutting the authorities of the IAEA; third, enabling with hundreds of billions of dollars over time a more aggressive and repressive Iranian regime; and fourth, increasing not decreasing the prospects for conflict and war.

Given the profound national security implications that stem from these consequences, I believe that this is a historic moment, and at this moment, I do not think one can overstate the importance of the congressional review and action on this agreement. And here I would make four recommendations.

First, Congress should vote on the agreement and reject it if you decide that it is a bad agreement. I think the metrics to judge good from bad are straightforward. Is the agreement verifiable? Does the agreement deny Iran a nuclear weapons capability? Does the agreement, following the expiration of constraints placed on Iran, prevent Iran from building a nuclear weapon in a short period of time? And is there meaningful phased relief of sanctions and are there guaranteed snapback provisions? Because the answer in my assessment to each of these questions is no, it is important for Congress to reject the agreement and insist on a return to the negotiating table to seek an outcome that meets long-standing U.S. goals.

Second, Congress should, to the extent that it can with congressionally imposed sanctions, tie incremental relief to the fulfillment of Iran's commitments.

Third, if the agreement moves forward, Congress should make clear that any cheating will result in its immediate termination. Unfortunately, it appears that the Obama administration may seek to explain away noncompliant behavior as it has reportedly done with Iran's failure to meet its obligations under the Joint Plan of Action. For this reason, Congress should establish a team B of out-

side, nonpartisan experts with access to the highest levels of intelligence to assess Iran's compliance with all provisions of the agreement.

And fourth, Congress should move forward with funding to expand missile defense in the region and against the emerging Iranian ICBM class missile threat.

To conclude, I know that you have heard the arguments that, despite its flaws, Congress should go along with the agreement because it is the best that we can do or because it is better than no agreement or because if we walk away from the deal, we are choosing war. Based on my personal experience over many years, none of these assertions holds up. We can do better as we demonstrated with Libya where we demanded and received anywhere/anytime access to all sites and where we removed the program by sending over a large ship, which we loaded up with hundreds of metric tons of nuclear equipment and with their longer range missiles, and then we sailed it back home. While Libya is not Iran, there are a number of lessons that apply to Iran that I would be pleased to talk about, if you like.

Let me just say that with Iran, we violated every rule of good negotiating practice. We gave up our leverage at the outset by relieving sanctions to keep Iran at the table. We consistently signaled that we were desperate for an agreement. We allowed ourselves to be squeezed for concession after concession as Iran manipulated arbitrary deadline after arbitrary deadline. And most important, instead of holding the line on key issues whose outcome would determine whether it is a good or bad agreement, we made concession after concession.

As for the assertion that this deal is better than no deal, well, that is a question for Congress to answer. I would just refer you to the statements repeatedly made by the President and Secretary of State that no deal is better than a bad deal.

As for the notion that it is a choice between this agreement and war, this is simply a false choice. It is hyperbole brought to you by the same individuals that predicted—in fact, they committed to achieving in the agreement constraints on Iran's ballistic missiles, anywhere/anytime access to sites, to people, and to documentation and getting to the bottom of the military activities, including the design of a nuclear warhead that Iran is suspected of conducting. This track record of predictions could not be worse.

There is no certainty that we can get a good agreement. There are no risk-free alternatives, but the costs and risks of accepting this bad agreement far outweigh the alternative of going back to the negotiating table. Iran will criticize us, as it does every day in its vitriol against the great Satan. Russia and China will criticize us as they continue their respective aggressions in Ukraine and the South China Sea. Even some of our allies will criticize us if we insist on reopening negotiations. But others will cheer us like Israel and our Arab partners that know Iran a lot better than we do. And with American leadership, combined with close consultations and sound positions on the issues, I am confident that we can turn this around just as we have at other critical junctures in the past when our national security demanded it.

Thank you very much for your consideration.

[The prepared statement of Ambassador Joseph follows:]

PREPARED STATEMENT OF AMBASSADOR ROBERT JOSEPH

Chairman Corker, Senator Cardin, other distinguished members present today, thank you for the invitation to testify before the committee on the nuclear agreement with Iran. It is a privilege for me to provide my views and recommendations.

FIVE FATAL FLAWS

(1) Ineffective Verification

President Obama has stated that the Joint Comprehensive Plan of Action (JCPOA) is not based on trust but on rigorous monitoring and verification. Iran has repeatedly proven itself a master of denial and deception in cheating on every nuclear agreement it has signed to date. The expectation, based on over 20 years of experience, is that Iran will cheat again if it can get away with it.

Unfortunately, the terms of the agreement do not provide for an effective means to detect or deter cheating, unless Iran decides to violate its commitments openly at declared facilities under IAEA monitoring. Here, the added access and information that Iran must provide under the Additional Protocol and other relevant provisions of the JCPOA would be beneficial. The problem is that Teheran is less likely to cheat in front of the international inspectors than at undeclared sites such as military bases where it has cheated in the past and where Iran's Supreme Leader has ruled out any inspections.

In fact, the suspect site provisions contained in the JCPOA—the managed access and the dispute resolution procedures—are significantly weaker than the measures contained in the standard Additional Protocol. Twenty-four-hour notice is replaced by a 24-day notice. And if Iran continues to object, the procedures could result in additional delays of days or weeks before Iran is actually confronted with the choice of permitting access or having the case referred to the Security Council—something Iran has never seemed all that concerned about in the first instance. In short, instead of anywhere, anytime, unfettered access to places, people, and documentation—all essential for effective verification—implementation of the JCPOA is dependent on Iran's cooperation.

(2) Providing a Pathway to Nuclear Weapons

Despite assertions to the contrary, the JCPOA does not cut off Iran's path to produce fissile material for nuclear weapons. It does not deny Iran a nuclear weapons capability—the long-standing U.S. goal in the negotiations. While it is preferable that Iran spin fewer, rather than more, centrifuges at Natanz and that its stockpile of low enriched uranium be limited for the period that these restriction apply, the basic premise of the agreement remains fundamentally flawed. Despite multiple U.N. Security Council resolutions demanding the complete suspension of all enrichment and reprocessing activities, the JCPOA leaves in place a large-scale enrichment infrastructure. Even during the period that the constraints are imposed on Iran, this infrastructure could be used to achieve breakout or, more likely, "sneakout." When the constraints do expire, Iran's enrichment program can expand qualitatively and quantitatively so that the breakout time will be "virtually zero." Teheran can also decide to reprocess plutonium in the future. Thus, the JCPOA recognizes and accepts Iran as a nuclear weapons threshold state. It gives what was—and almost certainly still is—an illicit nuclear weapons program an international seal of approval.

As for weaponization, actually fabricating a warhead, the November 2011 IAEA report identified 12 activities with potential military application—some, including a missile warhead design, that are only associated with producing a weapon. In the intervening years, Iran has consistently stonewalled the IAEA, denying it access to facilities, documentation, and people to investigate these past and perhaps still ongoing programs. While the JCPOA requires Iran to implement yet another IAEA roadmap for resolution of these issues, there is little reason to think the result will be any different than on multiple previous occasions when Teheran made similar commitments that were then ignored.

(3) Busting the Sanctions Regime

A third flaw is the early relief of sanctions and the JCPOA "snap-back" provisions—a clear triumph of hope over experience. It took over 10 years for sanctions to have a substantial effect on Iran's economy. Once sanctions are further loosened and most ended, it will be extraordinarily difficult to restore them. We will have given up our leverage and will be dependent on Russia, China, and others, including friends, with commercial interests in continuing to do business with Iran. There are

procedures that that suggest sanctions will be reconstituted if violations occur, although perhaps as long as 85 days after the fact. But there are many detours that could delay imposition and, once the restrictions are lifted in 10–15 years, the option of restoring effective sanctions is for all practical purposes removed altogether.

(4) Failure to Prevent Breakout

Also deeply flawed is the notion of extending the breakout time from 2 or 3 months to 12. Following the end of restrictions on Iran's enrichment program, we will be in a worse situation with an even more capable Iran, operating thousands of advanced centrifuges. If a 2–3 month breakout time is unacceptable today, why is it acceptable in 10–15 years?

Moreover, unless Iran begins breakout at a declared facility under IAEA monitoring, how will we know when the clock begins? Despite assertions that we will know when Iran decides to go nuclear, our track record suggests the opposite, especially in a covert "sneakout" scenario. In the past, we were caught off guard at the timing of the first Soviet nuclear test, the first Chinese nuclear test, and the Indian and Pakistan nuclear tests. More recently, and more directly related, we debated for years whether North Korea was operating a uranium enrichment facility—a debate that ended only when Pyongyang announced that it had begun production of highly enriched uranium for weapons and invited an American nuclear scientist to visit the site.

Finally, even if we did know when breakout began, what response can we realistically expect to occur? The likelihood, based on previous experience, is that months will go by until there is an internal U.S. consensus that a violation has taken place. More months will go by as the international community deliberates about how to respond. Consider two recent examples of how long these matters take: it took nearly 4 years for the IAEA Board of Governors to refer the Iran nuclear issue to the U.N. Security Council and it took years for the U.S. Government to conclude that Russia had violated the INF Treaty, despite clear-cut evidence in both cases.

(5) Failure to Limit Ballistic Missiles

One line of argument used to justify the shift in the U.S. position from including ballistic missiles to excluding them in the negotiations was that, if Iran's nuclear weapons capability is precluded by the terms of the agreement, the threat of a nuclear-tipped ballistic missile also goes away. However, in light of Iran's continuing efforts to develop longer range ballistic missiles, including an ICBM capability, one might turn the argument around: if the agreement effectively blocks Iran's path to nuclear weapons, why would Tehran continue to work on a costly weapons system that could never be effectively armed?

Indeed, in February of this year, in the middle of the high stakes negotiations, the Iranians successfully orbited their fourth satellite. The technology that enables a space launch vehicle to launch a satellite is directly transferable to a long-range ballistic missile. Iran's willingness to move forward with the launch, given the timing, demonstrates its commitment to advancing its ICBM program, and its continued willingness to violate U.N. resolutions—in this case, U.N. Security Council Resolution 1929, which prohibits Iran from undertaking "any activity related to ballistic missiles capable of delivering nuclear weapons, including launches using ballistic missile technology."

In fact, there are a number of interrelated assumptions on which this argument—or, more accurately, this assertion—is based. It assumes that permitting Iran a large-scale enrichment capability is compatible with the goal of denying Iran the ability to produce weapons-grade fissile material; it assumes that the 12-month breakout time is meaningful; it assumes that the agreement will be effectively verifiable; and it assumes that the United States and the international community will respond to evidence of cheating before Iran can mate a nuclear weapon to a ballistic missile. None of these assumptions holds up under scrutiny. As a result, the threat to the U.S. homeland and to our NATO allies of an Iran armed with nuclear-tipped ballistic missiles will increase, not decrease, under the anticipated agreement. The threat will also increase to the Gulf Arabs leading to more proliferation in the broader Middle East and a greater risk of war.

FOUR STRATEGIC CONSEQUENCES

(1) Increased Prospect for Nuclear and Ballistic Missile Proliferation

For me personally, because I approach these issues from a nonproliferation perspective, one of the most significant negative consequences of the JCPOA is the increased likelihood of nuclear proliferation. As a result of Iran's greater capabilities and influence—reinforced by a growing skepticism among our allies about the U.S. resolve to defend their interests—other Gulf States may decide to acquire a nuclear

threshold capability similar to Iran's. Saudi Arabia has already made clear that it will want what Iran is permitted. My sense is that these states, which may also include Turkey and Egypt and perhaps others, will want to ensure that they are not a step behind Iran—and the proliferation dynamic will be unleashed.

Moreover, because the United States and other P5+1 members have agreed to exclude ballistic missiles in the negotiations, the message to other rogue states will be that we are not serious about imposing costs for missile proliferation. This could be a further incentive for states seeking weapons of mass destruction to acquire ballistic missiles as a means of delivery. For Iran, it could encourage even closer cooperation with North Korea on the transfer of missile technology and perhaps in nuclear weapons field.

(2) Weakening of the International Nonproliferation Regime

Despite having been negotiated in the name of nonproliferation, the JCPOA undermines the international nonproliferation regime. The provisions relating to the timelines for suspect site inspections (permitting an initial delay of 24 days in place of a 24 hour notice) and the failure to firmly back the IAEA investigation of Iran's possible military activities undercut the authority of the Agency. Both may well be used by future proliferators as precedents to hide their activities and avoid penalties. American leadership of the international regime will also be weakened because of the abandonment of decades of U.S. policy discouraging the spread of enrichment and reprocessing activities. How can the United States credibly argue that Iran can have a large-scale enrichment capability but Saudi Arabia and other states, including allies such as South Korea, should not?

(3) A More Aggressive and Repressive Iran

With tens of billions of dollars in immediate sanctions relief, and massive more amounts to follow, Iran's military and Revolutionary Guards will have access to more resources for more missiles, for more weapons across the spectrum, for continued support to the Assad regime in Syria, and for more terrorist activities. The end of the arms and ballistic missile embargoes in 5 and 8 years respectively, will only add to Iran's capabilities to intimidate its neighbors, enflame the Sunni-Shiite divisions, and support instability throughout the region.

The notion that Iran's leaders will become more moderate as a result of the nuclear agreement has no basis in fact. Following the conclusion of the negotiations, Iran's Supreme Leader again denounced the United States to cheers of Death to America. In his speech, he made clear that Iran would continue to support its allies in Syria, Iraq, Yemen, and Lebanon, and reaffirmed his support to terrorists groups dedicated to the destruction of Israel.

Iran's economy will benefit from the end of sanctions, with the likely result that the regime will be strengthened. This will enable it to continue, if not intensify, its brutal repression of all domestic opposition in the struggle for a free and democratic Iran. And with a nuclear weapons capability in waiting, Iran's leaders will be even more secure in persecuting their domestic opponents without fear of external intervention.

(4) Increased Prospect for Conflict

The nuclear agreement will likely lead to a greater chance of conflict and war. With increased military capabilities, and a nuclear weapons option that it can exercise when necessary, Iran may become even more aggressive in the region in promoting its theocratic and national goals—undermining long-term American allies in a region of vital U.S. interests. With the U.S. pullout of Afghanistan and drawdown in Iraq, Iran is the prime candidate to become the preeminent power in the gulf and beyond. And given the lifting of the embargoes on conventional arms and ballistic missiles, Iran's military capabilities will grow all the more, creating even greater incentive for Iran's Arab neighbors to increase their arms. Media reports indicate that the Obama administration has already signaled that it will increase arms transfers to the region.

A bad agreement—one that does not end Iran's nuclear weapons capability—may also compel Israel to do what it has sought to avoid for years—respond with force to eliminate an existential threat to its existence. Everyone wants a diplomatic resolution of the Iran nuclear threat, especially Israeli leaders. But an agreement that paves the way to a nuclear weapon—as Israel's Prime Minister characterized the JCPOA—may force Israel's hand.

FOUR RECOMMENDATIONS

(1) Congress should vote on the agreement, and reject it if it is a bad agreement. As President Obama has stated, a bad agreement is worse than no agreement. The metrics to judge good from bad are straight forward:

- Is the agreement verifiable?
- Does the agreement deny Iran a nuclear weapons capability—the long-standing declared goal of the United States and the international community?
- Does the agreement, following the expiration of the constraints placed on Iran, prevent Teheran from building a nuclear weapon in a short period of time?
- Does the agreement prevent or extend the breakout time in a meaningful way?
- Is there a meaningful phased relief of sanctions and are there guaranteed snap-back provisions?

Because the answer in my assessment to each of these questions is "No," it is important for the Congress to reject the agreement. In its place, Congress should insist on a return to the negotiating table to seek an outcome that meets long-standing U.S. goals. This would send an important message that the Congress will not be boxed in by Security Council resolutions that circumvent the constitutional process and congressional oversight. It will also send an important message to Iran's leaders that their self-declared victory in the negotiations will not stand in the future.

(2) Congress should, to the extent that it can with congressionally imposed sanctions, tie incremental relief to the fulfillment of Iran's commitments. The burden should rest on Iran to prove its compliance, not on the U.N. to prove its failure to comply.

(3) Congress should make clear that any cheating—any failure by Iran to meet all of its obligations—will result in the immediate termination of the agreement. We know Iran will cheat. Unfortunately, it appears that the Obama administration may seek to explain away noncompliant behavior as it has reportedly done with Iran's failure to meet its obligations under the initial Joint Plan of Action. Here, the Congress should establish a "Team B" of outside nonpartisan experts with access to the highest levels of intelligence to assess Iran's compliance with all provisions of the agreement. Team B efforts have been welcomed in the past, for example in evaluating the Soviet nuclear threat and Soviet arms control compliance, and have been found to be of value by the intelligence community in providing different perspectives and approaches.

(4) Congress should move forward with funding to expand missile defenses in the region and against the emerging Iranian nuclear armed ICBM-class missile threat. The latter might include reinstituting Phase Four of the European Phased Adaptive Approach that was cancelled as a concession to Moscow. At a minimum, it should include moving ahead with a third interceptor site on the U.S. East Coast. The threat is real and the first priority is protecting the American people from attack.

Thank you for your consideration.

The CHAIRMAN. Thank you, sir.

Dr. Samore.

STATEMENT OF DR. GARY SAMORE, EXECUTIVE DIRECTOR FOR RESEARCH, HARVARD UNIVERSITY, BELFER CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, CAMBRIDGE, MA

Dr. SAMORE. Thank you, Chairman Corker and Ranking Member Cardin. I appreciate this opportunity to brief the committee on a new report which the Belfer Center has just produced this morning, and we have placed it at your table. I would like to request that it be put into the record.

The CHAIRMAN. Without objection.

[EDITOR'S NOTE.—The Belfer Center report mentioned above was too voluminous to include in the printed hearing. It will be retained in the permanent record of the committee.]

Dr. SAMORE. Thank you, sir.

Now, this report was produced by the Belfer team of nuclear experts. The intent is to try to provide a comprehensive description

of the agreement and to evaluate its strengths and weaknesses, including issues on which the Belfer team disagrees, most importantly, whether or not Congress should approve or reject this agreement.

With respect to the agreement itself, we have three main conclusions.

First, if the agreement is implemented, it will effectively prevent Iran from producing fissile material for nuclear weapons at its declared nuclear facilities for at least 10 to 15 years. That assessment is based on both the physical limits on Iran's nuclear capacity at Arak and Fordow and Isfahan, as well as the inspection and monitoring regime at declared facilities, which will quickly detect any significant cheating or breakout.

The reason for the 10-to-15-year range in our estimate is because the Belfer team disagreed on how to characterize the expansion of Iran's enrichment capacity in years 11 to 15 in the agreement. As you know, Iran is then allowed to begin replacing the IR–1 centrifuges with more advanced centrifuges, and the plan for that expansion and replacement is not public. So that leaves room for disagreement among the experts. Some of our experts thought that at year 15 breakout time would be about what it is today, a couple of months. Other experts thought that if the Iranians can make these more advanced centrifuges work properly, breakout time at year 15 could be down to a couple of weeks. And that is just an unknown and disagreement in our report.

But all of our experts agreed that in any event Iran is very unlikely to take the risk of trying to break out at its declared facilities because that would be detected very quickly and there would be time for the United States and other countries to take action to prevent breakout from happening.

So in other words, this agreement blocks Iran from producing fissile material for nuclear weapons for 10 to 15 years at its declared facilities. That means that if Iran is going to produce nuclear weapons in the next 15 years, they will have to do it at secret facilities to produce fissile material, and this leads to the second major conclusion of the report.

The verification and the compliance measures in this agreement, along with continuing United States and allied intelligence efforts, are likely to detect any Iranian effort to build secret facilities to produce fissile material. And of course, the agreement has provisions to reimpose U.N. sanctions in the event of a major violation.

At the same time, the report concludes that intelligence and inspections under the JCPOA are less likely to deter or to detect incremental cheating or secret activities not involving nuclear material, such as certain areas of nuclear weapons research or centrifuge research. So you can never say with complete confidence that the secret pathway is cut off, but the agreement makes it more difficult for Iran to conceal efforts to build secret facilities to produce nuclear material and makes an international response in the form of sanctions more certain.

The one area of verification that the Belfer contributors most disputed was the significance of the IAEA's investigation into Iran's previous military activities, so-called PMD. Some of the Belfer experts felt that full resolution of PMD was essential to establish a

baseline for future monitoring of Iran's nuclear program, while others felt that the United States and U.S. allies already have sufficient information from intelligence so that we do not need to have full settlement of the PMD issue.

The third point, and I think the one that is most difficult to assess and predict, is what happens after 15 years when the physical constraints on Iran's nuclear program and most of the special monitoring provisions expire. Supporters of the agreement think it will create conditions—it could create conditions to reduce Iran's incentives to develop nuclear weapons over time, while opponents think that it could legitimize Iran's nuclear weapons option. At that point, 15 years from now Iran would be able, within a matter of years, to build a large enrichment facility, large enough to provide low-enriched uranium fuel for its nuclear power program, and such a large-scale enrichment program could create more credible options for both nuclear breakout and for concealing secret facilities. Iran could even claim it needs to produce highly enriched uranium for civil purposes. As Secretary Moniz has testified before this committee, the United States could object if Iran takes steps that we consider to be inconsistent with a civil program, but whether we could rally international support at that point is very unclear. It is obviously hard to make predictions about things that could be happening 15 years from now.

So that takes me to the final issue, the overall judgment about this agreement compared to alternatives. Obviously, the agreement is better than no deal because it constrains Iran's nuclear program and imposes additional monitoring. But just as obviously, the deal could be better. It could have tighter physical constraints. It could have stronger inspections. It could have longer duration. And on this issue, the Belfer team was deeply divided between those who thought we should accept the current deal with its known strengths and weaknesses or whether we should take the risk of rejecting this deal and attempt to try to negotiate a better deal. And frankly, we do not have an answer to that question, which is the fundamental question Congress faces, but we have at least tried to lay out the arguments to frame the debate.

Thank you very much. I look forward to responding to your questions.

[The prepared statement of Dr. Samore follows:]

PREPARED STATEMENT OF DR. GARY SAMORE

Thank you, Mr. Chairman and Ranking Member.

I appreciate this opportunity to brief the committee on a new report just published by the Belfer Center for Science and International Affairs on the Iran nuclear deal. With contributions from the Belfer Center's nuclear experts, the report is intended to provide a comprehensive description and balanced evaluation of Joint Comprehensive Plan of Action, including issues on which the Belfer team disagree—most importantly, whether or not Congress should approve the agreement.

With respect to the agreement itself, we have three main conclusions.

First, if the agreement is implemented, it will effectively prevent Iran from producing fissile material for nuclear weapons at its declared nuclear facilities for at least 10–15 years. This assessment is based on both the physical limits on fissile material production at declared facilities (such as Arak, Natanz, and Fordow) and the IAEA inspection and monitoring measures at declared facilities, which would quickly detect any significant cheating, diversion of nuclear material, or breakout.

Reason for 10–15 year range is because Belfer experts disagreed on how to characterize Iran's enrichment capacity during years 11–15 of the agreement, when Iran

is allowed to gradually replace its IR–1 centrifuges at Natanz with limited numbers of IR–2m, IR–4, IR 6, and IR–8 centrifuges. Some contributors believe that breakout time at year 15 will be about the same as it is today—a few months—while others think it could be shorted to a few weeks, but as you know, the details of the enrichment plan are not public. Nonetheless, the Belfer team agrees that Iran is unlikely to risk breakout at Natanz through at least year 15 because detection would be very swift and certain.

In other words, the agreement blocks Iran's pathway to produce nuclear weapons for at least 10–15 years unless Iran can build secret facilities to produce fissile material—so-called sneakout option.

This leads to our second major conclusion. The verification and compliance measures in the agreement—along with continuing U.S. and allied intelligence efforts—are likely to detect any Iranian attempt to build secret facilities to process nuclear materials and to reimpose U.N. sanctions if Iran is caught in a major violation. At the same time, the report concludes that intelligence and inspections under the JCPOA are less likely to deter or detect incremental cheating or secret activities not involving nuclear material, such as certain areas of nuclear weapons research. You can never say with complete confidence that the secret pathway is cut off, but the agreement makes it more difficult for Iran to conceal and makes international response more certain.

The one area of verification that the Belfer contributors most disputed was the significance of the IAEA's investigation of Iran's past nuclear weapons program, so called Possible Military Dimensions or PMD. Some contributors felt that full resolution of PMD was essential to establish a baseline to monitor future activities, while others felt that the U.S. and allies already have sufficient information from intelligence.

Third point—and I think the most difficult to assess—is what happens after 15 years, when the physical constraints on Iran's nuclear program and most of the special monitoring provisions expire? Supporters of the agreement, it could create conditions to reduce Iran's incentives to develop nuclear weapons, while opponents think it could legitimize Iran's nuclear weapons option. At that point, Iran would be able within a matter of years to build an enrichment facility large enough to provide low enriched uranium for its nuclear power program. Such a large scale enrichment program would create more credible options for both nuclear breakout and sneakout. Iran could even claim it needed to produce highly enriched uranium for civil purposes. As Secretary Moniz testified before this committee, the U.S. could object, but whether we could rally international support is unclear.

So—that takes me to the final issues—overall judgment about the agreement compared to the available alternatives. Obviously, the agreement is better than no deal, in terms of constraining Iran's nuclear development and increasing monitoring. But just as obviously, the deal could be better—tighter physical restrictions, tougher inspections, and longer duration. On this, the Belfer team was deeply split between those who thought we should accept the current deal (with its known risks) or take the risk of rejecting this deal in hopes of negotiating a better deal. Frankly, we don't have a final answer, but we've tried to lay out the best arguments on both sides.

Thank you, Mr. Chairman and Ranking Member. I'd be happy to answer your questions.

The CHAIRMAN. Well, we thank you all. You are all very well respected and, obviously, if you listen to the testimony, that is what is going to make this decision a tough one for many. There are a lot of different views.

I am not going to use most of my questioning time, but I am going to ask one question, make one point I guess to David Albright. You mentioned that we should not agree to the arrangements beyond 10 years, but you understand we have already agreed to that. Right?

Mr. ALBRIGHT. I am sorry.

The CHAIRMAN. I do not know if you have seen all the documents that we have seen, but you understand we have already agreed to Iran's industrialization of their program beyond 10 years. That is part of the agreement now.

Mr. ALBRIGHT. The way we have read it is that that is not an agreement in the sense that it does not object and prohibit it, but

it is not approving it. And so the United States could turn around and say that it does not approve of it. And to be honest, I have heard from administration officials similar language.

So I think it can be worked with, and basically argued that the U.S. position would be that if Iran builds a large enrichment program—I would say a semicommercial one—that has no need, is uneconomic, that that would be inconsistent with the agreement.

The CHAIRMAN. I do not think there is anybody on this panel who would agree with you—up here. I mean, I think that most of us have read the documents down in the SCIF. I do not think there is anybody that does not believe that the United States has agreed to the industrialization of their nuclear program. Now, what they are going to do with it is something that people may disagree on, but I do not think there is any disagreement—just for what it is worth—among all of the folks sitting up here that, in essence, we have agreed to the industrialization of their program.

One of the areas that yesterday came up in our classified meeting—and I thought it was a very good meeting—is the procurement channel issue. I think most of us have thought, if you listen to Wendy Sherman and others, that we have got a really tight grip on the procurement channel. But I think what we realized yesterday is that that is not true, that the way the procurement channel works—we know that there are plenty of illicit exporters, we know that there are A.Q. Khan-type folks in China. We have had hearings to that effect that are shipping these goods to Iran and other places. The deal requires exporters to report that they are exporting illicit goods to Iran. There is no reporting on the other end. And I just find that to be a phenomenal gap in this. And to me, it creates tremendous opportunities for illicit issues to be dealt with. And if you look at the confidence levels of our intelligence community and their feelings about their ability to actually intercept that, I would just say that it gives me tremendous pause.

I do not know if you want to add to that or take away.

Mr. ALBRIGHT. And we were involved in designing the model of the procurement channel last summer and working with the administration and other countries on what it should be. And I think it does fall short of what is needed. I mean, again, you never can get the ideal case, but there are some real issues that have to be compensated for if this deal goes forward and you mentioned some. The end use verification is inadequate. The IAEA does not have—it certainly does not have a mandate. I mean, it is going to have to seize one to try to exert itself to look for—in a sense to check the end use and to look for suspicious imports because you are worried both about covert activity, that it could be efforts to procure for a covert nuclear program, but it could also be an effort to stockpile so that these goods could be used in surging if they decide to renounce the deal.

And so I think there is quite a bit of work, and I think some thought has to be put in to how do you compensate for that. And part of that is going to rely on the United States being able to assess much more.

The CHAIRMAN. So we are good. I am going to move on and will interject as we go. Thank you very much and I look forward to working with all of you.

Senator CARDIN. Once again, thank you all for your testimony.

So much of this depends upon the IAEA, and the Director General will be here tomorrow. It will be in a closed setting. So the public will not have an opportunity to hear it. But I would just ask you what questions should we be asking of the Director General? We are very concerned that they have the capacity and the expertise that they need. We are very concerned that they have the access, including intelligence information, in order to make these judgments. We are very concerned about the prior military dimension and whether they will be able to give us an accurate assessment of what happened previously. So if you were in our position, what questions should we be asking the Director General?

Dr. SAMORE. Yes, sir. I mean, I think there are two important issues. The first is whether the IAEA has sufficient resources, expertise, equipment, and support in order to do its main job, which is to monitor the declared facilities. That is their bread and butter. The IAEA is never going to be capable of detecting secret facilities the same way that intelligence agencies are. So they are going to have to depend very heavily on support from the United States and other countries in order to carry out that part of the mission. But in terms of the declared facilities, that is where their real expertise is, and we want to be sure they have the competence to do that.

The second issue, it seems to me, is really PMD. I mean, Amano has made a decision to reach an agreement with the Iranians on a list of steps which he expects them to take in order to resolve concerns about PMD and to allow the agency to issue a final report that will close out that issue. And I think it is worth asking him what he expects from the Iranians in terms of their cooperation. My guess is that we will not see full cooperation from Iran. They may allow technical exchanges and access to facilities and so forth, but I think it is very unlikely we will see Iran genuinely cooperate to acknowledge the weapons activities that were taking place——

Senator CARDIN. That is an issue I want to get back to.

But, Mr. Albright, let me just get your assessment.

Mr. ALBRIGHT. Yes. A couple. One is—and you would not be the first to do that—to ask that the IAEA simply rule in December in their report that Iran had a nuclear weapons program and parts may have continued, that they make a positive judgment that is in line with most countries' assessments of what happened, and then to make a judgment whether Iran has cooperated by providing access.

Senator CARDIN. Do you think that we will be able to get adequate information to connect the dots? In the past, there has been concern as to how much we do know about their weaponization program and their military nuclear program. Do you think that the IAEA will have enough access to be able to make those assessments? And this leads somewhat to the road map and the annexes that we have not seen yet. They are not public. But what is your confidence level?

Mr. ALBRIGHT. Well, one is that their November 2011 report more or less said that the evidence that they have is that there was a bomb program in the past and parts may have continued. What they argue is that it is not their information. It is member state information. And I think the Director General should be pressed of

why they cannot use member state information, why they need their own because frankly who expects them, even if they get access to Parchin or some of the other sites they have asked to get to, that suddenly they are going to find out new information about past efforts on Iranian nuclear weapons.

Senator CARDIN. So, Ambassador Joseph, let me ask you. How important is the PMD? How important is it for us to know what happened in the past for us to be able to judge what is going on in the future? And what is your confidence level that the IAEA will get to the truth?

Ambassador JOSEPH. Sir, I think that is one of the most important questions before all of us in terms of assessing this agreement. I think it is absolutely vital that we understand how far along Iran was in terms of the PMD, the development of a nuclear weapons capability. And as the IAEA report of November 2011 points out, these activities could continue or at least some of these could continue to the present. So I think it is vital. If we do not understand how far along they are, there is really no way of assessing this baseline for breakout.

Senator CARDIN. And your confidence level of the IAEA getting to the truth?

Ambassador JOSEPH. Well, my confidence level is very low. I mean, why—and this would be a question for Mr. Amano. Why is today any different than the past 4 years? Iran has been stonewalling on each of these activities for 4 years. Why does the IAEA think that they are going to have clarification and resolution by December of this year? There is just no reason for that optimism.

Senator CARDIN. Let me take you 10 to 15 years down the road, Dr. Samore. As far as we know, they have complied with the agreement. How confident are you that being a nonproliferation signer of an NPT and having committed to the advanced protocols—how confident are you that the IAEA will be able to determine in adequate time if Iran decides at that point to break out to a nuclear weapon?

Dr. SAMORE. Well, if Iran has a very large-scale enrichment facility, then that would, at least in theory, give them the ability to break out very quickly perhaps before the IAEA could even alert the international community. Even more likely is that I think Iran would try to build secret enrichment facilities nested underneath or inside of a much larger program because they would have thousands of technicians and facilities for producing centrifuges and so forth, and they might try to divert some of that equipment and personnel to build secret facilities. I have always thought that was the much greater threat because breaking out from declared facilities is very risky.

Senator CARDIN. Of course, they are required to notify of other facilities, but they could violate that.

Dr. SAMORE. Exactly.

Senator CARDIN. So are you saying basically that your confidence level at the declared sites is pretty high but outside of the declared sites, that IAEA absent direct information, intelligence information—that it would be very difficult for them to be able to track what is going on in Iran?

Dr. SAMORE. I am saying after 15 years, our confidence level will have to decline. I mean, if Iran decides to build large-scale enrichment facilities, then we are going to have less confidence. That does not mean that we will not know. We might still be able to detect an effort by Iran to build secret facilities. In some respects, that is independent of the IAEA inspections. I mean, we and others have a national intelligence capability which is not fundamentally dependent on inspections. We uncovered both Natanz and Fordow without there being any special inspection mechanism in place. So I think that would continue.

Senator CARDIN. Mr. Albright.

Mr. ALBRIGHT. Just to clarify, if the program is large—they are making 20 percent enriched uranium—they can do simple things to make it so the IAEA does not actually know what is going on for it could just be a matter of days or a few weeks. Yes, again, people will be suspicious, but they can just prevent access. They can turn off the cameras. They can do all kinds of things and in that time perhaps make enough weapon-grade uranium for a couple nuclear weapons. And so that is why you worry about a large program.

Senator CARDIN. Ambassador Joseph, if I understand it, one of your major concerns is the time limits, that once those time limits evaporate, that there is not very much protection here for discovery?

Ambassador JOSEPH. Yes, sir. That is correct. I agree with Dr. Samore. I think the most likely route for sneak-out is with secret facilities. And the agreement that is before you is particularly weak in terms of the provisions with regard to inspections at suspect sites.

But I also would not rule out a breakout scenario at declared facilities. I think we will have high confidence that they are breaking out. So we will be able to detect that. But remember, North Korea broke out. North Korea kicked out the inspectors and began reprocessing plutonium. And what did we do? So the question then will become, well, how do we respond to a breakout if they chose that route, which is open to them? It is a political decision that they can make.

Senator CARDIN. Thank you.

The CHAIRMAN. Before I turn to Senator Flake, on the PMD issue, I had a very good conversation with Secretary Kerry before we finalized those. And to me, the PMD piece was an indication to me of how vigilant we were actually going to be. And as I read the PMD agreement—and I do not think there is any dispute on this, and we can certainly talk to Mr. Amano tomorrow and will. But it does not matter whether Iran becomes clean or not, whether they give a D-minus report or an A-plus report. The only thing that is required for sanctions relief is that there be a conversation and that the IAEA issue a report. But it does not matter relative to whether they come clean or not. And to me it just signaled the P5+1's lack of desire to really make sure that this agreement was stringent. And that was what was so depressing to me when I saw the qualitative pieces of that, plus the anytime/anywhere inspections, plus the lifting of the conventional arms embargo, plus the lifting of the ballistic arms embargo, plus unbelievably lifting immediately the ballistic missile testing ban.

But with that, Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

Thank you for the testimony.

Mr. Albright, you talked in your testimony about the need to pass legislation to clarify a lot of these aspects of the agreement. If this were a treaty, those would be called RUDs and we would be able to clarify exactly what is meant, our reservations, our understandings, declarations. We do not have that ability formally here, but what form should that legislation take and what would be the timing be in your view?

Mr. ALBRIGHT. Well, I think certainly our motivation is from arms control and ratification of arms control treaties. I mean, that is the model we are using. But we do not see anything that would ban Congress doing that in the case of an Executive agreement, particularly one of this importance.

Now, the timing. I do not see a time limit on this. I do not see the 60-day clock affecting this. Again, I am not experienced enough to know whether it should be done in parallel to our resolution on a vote or a bill on a vote, should it be done sequentially. But I think certainly there is a need to do it long before implementation day because I also think it could have very positive pressure on the Iranians, some to deal with just what Senator Corker said. I mean, in my discussions with the administration, they claimed to me that Iran has to address the PMD issues, but I understand the skepticism and I share it. But Congress could in legislation require that to be addressed before U.S. sanctions come off. So I think the Congress has leverage and I think that it can make a much stronger deal if, let us say, Congress does vote to approve it.

Senator FLAKE. There is one area where there seems to be conflict.

Mr. ALBRIGHT. Oh, I am sorry. Votes not to disprove it.

Senator FLAKE. Thank you.

There does seem to be disagreement or at least something that requires clarification that many of us have tried to address with the administration, and that has to do with the imposition of sanctions for nonnuclear activities. If Iran were to engage in conduct unbecoming, which would not be a break from the past, and we were to impose, say, sanctions on their central bank in response to this activity, not the nuclear activity, but this activity, the administration seems to say that all of those tools remain in our toolbox. But the agreement says otherwise, as I read it and as many of us read it.

Mr. Samore, you are nodding your head. Can you speak to that? And is that something that could be clarified in some type of accompanying legislation or legislation passed after this is implemented?

Dr. SAMORE. I think this is an area of disagreement in the agreement. We assert that we have the right to impose sanctions on Iranian individuals and entities for reasons other than nuclear proliferation activity, counterterrorism, human rights, and so forth, and that we will go ahead and do that as necessary. The Iranians assert that if we reimpose all the sanctions that we just lifted for nuclear reasons under the guise of some other pretext, they will consider that to be a violation of the agreement. And so I think in

implementation, that will be one of the tensions. We will undoubtedly find reason to impose sanctions for other reasons, perhaps even on the same individuals or entities that we have actually dedesignated, and the Iranians will complain. They will say this is inconsistent with our understanding of the agreement. At some point, that may lead the agreement to collapse. But that is one of those disagreements that are structurally embedded in the agreement.

Senator FLAKE. Does that behoove us to that disagreement or misunderstanding or whatever we want to call it now? Does it fall to us to try to clarify that?

Dr. SAMORE. Well, Congress can certainly support what the administration asserts, which is that we are free to impose sanctions for other reasons.

Senator FLAKE. And we should codify that in statute at least? Would that be useful in your view?

Dr. SAMORE. I mean, you are the legislator. I do not know whether you do that in statute or sense of Congress, but it seems to me that is clearly what the administration claims. So Congress would simply be supporting what the administration's interpretation is. And I am sure the Majlis, when it is their turn to vote on the agreement, they will assert that any reimposition of sanctions is a violation of the agreement.

Senator FLAKE. Turning to the period of time 10 years out and beyond, a lot of the restrictions are lifted. They can enrich uranium only to a certain percentage. They are subject to the NPT. What examples do we have elsewhere in the world where countries have become a nuclear threshold state and have remained there? And does this give us confidence or should it worry us about where we are going from here? Ambassador Joseph, do you want to address that first?

Ambassador JOSEPH. Well, certainly North Korea went to the brink of being capable of acquiring nuclear weapons through its plutonium reactor in Yongbyon and the reprocessing of the spent fuel to provide for the fissile material for weapons. It also, of course, embarked on the enriched uranium route, again covertly. When North Korea decided that it wanted to demonstrate a nuclear weapon with a nuclear test, it did so. It did so at the time of its choosing. The same is true with regard to India and Pakistan.

And I would point out that with regard to North Korea, with regard to India, with regard to Pakistan, we did not have good intelligence that gave us an indication that they were going to go from having this capability to actually demonstrating this capability and weaponization.

So I think there are a number of cases in which you find countries going to that level and then crossing the line.

There are other countries that, of course, could become nuclear weapons states in a very short period of time because they possess in some cases lots of plutonium, weapons-grade plutonium, and the capability for fashioning a nuclear device.

Senator FLAKE. Dr. Samore.

Dr. SAMORE. So, you know, I agree with Bob. There are plenty of countries that have—not plenty—but there are some countries that have advanced civil nuclear programs that involve production

and possession of fissile material. I mean, Japan is the best example.

But it is really a question of the country's motivation. I mean, we have some confidence that the Japanese are not likely to pursue nuclear weapons because they have a relatively transparent democratic system. They are treaty allies with us, so we believe that we are able to address their security concerns. None of that applies with Iran. So the concern is that if Iran had the same kind of threshold capacity that Japan has, there would be fewer political constraints on them actually producing nuclear weapons.

Senator FLAKE. Thank you.

The CHAIRMAN. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you all for your testimony.

Dr. Samore, let me ask you. If in fact the administration and the P5+1 had not been able to strike an agreement with Iran, would we be at war with Iran right now?

Dr. SAMORE. I do not think so. I think the Iranians have been very, very careful in pursuing their nuclear program in a way that they are hoping will avoid military action. If you look at the last decade of their program when they first broke the agreement with the Europeans in 2005, they have proceeded in a very cautious way. And, of course, both President Bush and President Obama have decided not to use military force as long as the Iranian program was proceeding gradually.

Senator MENENDEZ. So if, in fact, the Congress felt that this deal did not rise to the sufficient level for the national interests and security of the United States and rejected it, it would not necessarily mean we would be at war with Iran.

Dr. SAMORE. I agree. It does not necessarily mean we would be at war with Iran. I think they would resume their nuclear program, but they would continue to be cautious about avoiding things that could trigger a military strike.

Senator MENENDEZ. Ambassador Joseph, you already said that. Is that basically your view?

Ambassador JOSEPH. Yes, Senator, it is. I do not believe Iran wants a conventional war with the United States. The problem with this agreement is that it will shift the balance of power toward Iran. It will make Iran more capable and, in my view, more aggressive externally and more repressive domestically.

Senator MENENDEZ. So we have had three witnesses, two who support the agreement, before the committee, one who opposes it, and all of them have said it is not a choice between this and war, because I want to get that over with. I find that insulting to be perfectly honest with you.

Mr. Albright, you are a physicist. Right?

Mr. ALBRIGHT. Yes.

Senator MENENDEZ. You have been a former weapons inspector as well. Is that correct?

Mr. ALBRIGHT. Yes.

Senator MENENDEZ. So in May of this year, you wrote a commentary with another colleague saying making Iran come clean about its nukes. And in it you said, "a prerequisite for any final agreement is for Iran to address nuclear weapons questions raised

by inspectors of the International Atomic Energy Agency. If Iran is able to successfully evade questions about a weapons program now, when biting sanctions on oil exports and financial transactions are in place, why would it address them later when sanctions are lifted?"

You went on to say, "it is critical to know, whether the Islamic Republic had a nuclear weapons program in the past, how far the work on warheads advanced and whether it continues. Without clear answers to these questions, outsiders will be unable to determine how fast the Iranian regime could construct either a crude nuclear test device or a deliverable weapon if it chose to renege on its agreement."

You also went on to say, "the discussions have focused exclusively . . ."—this is before the agreement—" . . . on uranium enrichment and plutonium production capabilities. This is a mistake. Yes, Iran's ability to produce fissile material is of crucial importance, but the world would not be concerned if Tehran had never conducted activities aimed at building a nuclear weapon."

And a final point that I want to point out in your commentary because then I want to ask you a question or two about it. You say, "if Iran can get away with these things, it will have defeated a central tenet of IAEA inspections: the need to determine both the accuracy and completeness of a state's nuclear declaration. Other countries contemplating the clandestine development of nuclear weapons will certainly watch Tehran closely."

Has anything changed in your views from the commentaries you wrote back in May?

Mr. ALBRIGHT. Nom, no, I think I may state it differently. I mean, I think one of the issues of risk is the IAEA credibility. I mean, it is the verification entity, and in a sense if Iran gets away with it on PMD, then the IAEA's credibility is damaged.

Senator MENENDEZ. So this is not simply about getting culpability from Iran.

Mr. ALBRIGHT. No, not at all.

Senator MENENDEZ. Because the world largely believes it is culpable. Otherwise, we would not have slapped U.N. sanctions and a whole host of other things. The issue is to determine, as best as we can, from both access to the site, its inspectors, documents, and other things to determine how far along in the weaponization they got.

Mr. ALBRIGHT. That is right.

Senator MENENDEZ. Now, let me ask you something. I was a little stunned—and of course, you cautioned that it is not a final assessment, but when you said preliminary assessments—and I am going to paraphrase. Correct me if I am wrong. That the breakout time—that the agreement does not seem to accomplish a 1-year breakout—that it may be between 6 and 7 months. At what point in time will you be able to, with certainty, since you cautioned that it is a preliminary estimate, be able to make that determination?

Mr. ALBRIGHT. Well, we are working on it.

Senator MENENDEZ. Do you think it will be before September 17?

Mr. ALBRIGHT. Definitely. And we would like to get an administration response. I mean, we asked them last week for a response on this concern. I mean, we did not give them the number, but it

is in the testimony. We have a difference with the administration sometimes on the breakout estimates in the sense that they often have taken a position that if Iran has not done it, then it will not do it. I do not want to go into the technical details of this in the breakout estimates.

One of the questions I have is whether the administration is assuming that since Iran has not enriched in the IR–2ms at the fuel enrichment plant in the sense of there is 1,000 deployed and they have not enriched, is it that Iran will not choose to deploy those IR–2ms if they did break out, where in our assessment we are looking at it, well, they are their best machines in terms of output and they have been testing one cascade of them for several years at the pilot plant, that they would then deploy those first. And what we found in the calculation last week essentially was that has a much bigger impact than I think we anticipated 3 weeks ago.

Senator MENENDEZ. And that would be concerning to me because if I already am a little concerned that what we bought here was a very expensive alarm system where we have added 9 months to the 3 months that we have and some other elements, but have not largely gotten significant parts of their infrastructure to be dismantled—I am not suggesting all of it would be dismantled, though I would like to see that. But if it is 6 or 7 months and you have to presume every possible option—right—because you are, in part, dealing on hope here, though "hope" I think is a bad national security strategy. Six or seven months—that is not going to be helpful if they decide to break out because by the time we reimpose sanctions or snap back—and that would be my final question—it would be meaningful. The next President of the United States, depending upon when that happens, will really only have one choice: to accept Iran as a nuclear weapons state or to strike—to have a military strike because sanctions will be in effect.

So let me ask the last question. Ambassador Joseph, I have been trying to get the administration—Senator Flake has been very focused on non-nuclear-related sanctions. I am concerned that if you are going to snap back to something, to the extent that that is still a significant deterrent, you have to snap back to, for example, the congressionally mandated sanctions that I think have largely been viewed as a key driver to bringing Iran to the table. They expire next year. If, in fact, you do not reauthorize them, then I am not quite sure what you are snapping back to. As a deterrent, is it not important to have those sanctions reauthorized and sooner rather than later?

Ambassador JOSEPH. Sir, I think it is very important. Iran needs to know that there are consequences if it violates the agreement. And I am very concerned that we will be in a situation where, if we reimpose sanctions, it will mean the end of this agreement. I just think that we have, for all practical purposes, busted the sanctions regime and given up our leverage. To the degree that we can reestablish that, I would be 100 percent in favor, but it is going to be very tough. But that is the situation we are in today.

Senator MENENDEZ. My time has expired. I see that Dr. Samore wants to say something.

The CHAIRMAN. Go ahead.

Dr. SAMORE. Could I? You know, just very quickly, Senator, I do not think reimposition of sanctions is an effective response to breakout. I think the only effective response to breakout is military force. I mean, if the Iranians have decided to run the risk of openly dashing for a nuclear weapon, I do not think sanctions are going to deter them or stop them.

Senator MENENDEZ. So it seems to me that if Iran makes a political decision to move forward because it believes it is the preservation of the regime, the revolution, or its place in the region, then ultimately, if that is a view that is one that would prevail, then we are just kicking the ball down the road. But we will have a stronger resurgent Iran with more money and greater defense capabilities than it has today.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Isakson.

Senator ISAKSON. Thank you, Mr. Chairman.

I do not know who to direct this to so I will direct it to all three of you and you can volunteer who takes it first.

We all know that Iran is a pretty big player in state sponsorship of cyber espionage. We also know the IAEA is trying to comfort us that its capabilities are remote in terms of monitoring the Iranians. If they are remote, they are cyber-based. If they are cyber-based and Iran is a major player in cyber espionage, do you think the IAEA is capable of defending itself from being penetrated by the Iranians during the course of this agreement?

Mr. ALBRIGHT. I can say one thing. I am not sure the IAEA is safe from being penetrated by any nation. So I think you have to factor that in. And so if you look at the particular issue you are raising on what could be remote monitoring—and again, at declared sites where you would have video surveillance of certain locations—you will have to work with trusted member states on proper encryption. You also have to go there and check. The IAEA will have to decide how often does it have to go to assure itself that the system cannot be tampered with.

Senator ISAKSON. No other volunteers?

Dr. SAMORE. Senator, it is a great question. I wish I could answer it. I think that is a good thing to point out to Amano because I think as David said——

Senator ISAKSON. I can do that tomorrow. This was a warm-up.

Dr. SAMORE. No, no. I think it is a great question. I mean, the IAEA has their own computer experts and department, but I am sure that they could benefit from assistance in terms of developing encryption.

Senator ISAKSON. Well, given the study that you have done—and we appreciate you providing us with the Belfer group study—do you think a detected cyber espionage breach by the Iranians would be a material breach in the agreement?

Dr. SAMORE. Yes. I think anything that interferes with the monitoring of the IAEA, whether it is physically denying access or denying electronic access, would be a violation of the agreement. Absolutely.

Senator ISAKSON. Dr. Joseph, go ahead. Yes.

Ambassador JOSEPH. I was just going to add another thought, and that is, we all know that Iran is a master of denial and decep-

tion. I believe that they are very capable in the cyber area. It may be that the IAEA will not know when they are penetrated. They will not even know that because of the capability that Iran has in that area.

Senator ISAKSON. Which is why the comfort they try to give us that they have the remote capability lessens in its importance when you worry about the inspection regimen in the agreement otherwise.

Dr. Albright.

Mr. ALBRIGHT. I think on the remote, you can check that because in the end it is save resources. They could send someone who just lives there. But it is not a very wise use of resources, just like the daily inspections now are particularly a wise use of resources, although they may look good politically. So I think on that particular issue, you can deal with it. The broader issue brought up by Ambassador Joseph is more profound. I mean, we are going to have to, from a U.S. point of view, understand that the IAEA is penetrated and what does that mean. And again, I do not know how you ask Director General Amano about that, but I think we have to anticipate that Iran has penetrated the IAEA.

Senator ISAKSON. I think it is an appropriate question to ask Mr. Amano.

Mr. ALBRIGHT. Yes.

Senator ISAKSON. Dr. Joseph, I appreciate your answer—all of your answers really—to Senator Menendez on the false choice of this agreement or war. I thought all your responses were good. And I do think it is a false choice.

In your response, Ambassador Joseph, you made the following statement. You said none of the assertions really against this agreement hold up about this being an agreement or war, and our best lesson is the lesson we learned in Libya. Would you expound on what lesson was learned in Libya?

Ambassador JOSEPH. Senator, I had the privilege of leading the negotiations with Libya on Libya's nuclear program in 2003. In those negotiations, which were conducted in secret, we insisted on anywhere/anytime access, and they provided that. When we said we wanted to go to a facility, they took us there. In fact, they took us to undeclared facilities that we did not even know about because the Libyans had made the strategic decision to give up the program. And in terms of the resolution, as I mentioned, we brought the nuclear program of Libya back to the United States, along with its longer range missiles.

Now, I think we did that because we approached this with a strategy, a strategy that used economic sanctions, a strategy that used intelligence very skillfully—in fact, I think this is first and foremost an intelligence success story—and a strategy that had at its core a credible, in the minds of the Libyans, a credible option for the use of force. We did not differentiate between diplomacy and the use of force or diplomacy and economic sanctions. The key is to have a comprehensive approach that brings all of these tools together to achieve the outcome. And that is the furthest thing that we have done in our negotiations with Iran. We have turned this on its head.

Senator ISAKSON. I recognize that Iran is not Libya and vice versa, but your implication in your answer was that if we rejected this deal in a resolution of disapproval, at least you implied to me you think the Iranians would come back to the table?

Ambassador JOSEPH. It is not a certainty, but I think the damage that was being done to the Iranian economy brought them to the table in the first place, and if we start to reimpose sanctions, U.S. sanctions, secondary sanctions particularly in the financial area—this is a brittle regime. This is a regime that is at war with its own people. The reason they came back to the table was they did not want to have their economy fuel even more domestic instability. This is a regime that understands its own vulnerabilities, and I think for that reason, it will come back to the table. They will bitch. They will moan, as will others, if we say no to this agreement. But I think ultimately they will need to come back. They are the ones that need an agreement. We should insist on an agreement that achieves our national security interests, not those of Iran.

Senator ISAKSON. Thanks to all of you. Did you want to say something, Dr. Albright?

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

I really appreciate the testimony of the witnesses here today.

Dr. Samore, I believe Ambassador Burns was part of your group. You talked about the group that put together our Iran nuclear deal definitive guide. We have been looking forward to that. So that is good to have. He did very well last week, and I want to just remind everybody about a couple of things he said and then ask you some questions on that.

One of his points was other than attempting to disapprove this along party lines, he said let us work with the President to strengthen America's position in the Middle East, move forward with a nuclear deal, push back against Iranian power in the region. A Congress that sought greater unity with President Obama would help to strengthen our country for the struggles that are inevitably ahead with Iran in the years to come.

Let us assume—they had a lot of debate here about whether we are going to move forward with this agreement or not. I personally believe we are going to have this agreement. We are going to move forward. So let us assume that. What ideas do you have to strengthen the President's hand as he attempts to enforce this agreement? As we move forward, what are the things that we should be looking at in terms of filling the holes and trying to do everything we can to make this a stronger agreement as we move down the line? Because as anybody knows, an agreement is a living object and a living presence and it moves along and you work through it. It is not something that is just a matter of concrete. And you have some very powerful parties that are a party to it.

Please, go ahead, Dr. Samore.

Dr. SAMORE. Thank you, sir.

If you accept the argument that this deal at least buys 15 years in terms of delaying Iran's nuclear capacity, I think the key ques-

tion for us is how do we take advantage of those 15 years both to contain Iranian aggression and influence in the region and to try to promote political change because at the end of the day, the only way to really resolve the nuclear issue is to have a government in Iran that has decided they do not want nuclear weapons. I do not think we have that now. That is why I am skeptical about the likelihood of this agreement surviving 15 years. But if it does, if we do have some time, the important thing is our policy in the region, our policy toward Iran, how we coordinate with our allies and our partners in the region after this agreement has been implemented.

And I think that really falls primarily on the next administration. I mean, I think for President Obama, implementation of the agreement will suck up a lot of energy and time. We know that the Iranians have to take a long list of nuclear steps before sanctions are relieved. I think there are bound to be compliance issues early on, especially on procurement and other areas. So I think really it is the next administration. Assuming that this agreement is implemented and does not collapse in its infancy, the next administration is going to have to focus on a broader strategy toward Iraq, Syria, Yemen, and so forth and how that relates to our broader efforts to contain Iran and to promote political change.

Senator UDALL. One of the things you talked about was this regime and the opposition to it. But the society as a whole is a very Western looking society. Is it not? You are talking about the regime, but are there not some very hopeful things there in terms of where they are headed that we could take advantage of?

Dr. SAMORE. You know, it is a very divided society, and I think there certainly are elements, younger, Western educated elements that would probably support the kinds of political change and evolution we would like to see. There is also a very strong faction of hardliners. And I think it is very difficult for us to predict how Iran will evolve as a political system over 10 to 15 years and frankly how this agreement will affect that. And one of the issues that we debated in this report between opponents and supporters is what that impact would be. And I frankly have come to the conclusion that we are just not smart enough to predict a decade out what the consequences——

Senator UDALL. And that is very important.

Let me just weigh in, as Senator Isakson and others have, on this war or no war issue. I think that is really a side issue that can be argued out. I think the critical issue here is with the parties that were involved. I mean, we had the P5+1. We had the Security Council. We had very, very smart countries with good nuclear scientists looking at this and pushing to get the best deal possible. So what makes us think when we walk away from the deal and the other countries—none of them are going to disapprove it. They want the deal to go forward. What makes us think going alone, we can get a better deal than this?

Dr. SAMORE. So my best guess is that if we reject the agreement, it will lead to an erosion of the sanctions regime, but not a collapse because I do not think at the end of the day the Europeans would be prepared to go ahead with this agreement without us. But I think their enthusiasm for sanctions and for intensifying sanctions is not going to be very apparent, and I do worry about the Russians

and the Chinese breaking ranks. So I think in the near term, there would be a weakening of the sanctions regime, and I think the Iranians would take advantage of us walking away from the deal to resume their nuclear activities in a cautious way, as I said to Senator Menendez. I do not think they will race for a bomb. So at least in near term I think we will have a situation where the sanctions are weaker and the Iranians are advancing their nuclear program.

Now, maybe that ultimately leads back to a negotiation. It could very well. But I am not sure that we will be in a stronger position at that point to force the Iranians to make fundamental concessions that they were not prepared to make in this negotiation. And I think that is the risk of walking away is that, yes, we may have another negotiation but it may not turn out with a better deal or fundamentally better deal.

Senator UDALL. Please, go ahead, Dr. Albright.

Mr. ALBRIGHT. One thing I think you have to remember. The United States led these negotiations. I mean, I have spent all summer in Europe and I have spent a lot of time discussing this with different negotiating teams. I think they had to accept things, in many cases, duration. I do not think there is universal support for a 24-day access provision. I mean, if you think about the IAEA sanctified 24-hour access, it was a huge negotiation early in the mid-1990s to say, look, you want to know about undeclared activities. Twenty-four-hour access is the gold standard. So you can imagine some countries did not like the 24 days. So I think you also have to keep that in mind. I tend to agree with Gary, but I think on that question, the United States is the leader of this, and if it went back and said, look, we have to do something differently, I think several of these partners are going to go along, and they may even get behind some of these strengthening efforts.

Senator UDALL. Thank you, Mr. Chairman. I went over my time. I apologize.

The CHAIRMAN. Very good.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

And thank you to the witnesses for your objectivity today. This is obviously terribly important.

Dr. Samore, the objective here on the Iranian side was to have a civil nuclear program. Why was it important in their minds to enrich, in your mind?

Dr. SAMORE. Well, first of all, I do not think that is the objective of the Iranian nuclear program. I think the objective of the program is to create nuclear weapons or at least an option to produce nuclear weapons.

Senator PERDUE. So that was a false start to begin with.

Dr. SAMORE. Correct.

Senator PERDUE. So then our position in the negotiation was to preclude them from becoming a nuclear weapon state forever. Because this sunsets, I think we have two problems with this deal. Number one, we allow them to enrich, and we gave that away right up front.

Mr. Ambassador, I have a question and let me lead into it here. You mentioned in your comment something that sparked a nerve here and I want to get to it. But it looks to me like—I have read

this document. This document obviously does not preclude Iran from becoming a nuclear weapons state at some point in time. Even Secretary Kerry last week said, you know, look, they can break out after 10 or 13 years, but we will know it. My question is, so what? You mentioned North Korea had the same position. They broke out. What did we do? The administration says, yes, but we are no worse off in 10 years than we are today. So why not give it a shot? Well, I disagree with that logic. In 10 years, Iran will be much stronger than today.

The question I have for you involves two fundamental problems with the deal, the fact that we are allowing them to enrich creates all this uproar about inspections, and the second is we sunsetted it in a very short period of time.

So my question, Mr. Ambassador, having been through this—and we have two great examples in recent history, North Korea and Libya—are we better off today to take our chances even if we have to go it alone with our sanctions, of which by the way I am not afraid. I am a business guy and I know how sanctions work. They go at companies, not countries. I am quite confident that that will not break down entirely even if we had to go it alone. But are we better off today saying "no" to this deal, holding out for no enrichment, holding out for longer sunsets that will, in fact, preclude them from becoming a nuclear weapons state, or is it better to take a chance and run the 10-year clock and take our best chances?

Ambassador JOSEPH. Thank you, Senator. I think everyone has agreed, or at least they have used the talking point that no agreement is better than a bad agreement. This is a bad agreement.

I think you are exactly right. Iran in 10 years will be stronger. Iran has a nuclear option today. It will have it for the next 10 years, the next 15 years, and beyond that. If Iran decides to go for a nuclear weapon, it can have a nuclear weapon in a short period of time. Maybe we can push this off a few months. Yes, it is better that Iran has a smaller stockpile of enriched uranium to 3.67 percent, better than a larger stockpile, better to have 5,000 centrifuges running than 20,000 centrifuges. Those are all good things. But we cannot forget the nuclear option is there for Iran if it decides to go down that path.

And as for containment, that is a great concept. It is a great concept. Well, we are going to start after this agreement to contain Iran. Okay. Well, let me say that to me there is a real disconnect there. We are going to give Iran access not just to the $150 billion signing bonus, but the hundreds of billions of dollars over the course of that 10 or 15 years. What are they going to do with this? Well, part of it will, I am sure, improve their economy. But the Supreme Leader has made very clear that he is going to continue to support Assad in Syria. He is going to continue to support terrorism through Hezbollah and other sources. They are going to continue to support insurgencies within the region and fuel the Shia-Sunni conflict. Iran is a bad actor. We are giving them the capability and, by the way, they retain a nuclear option under this agreement. So, yes, we can talk about containment, but we are feeding the beast here.

Senator PERDUE. Thank you.

Yesterday we saw the Iranian Ambassador to the IAEA make a comment. We have seen various saber rattling by the Foreign Minister, by the advisor to the Supreme Leader. On July 21, Defense Minister Brigadier General Hossein—I listen to guys with stars on their shoulders, said "We will by no means allow any foreign authority access to our military and security secret." I do not know how to even be more direct than that.

Mr. Albright you have been involved in this before. How do you react to these comments that obviously Iran is now saber rattling around what they will not do?

They also said that they will not allow us to have access to these side agreements with the IAEA. I have a real problem with that, particularly with some things that we have learned in the classified setting in the last 24 hours. Could you respond to that issue?

Mr. ALBRIGHT. Yes. I do not think you can have an agreement if Iran sticks to a position of no access to military sites. You cannot distinguish between a military and civilian site when you are talking about nuclear matters. And the IAEA never has. So I think that is a given.

Now, on the secrecy issue, Iran objects regularly. I mean, they have complained about my organization because we publish what are essentially unclassified, to be publicly released safeguards reports by the IAEA. We publish them early for various reasons. So Iran takes a very strict position on secrecy. The IAEA does not have to particularly because of the U.N. Security Council resolutions on this, the international interests. They can actually do quite a bit legitimately to reveal things. I think they can reveal this deal that they have with Iran or at least aspects of it. I do not think they are bound in any way by safeguards confidentiality to say, no, no one can see what is in here because Iran is a special case and there is a lot of other political and institutional forces at play.

And the background is Iran objects to everything. Every 3 months, it files what is essentially an obnoxious report complaining about the IAEA giving up information about its nuclear program. And I want to emphasize "obnoxious report." And I do not say that easily. And they have certainly complained about us in that and many others. So I think they have to be pushed back on this very hard and IAEA should be revealing much more rather than less.

Senator PERDUE. We had that advice last week by some experts that said, look, if you go forward with this deal, you have got to enforce it in a very hard manner. So you are echoing that right now.

Dr. Samore, do you have one last comment?

Dr. SAMORE. Yes. On the question of access to military sites, if you look at the agreement, there is no exclusion for military sites, although the agreement recognizes there needs to be managed access to protect certain kinds of secrets. And as you said, some senior Iranian generals are saying we will never allow access to military sites. Who is right? We will find out the first time the IAEA requests access to a military site. If the Iranians reject it, the agreement will collapse.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. If we could, before we go to Senator Murphy, is it normal that especially—and this is not a normal situation. I got

it. Iran is not a normal country. But should we have access to the IAEA agreement with Iran? I mean, that is a question we are going to be taking up tomorrow. I think you said, yes, Mr. Albright?

Mr. ALBRIGHT. At least parts of it. I mean, to get a real honest rendition of what is in it that is relevant to the agreement.

The CHAIRMAN. And do the other two of you have any thoughts on that before we have that meeting tomorrow?

Ambassador JOSEPH. Yes, Senator, I think we certainly should have access, otherwise how do we understand how to assess what we know about the PMD issues and what we will know about the inspection at Parchin where the IAEA has suspected illicit activities associated with the militarization aspect of the Iranian nuclear program.

The CHAIRMAN. Dr. Samore.

Dr. SAMORE. I think Congress should have access to the substance of that agreement, not the agreements themselves, and I am hoping that Amano will—because he is the one who really has to brief you. I mean, he is the one who controls and possesses that information. So I am hoping that in your briefing with him he will provide some additional details.

The CHAIRMAN. Thank you all.

Senator Murphy.

Senator MURPHY. Thank you, Mr. Chairman.

I think underlying this whole deal are two premises that I think I heard both Ambassador Joseph and Dr. Samore articulate. One is that if Iran decides to rush toward a nuclear weapon, there is no agreement that can stop them. Ultimately they have a nuclear program that is advanced enough, thus, that if they were to make that decision, they can get to a nuclear weapon in a relatively short amount of time. And thus, as Dr. Samore says, really the only effective deterrent in the grand scheme of things is a military option.

And so that is what I read this agreement as being about, is about trying to lengthen the amount of time that we would have to detect that breakout, increase the likelihood that we would figure it out, and preserve an international coalition such that we could effectively wipe out their nuclear capability, should they make the decision to get a weapon.

So I think you concede at the outset that there is never going to be an agreement that is going be able to stop Iran from ultimately making the decision and starting along that path. You are only trying to make your military option more likely and a more lethal as part of this.

And so you sort of have to make a decision at the outset whether or not you want an agreement or you do not, whether you are just confident to know that we continue to have a military deterrent, that it is likely, as you have all said, to have an effect on the Iranians or whether we want an agreement that hopefully makes that military option more likely.

And so I want to sort of get back to this question of getting a better agreement, and I think, Ambassador Joseph, you were maybe jumping to answer this question. So I would love to have your thoughts on this because I think that is what a lot of us are having trouble squaring. If you reject this deal, your standard of proof for how you think events are going to play out is actually

pretty high, is you have got to make a case not only that a set of events can play out that gets Iran back to the table, but you also have to play out a scenario in which the leverage is changed to an extent that they will agree to a deal that is tougher than the one they agreed to.

And that is where I have a hard time figuring out how that scenario plays out. I can get them back to the table, but I cannot figure out how they come back to the table in a weaker position than they are today because almost everyone that has testified before this committee says that while the sanctions may not blow up, they are going to fray. While they will not race to a bomb, they are going to continue to build more centrifuges. While the United States' legitimacy around the world will not be catastrophically damaged, it will be eroded. And so under those circumstances, it is hard for me to understand how we ultimately get to a better deal. I think we can get back to the table eventually, but I have a hard time figuring out how we get to a better deal.

And I think you wanted to answer this question, Ambassador Joseph. And then I would love to hear a little bit more from Dr. Samore about your skepticism and why you have skepticism about that.

Ambassador JOSEPH. Senator, I think you have framed the question very well, and it is an important question.

I certainly agree with the premise that the leverage has changed. But I do not think it is irreparable. I think that over time we could reestablish effective sanctions. I believe that there is an agreement that can stop Iran that can deny Iran a nuclear weapons capability. That was the U.S. position for 10 years. That was the U.S. position that was reflected in multiple U.N. Security Council resolutions that demanded the complete suspension of all enrichment and reprocessing activities. I think we could get that agreement. It is going to be more difficult now than it was a year ago.

Senator MURPHY. So you do not accept my initial premise that this is really about trying to preserve an effective military option. You actually think there is an agreement that can wipe out their ability to get to a nuclear weapon.

Ambassador JOSEPH. I think that there is a prospect for getting that agreement. There are no guarantees in this business. But I can say that my assessment is that this is a bad agreement. This is an agreement that does not stop them from having a nuclear weapons capability that they can exercise at any time of their choosing and have a nuclear weapon in a short period of time. And that has the various strategic consequences that I talked about in my prepared statement. I think fundamental negative strategic consequences.

And there is this general concern about, well, if we walk away from this, what will others do. Well, I have been in the nonproliferation business a long time, and I was very much involved in exiting from the Agreed Framework once North Korea was caught cheating with a covert enrichment program. And we had allies who said, well, you know, let us not get out of this agreement. Let us not do that because the freeze at Yongbyon on their plutonium reactor is worth continuing this. Well, when we got out of the

agreement, after consultations with allies and improving their understanding of the dynamics involved, the sky did not fall.

The same is true with the ABM Treaty and our withdrawal from the ABM Treaty in 2001. We had a number of allies who were very comfortable with the United States being very vulnerable to missile attack against our homeland. They were very comfortable with that. But with the end of the cold war, with the emergence of the North Korean missile and nuclear threat and the Iranian threat now starting to emerge, it was essential that we have the capability to defend this Nation, which I think everyone now agrees is a very positive capability that we have against small-scale attacks.

Senator MURPHY. Dr. Samore.

Dr. SAMORE. So I think this is where I disagree with my friend. I think the likelihood of this government in Iran agreeing to a diplomatic agreement that fundamentally removes their capacity to produce nuclear weapons, dismantles their capabilities, has very extended or indefinite duration, much more stronger challenge inspection regime, I just think that is extremely unlikely that we would be able to have the kind of economic leverage that would force them to accept such a disadvantageous agreement.

The only scenario in which I could imagine us imposing on them that kind of agreement would be backed by a military ultimatum, and I do not think the United States is prepared to issue that kind of ultimatum to Iran because the risk would be that they would reject it and we would then have to use military force.

Senator MURPHY. And just to confirm, you do not believe that there is a circumstance, at least in the short term, that gets us back to the table with a set of conditions that prompts a better agreement.

Dr. SAMORE. Not in the short term. I mean, in the longer term I cannot tell. That really drifts into the next administration. But certainly in the rest of this administration, it is hard to imagine us getting back to the table.

Senator MURPHY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Risch.

Senator RISCH. Thank you, Mr. Chairman.

I want to focus for a few minutes on these secret agreements.

You know, I am being asked, as everybody is here, to ratify and embrace this agreement that incorporates two agreements between Iran and the IAEA that we cannot see. Now, you know, I have been around a long time, and in the history of jurisprudence in the United States, I have never heard of any party so foolish as to enter into an agreement with another party and accept and agree to two agreements with a third party that they have not seen and that the parties refuse to give them access to. Has anybody here ever heard of such a situation?

[No response.]

Senator RISCH. Well, let me ask the three of you this. On something important in your life, building a home, buying a car, or something quite important in your life, would any of you sign a contract that accepts and incorporates and agrees to an agreement between the adverse party and a third party that they refuse to let you see? Would any of you three do that?

[No response.]

Senator RISCH. Well, we are talking about probably the most important security matter facing the United States, our allies, especially Israel, and the world, and this is what we are being asked to do. I mean, I do not know of a fool that would agree to an agreement that they cannot read.

We have had the intelligence community in and I have cross examined them at length about this, and they have said, no, they have not seen it, but they know what is in it. I said, how do you know what is in it? Do you know anyone who has seen that, who has read it? Because in an agreement, every word, every comma, every period, every paragraph means something. And they said, well, no, but we have been told. I am just astonished—astonished—that people are willing to buy onto this particularly with the party that we are dealing here—the party that is involved in this. I cannot believe people are willing to look the other way on this.

Guys, give me your thoughts on this? Mr. Samore, you are anxious to get involved.

Dr. SAMORE. Well, I am not sure I am anxious, Senator.

Senator RISCH. If you want to make a deal you have not read but tell me about it.

Dr. SAMORE. You know, I would say two things. First of all, you will have to satisfy yourself based on the briefings you get whether we have a reasonable understanding of the substance.

Senator RISCH. How can you do that with a contract that every word is important? How can you become comfortable with somebody else telling you this is what is in it and this is what it means? How can you get there?

Dr. SAMORE. Well, of course, the U.S. Government may have exactly that kind of specific information. I do not know, but that is what you will have to decide.

Senator RISCH. I can tell you they do not unless you know someone who has that information.

Dr. SAMORE. I do not.

The second thing I would say, the more important issue I think is I think you have to weigh the importance of the IAEA-Iran document on PMD against the other elements of the agreement.

Senator RISCH. Is that all it is about is PMD?

Dr. SAMORE. Yes.

Senator RISCH. How do you know that?

Dr. SAMORE. The ones we are talking about.

Senator RISCH. How do you know that?

Dr. SAMORE. I am confident of that, but you can ask Amano. It is a road map——

Senator RISCH. I want to get to your level of confidence. Tell me how you are confident of that.

Dr. SAMORE. I am confident of that because if you look at the public document, the roadmap document that Amano signed with Salehi, it makes reference to two confidential documents that spell out the steps Iran is supposed to take to resolve PMD.

Senator RISCH. But we do not know what is in there. I mean, yes, that is in it. Is there something else in there? You do not know if there are other things in there.

Dr. SAMORE. I think you will have a chance to ask Amano tomorrow.

But anyway, the more important point I want to get across is you have to weigh how important resolution of PMD is against the other elements of the agreement, and if you think PMD is so important that we should not accept an agreement unless that is fully resolved, then you should reject the agreement.

Senator RISCH. Mr. Samore, set aside the PMD thing. Okay. We can argue about the PMD question, but first we got to know that that is all it refers to. And I am not satisfied to have an Iranian tell me that that is all that it refers to. I got to see it. I got to handle it, and I got to read it. Then I will know what it refers to. So the PMD issue, yes, we can talk about that and probably come down on different sides of it, but what I am scared to death of is we get down the road, somebody opens a closet, and out falls the language of the secret agreement, and say, ha, you really screwed up. You trusted us.

Dr. SAMORE. Right.

Senator RISCH. Mr. Joseph.

Ambassador JOSEPH. Senator, I share your concern, your frustration, and I would point out that the members of the Majlis, the Iranian Parliament, will have access to this set of secret agreements. I do not know how you sort of weigh the issues, how you could determine to go forward if you do not know what is in the set of agreements.

Senator RISCH. A good point about the Iranian Parliament being in a better position than we are.

Mr. Albright.

Mr. ALBRIGHT. Yes. I think, again, the IAEA sharing documents gets a little tough. One of the hopes I would have is that it will leak. Then we will all get to see it.

Senator RISCH. The problem is you do not know that a leak—you are getting legitimate language.

Mr. ALBRIGHT. Yes, maybe, and I agree. I would say one thing, though, this needs to be circumscribed in some way, I would argue, with legislation—of language in legislation, but most of these conditions in the deal have to do with things that have to be played out over the next several months. My understanding is they are not conditions that come into play a year from now. And so, again, I understand your concern that there may be something hidden in there, and I certainly share that concern. But I think the bottom line, though, is that if we are talking about access to Parchin and who is going to take the samples, that has to play out pretty quickly even under the limited conditions.

Senator RISCH. Thank you. I appreciate that.

One last question. You know, everybody here—and I heard it said by some of the Senators. Oh, we can enter into this agreement. No big deal. Look, the military option is still on the table. We are in no worse condition. Is there any one of you who would disagree with me when I say that every hour of every day, every minute the Iranians are in a better military position to defend what they have got than what they are at this moment? Anybody disagree with that?

Mr. ALBRIGHT. No.

Could I add one thing? I think it is really a sign of a bad agreement if the only thing you can argue is we can use a military op-

tion in 10–15 years from now. I mean, let us be honest. What military option was exercised against North Korea in 2003 when it decided to go for nuclear weapons? I remember war games at the time. I can remember war games with the government officials prior to their nuclear test in 2006. I mean, we were going to do all kinds of things to North Korea would be the consensus, but nothing happened.

Senator RISCH. Great point.

My time is up. Thank you, Mr. Chairman.

The CHAIRMAN. Go ahead. Out of generosity of spirit, I think Ambassador Joseph and Dr. Samore may want to say something about that.

Ambassador JOSEPH. Sir, just two footnotes, one on North Korea. I was working in the White House at the time working proliferation and nonproliferation issues, and there was no consideration that I am aware of at all about using force when North Korea decided to move toward a nuclear weapons capability. There was no consideration of that.

Second, in terms of what may or may not be in these secret agreements, my sense is that if these agreements did provide for a real way forward on PMD and on Parchin, you would see them.

Senator RISCH. They would be on the table.

Ambassador JOSEPH. You would see them.

Why, after 4 years of stonewalling on these issues by Iran, we, for whatever reason, could think that these are going to be resolved by a couple of side agreements and they are going to be resolved by mid-December, my view is that is just sheer fantasy.

The CHAIRMAN. Dr. Samore.

Dr. SAMORE. Just to say very quickly, I think the United States military option against North Korea was always very limited because of the balance of military power on the peninsula and in particular the vulnerability of Seoul to a counterattack.

In the case of Iran, not that I am proposing a military strike, but we have a lot more military advantages and tremendous superiority. So I do not accept your argument that in the next 10 or 15 years, the Iranians will be relatively better able to protect themselves than we are to attack them. I think that is to be seen. I mean, that is in our hands to some extent.

Senator RISCH. Briefly a followup. You mean to tell me they deployed the SA–200 and the S–300 from Russia that is not going to be a game-changer for their ability to protect their facilities?

Dr. SAMORE. Well, I mean, you should talk to military professionals.

Senator RISCH. We already have. Thank you.

Dr. SAMORE. I think we believe we have ways of countering those capabilities.

The CHAIRMAN. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

It is clear that we have a very checkered history in this whole area of the IAEA and the use to which it has been placed.

So, again, back in 1981, the Israelis bombed the Osirak reactor outside of Baghdad. It destroyed it. It was a clandestine nuclear weapons program, and Ronald Reagan had Jean Kilpatrick vote to condemn the Israelis in the United Nations. But again, the Israelis

were teaching us a big lesson that the IAEA is essentially, at that point in time, nothing more than a paper tiger. It was not effective. It was not getting the access that it wanted. And the Reagan administration was ignoring that, and within a couple years, they were actually aligning with Iraq and Saddam against the Iranians in the Iran-Iraq war. So that is a checkered history right there.

And then we move up to Libya, and we kind of promised Qaddafi if you cooperate with the IAEA, if you cooperate with us, no problem. You get peace. But there was rejoicing all over America when we saw these pictures of Qaddafi being killed because he did not have a nuclear weapon. Thank you, Mr. Joseph, for that negotiation, but your actions did not then lead to the United States kind of dealing with the essence of that deal. We were in, once we knew he did not have a nuclear weapon.

The same thing was true in Iraq. In Iraq, the IAEA was in. The IAEA was saying to George Bush they do not have a nuclear weapon. There is no threat in the form of a mushroom cloud coming our way. We cannot find it, Mr. Bush. We cannot find it, Mr. Rumsfeld. We cannot find it, Mr. Cheney. Please do not start this war. Give us more time to go through every site, but we cannot find it. And nuclear programs are huge programs. It is not like a biological or chemical program. These are huge programs. And George Bush just started this war.

A lot of our problems right now, even this deal, relates to what happened back there in 2003. We disrespected the IAEA or the Bush administration disrespected the IAEA. It undermine its credibility.

So both in 1981 with Reagan and 2003 with Bush, both times they were basically not dealing with the essence of the role which the IAEA has to play. They are the referee. They are the group that has to come in and make a determination as to whether or not there is in fact an active nuclear weapons program in place, and we have to determine whether or not they are gaining the access that is necessary to do so. That is the essence of this whole debate, whether or not we are going to repeat history or we are going to create new history that turns the IAEA into the watchdog, not the lapdog.

It turns out in 2003, it was a watchdog. It was accurate. Our inspectors were able to gain access and the Bush administration just ignored it and decided to start a conventional war because they knew he did not have a nuclear weapon. We would not have invaded if he had a nuclear weapons program. That is the irony, of course, in Libya. That is the irony in Iraq.

And we do not invade North Korea because they do have nuclear weapons. All of that is not lost on Iran. That is what complicates this. Iran is saying they do not want a nuclear weapons program.

Now, we know that they had a nuclear weapons program historically. We know that they are now negotiating with us to put the program under safeguards. We think for the known sites, this system is sufficient in order to be able to detect in a timely fashion any activities that could lead to a nuclear weapon. We know all that. The question will turn then on their intentions with regard to a secret program and their intentions in the long term. And I would say honestly, if you are the Iranians, you really do not want

to run the risk of the United States and the P5+1 all agreeing that a conventional military attack on their nuclear facilities is, in fact, justified at any point in time. You would not want a match with—you have an Iran against the combined forces of the P5+1 if they really wanted to go in. That is a big question. That is a Dirty Harry, "do I feel lucky" question if they move in that direction.

So I guess what I would say to you, Dr. Samore, is how do you feel about the 2020s and the 2030s? Because everyone is going to have an opinion on it. I would like to just hear your opinion. Do you think it is likely that they are going to comply or not with this agreement?

Dr. SAMORE. You know, that is really a great question. I mean, I think that there is a reasonable chance that they will cheat or renege on this agreement in the course of the next 15 years. And in some ways, I think that is a good scenario for us because I think if they cheat, there is a very good chance we will catch them if it involves a major violation, and that would put us in a very strong position to reimpose sanctions or, if necessary, use military force. And if they renege, I have confidence—of course, there will be a lot of finger pointing who is at fault. I have confidence in the capability of the United States to rally our allies and others in order to resume a pressure campaign against Iran. So for me kind of the easy scenario is that the Iranians have agreed to long-term constraints on paper, but that after a year or 2, that will fade and this agreement will collapse and we are back where we were. That does not bother me.

Senator MARKEY. Can you imagine a scenario where a President of the United States would not feel compelled to take the necessary action in order to ensure that Iran did not have a nuclear weapon in the 2020s?

Dr. SAMORE. I mean, I think it is such an American interest to prevent Iran from getting nuclear weapons. And of course, that has been our policy since the Reagan administration, and that is why I first started working on the Iran nuclear issue. I think that is a very enduring part of U.S. foreign policy and any President will have that as an objective.

Mr. ALBRIGHT. Can I disagree?

Senator MARKEY. I just need a second.

So I guess what I would say, Mr. Chairman, going back to Jimmy Carter selling uranium to the Indians, knowing the Pakistanis were going to ramp up their nuclear weapons program in 1980, through the Osirak raid, through the vertical arms race of the United States and U.S.S.R. where we were never going to use nuclear weapons against each other, but this horizontal proliferation continued, ignore unfortunately by both of our countries and the rest of the world, all the way up to today. We kind of now have the moment where we have to decide if this IAEA in its present form with the mandate it is receiving under the leadership of Amano is capable of doing its job. That is the test.

And I thank all of the witnesses for being here today.

And thank you, Mr. Chairman, for holding this hearing.

The CHAIRMAN. Do you object if they respond to what you just said?

Senator MARKEY. If I have to stay and hear it, then I am going to miss the next meeting. And I apologize.

The CHAIRMAN. I will listen and tell you what they said.

Senator MARKEY. If you do not mind. Thank you.

The CHAIRMAN. Okay. Go ahead, gentlemen, if you will briefly.

Mr. ALBRIGHT. Let me just give a historical example. In 2003, the United States knew Iran had a structured nuclear weapons program and did not strike militarily. It was even being exposed by the IAEA.

Senator MARKEY. And that was the Bush administration. They did not.

Mr. ALBRIGHT. Yes. Well, and who else would?

Senator MARKEY. In other words—no. The point I am making here is that we knew that Saddam Hussein did not have a nuclear weapons program and we invaded them. And what was that signal sent to Iran by the Bush administration? Get a nuke, be more like North Korea or other countries, and we will not invade you.

Mr. ALBRIGHT. I am not disagreeing with your point. I am just making a different point, that do not count on a military strike.

Senator MARKEY. You are saying if George Bush would not strike, then it is unlikely that a future President would strike. Is that what you are saying?

Mr. ALBRIGHT. That is right. I do not think you can count on it at all.

Senator MARKEY. But, again, this situation was all created back then because if we had to——

The CHAIRMAN. If we could, though, let us let——

Mr. ALBRIGHT. I agree with that.

Senator MARKEY. If we had determined that Iraq did not have a nuclear weapon, and then we moved the whole coalition to surround Iran in 2003 and said give up your nuke and we are not going to invade, we would not even be here today. But Bush decided to violate this kind of trust with the IAEA and now Iran took the wrong message from it.

The CHAIRMAN. Yes, sir. If you all could be brief, that would be——

Ambassador JOSEPH. I will try.

Let me say, irony notwithstanding, I think it is much better that Mr. Qaddafi met his fate, a well-deserved fate I would add, without nuclear weapons than with nuclear weapons. I think it is really a hard argument to make that this was not a win for nonproliferation, that we picked up their program and we brought it back here, an illicit nuclear weapons program.

And oh, by the way, the IAEA did not have a clue about the program in Libya. Not a clue.

One of the reasons that the—and I certainly agree with the Senator. One of the reasons that Iran wants a nuclear weapon is because it wants to guard against outside intervention so it continues to repress, brutally repress its own population. That is one of the reasons. There are other reasons, to intimidate neighbors, to expand its influence in the region. There are a whole lot of reasons. I would not list George Bush as one of them.

The CHAIRMAN. Dr. Samore.

Senator MARKEY. I just totally disagree.

The CHAIRMAN. If we could—I will just say I do agree with the Senator and that is why I opposed what we did in Libya. I do think we taught folks a lesson, and that is if you give up nuclear arms, we are more likely to take you on militarily than if you do not. And I think there was a learning moment there. And I do agree with Senator Markey's comment in that regard, I do think Iran has learned from that. And I think that that is the reason they are pursuing a nuclear weapon today.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Mr. Albright, in your testimony, you talk about Congress ensuring that any new legislation includes provisions that would help to address, should we go forward with this agreement, that would address—or look at strengthening the agreement I guess is a better way to put it. I wonder if you could speak to what kind of legislation you think Congress should consider.

Mr. ALBRIGHT. Big picture legislation.

Senator SHAHEEN. Right. I meant assuming the agreement goes forward, in order to strengthen the U.S. position with respect to the agreement and with respect to potential actions in the Middle East, what are measures that you think Congress should consider. For example, I was just in a hearing in the Armed Services Committee and former Ambassador Edelman suggested that we should consider passing an AUMF on Iraq that would be——

Mr. ALBRIGHT. I am sorry. What is that?

Senator SHAHEEN. That Congress should pass an AUMF——

Mr. ALBRIGHT. Okay.

Senator SHAHEEN [continuing]. That would be a follow-on should Iran decide not to comply with the agreement. I think that is probably challenging given that we have not been able to get agreement on AUMF on ISIS. But what are other kinds of measures that you are suggesting we should be looking at?

Mr. ALBRIGHT. It would be a stand-alone piece of legislation, and it is motivated by ratification of arms control treaties. I mean, you want to lock in interpretations. You want to put the executive branch on notice that interpretations cannot be changed without consultation with Congress. A simple provision would be that the PMD issue has to be addressed before U.S. sanctions come off. You could put in language for providing support through moneys and other means for the IAEA verification effort. You could put in language, which I understand it is not popular, that the deal does not in any way sanctify or approve—I mean, you could choose the language—a semicommercial Iranian centrifuge program. You could put in language that instructs the United States to discuss with Iran, again outside the deal, that it should not produce any more low-enriched uranium pending a need. And it has no need. It has a 300 kilogram cap and absolutely no need to produce enriched uranium for many years. So you could put in instructions to that effect. And in my written testimony, I tried to put in more examples.

Senator SHAHEEN. I think in most of the testimony that I have heard with respect to the agreement over the last couple of weeks, people have suggested that if Iran violates the agreement, they would do it in an incremental way, which would make it more dif-

ficult. So they would not do it in a way that would allow us to just recognize and snap back the sanctions. It would be incremental. And so it seems to me that if we are going to go forward with this agreement, it is very important that we have a variety of options for addressing any potential incremental violations of an agreement.

And you are nodding, Dr. Samore. What kinds of options should we be thinking about with respect to violations?

Dr. SAMORE. So I think it is important, as I said earlier, to recognize that there are bound to be implementation issues. There are bound to be areas where we think the Iranians have violated the agreement. There could even be ambiguous situations where the agreement is not clear. So I think it is important that we talk to the other P5+1 to figure out how we are going to address a situation that is short of a major violation. I agree with you that at least in the beginning, it is not likely the Iranians would be so foolish as to make a major violation. And that will be part of the implementation chore.

There is enough flexibility within the four corners of the agreement to take a number of steps in terms of partial reimposition of sanctions, designating individuals and entities. So there is sufficient room in the agreement. What is needed is an actual discussion among our allies as to how we would take advantage of that flexibility.

Mr. ALBRIGHT. Can I add a few? There are opportunities, for example, in the procurement channel. You could take a position that if, let us say, Iran does not allow access within 24 hours—who cares about the 24 days—you would simply stop approving any exports to Iran. You would object to everything in theory, or you could object to some things. You could also stop or slow down the nuclear cooperation. There is a huge incentive package in this agreement on nuclear cooperation that covers incredible numbers of areas, and you could slow that down. So I think you could create—we call it a ladder of reactions where the top rung may be snapback of sanctions. And I guess even higher would be the military option. But there is a lot of rungs that you could fill out or build into this ladder.

Senator SHAHEEN. Ambassador Joseph, did you want to add anything?

Ambassador JOSEPH. Yes, Senator. I think that you are right. I think the likelihood is that there will be an incremental breakout, a series of step-by-step violations. There will be a lot of pressure to explain away each of those. I mean, the Iranians are masters at this, and there will be a lot of pressure to explain away the violations.

So I think it is really quite important that there be a team B, as I have suggested in my prepared statement, of outside experts, nonpartisan with access to all of the intelligence to assess Iranian compliance with the agreement. And that is something Congress can do.

And I would just add that even though I fully agree that the likelihood is incrementalism, we cannot rule out a decision by the Supreme Leader to throw out the inspectors and to go for a nuclear weapon. We saw that with North Korea.

Senator SHAHEEN. Sure. I understand that. I am assuming that if that were the case, it would be very easy to figure out what our response would be. I do not think that presents a difficult scenario for us.

Thank you all very much.

The CHAIRMAN. Thank you.

I know Senator Cardin had an additional comment.

Senator CARDIN. I was just going to respond to some of the comments that have been made, including our witnesses.

The Congressional Review Act that we passed envisioned that Congress will be involved beyond just the review period. There are requirements for the administration to provide us information, and there are various actions that we can take. And I think some of the comments that have been made today build upon the intent that the drafters of this oversight legislation intended that there be an active role for Congress. Moving forward, that is not to prejudge whether we take other action or not, and there are different views as to whether Congress should approve or disapprove the agreement. But a congressional role was always envisioned.

In regards to the documents, I just really want to underscore this point. Senator Corker and I believe that we should review these documents. We said that from day one. Once these documents were received, within moments it was clear that there were two documents missing that we wanted Congress to review. So we sent a letter to the administration almost immediately for those two documents. And I still believe—I know Senator Corker agrees with me—that Congress should have eyes on those documents.

But let me just put this in perspective because we will have the Director General here tomorrow. It deals with a part of the process that will be completed within a relatively short period of time, that is, the PMD review. And it is spelled out in a pretty specific time frame within the JCPOA.

And Senator Corker is absolutely right. There is no direct relationship between the compliance with the IAEA's report and sanction relief. There is no direct tie to that. But I think it is envisioned that that will be completed before the sanction relief will have matured so that we will be able to know that before it is done.

What concerns me—and that is the reason I raised this initially—is the quality of the report we are going to get from the IAEA on December 15, and if we do not have the adequate cooperation and access, as represented in these annex documents, that is something we should know before we vote in the Congress of the United States. That is the reason why I think it is particularly important that we get more information. And I am hoping that the Director General will shed some light on this tomorrow.

The CHAIRMAN. Well, based on what——

Mr. ALBRIGHT. Can I add one thing?

The CHAIRMAN. Let me just say, then you can, and thank you all for being here.

But based on what we heard testimony about yesterday relative to some of the things that are occurring inside Iran as we speak and as we sit here relative to previous activities, it does not seem to me like we are going to get a particularly satisfying report.

But go ahead. I will leave it at that. You all go ahead.

Mr. ALBRIGHT. Yes, just one thing I should have mentioned. I mean, your legislation was critical in our thinking about—because without your legislation, then there is no base to build upon. So I apologize. I certainly should have emphasized that in what I said orally.

Senator CARDIN. Do not worry. We will bring it up. [Laughter.]

Mr. ALBRIGHT. Yes. No, no. It was great legislation.

Ambassador JOSEPH. Mr. Chairman, I just wanted to make one point for clarification. I think this is arguable. Perhaps it was a mistake for the Obama administration in 2011 to intervene in Libya. I am not an expert on that, but I think there may be a strong case.

I do not think that there is any case to suggest that we made the wrong decision in 2003 to take out Libya's nuclear weapons program. I mean, that is what this is all about. We wanted to get rid of their nuclear program just like we want to get rid of Iran's nuclear weapons capability. This agreement does not do that.

The CHAIRMAN. I think what happened in 2003 in Libya was an outstanding high mark, if you will, in ending proliferation. I think what we did in 2011 did teach people that if you do away with your nuclear program and you do things that the United States and our allies do not like, you are more likely to be invaded and taken out than if you have a nuclear program, which is why I think Iran is pursuing the nuclear program that they are.

Do you want to say something, Gary?

Dr. SAMORE. Well, I just want to say quickly I share your view that the resolution of PMD is not going to be satisfactory because I do not think Iran is prepared to truly, genuinely cooperate with the IAEA. That would require admitting the truth that they had a nuclear weapons program before 2003, and I do not think they could do that or they are not willing to do it.

The CHAIRMAN. Well, listen, we have a great country because we have great citizens who are very bright and learned and help us make good decisions. Certainly you all are three of the best examples of that. We thank you for being here.

If it is okay with you, the record will remain open until the close of business Friday. If additional questions come in, if you could answer them fairly promptly, we would appreciate it.

Thank you all for your service to our country, and we look forward to seeing you again soon. Thank you.

We are adjourned.

[Whereupon, at 12:08 p.m., the hearing was adjourned.]

IMPLICATIONS OF THE JCPOA FOR U.S. POLICY IN THE MIDDLE EAST

WEDNESDAY, AUGUST 5, 2015

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

The committee met, pursuant to notice, at 2:18 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker (chairman of the committee) presiding.

Present: Senators Corker, Risch, Johnson, Flake, Gardner, Perdue, Cardin, Menendez, Shaheen, Udall, and Markey.

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

The CHAIRMAN. The Committee on Foreign Relations will come to order.

We want to thank you both very much for being here. We have been a little rushed. This is actually our third Iran hearing today, for those of us who are on Banking and here.

But this is the final in a series. We began on June 3, talking about the regional implications. We are going to end our hearing process, prior to the debate that will take place in September, with the regional aspect.

I am not going to deliver my normal opening comments. I am just going to sort of pause with this.

I was walking down the hallway with one of our most thoughtful members, and I think he laid out an analogy that I agree with wholeheartedly. I guess as we have gone through all the details, the thing that keeps bothering me, one of the biggest issues that bothers me, is what we are in essence going to be doing with Iran is we know the momentum shifts in 9 months, the leverage shifts. All the sanctions relief will take place between now and next March and April.

Until then, they have the leverage of the nuclear snapback. It is not unlike what we have seen in North Korea, where they have a weapon, and basically, we are concerned about what they may do with South Korea—what they may do with our allies. So, we continue to allow North Korea to act out. We know that the way Iran acts out is they do so through terrorism in the region.

They are going to be greatly empowered, and they are going to be on equal balance to us; whereas right now we have the leverage over them, and in 9 months, that leverage is going to be alleviated.

I have to tell you: all of us today were in a briefing with the IAEA, a very nice gentleman, the Director General, Mr. Amano, a

very, very nice gentleman. I just do not know how anybody could have sat through that meeting, if you had any questions at all about the integrity of our inspections, I do not know how anybody could have left there today feeling more assured—far less assured from my standpoint.

Again, the fact that we cannot even get access to documents, Ben and I worked for 4 days to try to make sure we clarified every single agreement that had to be put forth to us, the fact that they ran it through Wendy Sherman and others, you all know the IAEA protocol, for us not to even know.

So we have this issue of concern about what they are really doing in Iran during this period of time. The leverage shifts to them, so we have uncertainty about where they are, is my point. And then all of a sudden the leverage is with them. I think that, in the region, what we have done, if this goes through, is we have created a situation where the United States is going to be very reticent, very reticent, to place any additional sanctions in place for fear that they will walk away from the deal, which empowers them in the region.

So no doubt there has to be a regional strategy. I have not seen it yet. We are obviously seeing the effects of the administration giving support to various Arab allies and saying, if you withhold any disagreement, we will supply you with X. We do not know what X is yet. I understand some people have been briefed on that.

Maybe, Ken, you know or maybe, Michael, you know.

But I think this will be a very interesting hearing. I appreciate having experts like you come in and help us in this way.

And I, certainly, want to thank our outstanding ranking member, who we have literally almost lived together over the past 2 months in working through these. It has been a very bipartisan, strong effort to make sure that all of us know as much as we can before we come to a very serious debate that I hope in no way takes on any kind of—look, this says a lot about the Senator. This is not a partisan issue in any way: Do you feel that this agreement will keep Iran from getting a nuclear weapon or not?

Every one of these countries knew that we were going to be taking this vote before the agreement was reached. So, again, we are just carrying out our obligations. To try to turn this into a partisan issue, which I will just go ahead and say in this hearing that I feel like the administration is trying to do to diminish legitimate concerns that people have, to me, is inappropriate.

This is going to be a tough vote for everyone here. I will say right now, I will never criticize anybody for their vote, because I think everybody, hopefully, will vote their conscience based on what they feel is in the national interest of our country.

With that, Ranking Member Cardin.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Chairman Corker, we are going to test the strength of our relationship, because we are going to be apart for almost 5 weeks. We will see how we survive. [Laughter.]

The CHAIRMAN. Do not exaggerate. Four weeks.

Senator CARDIN. Oh, no. I think it is 4 weeks and 6 days, if we get out today. If you go back to last Monday with the last vote—anyway, we are on day 17 of the 60-day review. I think this is the fifth public hearing we have had.

I just really, first, want to thank and congratulate the leader of our committee, Senator Corker, for how he has used this period of time to not only inform the Senate Foreign Relations Committee, but to inform the entire Senate on the Iran nuclear agreement.

I think we envisioned it would be this way, but it was your leadership that really focused us and used our time in a most effective way.

And it is difficult. These are not easy decisions. And you have given us, I think, the material we need in order to analyze this and come to the right decision for our country.

So thank you very much for your extraordinary leadership.

I also want to thank the members of this committee. Our hearings have gone rather long, because just about every member of the committee has been here to question, which I think is reflective of the seriousness that the members have taken on this assignment. So, I thank each member of the committee, both the Democratic and Republican side, and our staffs, for all the hard work they have put in during this review period.

Mr. Singh, thank you for being here.

Dr. Pollack, thank you for being here.

In this hearing, we want to focus on the U.S. policy in the Middle East. What are the ramifications of this agreement in regards to our regional issues? The Middle East is critically important to U.S. national security. What are the impacts of this agreement going forward on our national security in the Middle East?

I share Senator Corker's ultimate view, and that is that we have to decide whether this agreement puts us on a better path or worse path to prevent Iran from becoming a nuclear weapons state. That would be a game-changer for the region. We know that. We have been trying to analyze that.

But part of this is what happens if this deal goes forward, and there is compliance with the agreement, what impact does that have on the regional security in the Middle East?

I do not expect Iran's behavior in the region to change. At the end of the day, this is still an anti-American, anti-Semitic revolutionary regime that has cultivated a network of proxies to challenge stable governments in the region and protect dictators like Assad in Syria.

If the agreement goes forward, Iran will have additional financial capabilities. We know that. We also know that they will have the ability, after time, to move forward in a more aggressive way on their ballistic missile program and on conventional arms once the embargo is lifted after 5 years.

So what is the impact on regional security, on Gulf State countries, and the state of Israel?

What is the impact of a legal enrichment program in Iran with regard to what other countries in the region may want to do in order to match Iran's capacity in the region?

What will happen with the balance of power in the Middle East?

These are all questions that I hope will be part of this discussion. U.S. leadership in the Middle East is critically important. We know that. What steps should the United States take, including the Congress, for an effective regional security strategy?

I hope this particular hearing will help us fill in some of these blanks.

With that, Mr. Chairman, I look forward to hearing from our witnesses.

The CHAIRMAN. Thank you, sir.

Our first witness is Michael Singh, managing director of Lane-Swing, senior fellow at the Washington Institute. I know we have had multiple conversations, as I am sure you have with most on the committee. We thank you very much for sharing your expertise.

Dr. Ken Pollack, a senior fellow at the Center for Middle Eastern Policy at the Brookings Institute, also someone we have heard from a great deal and respect a great deal.

We are privileged to have you here. If you will, you done this many, many times, take about 5 minutes to generally outline what you would like to say. Your written documents, without objection, will be entered into the record, and then we will have some questions.

Again, thank you for being here. Start in whatever order you would like to start. Thank you.

STATEMENT OF MICHAEL SINGH, MANAGING DIRECTOR, LANE-SWING SENIOR FELLOW, THE WASHINGTON INSTITUTE, WASHINGTON, DC

Mr. SINGH. Thanks a lot, Chairman Corker, Ranking Member Cardin, and members of the committee. I have been working on this issue for about 10 years. It is an honor to be before you today to talk about it. It is an honor to be with Ken, who is an analyst for whom I have the highest respect.

The nuclear agreement that we are looking at with Iran has strong points and weak points. My judgment, however, is that it leaves Iran with a significant nuclear weapons capability. And, indeed, it allows Iran to improve that capability over the life of the deal while obtaining broad, upfront sanctions relief, like you mentioned, Mr. Chairman.

I believe that this has been Iran's twofold objective, throughout these talks, throughout now the 12-plus years we have been talking to them, to escape rather than have to confront the strategic choice between retaining the nuclear weapons option on the one hand, and diplomatic and rehabilitation on the other hand.

This is relevant to the topic at hand, the regional question, because Iran's nuclear ambitions are not separate from but, in my view, are part and parcel of its larger regional strategy, which emphasizes projecting Iranian power while creating an inhospitable environment in the region for the United States and our allies.

Iran does not do this through conventional military power, and I do not think that they will. They do it and they will do it, I think, through asymmetric capabilities such as proxies, arms trafficking, sea denial tactics, cyber activities, and missiles. There is nothing in the accord that requires Iran to cease these activities or incentivizes Iran to change its strategy. Indeed, I would say that

the deal seems more likely, as you mentioned, Senator Cardin, to facilitate that strategy.

Iran is going to have additional resources, should it wish to help some of its proxies who have been financially squeezed recently—Hezbollah, Palestinian Islamic Jihad, the Houthis in Yemen. There are plenty of reports out in the open sources suggesting they have been financially squeezed.

It can ensure that its militias in Iraq, those Iranian-backed militias, can outmatch the official security services, much as they do in Lebanon with all the consequences that has had, as well as to buy political influence in Iraq, Afghanistan, and elsewhere.

With the removal of the ban on Iran exporting arms and the lifting of sanctions on the import of arms to Iran in no more than 5 years, Iran is going to face fewer impediments to arming those proxies. While we do have some other authorities, as the President has mentioned, to target that kind of activity in some circumstances, I would say that those have been a little used and that they are weakened rather than strengthened by this accord.

For example, we are losing the U.N. panel of experts, which was set up professionally to monitor Iran's arms activity.

These kinds of actions by Iran would, I think, spur a reaction by our allies in the region, who consider Iran their chief rival. They may act, I think, more aggressively, more autonomously, to counter Iranian proxies. I think we are already seeing this dynamic play out in places like Yemen, Syria, Iraq, and elsewhere. They may even choose to pursue nuclear capabilities of their own, as you mentioned, Mr. Chairman.

I also think that increased Iranian interventionism would feed the already rampant sectarian polarization in the region. I think Iran's involvement in conflicts in Syria and Iraq is one element that fuels support for groups like ISIS and, frankly, that ISIS uses as a recruiting tool in those places.

Looking beyond the Middle East, because I think this has wider implications, Iran is likely to bolster its ties with Russia and especially with China. Both of them share with Iran a basic interest in challenging the U.S.-led international order. And I think that their cooperation is not just going to take diplomatic and economic aspects. I think it will take military aspects as well.

Moscow and Beijing are already Iran's largest supplier of arms. And Russia, I think, is likely to soon provide Iran with nonsanctioned systems like the S–300 or better and may, I think, quickly come to the Security Council asking for exemptions for more arms exports. It is going to be a matter of political will to stand up against those and block them.

Russia and China will also be able to assist Iran's ballistic missile program, when sanctions are lifted in 8 years. It is particularly important, I think, for Iran's efforts to develop ICBMs, which I think would benefit enormously from foreign assistance from such countries.

A particular challenge, Mr. Chairman, for U.S. interests in the region is Iran's pursuit of a rudimentary anti-access/area-denial strategy in the Persian Gulf. That region is well-suited to A2/AD strategy because of its narrow confines, its highly concentrated

population centers, and its target-rich environment—for example, vulnerable energy infrastructure.

And it is an area where Iran could benefit from Chinese assistance. We already see China pursuing its own much more advanced A2/AD strategy in the Western Pacific. There was one analyst from CSBA, the think tank, who said that Iran could enhance its A2/AD strategy immensely through selected high-end purchases, such as enhanced missiles, and by expanding its low-end investment in sea mines, fast attack craft, well-armed proxies. And this would be a significant challenge for the United States.

Now some of these effects, as has been stated, some of these regional effects, we would see as a consequence of any nuclear deal that is not preceded by an Iranian strategic shift. I think that is why it is so important to ensure that the benefits of the nuclear deal outweigh these costs.

But as it is, I think we are going to have to invest very significant resources to offset the downsides of the accord. These will include things like increased resources for the intel community and for the IAEA to monitor what Iran is doing; increased assistance for our regional allies in a real effort to repair relations with those regional allies; a review of our military posture in the region to make sure that we are well-positioned to counter an Iranian A2/AD strategy, which to me has to be done in the context of an overall increase in defense resources, if it is going to be seen as credible by our adversaries; as well as more proactive policies to counter Iranian activities in Syria, Iraq, and elsewhere.

I worry that instead we may be self-deterred, as you mentioned, Mr. Chairman, from really holding Iran to this treaty like we have I think been with the INF treaty with Russia, with the Syrian chemical weapons arrangements. I think we need to be very careful to avoid, instead, incrementally shifting our own policies in a misguided effort to bolster Rouhani and protect him against hardline backlash that he may have inside Iran or just to demonstrate the transformative effects of this deal. I think we need to disincentivize destabilizing policies by Iran, incentivize more constructive behavior.

But the strategic shift needs to be Iran's, not ours, which is one of the things I fear.

To me, the bottom line is that we have negotiated a weak deal and painted ourselves into a diplomatic corner. The alternative I do not think is war. I think that is wrong. I think the alternative is, though, a mess with our allies, some important allies.

But in the longer run what I would argue is the real question is not going to be whether, but when, we need an alternative policy, because even in the best-case scenario, this deal is narrow and its limitations start phasing out anywhere from 5 to 15 years, which means this problem will be bequeathed to a future President. And I think one question to look at is, are we bequeathing it with a better or worse framework and tools to deal with it?

The agreement may buy time, if it works as intended, but it buys time for Iran, too. I have no doubt that Iran will use that to its advantage. Thanks.

[The prepared statement of Mr. Singh follows:]

PREPARED STATEMENT OF MICHAEL SINGH

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for this opportunity to appear before you today to discuss the nuclear agreement with Iran and its implications for the United States and the Middle East.

AMERICA'S OBJECTIVES AND IRAN'S

When we analyze foreign policy, the first question should be what interest or objective is served by a particular policy. A good policy should clearly advance U.S. interests and should complement rather than clash with our larger strategy, unless the policy in question heralds an entirely new strategy that can be clearly articulated and implemented. A prudent, conservative foreign policy should clearly deliver benefits that outweigh its costs or, by incurring certain costs, forestall an even greater projected cost.

The objective in this case is not—and has never been—simply to conclude a nuclear agreement with Iran. A deal is a means toward an end, not an end in itself. The intended end in this case is to prevent Iran from possessing a nuclear weapon, in order to safeguard our interests in the Middle East and beyond, which would be clearly threatened by such a development. While this objective has long enjoyed consensus bipartisan support, the question that has divided policymakers—acutely in recent years—is how to accomplish it when faced with an Iranian leadership apparently willing to entertain great cost and risk to expand Iran's nuclear weapons capability.

At the outset of the recently concluded diplomacy—the P5+1 process devised in 2005—the U.S. strategy was to persuade Iranian leaders to embark on a broad "strategic shift," recognizing that the costs of their regional strategy outweighed the benefits. The logic of this approach was that Iran's nuclear weapons ambitions were not separate from but an integral part of a larger security strategy, and only a strategic shift would sustainably end those ambitions.

Absent such a strategic shift, the sensible stance was to insist on the suspension of Iran's nuclear efforts and dismantlement of its nuclear infrastructure. Even if Iran retained the desire for nuclear weapons, it would be denied the means to develop them, and a ban on nuclear fuel cycle and related activities would be less challenging to police than limitations on the same activities would be. Such an approach would also offer an appealing symmetry—the dismantling of Iran's nuclear fuel cycle infrastructure and related activities in exchange for the dismantling of sanctions.

Absent such dismantling, the most sensible approach would have been to deny Iran at least those elements of its nuclear program most essential to retaining the option to build a nuclear weapon in the future—to deny it a nuclear weapons capability, practically speaking. Yet retaining that option appears to have been a key Iranian objective in these negotiations.

Iran's negotiating positions over the past decade-plus of nuclear talks suggest a twofold objective: securing the removal of sanctions while retaining a nuclear weapons capability. While Iran has throughout the negotiations proven willing to brook temporary limitations on certain nuclear activities, it has steadfastly refused to consider steps—for example, forgoing advanced enrichment R&D, providing access to suspected weaponization sites and scientists, or accepting limitations on missile activities or permanent constraints of any kind—that would foreclose the future development of a nuclear weapon.

Indeed, Iran's behavior makes little sense absent a desire for nuclear weapons. It can obtain reactor fuel from abroad, as do most countries that utilize nuclear energy. Furthermore, an indigenous fuel cycle is marginal to Iran's energy security, given its rich endowment of fossil fuels. Rather, it is Iran's secret pursuit of that fuel cycle and other nuclear weapons-applicable technology that has proven a greater threat to its energy security in the form of sanctions on its hydrocarbon, financial, and other sectors.

ASSESSING THE NUCLEAR ACCORD

It is instructive to assess the extent to which the agreement advances the U.S. and Iranian objectives described above. Nuclear weapons development requires three lines of action—fuel fabrication, weaponization, and development of a delivery vehicle. It also presumably requires secrecy, since being caught at the task would entail risk of a military response.

When it comes to fuel fabrication, the nuclear agreement leaves Iran in possession of a full nuclear supply chain from uranium mining to enrichment, and also leaves in place the heavy water reactor at Arak. These are subject to various temporary

restrictions—Iran agrees to cap the number and type of centrifuges installed, the level to which it enriches, and the amount of low-enriched uranium it stockpiles, and converts its heavy water reactor at Arak to avoid producing weapons-grade plutonium. It also agrees not to build new enrichment, heavy water, and reprocessing facilities.

Two points stand out as most concerning, however: Iran is permitted to continue research and development on advanced centrifuges and to begin deploying such centrifuges after just 8½ years. Because such centrifuges are designed to enrich uranium much more efficiently than Iran's existing "IR–1" centrifuges, they are far better suited to a covert weapons-development effort—far fewer of them, operating for less time, would be required to produce weapons-grade fuel. Second, the restrictions described above phase out 10 to 15 years from now, meaning that at that time Iran would face few technical impediments to reducing its breakout time substantially.

When it comes to weaponization, the agreement commits Iran not to "engage in activities, including at the R&D level, which could contribute to the development of a nuclear explosive device."[1] But the question is how Iran's adherence to this commitment can be verified, especially since such activities tend to be secretive by their very nature. Indeed, International Atomic Energy Agency (IAEA) reporting suggests that Iran has already engaged in various "activities related to the development of a nuclear explosive device,"[2] part of what the IAEA terms the "possible military dimensions" (PMD) of Iran's nuclear program.

Many analysts have urged that Iran be required as part of any agreement to disclose the extent of its past (and possibly ongoing) weaponization and other clandestine nuclear efforts so that inspectors understand what progress Iran made, and provide the IAEA with the necessary access to ensure that such efforts are not resumed. The agreement does not appear to meet these criteria. It does not specify that inspectors must be given access to weapons-related sites and personnel, or that full disclosure of past weaponization and other clandestine nuclear work is required for the agreement's implementation to proceed. Without such provisions, I do not believe we can have confidence that Iran's work on nuclear weapons will not be resumed (perhaps by elements of Iran's security apparatus, and perhaps even without the knowledge of the civilian officials with whom inspectors interact) or even that it has ceased.

In the area of delivery vehicles, the agreement contains no limitations whatsoever as far as I can tell. Iran is not required to limit its ballistic missile development and testing, nor does the list of "activities which could contribute to the design and development of a nuclear explosive device" from which Iran agrees to refrain in Annex I of the agreement include any mention of missile reentry vehicles, despite their inclusion in the IAEA's accounting of PMD. Indeed, the binding ban on Iran "undertak[ing] any activity related to ballistic missiles capable of delivering nuclear weapons, including launches using ballistic missile technology"[3] contained in U.N. Security Council Resolution 1929, is replaced with nonbinding, hortatory language[4] in U.N. Security Council Resolution 2231.

The effect of this shift is that as of "Implementation Day" of the nuclear accord, Iran will not be barred from conducting ballistic missile launches or pursuing nuclear-capable ballistic missiles, which are an essential part of any modern nuclear weapons program. This concern has even been voiced in the past by Russian officials. In 2008, following a failed Iranian missile test, then-Deputy Foreign Minister Aleksandr Losyukov said the test added "to general suspicions of Iran regarding its potential desire to build nuclear weapons."[5] When sanctions on Iran's ballistic missile program are lifted in 8 years, it will also be able to receive foreign assistance, which has been described in the past by U.S. officials as essential to its ability to produce intercontinental ballistic missiles (ICBMs). While some U.S. secondary sanctions on missile cooperation with Iran will remain in place, these are insufficiently robust to deter Iran's likely partners.

Taken together, these weaknesses suggest that the agreement will permit Iran to retain the option to build a nuclear weapon in the future. Indeed, the agreement could be seen as a means by which Iran buys time to perfect, in some cases with international assistance, the technologies—advanced centrifuges, weaponization, and long-range ballistic missiles—required to build a nuclear weapon in the future. In my view, this is not by accident—Iran's "redlines" seem to have been designed to shape this outcome, implying again that Iran's purpose in the talks has been to obtain sanctions relief while retaining or even improving its nuclear weapons capability.

The strength of the agreement must instead rest, then, on our ability to detect and deter any such weapons-development effort, whether covert or overt. Unfortunately, the inspection mechanism in the accord does not appear up to this task. While robust monitoring will be in place at declared sites, the U.S. intelligence com-

munity assessed in 2007 that Iran "probably would use covert facilities—rather than its declared nuclear sites—for the production of highly enriched uranium for a weapon."[6] The agreement does not, however, permit inspectors anything approaching unfettered access to suspect sites.

Rather, after an indefinite back-and-forth with Iran regarding suspicious activity, the IAEA could formally request access to a site, which would initiate a deliberative process lasting as many as 24 days. If, however, Iran continued to deny inspectors access at the end of this period, the matter might not be resolved for another 30 to 65 days—bringing the delay to 54 to 89 days—or even longer if any of these periods were extended by consensus of a "Joint Commission" consisting of Iran, the EU, and the P5+1. This is far too long a delay to permit inspectors to do their jobs effectively.

Combined with Iran potentially not being required to disclose and provide access to PMD-related sites, personnel, and documentation, and a missile program that is not subject to inspection at all to my knowledge, the result is an inspection regime that falls short of what is necessary to detect covert nuclear activity. This inadequacy is compounded by the fact that Iran's breakout time even at declared sites could potentially diminish to near zero once the restrictions on its enrichment- and reprocessing-related activities phase out in 10 to 15 years, rendering it practically improbable to halt a breakout attempt even with monitoring in place.

The inspection regime is further undermined by the agreement's enforcement mechanism. The only remedy for noncompliance—whether the refusal of access to inspectors by Iran or any other violation—is the termination of the accord and the reimposition of previous U.N. resolutions, in which case Iran has asserted that it would consider its obligations under the agreement null and void. The implication is that small violations of Iran's obligations are likely to go unpunished, and access requests are likely to face a high bar, for fear of unraveling the accord entirely—the IAEA may hesitate to make a formal access request for fear of being party to the agreement's collapse, and the other parties to the accord may hesitate to support the IAEA if they do. Violations of Iran's other obligations may be explained away as inadvertent, the work of rogue elements within Iran, or otherwise not worth risking the entire accord over.

As is often the case with such agreements, the leverage will be with the less risk-averse party. The U.S. has not, for example, imposed any cost on Russia for its reported violation of the INF Treaty, nor on Syria for apparently violating its commitment to destroy its chemical weapons. Indeed, in both cases U.S. officials have appeared loath even to acknowledge the violations. Iran has already indicated its intention to test the inspection regime by asserting that access to military sites will be refused as a rule. The absence of "snap" inspections will remove a psychological barrier to cheating and further encourage such risk-taking. Even in the event sanctions snap back, their initial effect is likely to be only psychological or symbolic—their economic impact will take far more time to be felt, much less to affect Iran's decisions.

Military force remains an option in extremis to enforce the agreement. However, the military option may prove more difficult to exercise in the future given the international legitimacy the accord grants to Iran's nuclear activities, the international involvement in those activities that it permits, any steps by Iran to further harden its nuclear sites against attack, and the likely return of international investment and commerce to Iran.

In sum, the nuclear agreement is best thought of as a form of containment: Iran will retain its nuclear weapons capability, and the U.S. and our allies will attempt to prevent it from being used. But it is a containment policy in which we agree in advance to gradually lower our defenses by phasing out the limitations on Iran's nuclear activities by a date certain, and limit our own toolkit by lifting sanctions nearly comprehensively up front. In past proposals, the U.S. had made the easing of restrictions dependent on Iran's own behavior. Under this accord, all Iran need do is bide its time and the restrictions will be lifted regardless of its policies. The incentive for Iran is therefore simply to wait: to avoid significant overt nonperformance under the accord, but not to alter in any fundamental way its nuclear ambitions or regional strategy.

BROADER IMPLICATIONS OF THE NUCLEAR AGREEMENT

The challenge to U.S. interests posed by Iran goes well beyond its nuclear and missile program. Chairman of the Joint Chiefs of Staff General Martin Dempsey recently told the Senate Armed Services Committee that the threats posed by Iran also included its support for proxies, arms trafficking, sea-based mines, and cyber activities. These and other Iranian activities threaten our interest in nonprolifera-

tion, counterterrorism, freedom of navigation, and cybersecurity, and directly challenge a U.S. regional strategy focused on ensuring regional stability and bolstering the security of our allies.

President Obama has asserted that the agreement does not presume any improvement in Iranian behavior on these fronts, though he has expressed hope that Iran's behavior will, in fact, change as a result of the deal. However, in the short term at least, Iran's behavior in the region is more likely to worsen than improve.

Anti-Americanism is central to the ideology of the Iranian regime, and Iranian leaders—having just reached a diplomatic compromise with the U.S.—may feel the need to reaffirm its anti-American bona fides. The agreement is also widely perceived as a victory for Iranian pragmatists led by President Hassan Rouhani and was, according to Secretary of State John Kerry,[7] opposed by the Islamic Revolutionary Guard Corps (IRGC) and other hardliners. Iran's Supreme Leader, widely regarded as seeking to balance the regime's contentious factions, may feel the need in the agreement's wake to give freer rein to those hardliners to prevent one faction from becoming too powerful.

Finally, Iranian regional behavior is not driven solely by U.S. policy or this nuclear accord, but by events in the region themselves. Iran's security strategy, in part compensating for a lack of conventional military power, has focused on building asymmetric power through proxies and surrogates who are able to project Iranian power and keep potential foes such as Israel and Sunni Arab states occupied far from Iran's borders.

There is nothing in the agreement that requires Iran to change this strategy, or that would forestall a spike in malign Iranian behavior. Quite the opposite—the agreement will provide Iran with an influx of financial resources, some portion of which seem likely to go to foreign priorities such as Lebanon, Syria, Iraq, or Yemen. An infusion of Iranian funds could have salutary effects on the Assad regime, which has reportedly depended on Iranian assistance, for example receiving a fresh $1 billion line of credit from Tehran just last month; on Hezbollah, which has reportedly seen assistance from Iran decline as the latter was squeezed by sanctions; on Palestinian Islamic Jihad (PIJ), which has reportedly been suffering from financial duress; and on Hamas, which seeks to rebuild military capacity degraded in its last round of fighting with Israel. It could also be used to step up recruiting for Iranian-backed militias in Syria and Iraq, to ensure that Iraqi Shiite militias backed by Iran are better resourced than official Iraqi security services, and to buy increased political influence in Iraq, Afghanistan, and elsewhere.[8]

The agreement will also lift the ban on ballistic missile tests and the designations of certain entities involved in Iran's regional troublemaking, such as (in 8 years) the IRGC–Quds Force. It will also remove, in no more than 5 years, sanctions barring the transfer of arms to Iran—paving the way for the possible modernization of Iran's relatively antiquated conventional forces—and will lift by my reading the ban on Iran exporting arms itself.[9] While in some circumstances other authorities exist to prohibit arms transfers to Iranian proxies, these measures have been poorly enforced and seem likely to be weakened further, not strengthened, by this agreement. As a result, and seeing as regional conflicts in which Iran is embroiled show little sign of abating, there is more reason to believe that Iran's regional activities will increase rather than diminish, including the proliferation of sophisticated arms.

While some regard Iran as a potential partner against the likes of ISIS, in fact any uptick in Iranian regional troublemaking stands to benefit ISIS and its ilk, which feed off the sectarian polarization Iran's activities foster. In addition, because many U.S. allies in the region see Iran and its proxies as a major threat to their security, they are likely to respond to any increase in Iranian adventurism. To an extent, we are already witnessing these dynamics playing out around the region. To make matters worse, U.S. allies may also seek in the wake of the accord to match Iran's nuclear capabilities to ensure they could respond rapidly to any Iranian nuclear breakout; while there is no guarantee they will do so, the incentive is clear. Our reassurances to them will be met with skepticism in light of our relative inaction thus far to counter Iranian regional aggression, and in light of our failure to follow through on similar assurances given to Ukraine in 1994 as part of our pursuit of a different arms control treaty.

This incentive will remain even if, as some hope, the Iranian regime becomes friendlier or more constructive in the coming years. Even a different regime in Tehran may not wish to concede a nuclear capability that has been granted international legitimacy. And given the long history of rivalry between Iran and its major neighbors, the presence of a large, advanced nuclear program in Iran will likely prompt a balancing reaction in the region regardless of Tehran's attitude toward the United States.

The agreement also seems likely to foster closer diplomatic, economic, and military ties between Iran and a host of states outside the region, including India, Pakistan, Russia, and especially China. Sino-Iranian trade has been growing despite sanctions, and even China's energy imports from Iran have reached record highs in 2014–2015 despite NDAA sanctions calling for states to reduce their oil trade with Iran. In addition, China-Iran military ties have increased, with Chinese fighter jets landing in Iran to refuel and Chinese warships paying a call to the Iranian port of Bandar Abbas in recent years. Chinese and Iranian defense officials have called for expansion of these ties, and the lifting or phasing out of sanctions will smooth the way for this to occur.

All of this is on its face would appear to constitute a significant strategic reversal by the United States—accommodating Iranian nuclear expansion after years of opposing it, lifting sanctions on Iran after years of expanding them, and facilitating Iran's financial and diplomatic reintegration into the international community after years of seeking to isolate it. These actions stand in opposition to long-standing U.S. strategy in the Middle East, which aimed to foster regional stability and prosperity by bolstering the security of allies, effectively countering those who challenged our mutual interests, and preventing inroads by hegemons from inside or outside the region. This conflict between our actions and our stated strategy inevitably leads allies to conclude either that our commitment to that strategy and to the region itself is diminished, or that we are embarking on a broader strategic realignment.

LOOKING AHEAD

One of the chief defenses offered for the nuclear agreement is that, whatever its shortcomings, it is preferable to the alternatives. It is one thing to say, however, that a negotiated agreement of some sort was preferable to alternatives such as military conflict or acquiescence, and another entirely to claim that this is the best accord that could have been negotiated. I have little doubt that different tactics could have produced a stronger agreement. Indeed, it is the very denigration of our alternatives and failure to credibly project consequences—whether sanctions or military force—for Iran of failing to accept strict limitations on its nuclear activities that in my view most contributed to the weakness of this accord. The notion that Iran would have marched inexorably toward a nuclear weapon were it not for this deal ignores the considerable deterrent effect that further sanctions and the credible threat of military force would likely have had on Iranian decisionmaking.

Such assertions on both sides, however, are now largely a matter for historical debate. The more immediately relevant question is whether to implement the accord. If the deal cannot muster sufficient domestic support, it should like any rejected agreement be renegotiated. There is no particular reason it cannot be, though the other parties are likely to resist. Ordinarily they would nevertheless require U.S. participation for the termination of international sanctions, but the recent passage of a U.N. Security Council resolution endorsing the accord and setting a schedule for lifting sanctions gives rise to the possibility—the text of the deal is not clear on this point—that the deal's implementation could proceed even without the United States fulfilling our obligations.

It is also possible that Iran would refuse to implement its obligations were the deal rejected by the United States, and that it would find sympathy from partners such as Russia and China. Because, however, our allies would remain committed to preventing Iran from developing a nuclear weapon, Iranian noncompliance would not be met with resignation but would likely lead to a resumption of previous efforts to resolve the crisis through diplomacy and pressure. None of these scenarios is by any means an easy one; our policy to date will not be without consequences.

If the nuclear accord is implemented, U.S. policymakers will need to contend with the new reality it creates. We must avoid the temptation to overlook harmful Iranian policies or offer unilateral concessions in a misguided effort to bolster one regime faction against another, but instead establish clear disincentives for destabilizing behavior and incentives for constructive behavior by Tehran. It will be important to ensure that the U.S. intelligence community and IAEA have sufficient resources to monitor Iranian nuclear efforts, to strengthen the U.S. position in the Middle East by reinvigorating our regional alliances, to restore the credibility of U.S. military deterrence in the context of an overall strengthening of U.S. defense resources, to more firmly counter Iranian regional actions while pressing Iran to play a more constructive regional role, and to respond quickly to violations of Iran's nuclear obligations as well as activities not covered by the agreement such as provocative missile tests. Frankly these are objectives we should have been pursuing now for years—not merely considering as a consequence of a nuclear accord—but have neglected.

Most difficult of all, the next President is almost certain to find the nuclear constraints imposed on Iran by this accord to be unsatisfactory, if for no other reason than those limitations will begin to expire by the end of the next President's tenure if he or she is reelected. In this sense, the question is not whether, but when, we will need to devise an alternative policy toward Iran's nuclear and regional activities. The next President will need to rebuild international support for a strengthened Iran policy with fewer tools at his or her disposal, and may well be doing so in a less favorable international context given recent shifts in the international security environment and the likely strengthened diplomatic, economic, and strategic ties Iran may enjoy with other states in the future.

As I noted at the outset, sensible foreign policy must clearly advance American interests at a cost that is outweighed by the policy's projected benefits. It is not clear that the nuclear agreement with Iran meets these criteria. It does not clearly achieve the objective it sets out to—the prevention of a nuclear-armed Iran—nor does it complement our broader strategy in the Middle East or our global nonproliferation strategy. Instead, it entails significant costs that are justified primarily by conjuring the specter of an even more costly war no analyst believed was imminent.

Notes

[1] Joint Comprehensive Plan of Action, part C, para 16.
[2] IAEA GOV/2011/65.
[3] U.N. Security Council Resolution 1929, op9.
[4] U.N. Security Council Resolution 2231, Annex B, para 3.
[5] "Iran: Russia Says New Rocket Raises Nuclear 'Suspicions,'" Associated Press, February 7, 2008.
[6] 2007 Iran Nuclear NIE.
[7] Secretary of State John Kerry at the Council on Foreign Relations, July 24, 2015.
[8] For more examples, see "The Regional Impact of Additional Iranian Money," PolicyWatch 2456, The Washington Institute for Near East Policy, July 28, 2015.
[9] U.N. Security Council Resolution 1747, op5.

The CHAIRMAN. Thank you very much.

Dr. Pollack.

STATEMENT OF KEN POLLACK, SENIOR FELLOW, CENTER FOR MIDDLE EAST POLICY, BROOKINGS INSTITUTION, WASHINGTON, DC

Dr. POLLACK. Thank you very much, Mr. Chairman, Ranking Member Cardin, distinguished Senators. It is a pleasure to once again be speaking before you, and a pleasure to be sharing the dais with my friend, Mike Singh.

I want to start just briefly because I have not been on record anywhere else by saying that I find myself an unenthusiastic but nevertheless firm supporter of the agreement, unenthusiastic because I believe that this is a weaker deal than what we might have gotten. I was not present in the negotiating chambers, so I do not know exactly how things could have gone. But given where we were 2 years ago, I do believe it was possible to have gotten a stronger deal.

That said, I am also a firm supporter of it because I believe that, first, it is not a bad deal. It has some important strengths. And I do believe that it will ultimately leave us in a position where our national interests are better served by accepting it than by rejecting it. For me, that is the ultimate criteria upon which to judge this deal itself.

That said, I completely agree with the thrust of Mike Singh's remarks, that ultimately where this deal is really going to be made or broken is in the region. We should all remember that our concern about the Iranian nuclear program was not that the Iranians would acquire nuclear weapons and suddenly lob one at Tel Aviv

or Riyadh or Mecca or someplace else that we cared about. It was always about how it would enable Iranian subversion and aggression in the region.

That is where this is all going to play out. I think that it behooves us, then, to focus, as you are doing in these hearings, on this question of what should U.S. policy toward the region be after a deal.

To make a point that I have made several times, that I think also reflects what Mike just said, I look at this deal, and these are my words, not his, I look at this deal as a pretty good deal for 10 or 12 years. After that, it is a bet. It is a bet that either Iran will change fundamentally or that circumstances will constrain Iran in such a way that it does not resume its efforts to acquire a nuclear weapon, once the strictest terms of the deal have been set aside and moved past by the subsequent terms of the deal.

For that reason, what happens in the region becomes even more important. We have 10 to 12 years to set the stage properly, to shape the environment, to make sure that Iran is not able to take advantage of that period, but also hopefully to put Iran in a position where, in 10 or 12 years, its cost-benefit analysis, if not its regime, has changed fundamentally, and its approach to the region, to our allies, to our interests, is fundamentally changed.

That is going to be a major challenge. Right now, as you are all aware, we have a very big problem on our hands in the region. Our allies are deeply frightened by what they see going on. They are concerned that the agreement will enable the Iranians to become more aggressive in ways that the region does not need, given how unstable it already is.

They are also, I would suggest, even more concerned about where U.S. policy toward the region may go afterward. I think they are all, as I hear it from them in private, terrified that the United States will see the nuclear agreement with Iran as a get-out-of-the-Middle-East-free card, as a chance to say we have solved the biggest security threat facing the Middle East, now we are done, we can leave and disengage even further.

That, I would suggest to you, is the greatest fear of our allies in the region, and it is where a future U.S. policy, a post-JCPOA policy has to be focused. We have to find ways to reassure our allies.

In addition, I think we are also going to have to find ways to deter the Iranians. We have heard now from the supreme leader, from a number of hardliners. There seems to be no indication that the Iranians are planning to dramatically change their policy toward the region. In fact, everything that we have been hearing, I would suggest, indicates that the Iranians intend to perhaps become even somewhat more aggressive, if only to demonstrate what I am calling their revolutionary mojo, that they have not lost the thrust of Khomeini's philosophy, that they are still committed to an anti-American, antistatus quo policy, regardless of any nuclear agreements with the United States.

They may also seek to test us. They too may wonder if the United States is looking to disengage even further from the Middle East, in the wake of a nuclear agreement. And if they do not find the United States staunchly standing its ground, backing up its allies, and ready to push back on them, they may decide to push

harder, both out of opportunity and, again, to demonstrate whatever revolutionary credentials they still feel necessary.

For me, all of this comes down to a question mark about where the United States is planning to go in its regional policy after the JCPOA has come into effect. To me, that is ultimately a far greater consequence than the technical details of the deal. Whether it is 25 days or 20 days or 30 days before a violation can be enacted upon, to me, is not terribly useful, not terribly meaningful.

To me, what is important is how the United States is going to behave in the region, because if we behave in one way, I think that we will terrify our allies and we will embolden the Iranians. What we have seen from our allies over the last 4 or 5 years is that when they are frightened, they get aggressive, and they do not get aggressive in a good way. They do not have the political, military, or economic capacity to act aggressively in their region.

I would simply hold up Saudi Arabia's unprecedented intervention in Yemen as Exhibit A of that. This was a war that they should have never gotten involved in. And they did it, as they will say in private, because the United States was not doing more for them. That is where we have to put our focus.

And I would simply like to close by saying that when I look around the region, I fear that it is going to require the United States actually stepping up and pushing back on the Iranians, both to reassure our allies and to deter the Iranians. When I look around the region and look at the potential venues, fortunately, we have no shortage of places where we could take it to the Iranians.

That is a joke. I am being horribly sarcastic with that.

But unfortunately, only one really stands out. Yemen is a place where we should be trying to get the Saudis to do less, not more from us. Iraq is very fragile and will probably require both Iranian and American cooperation to make that turn out well. For better or worse, mostly worse, we have surrendered much of our former influence in Iraq to the Iranians. Therefore, it too is not the right battlefields.

Syria strikes me as the place. In my mind, signing the JCPOA ought to come with a new commitment on the part of the United States to finally make good on the pledges that we have made to actually commit meaningful support to the Syrian opposition to demonstrate again to our allies that we are willing to stand up to the Iranians, to the Iranians that we are not going to back down if they try to run the table on us.

[The prepared statement of Dr. Pollack follows:]

PREPARED STATEMENT OF KENNETH M. POLLACK

Mr. Chairman and distinguished Senators, I am honored to be able to appear before you to discuss the Joint Comprehensive Plan of Action (JCPOA) with Iran and, in particular, its regional implications. I believe this to be, arguably, the most important aspect of the agreement. For that reason, I consider it imperative that the United States be ready to shape the regional environment to ensure that the JCPOA contributes to American security, rather than undermining it. To me, that will be determined primarily by America's behavior in the region after the JCPOA, and not by the specific terms of the deal itself. This agreement is likely to be made or broken on the battlefields of Iraq, Syria, and Yemen, not in the centrifuge halls of Natanz and Fordow.

THE DEAL

Let me start by being candid about my thinking on the deal itself. Unenthusiastically but firmly, I believe that the United States should accept the Iranian nuclear agreement and implement it fully. I am unenthusiastic about the Joint Comprehensive Plan of Action because it is an imperfect agreement at best. I was not in the room while it was being negotiated, so I cannot be certain, but I do not believe that it was inevitable that we ended up with this agreement, given where we started from with Iran 2 years ago. I continue to believe that the United States could have negotiated a better deal with Iran had the Obama administration handled those negotiations differently. I am particularly concerned that the most stringent constraints on Iran's nuclear program effectively end after 10–15 years. While it is not unreasonable to believe that Iran will be a very different country in 10–15 years, or may find reasons not to resume development of a nuclear weapon at that time, it is equally plausible that we will face the same old Iran then that we do now, and that Iran may seek a nuclear weapon.

Nevertheless, I firmly believe that it would be a mistake for the Congress to override a Presidential veto and prevent the United States from adhering to the agreement. First, it is not a disastrously bad deal. For 15 years, Iran's nuclear program will be very limited. It will be difficult to cheat and the administration won important victories in ensuring that ultimately the inspectors are to be given access to any facility they want to see, and the United States retains the ultimate threat of having the U.N. sanctions reimposed with only the cooperation of our European allies. One of the most important lessons that we should have learned from our painful experiences with Iraq is that this is what makes for a successful arms control agreement. It is NOT necessary to be certain that you can detect every instance of cheating—that is impossible, and the United States did not do that even in Iraq where the inspectors had far, far greater access and authority. It is merely necessary that the target country believe that there is a reasonable probability that any cheating activity will be detected, and an equally reasonable probability that such cheating will result in consequences that it finds unacceptably painful. That was what ultimately convinced even Saddam Hussein to give up his hidden WMD programs (although he did so in his own inimitably bizarre manner). The JCPOA creates just that disincentive for Iran, and therefore I think we can have a reasonably high degree of confidence that Iran will abide by it. Indeed, I think it unlikely that they will meaningfully cheat for the foreseeable future—although it is impossible to know if that means 3 years, 5 years, 15 years, or longer.

I know that opponents of the deal bristle whenever they hear it, but I believe that, imperfect as it is, accepting the deal is considerably better for the United States than any of the realistic alternatives. I have written extensively about these alternatives in the past, even warning 2 years ago that I feared we would soon be forced to confront the very dilemmas we now face.[1] I believe that stopping Iran from acquiring nuclear weapons militarily would likely require a major war, and quite possibly a full-scale U.S. invasion and occupation of Iran. I do not think that necessary or desirable. I believe that Israeli Prime Minister Benjamin Netanyahu's belief that the United States could reject this deal and somehow force Iran to negotiate a new one that is better for the United States is misplaced. I think it far more likely that were the United States to turn down the JCPOA, we would find ourselves in a far worse position. In those circumstances, I think it most likely that Iran would gain widespread international sympathy, the sanctions would erode and then collapse—as I watched the same happen to the even-tighter Iraq sanctions when I was the NSC Director for Persian Gulf Affairs during the late 1990s—and Iran would emerge stronger and less constrained that it is today. I do fear that in such a scenario, Iran would narrow its breakout window significantly, or even field a nuclear arsenal.

This may not be the deal we want or even the deal might have had, but it is the deal we have. And I am convinced that it is the only deal we will ever have and we are more likely to regret turning it down than we are to regret having accepted it.

AND NOW FOR THE HARD PART

Ultimately, I see the JCPOA as a pretty good deal for 15 years, but after that it's a bet. A bet that after 15 years, Iran will be kinder, gentler, smarter, better disposed toward us and our allies, or more sober about the cost-benefit values of acquiring nuclear weapons.

Consequently, what looms largest in my assessment of the nuclear agreement is how the United States deals with Iran during those 15 years. Can we shape circumstances in such a way that we are more likely to have a better Iran emerge from

those 15 years? Perhaps more important still, we should never lose sight of the fact that an Iranian nuclear weapon was never the real threat to American interests. It was exceptionally unlikely that Iran would ever use a nuclear weapon, let alone give one to terrorists.[2] Instead, the reason that we and our allies have focused so heavily on Iran's nuclear program is because an Iranian nuclear arsenal threatened to enable further Iranian subversion and/or aggression in the Middle East—a part of the world that does not need any more instability than it already has.

That is why I am more concerned about how the United States conducts its foreign policy toward the Middle East under the auspices of the JCPOA than I am about the technical pros and cons of the agreement itself.

We will probably have 15 years before we really have to worry about the prospect of an Iranian nuclear arsenal again. But Iran probably won't pull in its horns, give up its regional ambitions, and suddenly embrace America and its allies during that period of time. If the various remarks of Iran's Supreme Leader are any guide, Iranian policy is unlikely to become any more accommodating, and could become far more confrontational as Tehran seeks to demonstrate that it has not lost its revolutionary mojo and tests whether the United States plans to use the JCPOA to justify further disengagement from the region.

Indeed, that is what I fear most. That a war-weary and "Middle East-weary" U.S. administration will point to the JCPOA and say, "See, we removed the greatest threat to U.S. interests and allies in the Middle East, so now we can afford to step back from the region even more than we already have." I fear that the JCPOA will justify another "pivot to Asia," which as best as I can tell was nothing more than an excuse for pivoting away from the Middle East, with demonstrably catastrophic consequences in Iraq and elsewhere.

Even here, the real questions are not those about regional proliferation, which has dominated discussion of this matter to date, but about the civil and proxy wars currently roiling the Middle East, and the likely role of the United States in the region after a nuclear accord with Iran. It is those issues that are likely to determine whether a nuclear deal with Iran leads to greater stability or greater instability in the Middle East, and thus whether it ultimately benefits or undermines American national security.

IRAN

It is important to begin any assessment of regional dynamics in the wake of an Iranian nuclear agreement by asking how Iran itself is likely to behave. As always, we need to be very humble about our ability to predict Iran's future behavior. Iran has an opaque and convoluted political system, riven by factions and presided over by a Supreme Leader who has often made decisions by not making decisions or by splitting the Solomonic baby. Indeed, it seems most likely that once the JCPOA has been agreed to by all sides, there will be a debate in Tehran over Iranian foreign policy (as there always is), with moderates and reformists arguing for Iran to use the deal as the start of a larger process of reopening to the world and even rapprochement with the United States. Inevitably, various Iranian hardliners and conservatives will argue that a deal makes such moves unnecessary and that instead Iran can and must redouble its efforts to export Khomeini's revolution and drive the United States and its allies out of the Middle East altogether.

Ayatollah Khamenei's various statements in recent weeks continue to lead me to conclude that he views the JCPOA in purely transactional terms. It is a straightforward deal for him: sanctions relief for constraints on his nuclear program. Nothing more and nothing less. It seems unlikely he will countenance a wider rapprochement with the United States, although we can all hope that Foreign Minister Javad Zarif and President Hassan Rouhani will be able to convince him otherwise.

Iran has always seemed to fashion discrete policies toward different states of the region. In each case, it has a certain set of interests in a country and engages in a policy debate over how to act toward that country—in which Iran's complicated domestic politics interact with various strategic perspectives to produce a policy toward that country. Right now, Iran probably has a Syria policy based on its interests and its politics as they relate to Syria. It appears to have an Iraq policy based on its interests and its politics as they relate to Iraq. And the same for Bahrain, Saudi Arabia, Yemen, etc. Neither those interests nor those politics appear likely to change much, if at all, as a result of the nuclear deal, at least in the short term. Instead, Iranian actions toward all of those places seem precisely calibrated to what Iran is trying to achieve there, and that is unlikely to be affected by the nuclear deal one way or the other.

It is also worth noting that, across the region, the Iranians seem pretty comfortable with their current policies. They may well believe that things are mostly

going their way. Their Shia allies are dominant in Iraq, Lebanon, and Yemen (despite recent tactical reverses in Yemen). In Syria, the Assad regime is embattled and has suffered some setbacks, but it remains in power and Iran continues to commit its own resources and the troops of its Iraqi and Hezbollah allies to shore up the Alawi position there. Most reports indicate that the Iranians exert far greater control over Assad's rump Syrian state than they ever have in the past. Thus, Iran may feel its position has improved in Damascus, even if Damascus's control over Syria has taken a beating. Tehran may also feel it could be doing better in Bahrain, but of the countries in play in the region, that's the only one Iran cares about where Tehran may not believe it is "winning."

In short, all other things being equal, it seems unlikely that Iranian policy toward the region will change merely as a result of a nuclear agreement with the P5+1. There is no particular reason to believe that Iran is ready to throw in the towel in any of these places. But neither is there any reason to believe that Iran is looking to increase its aggressive involvement in any of these states but has been somehow constrained from doing so by the nuclear negotiations.

But all other things may not prove equal. It may be that Khamenei will feel that a nuclear deal is a major concession to Rouhani and the Iranian Left and therefore may feel the need to demonstrate to the hardliners of the Iranian Right that a nuclear deal does not mean that Tehran has abandoned Khamenei's ideology by giving up its enmity with the United States. If that is the case, Iran may ratchet up some of its antistatus quo activities in certain selected venues.

> Israel is the obvious case in point: Iran may try to convince Hezbollah, Hamas, Palestine Islamic Jihad (PIJ), and others to mount attacks on Israel. That's almost a "freebie" for Iran. Israel is unlikely to retaliate directly against Iran, everyone will know that Tehran is behind the attacks, and since the Netanyahu government has managed to isolate Israel in ways that the Palestinians never could, Tehran will be playing to a popular cause. The problem here is that Iran may not be able to pull the trigger on such a campaign. Hezbollah and Hamas are both extremely wary of picking a fight with Israel, as demonstrated by the fact that neither has done so in the face of multiple Israeli provocations. The events of the Arab Spring and the Syrian civil war has estranged Hamas from Iran and tied Hezbollah down in intense combat such that neither may be willing to heed a hypothetical Iranian call for new attacks on Israel. The Gulf Cooperation Council (GCC) states have begun a campaign to wean Hamas from Iran entirely and bring it into the Sunni Arab fold. For their part, PIJ and other Palestinian proxy groups probably face the same anti-Iranian pressures as Hamas, are weaker than in the past, and may have a hard time penetrating Israel's ever more sophisticated defenses.
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> Bahrain is another possibility. Because Bahrain is a majority-Shia state whose people have been disenfranchised and oppressed by the regime—and their Saudi allies—it is another arena where Iran may be able to burnish its revolutionary credentials in a relatively popular international cause. But here, too, there are limits. Some Bahraini Shia clearly accept aid from Iran, but the majority appear to prefer not to. They recognize that the more that they can be dismissed as Iranian agents, the harder it is for them to get international pressure on the regime to reform. In addition, Bahrain is a very sensitive issue for the Saudis, and the Iranians have to worry that if they press on Bahrain, the Saudis might push back somewhere else where they are more vulnerable.
>
> A last possibility is Yemen. Iran has few direct stakes in Yemen, and its nominal allies, the Houthis, remain dominant militarily despite their inability to retake Aden. So Iran has a relatively powerful ally and little to lose there. But, once again, Iran's ties to the Houthis have been exaggerated, and it is another very sensitive spot for the Saudis.

Consequently, it may prove difficult for Iran to make much mischief in any of these arenas—more difficult than it may be worth for them.

As this analysis suggests, I believe that Iran's most likely course after a nuclear agreement will be to continue to pursue the same regional strategy it has pursued over the past 3 years. That strategy is inimical to the interests of the United States and its allies in many ways. However, there is a much greater danger: the danger that Iran will interpret American behavior after a nuclear agreement as a sign of further disengagement from the Middle East. If that is the case, it is highly likely that Iranian goals will become more expansive and its policies more aggressive as it believes that the United States will not be as willing (or able) to block its moves. Thus, the most important variable in Iranian regional behavior after a deal may

well prove to be the U.S. reaction, rather than anything derived from Iranian strategy or politics itself.

ISRAEL

Let me now turn to the question of likely Israeli responses to a nuclear deal. I think it important to address the elephant in the living room first: It is highly unlikely that Israel will mount a military attack against Iran if the JCPOA is enacted by all sides. As I have laid out in greater detail elsewhere, Israel currently does not have a good military option against Iran for both military-technical and political reasons.[3] That's why Israel has uncharacteristically abstained from a strike, despite repeated threats to do so since the late 1990s.

The political circumstances are even worse now and will remain so after the JCPOA goes into effect. Consider the context: Iran has just signed a deal with the United States and the other great powers agreeing to limits on its nuclear program, accepting more intrusive inspections than in the past and reaffirming that it will not try to build a nuclear weapon. If the Israelis were to attack in these circumstances, an already anti-Israeli international climate would almost certainly turn wholeheartedly against them.

The question of how the international community would react to an Israeli strike on Iran is of more than academic interest to the Israelis. If Israel attacks Iran, there is a very real risk that Iran would respond by withdrawing from the JCPOA and probably the NPT, evicting the inspectors and announcing that it will acquire nuclear weapons since its own conventional forces and the word of the international community were clearly inadequate to deter an unprovoked Israeli attack. The Iranians would doubtless also demand that the remaining sanctions on them be lifted (and probably call for the imposition of sanctions on Israel). If such actions were not forthcoming, Tehran would probably set about busting the sanctions with the active connivance of many other countries, probably including members of the P5+1.

The problem for the Israelis is that in those circumstances, with the entire world furious at them for committing aggression and destroying a deal that most see as having been the best way to keep Iran from acquiring nuclear weapons, there is likely to be very little will to preserve the sanctions on Iran. It's hard to imagine a scenario in which Iran has a better chance to break out of the sanctions cage than this one.

Thus, an Israeli military strike in these circumstances would be unlikely to help prevent Iran from acquiring nuclear weapons. It is more likely to ensure an Iranian nuclear weapon and jeopardize the international containment of Iran.

While this set of problems makes an Israeli military response unlikely, that doesn't mean that Jerusalem will just roll over and accept the JCPOA or the new world it will make. First, I suspect that the Israelis will ramp up their covert campaign against Iran and its nuclear program. More Iranian scientists may get mysteriously assassinated in Tehran. More sensitive Iranian facilities might blow up. More computer viruses might plague Iranian networks. More money might find its way to Iranian democracy activists and ethnic minorities. Of course, even then, the Israelis may show some restraint: The Iranians are believed to have greatly improved their own cyberwar capabilities, and even a right-wing Israeli Government might not want to provoke a harsh Iranian response that would affect Israel's civilian economy.

Second, I think it pretty much a foregone conclusion that the Israelis will also seek greatly expanded U.S. aid in response to a nuclear deal with Iran. I assume that Secretary of Defense Ashton Carter got hints of the Israeli shopping list when he was in Jerusalem last month. I expect that Israel will seek to improve its capability to strike Iranian targets, to defeat retaliatory missile and rocket attacks by Iran or its allies, and to ensure that Israel has a secure second-strike capability. More F–35s, greater funding for Israel's Arrow antiballistic missile and Iron Dome antirocket systems, and more capable bunker-busting munitions all seem like certain Israeli requests. But Jerusalem may well ask for other weapons and capabilities previously denied it, both because it may feel a strategic need for such enhanced capabilities and because it may believe that the United States will be more willing to provide them to secure Jerusalem's (grudging) acquiescence to the deal. It may also seek greater American forbearance for the acquisition of additional cruise-missile subs, which appear to be the core of Israel's secure second-strike capability.

Finally, a nuclear deal with Iran could push Israel to become more aggressive in its own neighborhood. The Israelis will doubtless argue that the deal has made them feel less safe, and therefore less willing to take risks on other security matters—particularly developments with the Palestinians, but potentially in Syria and Lebanon as well. (The Israelis are very comfortable with the Egyptian and Jor-

danian governments and are unlikely to take actions that would undermine them or diminish their cooperation with Israel.) For instance, in the wake of a nuclear deal, Israel may look to smash Hezbollah and/or Hamas in Gaza again to convince them not to mount new attacks against Israel once their old Iranian allies (a strained relationship in the case of Hamas) begin coming out from under the sanctions and possibly flexing their muscles across the region.

It is worth noting that some Israeli officials may favor such actions out of a genuine belief that this is what is necessary to guarantee their security after what they depict as a ruinous Iran deal. Others may do so cynically, using their well-known unhappiness with the JCPOA to justify doing a bunch of things that they believe that the U.S. and international communities would be loath to condone otherwise.

SAUDI ARABIA

Especially in light of these assessments of likely Iranian and Israeli behavior after the nuclear deal, Saudi Arabia is the real wild card we must consider. The Saudis aren't exactly fans of a nuclear deal with Iran. And Saudi Arabia is the most likely candidate to acquire nuclear weapons if Iran were to do so.[4] In private, Saudi officials have repeatedly warned American officials (including this author) that if Iran crosses the nuclear threshold, Saudi Arabia will follow suit—and nothing will stop them—because they will not live in a world where Iran has a nuclear weapon and they do not. Prince Turki al-Faisal, the former Saudi intelligence chief, has gone so far as to repeat that warning in public.[5] For instance, in 2011, Turki commented that "It is in our interest that Iran does not develop a nuclear weapon, for its doing so would compel Saudi Arabia, whose foreign relations are now so fully measured and well assessed, to pursue policies that could lead to untold and possibly dramatic consequences."[6]

Yet the Saudis are often far more subtle and creative than others give them credit for. Even if Iran were to acquire an actual weapon or a near-term breakout capability, the Saudis might not simply take the obvious path forward and buy a nuclear weapon itself. There are many actions the Saudis could take to create ambiguity and make Iran (and others) wonder whether the Saudis had acquired a nuclear capability without declaring that the Kingdom had joined the nuclear club. Riyadh could build a nuclear plant of its own and begin to enrich uranium, perhaps even hiring large numbers of Pakistanis and other foreigners to do so very quickly, in almost exactly the same manner that the Iranians have proceeded. A favorite Israeli scenario is that one day, satellite imagery of Saudi Arabia suddenly reveals the presence of a half-dozen nuclear-capable Pakistani F–16s at a Saudi air base. Pakistan has long contributed military support, equipment, and even whole formations to Saudi defense, so this would not be anything extraordinary. Everyone would wonder whether the F–16s had brought nuclear weapons with them and the Saudis could studiously avoid answering the question. The Iranians, and the whole world, would not know. There would be no proof that the Kingdom had acquired a nuclear weapon and therefore no particular basis to impose sanctions on Riyadh. Yet overnight, the Iranians would have to calculate that the Kingdom had acquired a nuclear weapon.

But all of that lies in the realm of hypotheticals inappropriate to the current context. If Iran ratifies the JCPOA, it will be publicly pledging not to acquire a nuclear weapon—and it will have the entire international community (except Israel) giving them the benefit of the doubt. In that context, we should not expect the Saudis to acquire a nuclear weapon of their own in response.

The Saudis have had good reasons for not acquiring one all of these years (and the Pakistanis good reasons for not giving it to them). More than that, the optics would be all wrong for the Saudis. Iran has just signed a deal with the U.S., U.K., France, Germany, Russia, and China agreeing never to build a nuclear weapon and accepting limits on its enrichment program to reassure the world that it won't/can't get a nuclear weapon. In that context, if Saudi Arabia goes out and buys a bomb from someone, suddenly Riyadh (and whoever sold it to them) will become the international pariahs. All of the sympathy will swing to Iran, which will be seen as having behaved well, whereas there will be worldwide demands to sanction the Saudis (and their suppliers) for doing exactly what Iran has agreed not to do. None of this makes sense for the Saudis and probably explains at least part of why Pakistan is already distancing itself from Riyadh on military matters despite their historic (nuclear) ties.

That said, the Saudis may react in other ways. First, we should expect that the Saudis will announce that they are going to build up a nuclear program of their own to the precise levels Iran has been allowed by the JCPOA. Doing so would be an important warning both to the Iranians (that the Saudis will match their nuclear

capabilities at every step) and to the West (that they will have further proliferation in the Middle East if they do not force Iran to live up to its new commitments).

Second, the Saudis may choose to ramp up their support to various Sunni groups fighting Iran's allies and proxies around the region. The Saudis seem to agree with the Iranians that Tehran is "winning" in Lebanon, Iraq, and Yemen. Syria is a more uncertain affair, but Iran's allies are hardly defeated there and Iran is amping up its support for them. The Saudis also seem to believe that Iran is making important inroads in Oman and with various Shia communities elsewhere in the gulf. So while the Iranians may want to hold to a steady course, the Saudis may choose to double down.

Unfortunately, there is a greater danger still. The Saudis and their Sunni Arab allies may fear that the United States intends to use a nuclear deal with Iran as a "Get Out of the Middle East Free" card. The Gulf States are convinced that this is the Obama administration's intent. Across the board in private, gulf officials damn the administration for its weak response to Iran, brought to a head at the May 2015 summit at Camp David, where they claim that the United States offered nothing new as reassurance that Washington would push back on Iran. The danger here is that, far from accommodating Tehran as some have feared, the Gulf States are far more likely to get in Tehran's face to try to deter or even roll back the Iranians and their allies. The GCC air campaign in Yemen is a perfect example of this. It represents a stunning departure from past GCC practice: They had never intervened directly with their own armed forces against another state, except behind a massive American force, as in the Persian Gulf War of 1990–91.

The ultimate problem is that the Gulf States are not strong enough to take on Iran alone, and if they act provocatively toward Iran, even if intended to deter Iranian aggression, they could easily provoke just such aggression and/or overstretch their own limited capabilities with potentially dire consequences for their own political stability. If the United States is not there to reassure the Gulf States and deter Iran, things could get very ugly.

THE AMERICAN ROLE

Inevitably with any question related to the geopolitics of the Middle East, the question eventually turns to the United States. The preceding analysis all points to the centrality of the American response to the nuclear agreement with Iran as the critical factor that will determine whether the deal ultimately proves beneficial or detrimental to regional stability, and thus to American interests themselves. As always, the United States is master of its own fate to a much greater extent than any other country on earth, even in the turbulent and unpredictable Middle East.

Two points stand out to me from the preceding analysis and the modern history of the region. The first is that while Iranian strategy is anti-American, antistatus quo, anti-Semitic, aggressive, and expansionist, Iran is not reckless and is typically quite wary of American power. When the United States exerts itself, the Iranians typically retreat. The exception that proves the rule was in Iraq in 2007, when initially the Iranians did not back down from their support to various anti-American Iraqi militias, only to have those militias crushed and driven from Iraq during Operation Charge of the Knights and subsequent Iraqi-American campaigns along the lower Tigris. As we see in Iraq today, the Iranians apparently recognize that they misjudged both America's will and its capacity to act then, and are once again content to battle Washington for political influence in Baghdad but unwilling to challenge U.S. power militarily, even by proxy.

The second point that stands out is the other side of the coin from the first. In the absence of American engagement, leadership, and military involvement in the region, the GCC states (led, as always, by the Saudis) get frightened, and their tendency when frightened is to lash out and overextend themselves. Again, the unprecedented GCC air campaign in Yemen is a striking example of this. As the Gulf Arab States see it, the United States has never been so disengaged from the region—at least not in 35 years—and so they feel that they have to take equally exceptional action to make up for it. I continue to see the GCC intervention in Yemen as a wholly unnecessary and unhelpful move, a rash decision meant to check what the GCC sees as a looming Iranian "conquest" of Yemen. In private, GCC officials make no bones about saying that they felt compelled to intervene in Yemen because the United States was embracing Iran rather than deterring or defeating it. While all of that is a set of overstatements and exaggerations, it drives home the point that in the absence of a strong American role in pushing back on Iran, the GCC's default mode is to attack on their own—and that only makes the situation worse, not better.

What the Obama administration offered the Gulf States at Camp David failed to allay their fears or reassure them that the United States was ready to help them address their security concerns. That too is understandable: Washington did not offer a new defense pact or even an explicit nuclear umbrella—just more of the same. Some new weapons. Some new training. Nothing categorically different that was really likely to convince the Gulf States that the United States was truly committed to gulf security or to reassure them that a nuclear deal with Iran would not mean American abandonment of the region, let alone a shift toward Iran.

In truth, I suspect that there is only one way that the United States is going to reassure the Gulf States that it does share their interests and is not going to leave the field open to the Iranians. Not coincidentally, it may be the only way to demonstrate to the Iranians that the United States is neither abandoning the region nor too fearful of jeopardizing the nuclear agreement to block Iran's continued aggressive activities around the Middle East. Indeed, it is probably what will prove necessary to force Iran to abandon its aggressively opportunistic regional policy. And that is for the United States to pick a place and take the Iranians on there.

Here there are three possibilities, but ultimately only one conclusion. Yemen is the wrong place for the United States to confront Iran. Yemen is simply not consequential enough to justify making any American investment there; in fact, Washington should be doing everything it can to help the Saudis and the GCC end their own intervention in Yemen, not reinforcing it. Iraq is also the wrong choice. The Iranians are too strong in Iraq now, Iraq is too important to Iran, and the Iraqis have a chance of solving their problems and regaining stability—but theirs is a fragile polity that probably could not survive a U.S.-Iranian war on their territory. Both we and the Iranians need the Iraqis to sort out their problems, and Iraq will probably need both of our help to do so. Thus, Iraq is also the wrong place at the wrong time.

That leaves Syria. If the United States is going to push back on Iran in the aftermath of the nuclear deal to demonstrate to both Tehran and our regional allies that we are not abandoning the field and allowing (or enabling) the Iranians to make greater gains, Syria is unquestionably the place to do it. Iran's allies in Syria have been considerably weakened in recent months. Our Arab allies are eager to have us take the lead there, and President Obama has committed the United States to just such a course, even if his actions have fallen woefully short of his rhetoric. This is not the place to describe how the United States might mount such an effort, nor to assess the likelihood that it would succeed if the U.S. were willing to commit the necessary resources (which would likely include a heavier air campaign than at present, but not ground combat troops).[7] I will simply point out that in the aftermath of the Iranian nuclear deal, finally executing the administration's proclaimed strategy for Syria may be the best and only way to regain control over the dangerous confrontation escalating between Iran and America's Arab allies.

Roughly 45 years ago, Great Britain announced that it was withdrawing from east of Suez, dumping the Middle East in America's lap. As I reflect on our handling of this unwanted responsibility, I am struck by our regular efforts to take some deliberate, decisive action and call it "done." Starting with 1988's Operation Praying Mantis, and continuing on to Operation Desert Storm, the Middle East peace process during the 1990s, the 2003 invasion of Iraq, and the 2011 withdrawal from Iraq, the United States has kept searching for a political-military achievement that would make it possible to leave the Middle East behind. We never found it. Even when the achievements succeeded, they could not fix all of the problems of this troubled and troubling part of the world. And our determination to walk away only made the next problem even worse.

Although the Joint Comprehensive Plan of Action is hardly a perfect deal, it is an accomplishment of sorts. It has the potential to make the Middle East a modestly safer place in the future—certainly for 10–15 years, and possibly for longer. But that will only happen if the United States resists its natural inclination to try to use the JCPOA as yet another excuse to walk away. Perhaps paradoxically to an American mind, the only way that the JCPOA is likely to make the Middle East a better place rather than a worse one is if the United States uses it to remain involved in the region. To reassure our allies and rein in their fearful aggressiveness. To deter the Iranians and demonstrate to them that we will not allow a nuclear agreement to become a cover for their own aggression. If we do that, then I believe that the Joint Comprehensive Plan of Action could be an important aspect of a wider, more engaged American policy toward the Middle East. But without a wider, more engaged American policy toward the region, neither the JCPOA nor even an unattainable "perfect" agreement with Iran will amount to more than fodder for the Nobel Prize committee.

Notes

[1] I treated all of these options at great length in my book "Unthinkable: Iran, the Bomb and American Strategy" (Simon and Schuster, 2013).

[2] For longer explications of these views, see Pollack, "Unthinkable," esp. pp. 66–70.

[3] See in particular, Pollack, "Unthinkable," esp. pp. 183–223.

[4] For a concurring Israeli assessment, see Amos Yadlin and Avner Golov, "A Nuclear Iran: The Spur to a Regional Arms Race?" Strategic Assessment, Vol. 15, No. 3 (October 2012), pp. 7–12.

[5] Associated Press, "Prince Hints Saudi Arabia May Join Nuclear Arms Race," New York Times, December 6, 2011.

[6] Jay Solomon, "Saudi Suggests 'Squeezing' Iran over Nuclear Ambitions," Wall Street Journal, June 22, 2011.

[7] For the fullest explanation of the administration's Syria strategy, see the testimony of the Chairman of the Joint Chiefs of Staff, General Martin Dempsey, before the Senate Armed Services Committee on September 16, 2014. For an outside assessment along similar lines, see Kenneth M. Pollack, "An Army to Defeat Assad: How to Turn Syria's Opposition Into a Real Fighting Force," Foreign Affairs, Vol. 93, No. 5 (September/October 2014), pp. 110–124.

The CHAIRMAN. I am going to defer to the ranking member on questions, like I have on several of these, and maybe interject a few things.

But I do want to say, if I could, there will be, no question, a conventional arms race taking place in the Middle East as a result, and we are going to be assisting in that. Is that correct?

Dr. POLLACK. Absolutely.

The CHAIRMAN. And secondly, I described one of my colleagues walking over here, giving the best analogy—and he can own up to it, if he wishes—but there is going to be a new tension created that will cause us potential trepidation as it relates to some of Iran's activities and whether we really wish to counter because of, again, within 9 months the leverage changing to a degree. Is that a fair assessment?

Dr. POLLACK. Yes, I would put it this way, Senator. I think that there will be new challenges from the Iranians. But my assessment, both of our allies and of the Iranians is, that how we, the United States, respond to those challenges is really what is critical. What we have seen in the past is that when the United States steps up, acts with determination, it reassures our allies, and the Iranians typically back down. They do not want to fight with the United States of America.

The problem is typically when we act in the opposite fashion, which again frightens our allies, causes them to overreact in very dangerous ways, and can embolden the Iranians.

The CHAIRMAN. I am going to reserve my remaining 6 minutes.

Ranking Member Cardin.

Senator CARDIN. I thank both of you for your testimony.

There is no question that we entered into these diplomatic negotiations because of the significance of Iran in the Middle East. And we did not want Iran to become a nuclear weapon power for several reasons, but it is just too consequential in that region and the world for a country that has already demonstrated its interference in the region to have the nuclear card.

So one thing you said, Dr. Pollack, that concerns me, maybe you will clarify this a little bit, because the question I am really going to ask you is what action should this administration and Congress, hopefully working together, do to make it clear to Iran that this is one part of our relationship, it is not the exclusive part, and we are going to watch very carefully what they do in regards to their human rights record, what they do in regards to their missile pro-

gram, what they do in regards to interference in other countries in the region. You have already mentioned Lebanon, Hezbollah, Houthis in Yemen, support for the Assad regime. All of that is a concern to us.

But what got me a little bit concerned is when you said that the United States should respond with more aggressiveness. It seems like we meet their additional support by a military response by the United States.

Is that not just accelerating a military confrontation—when I thought that this agreement is trying to find a diplomatic solution for the region?

Dr. POLLACK. Thank you, Ranking Member.

I think that is a very fair question. It gives me a chance to spell out my thinking a little bit more.

I am not suggesting that the United States deploy ground troops to Syria. I do not think that is necessary.

Senator CARDIN. I was hoping that would be your response.

Dr. POLLACK. That said, I do think that there are any number of reasons, now including the potential regional response to the JCPOA, that argue in favor of greater American assistance in building a viable Syrian opposition, providing it with the support that it needs, both to defeat Daesh, ISIS, ISIL, whatever we are calling it this week, as well as the Assad regime, stabilize the country, end the civil war there.

It is something that I think this chamber, in particular, has recognized for a long time. Obviously, there has been a great deal of debate over exactly how to do that, but the position that the administration articulated in September of last year actually laid this out I thought very nicely.

I would go back to Chairman Dempsey's remarks to the SASC, where he laid out the strategy. I thought it looked beautiful. The problem is that we have never actually resourced or fulfilled the strategy as it was laid out. I think, again, for a whole variety of different reasons, that was a mistake.

What I am trying to put on the table is that I think that in the wake of the JCPOA, doing something like that actually making good on the pledges made by this administration with regard to Syria is actually going to become even more important.

Senator CARDIN. Could this lead to a greater military involvement by the United States in the region?

Dr. POLLACK. It is certainly possible. If the Iranians believe that the United States is backing down, sure, we may have to. But what I am really looking for is how we avoid that.

Again, my experience, my read of history—and, Mike, you will pardon me; you said you been working on this. I have been working on this for 28 years, 27 years. My experience of the Iranians is that where we get into the most trouble is whenever we convey weakness to them. They are always probing. They are always looking. They are very opportunistic.

When they see the United States is pulling back from somewhere, does not know what it is doing, then the Iranians will push forward, typically when we have pushed on them. When we have said to them this far and no further, we will push back on you, we see the Iranians pull back in a very significant way.

Senator CARDIN. But the problem is Iran is pushing forward currently under sanctions in a lot of different regions and in a lot of different areas. It is not just one. It is not just Syria. With more resources, they could push more aggressively in multiple areas. And for the United States to counter that, if I understand what you are saying—what some of us have talked about is how do we use the same tools we use for nuclear and use them more aggressively in response to their terrorist activities, human rights activities? That is, look at a more sophisticated sanction regime on Iran, if they, in fact, use these resources to increase their human rights violations and terrorist activities.

But it seems to me you are taking a different tack, saying we should match them with our military involvement. I understand you are not talking about troops on the ground, but it is somewhat different than what some of us had hoped.

Mr. Singh.

Mr. SINGH. I think that it is right, unfortunately. I agree with Ken here. But I see it as sort of the downside of our approach, in that I think you are absolutely right, Senator. My reading of the actual text of the JCPOA suggests that we could reimpose oil export sanctions, financial sanctions for terrorism grounds or human rights grounds, for example. I am skeptical, though, that our allies will agree with us on that.

It is worth going back in the history of this negotiation. We had sought a strategic shift by Iran. It is wrong to say that we were always just focused on the nuclear question, for reasons that both Ken and I have talked about. What is true, though, is that we had an awfully hard time getting support from allies for things like terrorism-related sanctions, getting the EU to designate Hezbollah as a terrorist organization, or Hamas, for example, even though they are Iranian proxies.

We focused the U.N. process on proliferation because it is a lot easier to get the allied support, including of Russia and China, on that issue, but it is not to say that was our only concern. The idea was that you use that issue as a way to drive a tough bargain and get the strategic shift you are looking for.

But now, having sort of sacrificed those instruments, I think it is going to be really tough to get support to re-impose them in the way we did before. Remember, we had the U.N. foundation for all those ad hoc or sort of multilateral sanctions we did on top of it. So what we are going to be left with is that your toolkit has shrunk, and your toolkit now consists of more kinetic action or less effective sanctions, like we were using in the past before these newer form of sanctions that we have been using recently.

Senator CARDIN. Is there anything that Congress should do now, in contemplation of this agreement going forward?

Mr. SINGH. On this particular topic, I would say that what would be awfully useful—and I do not know if this is for Congress or not—but basically a statement by not just the United States but our allies about how we read this agreement, that it actually does allow us to reimpose these sanctions for other grounds, and we are not making any promises to give Iran impunity on these other issues.

But I think that is going to be awfully tough to get, even from our closest European allies.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

Dr. Pollack, you mentioned that, on balance, you think this is a good deal. Let me just ask you this. Against the original criteria, the goal was to preclude Iran from ever becoming a nuclear weapons state.

Against that standard, how would you evaluate this?

Dr. POLLACK. Sir, I can only say that the jury is out. We do not know whether or not Iran will become a nuclear weapons state. I think it is going to be difficult and unlikely that they will choose to do so in the next 10 years. As I said, after that, we do not know. It is a bet after 10 years.

Senator PERDUE. So the question is, are we in a stronger position 10 years from now or a weaker position? I think the 10 years is variable. We all know that. Are we in a stronger position or weaker position, relative to the sanctions regime, relative to their economic strength, other developments in the region, and so forth?

And I agree with Mr. Singh. There are three options today. One is the deal. Two is war. Three is something we hardly ever talk about here, and that is imagining a doubling down of the sanctions that got them to the table in the first place.

Would you address both of those issues for me, please, quickly?

Dr. POLLACK. Sure.

I was maybe one of the first people who proposed this whole conception of using the sanctions to bring the Iranians to the table in a book I wrote back in 2004. I will say that I think that we did reasonably well with it. I think we might have done better.

I am deeply skeptical, though, that we are going to be able to hold the sanctions in place, if the deal was turned down. Again, I say this with no love. I would love to be able to say to you, absolutely, the international community is with us, vote down the deal, we will get a better one. That is simply not my analysis of the circumstances.

Senator PERDUE. Mr. Singh, I have had two trips, I have been blessed with two trips to the Middle East, two private meetings with Prime Minister Netanyahu. A couple of us have actually met with five heads of state. We had a Foreign Minister from Saudi Arabia here just a couple weeks ago.

I echo what you both have said already, that is that the overwhelming conclusion that we walked away from those meetings with was that there is tremendous trepidation about what it is our intention is and what our strategy going forward is, among our allies. I am very concerned that if we go ahead with this deal as a proxy for our relationship with them without telling them specifically what our strategy is, that we create a false sense of security there, and it encourages them to do things that otherwise they would not do.

Let me just mention one. Saudi Arabia and Yemen. That to me is a direct result of Saudi Arabia visiting Moscow just weeks ago, talking about arms purchases.

So I am very concerned about a realignment, if you will, of strategic alliances in the region that are directly driven by a deal that causes more questions than questions it answers.

Mr. Singh.

Mr. SINGH. I think that fear is justified, Senator. I think even before this deal, as many of you Senators know, there were a lot of concerns from our allies in the region that we were looking to disengage from the region, things like the withdrawal from Iraq in 2011, the talk about a pivot to Asia, talk about energy independence, even if those things were justified.

The failure to put them in a strategic context, the failure to assert continued American leadership in the region, the failure to follow up on things like the Syria redline, I think had a damaging effect on our credibility there.

Now if you look at what we are doing here, it looks from the outside like a major strategic reversal. So we are going from isolating Iran to now facilitating Iran's reentry into the international financial system. We are going from sanctioning Iran to relieving sanctions, from opposing their nuclear program to actually assisting in many respects their nuclear program.

Because we have not situated that in any articulation of how this fits into a larger strategy, I think the tendency of our allies is to assume that there is some unspoken strategic realignment, as you mentioned. That is going to be very tough to dispel, especially because, look, if we were relatively inactive against Iran before this deal, now that we have a vested interest in keeping this deal, what is the likelihood or credibility that we are suddenly going to get really tough? I think folks just do not buy it.

Senator PERDUE. So one of the things that I see as a side derivative, and we do not talk about because we are really trying to figure out if this deal can stop them from becoming nuclear, is the question of what happens with Russia's influence in the region and China's influence in the region. It looks to me like Iran is the conduit through which they improve their relationships in the Middle East, relative to where we are today.

Mr. SINGH. I think that is right. I have done a lot of work on the question of the Chinese policy in the Middle East and the Chinese-Iran relationship, in particular. I think China sees Iran as its sort of natural strategic partner in the region. There is a strong economic relationship there that rests on their oil trade, their energy trade. It is the only place in the Middle East where you can reach the Middle Eastern energy supplies by pipeline, so you do not need to worry about the U.S. Navy in the Persian Gulf. And it is the only country there on the gulf littoral——

Senator PERDUE. I am sorry to interrupt you, but that is a new point of understanding.

So what you are saying is there is a possibility in the very near future that Iran will have the capability of precluding our Navy from the Persian Gulf?

Mr. SINGH. Look, it is certainly true, and I do not want to sort of get beyond my expertise on the energy issue, but certainly you see China building pipelines and other sort of land-based energy infrastructure to try to bypass those maritime chokepoints, and of

course you see Iranian ports being developed outside of the Strait of Hormuz.

Senator PERDUE. I have one other question, and I will throw this to both of you.

Why is the ballistic missile development no later than 8 years from now so important to them, if all they want is a civil nuclear program? There are 18 other countries in the world that have civil programs that do not enrich, that are not allowed to enrich. In fact, there are only five that are allowed to enrich that have civil programs that do not have nuclear programs, countries like Japan, Germany, Holland, Brazil, Argentina. We have allowed Iran to bypass those 18.

So I want to go to the ballistic missile. Right now, they have a series of missiles that they own. They are all mostly short-range, but they are developing this 1,400-mile Sajjil-2 missile, and they have the Shahab family of missiles.

My question is, this ballistic technology, why is it so important to them? That could put into this agreement late, we understand, so why is that important to them?

Mr. SINGH. Look, when you look at a nuclear weapons program, a delivery vehicle, a ballistic missile, is the third leg of that program.

Senator PERDUE. So it really has nothing to do with the civil nuclear program?

Mr. SINGH. They will say that it does. They will say that is not a civil nuclear program, but they will say the ballistic missiles have nonnuclear, not nonmilitary, of course, but nonnuclear use.

If you are developing the medium-change missiles, that is for regular warheads. If you are developing an ICBM, no, that is a space-launch program to put satellites into space.

The difficulty for us, I think, is that, as Secretary Carter I think said quite recently, an ICBM is one of the most dangerous things that Iran can possibly develop. I do not think any country that does not have nuclear weapons has developed an ICBM.

What the agreement does is while it keeps Iran's ballistic missile program totally opaque—there are no inspections of the ballistic missile program—it lifts the ban on Iran conducting launches, for example. They can conduct a launch on implementation day, and it is not banned by this agreement. And it removes sanctions on foreign assistance in 8 years.

If you want to build an ICBM, which is tough, foreign assistance I think would be critical.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. If I could actually clarify: they were banned from missile launches until this agreement. This agreement, for some reason, immediately lifts that ban on missile testing. Is that correct?

Mr. SINGH. That is correct. So I believe it was Resolution 1929 banned Iran from conducting missile work and lunches. If you look at the new Resolution 2231, that binding language now becomes just hortatory language.

The CHAIRMAN. That is right. I will just use a minute of my time.

Why would we have agreed to lifting that when you mention that ICBM issue is for delivering a nuclear weapon. They already have

an incredibly sophisticated ballistic missile program. Why do you think we chose to lift something, go backwards on that particular issue, on the front end of this deal? What would have been the motivation on our part to do that?

Mr. SINGH. Well, I can only tell you what U.S. officials have said, which you probably have heard yourself, and that is the idea that this is just a nuclear agreement, not a missile agreement.

I think that is a false dichotomy. If you look at all the U.N. Security Council resolutions on this issue prior to Resolution 2231, they talk about the missile program and the nuclear program in the same breath, in the same sentence. They are not seen as separate. They are seen as part and parcel.

Second, there is this idea that because Iran is doing its part, we have to do our part, which is to lift all these sanctions.

I think that is not right because, in fact, Iran has not fulfilled its obligations under those previous resolutions. We have changed those obligations. So there is no reason that we have to hold ourselves to a letter of a resolution that we are not holding Iran to.

You can understand why Iran would want it. Again, if Iran want a nuclear weapons option, having a delivery vehicle is necessary. So that is why one of my concerns is that, in fact, Iran will actually be able to enhance its nuclear weapons option over the next 8 to 10 years.

The CHAIRMAN. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony.

First of all, I think this question has been asked by you, Mr. Singh, with reference to, is it this agreement or war? I think your answer to that was no. Is that correct?

Mr. SINGH. Correct.

Senator MENENDEZ. Dr. Pollack, is it this agreement or war?

Dr. POLLACK. I think there are multiple possibilities.

Senator MENENDEZ. Okay.

So that binary choice is not real. Extrapolated down the road, a lot of things could happen, but that binary choice is not real. I do not know, I think the administration does itself a disservice when they keep putting that out there, including the President's speech today. I do not quite get it.

Let me ask you this. One of the things the President said in his speech today is that there is a bipartisan consensus in Washington about the dangers of a nuclear armed Iran, that it could cause a regional arms race. So if that is true, and I do believe it is true, the only thing that prevents that nuclear arms race is a pretty ironclad belief by our partners in the region that somehow Iran will not get there by virtue of this agreement.

But this agreement actually, despite the constant refrain that it for all times stops Iran from achieving a nuclear weapon, that is if there is absolute conformance and adherence to the agreement.

Is that not fair statement?

Mr. SINGH. I think that is right. I mean, it is assuming that they are not able to undertake covert nuclear activities under the agreement and also assuming that they do not then expand their activities after the phasing out of limitations.

Senator MENENDEZ. Right.

So the reality, based on the 20-year history that Iran has had as it has marched forward by deception, deceit, and delay, where they are on the verge of being a nuclear-threshold state, a lot of history would have to change here in terms of the entire forward movement being without consequence, in terms of challenges that they would present as violations of the agreement.

So if I am sitting in the gulf, and I am thinking about this 20-year history, and I am thinking about their infrastructure being largely still intact, although in some respects may be delayed but it is intact, and I am thinking about after the sanctions are gone in a year, 2 years, when they are flush with money and the world is dealing with them and doing business with them, that any time beyond that, that I decide to break out, that, yes, we will have a warning, but we will be in no better position today. And one could argue that, in fact, they will actually be resurging economically, have greater defense mechanisms like the S–300. You mentioned a few.

So if I am looking at that and I am in the region, am I saying to myself: I really have to seriously consider under the theory of mutual self-destruction as a preventative measure that I have to think about whether or not I am going to pursue a nuclear weapon?

Mr. SINGH. I think you are right, Senator. I think in part because the way this agreement works, that these limitations get phased out at a date certain, I think if you are a rival of Iran's, you have to circle that date on the calendar. That is the date by which you have to develop your own capability. Or it certainly provides an incentive to develop the capability by that date. Because unlike our past proposals, which would only review the limitations, review the agreement based on Iranian performance, again, this is a date certain.

I think that one thing that has gotten lost in a lot of the debate here is that this is probably true even if Iran is being friendlier with the United States. The simple presence of a very large nuclear program in Iran, because Iran historically is seen as a rival by these countries, will I think prompt them or at least incentivize them to develop their own nuclear capabilities.

I do not think they are going to look first and foremost as to whether the United States and Iran have a friendly or unfriendly relationship, because that requires betting on the future in a way that they may not want to.

Senator MENENDEZ. Dr. Pollack.

Dr. POLLACK. Senator, if I could jump in here, that is one thing where I do disagree somewhat with Michael.

I think you are correct that you identified the incentives that the gulf is feeling. I think that there certainly will be a hedging strategy on their part. They will start looking into what it might take them to acquire a nuclear capability, certainly on the part of the Saudis in extremis.

But where I disagree with Michael is in the role of the United States. I see the United States as the critical intervening variable here. The Saudis and other Gulf States have faced other dire threats in the past, including nuclear threats. Iran has had a nuclear weapons program, an active one, since the 1980s, so too has

Iraq. The Saudis never did acquire a nuclear weapon, because they felt they could rely on the United States. That has always been their default position.

When they believe that they can rely on the United States, they are very comfortable. In fact, that is their preference.

So for me, to bring it back to where we started out, the critical question moving forward in dealing with what I think you have rightly identified as the concerns that they already have expressed, the question is, what do we do?

Senator MENENDEZ. And in that regard, if I am sitting in the gulf and I look at Ukraine and look at the United States as a party to the Bucharest agreement, where we said give up your nuclear weapons. In this case, they would not be giving up their nuclear weapons, but they would be giving up their thoughts about having a nuclear weapon in return for the guarantees of your territorial integrity, and in this case security. That did not work out too well for the Ukrainians.

So I would have to be saying to myself, how is this guarantee going to be manifested at the end of the day, which gives me sufficient assurance that I am not going to move forward? Is that a fair statement?

Dr. POLLACK. I absolutely agree with that. I think that you are totally right, that they may be thinking about Ukraine. But I suspect that they are looking at events closer to home, which drive home the same point to them, as Michael mentioned, our disengagement from Iraq, our continuing failure to live up to our rhetoric on Syria, our general disengagement from the region, the pivot to Asia, the list goes on.

Senator MENENDEZ. I am concerned that it would seem to me that at the same time that we were hopeful in taking 2 years to see if there could be an agreement that we would have had a parallel track that would have thought about, if there is agreement and all along Iran has sought significant sanctions relief, that we have a parallel track of a policy as to what happens when they get $100 billion, $150 billion, whatever the amount of money.

Certainly, a country that is already in the midst of the greatest state sponsor of terrorism, and in the region with the Houthis in Yemen, with Hezbollah in Lebanon, with propping up Assad, with mischief in Iraq and having a totally different purpose in Iraq than we do, ultimately, if they were doing all of that with the difficulties they are having, take only a small percent of that, forget about most of it that, yes, will be spent domestically, take only a small percent, you can create a lot more havoc.

So we did not do that, because we are now scrambling and thinking about, well, what is the aftermath of this, assuming the agreement is upheld.

Succinctly, if you were to say to Congress, to the administration, here are the two or three major things we need to be doing right now in expectation that the agreement will survive and that, in fact, we need to be thinking about what we need to do in the region, what you say they would be?

Mr. SINGH. Well, I think here I would agree with Ken. We have to look at countering Iranian activities in the region much more firmly. I think Syria is the most important theater for doing that.

But I think also in Iraq and other places, I think we need to look hard at our own military posture in the region. I include in that sort of allied military postures to make sure that we are going to be staying one step ahead of whatever Iran might do when it comes to this agreement.

Part of that has to be, I guess my third point, we need to repair our relations with allies. This is all stuff we should have been doing, as you suggested, Senator, a long time ago, if we knew that this sort of agreement was coming. We certainly should not have waited until now.

Dr. POLLACK. Senator, if I could just quickly answer the question. I might put Mike's point slightly differently.

Number one, do not draw down our forces from the region. No peace dividend from this.

Number two, we do need to expand our support to Iraq. I will not go into details, but we do need to expand our support to Iraq.

And third, we need to actually resource the plan we put in place a year ago or announced a year ago to build a meaningful Syrian opposition, one that will challenge not to just Daesh but also the Assad regime.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. If I could, I am going to use one more of my minutes before we go to Senator Flake.

I think what I am hearing you say is that I know the President—and I agree with Senator Menendez, I wish he would not continue saying it is this agreement or war. We have had their military folks in, and the folks who sat at the table said war has never been discussed.

So we know that there is not going to be a war, and that is a fact. Iran knows there is not going to be a war.

But what I hear you saying is, by virtue of this agreement, we are actually going to need to be more robustly involved in preparation for kinetic activity in the region to keep things in balance.

Is that what you are saying, Ken?

Dr. POLLACK. I might just put it slightly differently, Senator, because I would have said that we needed to do the same thing even if we did not get the agreement. But I do think that there are aspects of the agreement that do tweak things slightly.

But nevertheless, I think the concerns of our allies and the suspicion of our adversary, the Iranians, that we are looking to disengage, those have been there for the past 6 years. The agreement is simply part of the warp and woof of our policy along those lines.

The CHAIRMAN. Thank you.

Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

Thank you for the testimony.

Mr. Pollack, in your testimony, you mentioned a few times that you believe that Iran and others have testified in a similar vein, that the Iranians particularly the Ayatollah, will seek to burnish his revolutionary credentials here, to assure that those who he wants to assure that they have not lost their mojo, I think is how you put it. And that would cause them to take action in the region, nonnuclear action that we would object to, obviously.

My concern has been that in the agreement it seems to prohibit us from responding in ways we have traditionally responded to Iran's behavior—through sanctions, for example. We have received assurances from the administration that we still have all the tools in our toolbox to respond in this way, but I cannot help but think that we might be less likely to respond, given that our response, as Iran has already indicated, would be taken as a move of bad faith and that it would free them up from their obligations to abide by this agreement.

If we are so concerned now that in testimony and in answer to Senator Menendez's question as to whether or not Congress could actually pass legislation to renew the Iran Sanctions Act so we would have something to snap back to, not dealing with the President's waiver authority or anything else, said maybe not, we might not be able to do that.

I fear that if we are reluctant, if this administration is reluctant, to even countenance legislation reaffirming Congress' right to reimpose sanctions or to actually continue sanctions, then we might be reticent to confront Iran in nonnuclear activity, and that this agreement might move leverage toward Iran here.

Can you respond to that, both of you?

Dr. POLLACK. Sure, Senator. This is also in partial response to Senator Cardin's point before.

I think it is fair for Congress to look at whether you are still able to employ sanctions as a tool against Iran. But I do think it will be more difficult moving forward. I think that both the letter and, more importantly, the spirit of the JCPOA and how it is being received internationally are going to make it far more difficult to find international support for new sanctions on Iran.

It is one of the reasons why I think that the United States is going to have to look at the whole range of other tools in our toolkit, including pushing back on the Iranians at the unconventional level.

Senator FLAKE. Mr. Singh.

Mr. SINGH. I agree with that. I think your analysis was right, Senator, that even though I think the text of the agreement does not rule out the fact that we can do that, I think we could interpret it to suggest that we could to reimpose the sanctions, I do think that there will be reluctance.

Again, I would go back to some other treaties, like the INF treaty, where I think you have heard recently from the administration that they believe that Russia has been violating the treaty, but we have not seen consequences. The Syria chemical weapons arrangements, where there was a recent article in the Wall Street Journal that said we do not believe that Assad has given up his chemical weapons. Well, the penalty for that was supposed to be U.S. military action, but we have not done that.

So the leverage does tend to be with the least risk-adverse party, and we tend to get very invested in simply keeping the agreements going, in a sense.

Again, I go back to my answer to Senator Cardin. I think it is also going to be hard to build the allied support on those issues as opposed to the nonproliferation issue.

Senator FLAKE. What concerns me is that if we are reluctant, if the administration is reluctant, to clarify with legislation—now, unfortunately, this is not a treaty. If it were, we could pass RUDS, saying our reservations, our declarations, our understandings. But that is not possible here.

But if the administration is unwilling to say go ahead, reauthorize it so we will have something to snap back to, if we are unwilling to have that type of confrontation over the meaning of the agreement, then it worries me that should Iran run afoul of other obligations, keeping their nuclear obligations but continuing to create mischief in the region, it worries me that we would be less inclined to actually move to block that. That has serious implications for the region and regional security.

I thank the chairman.

Senator MENENDEZ. Will the gentleman yield? Will the Senator yield for a moment?

Senator FLAKE. You bet.

Senator MENENDEZ. To your point, today in the Senate Banking Committee, we had Assistant Secretary Sherman and Mr. Szubin there. And I once again asked about not whether the timing is right, but do we have the right under this agreement, and I read that section that I believe makes it a problem of the agreement. The answer is this is not the time to discuss that.

Well, the Iranians had no problem in sending a letter to the Security Council saying that reintroduction or reimposition is a violation of the agreement and, therefore, it will allow us to walk away.

So I am just concerned, going to the Senator's point, that if they are willing to assert what their view is, I am not so sure why we are reticent to assert what our view is, unless our view, which would be a problem here I think in the Congress, is that we cannot reauthorize.

Senator FLAKE. Thank you.

The CHAIRMAN. Before turning to Senator Shaheen, I will use another 30 seconds to say, on the INF agreement, it was not just the desire that you mentioned to keep the agreement in place. I think that is kind of where we end up. We do not want to challenge because we want to keep the agreement in place. It was also the concern they did not even tell us—I mean, I know Senator Risch was quite upset during the START Treaty. I supported it. He did not. But he was quite upset during the new START Treaty debate because the administration knew that Russia had violated the INF treaty, but they were unwilling to tell us or our allies because they were afraid that it would somehow compromise our intelligence. So you have the issue you are talking about now, but also the issue of us not wanting to share with the IAEA or our allies what we know to be a violation, because we do not want to give up our sources.

So I just want to add that. That is a problem, okay?

Senator Shaheen.

Senator SHAHEEN. Thank you. Thank you both for testifying.

Mr. Pollack, you in your testimony and here in speaking, you said that you believe this agreement, as you put it, that it could be perceived as a get-out-of-jail-free card in the Middle East. I just

wondered if that is your assessment of where this administration and the Congress are with respect to the Middle East?

Dr. POLLACK. Thank you, Senator. I will be very honest and say I do not know. The administration insists that that is not what they are intending. I worry that this is a case of "methinks the lady doth protest too much."

The administration kept insisting all through its first 6 years that it was not disengaging from the Middle East, but it was. The pivot to Asia was typically described as being about how we overinvested in the Middle East and had underinvested in Asia and needed to shift those priorities.

I think that all of that was very much mistaken, both in terms of the rhetoric and the actions. I would like to believe that the administration has recognized that and is not planning on doing any more toward disengagement in the region.

But that is where I think Congress can play an enormous role. I think if Congress makes very clear that its support for the agreement is conditional on a robust American commitment to the region, I think that is one where the administration would be perfectly willing to give, just as they may have been perfectly willing to give to the Iranians on some of the issues that Senator Menendez raised earlier.

Senator SHAHEEN. On Monday, the members of the Gulf Cooperative Council announced that their viewpoint is that the JCPOA, when implemented, would contribute to the region's long-term security. Did this come as a surprise to you? What are the interests that you think they weighed in coming to this conclusion?

Dr. POLLACK. My 27 years dealing with the gulf, as well, I suspect that they said this because they knew that this is what the United States wanted to hear. In private, what I hear from them is very different. I hear a tremendous amount of trepidation on their part. They believe that the administration has disengaged from the region. And, again, they fear that the agreement will be a further move.

As Michael described earlier, some of them, I think the much less sophisticated ones, fear that this is going to be the United States throwing them off for the Iranians. I think that the more sophisticated ones simply see an administration that was never terribly enamored of the Middle East, always looking to remove itself from the Middle East, and fear that this agreement will enable that even further.

So again, I think it is about dealing with their fears. But again, I think they are open to being persuaded otherwise.

Senator SHAHEEN. I am not sure I understood what you were saying about an arms race in the Middle East. Were you suggesting that the agreement, if it were approved, would lead to an arms race in the Middle East? Or that we should not support providing additional arms to countries in the Middle East?

Dr. POLLACK. Sure. Yes, it is a complex question.

I think the agreement will spur the arms race. There is already an arms race in the Middle East. I think it will further spur it.

I think the Iranians are going to have access to a lot more cash, which they are going to use to refurbish a badly dilapidated mili-

tary. I think that will be seen as very threatening by the GCC states, who will try to counter it with a buildup of their own.

Arms races sometimes have been very destabilizing in history. On other occasions, they have not been. I think, again, it is really how you manage it. All other things being equal, I would prefer that there not be an arms race in the Middle East, although obviously it is quite useful for the American arms industry. But it may not be the worst thing.

Senator SHAHEEN. I am just trying to square that premise with the idea that one of the places where we can take some strong stands against the Iranians is in Syria. And given that our program there is supposed to be to identify opposition groups that we can vet who will fight Assad, and obviously as part of that we are going to help arm, train, and equip them, I would ask what you think that does to this concern.

And also one of the things that I said on the Armed Services Committee, as Mr. Singh can tell you since he was there earlier this morning, a number of members of the Armed Services Committee have suggested that if we are going to do that with Syrian opposition groups, that it is very important that we also provide some protection for them—i.e., air cover—for any operations that they should be doing. One concern that has been raised is the potential of that to escalate into war with Assad, direct war with Assad.

I wonder if you could just comment.

Mr. Singh, I would ask you to do that as well.

Dr. POLLACK. Senator, I think the policy that we are trying to pursue in Syria is nonsensical. The idea that we are going to try to create a Syrian opposition where the members have no ties of any kind to any Islamic organization and are willing to solely fight Daesh and not the Assad regime, to me it is almost surprising that we did find 50 guys who were willing to do that.

Senator SHAHEEN. Okay, so help me understand what other kinds of measures you think we ought to be taking in Syria. Should we be establishing a no-fly zone? Should we be providing that air cover for people who are going to be trained and equipped under that program? What other kinds of measures are you suggesting we take there?

Dr. POLLACK. Senator, I am glad to speak with you off-line in much greater detail on this. It is a subject on which I have written extensively.

But let me simply say, first, it will require a much greater effort to train a much larger Syrian opposition, create a conventional Syrian opposition force, one tasked to suppress all the fighting in Syria. That means dealing with ISIS and Nusra and the regime and Ahrar al-Sham and everybody else, not just picking out our particular bad guy of the moment. It will mean very significant air support.

A no-fly zone would only be the half of it, but I would not start with a no-fly zone. Until we actually have an opposition army capable of taking the field, all we need to be doing is defending them.

But it also requires a very significant political piece, where I do not see us having made even the slightest effort to start. It is a lesson that we should have learned from Iraq, Afghanistan, Bosnia,

Cambodia, Timor, all of these other civil wars that we have seen external powers, including ourselves, get involved in over the last 15 years. We have learned an enormous amount.

You cannot win these militarily. You have to win them militarily. You have to create a military stalemate. But that is only the starting point for a new power-sharing arrangement and building of new institutions that can actually govern and rule the country.

Senator SHAHEEN. Mr. Chairman, can I get Mr. Singh to comment on that?

The CHAIRMAN. Sure.

Senator SHAHEEN. The Syria piece?

Mr. SINGH. Look, I agree with Ken. There is nothing Ken said that I would not second.

I will just say that I think it is important as you look at the administration's strategy that we not be sort of led into a strategy by increments or by simply reacting to what is happening. That makes me very uncomfortable. I think it is important that you have a sense of what we are trying to accomplish. We plan out a strategy to do it, and then we resource that adequately to get it done. I am concerned that instead what we are seeing is this kind of drip-by-drip type approach.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I am going to take another 30 seconds here and say, by the way, there were 54, who signed up. Seven were captured in the last week, so there are 47 left in this train-and-equip program.

I think the lack of any seriousness with Syria is also leading—I think Senator Shaheen is on the right track—I think that is leading to much concern.

There was a great story today. I think it was in the Washington Post about the National Security Council. Instead of having any kind of central effort where you try to get everything going at one time, that is exactly what they do. They pick one thing at a time. I hate for this to sound pejorative, but after 6.5 years, after us passing an AUMF relative to Syria, after us passing an assistance package and none of it being acted on really appropriately, I do not think there is anybody who would believe that there is going to be a coordinated "somebody put in charge" effort in the Middle East to deal with these between now and November 2016. I mean, that is not going to happen. There may be elements.

But it seems to me, and I get back to one of our Senators earlier, Senator Flake, I think that is another fallacy here that that has not been developed, that that has not been thought about. So you end up in a situation where you have tremendous concerns. You have this escalation. And you have people who are concerned about our commitment who, therefore, end up doing things that are not in the best interest of the region.

Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

I think the administration strategy is very clear. Rather than peace through strength, it is really peace through withdrawal, and we have seen that.

Just very succinctly, I want to give you an opportunity to expound a little bit more on a couple of points. But do either of you believe that there is any reason whatsoever for Iran to have a peaceful nuclear program or enrich for a peaceful program?

Mr. Singh, from your testimony, I believe not.

Mr. SINGH. I would say that most of these activities in which Iran is engaged do not have a clear, sensible, civilian purpose.

Senator JOHNSON. There is only one reason.

Dr. Pollack, do you agree with that?

Dr. POLLACK. Yes, I do.

Senator JOHNSON. So they want a nuclear weapon. That is clear.

Do you either of you believe with this deal that they have really abandoned that ambition?

Mr. SINGH. No, quite the opposite. I think this will enable them to cement that nuclear weapons option.

Senator JOHNSON. Dr. Pollack.

Dr. POLLACK. I do not know. That is my position on this. I think the Iranians have made an agreement. I think that it is likely for the next 3, 5, perhaps 10 years, they will not try to acquire a nuclear weapon. I think that it is advantageous to them to agree to this. What I do not know about is what happens after 10 years.

Senator JOHNSON. I am fairly certain.

You did mention that it is going to cause a conventional arms race. I agree with that, new tensions, new challenges. You said that we can avoid that if the United States steps up, acts with determination, is not backing down, and does not convey weakness.

Again, in your own words, Dr. Pollack, you said that the list goes on that contradicts us showing any strength, correct?

Dr. POLLACK. We would need to do better than we have done so far, Senator.

Senator JOHNSON. Here are my assumptions and predictions. Iran is going to be on a path to get a nuclear weapon.

Mr. Singh, I think you laid out very carefully or convincingly in your testimony that they are going to use this agreement to do exactly that. They are just kind of delaying it. This gives them the time to build up the capability so when all of these things go away, they are right there.

So that being the case, the fact that we really have been engaged in a strategy of peace through withdrawal, what is going to happen over the next 18 months? Predict that out. How is Iran going to behave? How are they going to increase their influence? What is the next President going to have to deal with? And how are they going to be able to deal with this situation in 18 months?

I will start with you, Mr. Singh.

Mr. SINGH. Look, I think that Iran's regional strategy will remain essentially the same, except that they will have more resources to pursue it and fewer impediments ahead of them, except to the extent that now we engage in new policies to create more impediments as a result of this deal.

Senator JOHNSON. But again, a conventional arms race, Gulf States are building up arms. We obviously cannot train and engage in the strategy. You said it is great strategy, just impossible to implement in Syria. There is an arms race, no pushback on Syria

whatsoever, withdrawal from Iraq, and Iran increasing influence in Iraq. What is this going to look like in 18 months?

Mr. SINGH. I think it looks worse, frankly.

Just a clarification on the arms race, I do not disagree with the idea that there is going to be an arms race. But I think we need to bear in mind it is going to be asymmetric. I do not think the Iranians are going to be building aircraft carriers. I think they are going to continue to invest in these asymmetric capabilities relatively cheap. It is an anti-access/area-denial strategy.

But they will, again, have more resources to do it. So it is not just a money against money sort of challenge here, as it has been characterized out there a little bit so far.

Senator JOHNSON. But again, that asymmetric strategy has been extremely effective in destabilizing the region, right, and really accomplishing Iran's strategic objectives?

Mr. SINGH. No, not effective in stabilizing the region.

Senator JOHNSON. No, destabilizing.

Mr. SINGH. Iran has not had success, for example, in winning the war in Syria. I do not think they have had much success against ISIS. But, again, I think if their strategy is simply to project their power and influence, their influence in Syria over the Assad regime is now, I would say, almost total. Their influence in Lebanon is very significant. Their influence in Iraq has grown, and they have made environment less hospitable to United States forces, to United States action, and to our allies.

Senator JOHNSON. I would say their strategy is destabilizing the region.

Mr. SINGH. Yes, absolutely. So I think to their objectives, I think it has been some success, not a total success, mind you. I would not go that far. I think they have had their setbacks.

Senator JOHNSON. Dr. Pollack, I would like both of you to comment on what the next President is going to have to do.

Dr. POLLACK. I think the next President is going to have a very challenging situation in the Middle East to face. I do not know what the Obama administration is going to do. I hope they will do better in the future than I would say they have done in the past.

I can point to things that they have done in the past, even in the Middle East, where they have surprised me and did more than I expected them to do, and it was important. Iraq being a perfect example.

I was very fearful throughout all of last summer that they were simply going to pack up and say we gave Iraq a chance and walk away. They did not. They stepped up. And the air campaign was extremely important. So, too, was the provision of advisers and military support. I would like to see them do more, but I am trying to give them credit. So it is conceivable to me.

If they do not, if their first 6 years are more in keeping with how they handle the last 18 months, then yes, I suspect you will see the Iranians push. We will not respond. It will frighten our regional allies who may do some additional precipitous things, as they did in Yemen.

That is going to create an even longer list of challenges for the next President.

Senator JOHNSON. And then that next President should do what?

Dr. POLLACK. It is a hell of a question, Senator. I am working on that hard. I fear, I will put it this way, that if we do not step up, if we are not willing to push back on the Iranians and reassure our allies that by the time next President takes office and realistically is able to assemble his or her staff and get his or her policies set that we may really have only two options in the Middle East, which will be what I am calling either we step up and make a much greater investment to try to restore the situation or we step back and we really do try to define what are our absolute redlines and nothing else. And we let the rest of the region sort itself out in what will be an unbelievably bloody and uncertain process that could go in a variety of directions that would be very harmful to our interests.

Senator JOHNSON. Mr. Singh.

Mr. SINGH. Look, I think that as you look at this deal and everything surrounding the deal, obviously there are a lot of problems in the Middle East, which the next President is going to inherit. I do not think it is reasonable to expect any administration to solve all the problems on its watch. I think the question is, are you bequeathing to your successor a productive framework? Are you bequeathing the tools? Are you bequeathing strong alliances and a strong diplomatic process?

I worry that in fact that is not going to be the case here, that in fact you will have diminished tools, weakened alliances and really, as we have been talking about so far, no real framework to address these issues. So I think the next President is going to have to come in, look at all these problems in the Middle East, and do a sort of top-to-bottom review. And start with a strategy, not start by sort of one-offing each problem but a strategy for the region, which is going to center on rebuilding alliances, first and foremost, and then with those allies, coming up with some joint approaches to these problems.

Senator JOHNSON. My interpretation of the testimony is that this is making the situation in the Middle East worse.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I think aside from the human tragedy and some of the humanitarian problems we have seen, what that bodes for is tremendous job security for the two of you as we move into the future.

Dr. POLLACK. Thank goodness for that.

The CHAIRMAN. Senator Markey.

Senator MARKEY. I know Mr. Pollack has two children he is going to have to put through college, so I know he is extremely grateful for the totality of our need for expert advice.

Mr. Pollack, your MIT Ph.D. thesis was the "Influence of Arab Culture on Arab Military Effectiveness," so that takes us to Saudi Arabia, their culture, their military effectiveness. They have much more money than anybody else has.

So what is wrong? Why can they not mount their own capacity here? Why can they not put together this much larger Sunni military but turned into diplomatic capacity to create the conditions for a negotiation, a diplomatic resolution on these issues? Why are they so dependent on us? What is it in their Arab culture that so affects their Arab military effectiveness?

Dr. POLLACK. Senator, perhaps the next time I see you, I will drop off a copy of my dissertation, which was 1,500 pages.

I will put the answer this way. First, I think it is clear that all of the Gulf States have indulged a culture of exceptionalism and reliance on others to do their dirty work for them.

There was an old joke that I remember from the 1990s that the Kuwaitis used to make. The joke was that the government has declared war on Iraq and South Korea got the contract. In other words, we do not have to do this for ourselves. We can pay for someone else to.

As a result, they have not really developed their own capacity, their own tools of statecraft, their military. Even their economic instruments are extremely rudimentary. The one thing that they are often able to do is throw money at a problem. But throwing money at a problem rarely solves the problem.

Especially in the Middle East what they have learned is that you really cannot buy anyone. You might be able to rent them for a brief period of time, but even then, you can only rent them until a higher, better offer comes along.

So it has made them very weak compared to just looking at what the CIA World Factbook might suggest based on their per capita income.

Senator MARKEY. During the American Civil War, both the slaveowners in the South and the manufacturers in the North, they could actually buy their way out of serving in the Civil War. So on both sides, the same slogan came up, "It is a rich man's war, but a poor man's fight."

So there is a lot of that going on in the Middle East, where you think you can spend the money to get yourself out of it, or buy the big fancy jets and other equipment, but ultimately it does not translate into anything truly effective on the ground without U.S. or allied help to accomplish the goal.

Given the context of this deal, do you think the Saudi Arabians are going to be more inclined to get a nuclear weapon as a result of this deal or not? Do you think they will be satisfied that there is an umbrella that we are going to place over that region and that this agreement will sufficiently constrain Iran's ability without detection to actually obtain a nuclear weapon? What is the Saudi attitude, from your perspective?

Dr. POLLACK. I think this is an absolutely critical question, Senator. I do not think that there is a quick or easy answer to it. I think it is actually a very complex situation.

First, I do think, just the simplest answer, that the deal will incline the Saudis slightly toward nuclear proliferation, but only slightly. I think the truth of the matter is that the Saudis are concerned about the deal. They are concerned about the strategic shift and the potential to be left in a situation where the United States has abandoned them, and Iran is once again free to pursue its nuclear aspirations.

But that is some way off. And the default position of all of our gulf allies is typically to do nothing and let us do it for them.

We should also remember the long history of nuclear proliferation. Far more countries have started down the path toward acquiring a nuclear weapon than actually brought it to a finish. President

Kennedy's famous remark that there would be 25 countries with nuclear weapons by the year 2000 was famously proven wrong. It is because there are very important disincentives. And countries with even more compelling strategic rationales than Saudi Arabia decided not to acquire nuclear weapons at various points in time.

It is all a way of saying that I think these next 10 years are going to be critical. I suspect that the Saudis will look into the possibility of proliferating, if only as a hedge. But I think whether or not they truly decide to do so, and it will be difficult for them to do so, will ultimately depend on whether they believe that we or conceivably someone else will provide the deterrence that they need.

Senator MARKEY. Do you think they believe that, that we will provide the deterrence?

Dr. POLLACK. I think that, at the moment, they do. But I think they are questioning it.

Senator MARKEY. Again, our greatest concern is that it would be kind of a fulfillment of President Kennedy's warning that there would be 20 to 25 countries with nuclear weapons. We have avoided it.

So that is really what this agreement is intended on trying to accomplish, which is to stop it from hitting the Middle East and having that whole domino effect.

And so you think, at least for the time being, this will work. If Iran had a nuclear weapon, had already detonated one and was refusing to give it up, Saudi Arabia would try to purchase or create its own nuclear weapons capacity. Do you agree with that?

Dr. POLLACK. Absolutely. What is more, I agree with the statements. I do not think that war is the most likely alternative. I do fear exactly what you are laying out, that the most likely alternative is a situation where we have the erosion if not the collapse of sanctions, Iran is unfettered. Whether or not Iran tries to acquire a nuclear weapon, we will not know. But it may be like Iraq where we think they are doing so. And the belief, the fear, that they are doing so may cause others to act.

Senator MARKEY. And who are "others"?

Dr. POLLACK. First and foremost, the Saudis. I think a very, very distant second, the Turks, the UAE, the Egyptians. But I think it is really about Saudi Arabia.

Then we can also think farther afield, because there is a question mark. If the Iranians acquire nuclear weapons and they are not punished for doing so, if the Saudis acquire and are not punished for doing so, who on Earth is going to punish South Korea or Taiwan or Brazil, for that matter?

Senator MARKEY. Exactly. So this is an important world moment. It is important moment for the IAEA, to make sure that it works.

Dr. POLLACK. Absolutely.

Senator MARKEY. And if I may, in conclusion, just say how much confidence that you have that this IAEA is not the IAEA of the Osirak bombing in 1981? Do you think this is an agency that now has the steel in its spine and the funding necessary in order to do its job and blow the whistle if something goes wrong?

Dr. POLLACK. Senator, I think they are certainly better than they were, but I am not an expert on the IAEA. All I can say is that I hope that they do have that steel in their spine.

Senator MARKEY. Okay, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I know Ranking Member Cardin wanted to make a couple comments.

Senator CARDIN. First of all, I thought that this was very helpful. I thank both of you. It sort of helps put it in perspective the realities of the Middle East and what our options are going to be. We all know that U.S. policy is always a challenge not only what we want to lead, but also when trying to get a coalition to work with us. We do not always get consistent messages from our so-called friends, so it is never an easy task.

I really just want to make one observation and that is, if you go back a decade ago, I do not think many people believed that sanctions would get Iran to the table to negotiate a nuclear agreement. We know that we had resistance from the executive branch, from both Republican and Democratic administrations. But Congress went forward because we had very strong views about it.

So I do not deny that this administration or the next administration, whether it is a Democratic or Republican administration, will want to do things their way and will not particularly want Congress' advice on how to be tough on terrorism and human rights violations by Iran.

But my guess is, Congress is going to be tough. And we are not going to worry too much about the niceties of this agreement, because we know what they told us.

So I guess I would just point out the fact, and I think we need to put it into the equation, that there are many of us in Congress on both sides of the aisle, those who will ultimately support and those who will ultimately vote against this agreement, that are going to come together to say that we are going to be watching very closely and we are going to be prepared to do what we need to, to make it clear that we are going to use every tool in our toolbox and increase our toolbox so that we can act on these issues.

I say that because I thought the points both of you made about U.S. involvement and the credibility of sanctions or the strength of sanctions being affected by this agreement are absolutely true. I agree with your assessments.

But I do think after the dust settles one way or another on this agreement, we need to see how we can strengthen our toolbox so America can have the type of leadership we need in this administration and the next administration to affect Iran's equations in the region as to what they do.

The CHAIRMAN. Thank you.

This will be the last of our hearings. We do have a briefing taking place at 5 o'clock. It is an all-Senate briefing.

I want to thank the committee for the cooperation in putting all these briefings together. All of us come at this with different backgrounds and points of view. But I could not have a better partner in Senator Cardin.

And I appreciate very much the way you have worked with us, and your staff has, to put together such a rigorous system of briefings and hearings.

My understanding is that we have now agreed, as the Senate, to move to debate on this as soon as we get back, without a motion to proceed, which is unusual. My sense is that you are going to see a very respectful, sober debate about the facts and about concerns that people have.

But we will be entering that with the benefit of the testimony that you have given today, the private conversations that you have been involved in. And for that, we are deeply grateful.

For the knowledge of the members, we will leave the record open until the close of business Friday. If you would answer fairly promptly any inquiries that people make, we would appreciate it.

The CHAIRMAN. Without further ado, this meeting is adjourned. Thank you.

[Whereupon, at 3:48 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

STATEMENT OF ABRAHAM D. SOFAER, GEORGE P. SHULTZ SENIOR FELLOW, THE HOOVER INSTITUTION, STANFORD UNIVERSITY, STANFORD, CA

Chairman Corker and distinguished members of this committee, thank you for inviting me to submit my views concerning the Joint Comprehensive Plan of Action (JCPOA) reached between the P5+1 and Iran and submitted to Congress on Sunday, July 19, 2015, pursuant to the Iran Nuclear Agreement Review Act of 2015. Both Houses are studying the Agreement in depth, recognizing that it will have major consequences to U.S. and international security regardless of how Congress acts. Rather than adding to the voluminous record on how the JCPOA is supposed to work, and calling attention to Iran's opportunities to evade its provisions, I will summarize my conclusions and then provide a description of the premises on which these conclusions are based, derived specifically from my experience representing the United States in negotiations with Iran for 5 years, and my study of U.S./Iranian relations from 1979 to 2013, described in my book, "Taking On Iran."

Mr. Chairman, I am not among those opposed to negotiating with Iran. I negotiated constructively with Iran for 5 years, and I have repeatedly criticized both Republican and Democratic administrations for failing to engage Iran. The evil things that Iran has done since the start of the Islamic Revolution, beginning with taking U.S. diplomats hostage, are no more a basis for refusing to negotiate with Iran than the evil conduct of the Soviet Union was a basis for refusing to negotiate with that government. I commend the Obama administration for negotiating directly with Iran.

U.S. negotiations with the Soviets were based, however, on strength and well-established principles of effective diplomacy. This administration, by contrast, like those of all prior administrations, has failed to respond to Iranian policies with strength, and to negotiate with Iran in accordance with the principles successfully used in negotiating with the Soviets. This history is covered in detail in my book, but the one point that bears emphasis here is that the threat of war was not part of the U.S. strategy that succeeded with the Soviets, and is not the path I would propose in dealing with Iran.

I agree with President Obama that the possibility of war must be retained, but that an attack on Iran's nuclear facilities would be complex, harmful to U.S. interests in many ways, and likely ultimately to fail in preventing Iran from developing a nuclear weapon. The President is unfair when he accuses those who oppose the JCPOA as favoring war over diplomacy.

I believe that Congress should disapprove the JCPOA and vote to override any veto, because the Plan is inadequate in limiting Iran's nuclear program and makes no effort to curb its other illegal conduct. While the President speaks of Congress' potential vote of disapproval as "blocking" or "killing" the JCPOA, he has already secured the JCPOA's implementation through U.N. Security Council Resolution 2231, a maneuver undoubtedly intended to lift the U.N. nuclear sanctions through a process that a Resolution of Disapproval could not possibly affect. Congressional

disapproval cannot prevent the JCPOA from going into effect to the extent it is implemented by Resolution 2231. But it would convey Congress' view that the Plan is inadequate, and limit the damage the Plan is certain to cause.

- *Weaknesses of the JCPOA.* The JCPOA contains some significant limitations on Iran's nuclear program worth supporting, including the reductions in enrichment capacity and modification of the heavy water reactor at Arak. The weaknesses in the Plan, however, its limited duration, and the long history of Iranian evasion, undermine the President's claim that the Plan blocks every path Iran has to obtaining a nuclear weapon. Particularly misleading is the assertion that the Plan "permanently" prohibits Iran from developing a nuclear weapon. The JCPOA is not the source of any such prohibition; Iran has agreed it will never develop a nuclear weapon because it does not want one, not because of the JCPOA, or even the NPT.
- The JCPOA will also have a detrimental impact on nuclear weapons activities in the Middle East. It legitimizes Iran's nuclear program and could set into motion a nuclear arms race in the most volatile area of the world.
- The administration's defense of these weaknesses is that the only option to the JCPOA is war. This is the sort of scare tactic President Reagan faced when he pushed back against illegal Soviet interventions and inhumane treatment of its nationals. And it is no less false. Iran respects strength and scorns weakness. War is more likely to result if the JCPOA is approved. It is inherently unstable because of what it allows Iran to continue doing.
- *Effect of Resolution 2231.* The administration also argues Congress should approve the JCPOA, because the sanctions will become ineffective anyway. What the administration means by this is that the U.N. sanctions will end pursuant to Security Council Resolution 2231 (20 July 2015) regardless of what Congress does. This argument, Mr. Chairman, seems correct. Congress has, in fact, been prevented from voting on lifting the U.N. nuclear sanctions, since they will "terminate" upon receipt of the report from the IAEA certifying Iranian compliance with its JCPOA commitments listed in paragraphs 15.1–15.11 of the Plan's Annex V. This resolution is now established international law, and the other parties to the JCPOA are moving ahead with plans to resume business with Iran irrespective of Congress' potential action.
- Congress should carefully consider the separation-of-powers implications of the President's promising to allow Congress to review an international "Plan" and then voting in the Security Council to negate Congress' power to review and stop the Plan's implementation. The important issue now, however, is the effect of Security Council Resolution 2231.
- By making implementation of the Plan dependent wholly on the condition stated in Resolution 2231, namely the IAEA's acceptance of Iran's compliance, the administration has also enabled Congress to disapprove the JCPOA without altering its termination of the nuclear resolutions if Iran complies. If Iran wants the nuclear-related Security Council resolutions lifted, and its frozen funds returned, it must comply with its undertakings in the Plan to the IAEA's satisfaction, regardless of whether Congress approves or disapproves the JCPOA. Furthermore, in order to prevent the nuclear-related resolutions from coming back into effect, Iran must continue to comply with its obligations under the JCPOA, or else it could trigger the process provided for in Security Council Resolution 2231, paragraphs 11 and 12. Again, this process is independent of whether Congress approves or disapproves the JCPOA.
- I acknowledge, Mr. Chairman, that this is an extraordinary proposition. But it flows from the extraordinary form of understanding that the JCPOA represents, and the unprecedented action by the Security Council, deliberately orchestrated, that appears to immunize Resolution 2231 and to that extent the JCPOA from any impact based on a Resolution of Disapproval. Congress no doubt has the power to prevent the Executive from cooperating with an international legal requirement. But even a legislative instruction to that effect would not undo the vote to "terminate" the Security Council's nuclear resolutions on the conditions it provides.
- *Benefits of Disapproval.* What effect, then, would Congress' vote to approve or disapprove the JCPOA have on U.S. obligations or otherwise? Approval would signify Congress' support for the Plan. Disapproval, on the other hand, would convey the position that Congress believes the Plan does too little to control Iran's nuclear and nonnuclear activities, and that U.S. policy should support additional measures for both purposes.
- In my view, therefore, Mr. Chairman, any Member of Congress who supports doing more to curb Iran than done by the JCPOA can vote to convey that message without "blocking" or "killing" what the administration has achieved. For

example, the U.S. has under its control some $2 billion in Iranian assets. Approving the JCPOA could lead the administration to release some or all those funds, whereas disapproval will allow only funds frozen pursuant to the terminated UNSC resolutions to be released. Also, the U.S. has in place unilateral sanctions based on Iranian support for terrorism that threaten banks with restrictions if they do business with Iran, such as the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. Those sanctions will not be subject to Executive discretionary nonenforcement if Congress votes to disapprove.

- The administration has assured Congress and the public that it will continue to press Iran to stop its illegal activities in nonnuclear areas. The President has also said, however, in his speech at American University, that unilateral U.S. sanctions will not work. The Ayatollah has triumphantly declared that the JCPOA places no limitation on Iran's continuing to help President Assad stay in office and to expand Shiite power. He would undoubtedly object, and Iran has reserved the right to stop complying with the JCPOA, if the U.S. imposes new sanctions to freeze Iranian funds based on these nonnuclear activities. By voting for disapproval, Congress would put the U.S. on record as committed to ending Iran's nonnuclear related policies that undermine peace and security abroad, and oppress its people at home.
- Disapproval will also have the important effect of signaling Congress' support for confronting Iran, and for making it pay as dearly as possible for its international adventures. It would signal Congress' support for going beyond the imposition of sanctions in pressuring Iran, without war, as the U.S. did in confronting the Soviet Union. Iran is overstretched and vulnerable economically and politically. Disapproval would reflect a determination by Congress to apply enhanced strength in order to force a more effective and comprehensive diplomacy, a policy more likely to lead to a genuine and lasting peace.

This summarizes my view, Mr. Chairman, of why Congress should vote to disapprove the JCPOA. My conclusion that disapproval cannot prevent Security Council resolution 2231 from taking effect may displease some who would like to prevent that consequence, but it seems unavoidable given the President's power to renounce international agreements, including the nuclear-related resolutions potentially terminated by resolution 2231. This circumstance does permit Congress, however, to vote disapproval on a basis that preserves the elements of the JCPOA that Iran will be required to perform, while making clear that Congress insists that more be done to confront Iran's conduct in general. What follows are the experiences and historical data which have led me to reach this set of recommendations.

I. NEGOTIATING WITH IRAN: LESSONS SINCE THE REVOLUTION

I had the privilege, Mr. Chairman, as Legal Adviser to Secretaries of State George P. Shultz and James Baker, to lead negotiations for the U.S. with Iranian representatives in The Hague from 1985 to 1990. After a slow start, I was able with the help of a superb staff, including Bob Clarke, a Farsi-speaking professional from the Iran Desk, to settle many thousands of claims between Americans, U.S. companies, and the U.S. Government, who we represented, and Iran and its agencies. As the pace of settlement picked up in The Hague, the Iranians sent a Member of its Council of Guardians to lead their team. We made good progress, and under instructions from our governments we settled some interesting law-related issues with political significance. Perhaps most important, we settled the claims of Iranian families for their lost ones in the tragic shoot-down of Iran Air 655.

This experience convinced me that negotiating with Iran, though difficult and frustrating, is worthwhile. Iran routinely initiated each round of talks with preposterous demands, but its sophisticated negotiators reacted reasonably after equally tough responses. It also became obvious, though, that the U.S. and Iran remained unwilling to deal openly with each other. Every major settlement at the Tribunal was met with the suspicion that it had something to do with getting Iran to release U.S. hostages. Many huge claims remain unresolved some 35 years after the Tribunal was created.

Our approach in dealing with the Soviet Union during the Reagan and H.W. Bush administrations differed from our approach in dealing with Iran. With the Soviets, we firmly pushed back against their every initiative, in Europe, Central America, Africa, and Afghanistan. At the same time we engaged them on every issue that divided our societies, in every possible forum, and with a robust and effective diplomacy. With Iran, we responded weakly to their aggressive actions, even to their responsibility for killing our Marines in Lebanon, and our Airmen in Saudi Arabia. As a substitute for real strength, we refused to negotiate with Iran in any forum

other than at The Hague. Under both Presidents Reagan and H.W. Bush, strength plus diplomacy produced positive results with regard to the Soviet Union, while weakness and the absence of diplomatic engagement failed to contribute to reducing U.S./Iranian alienation.

The absence of conventional methods for dealing with Iran led, under Reagan, to Iran/Contra, a humiliating and unsuccessful effort to shortcut the process of restoring relations. Subsequent administrations have tried appealing directly to Iran for a change in its positions, with equally ineffectual results. President Clinton deliberately disregarded Iran's responsibility for the Khobar Towers bombing in an effort to establish a new relationship with President Khatami. President Obama has, like some others before him, laced his speeches with deferential remarks, showing respect for Iran, accepting partial responsibility for the situation, and calling for better relations.

The JCPOA should be seen as the latest of a series of efforts to engage Iran that attempt to bypass the tried and true requirements of strength and effective diplomacy, for which no substitute exists when it comes to convincing a radical regime to change its ways. As Henry Kissinger has explained, convincing such regimes is not a matter of using reason to resolve disagreements through compromise, but rather the creation of an "'objective' situation [that] is ratified by the settlement."

The other lesson learned from my experience in the Reagan and Bush administrations, and that has been confirmed by more recent events, is that strength is no less effective in dealing with Iran than it was in dealing with the Soviets. In the one confrontation we had with Iran during that period, the 1988 Operation Praying Mantis after IRGC missile attacks on U.S. flagged vessels and its mining of gulf waters, the U.S. Navy sank several IRGC boats, and destroyed or damaged naval warships and military planes. The IRGC ran for cover, and has never again fired missiles at U.S. flagged vessels or laid mines in the gulf.

Iran handled the U.S. Navy attack in a manner that reflected its respect for strength. When I sought to cancel a meeting scheduled with my Iranian counterpart in The Hague, the day after we sank an Iranian mine-laying ship as part of that operation, he responded that we should meet as scheduled rather than "burn the only bridge between our countries." This lesson has come through loud and clear on several subsequent occasions: after President George H.W. Bush pushed Iraq out of Kuwait, President Rafsanjani arranged the release of the hostages held in Lebanon; after President George W. Bush drove al-Qaeda and the Taliban from Afghanistan, Iran cooperated in establishing a new government there; and after he drove Saddam Hussein from power in Iraq, Iran offered to negotiate with the U.S. on all issues. After each of these displays of U.S. strength, Iran was more, not less, open to dealing with the U.S., though regrettably we did not accept any of these opportunities to engage.

It has been a grave error, in my view, that the U.S. has failed to settle or complete all the claims now pending in The Hague for some 35 years, and has failed to take advantage of the opportunities that have occasionally presented themselves to attempt to deal with all of our serious differences with Iran. The problem with this administration's effort is not that it engaged in negotiations; rather it is that it gave up the increasingly apparent benefits of pressuring Iran and settled for an agreement that deals exclusively with nuclear related issues, allowing Iran to continue supporting terrorism and engaging in other conduct that undermines international peace and security.

II. AN ALTERNATIVE AGENDA SHORT OF WAR

President Obama has belittled the contention that any option exists short of war that could serve U.S. interests more effectively than the JCPOA. He is wrong. A program of increased pressure on Iran, combined with broader-purposed, more effective diplomacy, can be devised that could force Iran to accept established norms of international conduct.

First, the JCPOA could be improved. The administration has exaggerated the JCPOA's advantages, claiming that it blocks every path Iran has to obtaining a nuclear weapon, and that its "unprecedented" inspection rights and other means will allow the U.S. and its allies about a year to prevent Iran from acquiring a nuclear weapon. In fact, the JCPOA allows Iran to conduct important R&D and to engage in other activities (such as developing sophisticated enrichment equipment) that will put it in the position to break out rapidly, especially after the JCPOA is no longer in effect. Increasing the amount of time Iran will need to obtain a nuclear weapon will have real value, moreover, only if the U.S. is simultaneously seeking results that reflect a more far-reaching impact on Iran's conduct and aims.

Second, it is naive to think that lifting sanctions and reaching out to Iran will lead its present government to respond positively. Every such effort has failed in the past. The administration hopes that the JCPOA will lead to a better relationship and a reduction in Iranian militancy. More likely, Iran's success in getting economic sanctions lifted in exchange for limited concessions related to a weapon it claims it does not want will increase the influence of its most militant factions. The IRGC have proved repeatedly that their strategy of disregarding U.S. warnings has worked.

The safer policy is to continue vigorously to enforce nonnuclear sanctions now, in order to deter Iran's policies of supporting terrorism and other illegal and inhumane activities. It would be more dangerous to wait, as we did after the Algiers Accords of 1981, allowing Iranian and Iranian-sponsored misconduct to resume in the form of hostage taking and terrorist attacks. To have to reimpose sanctions years into the process, as will be inevitable if Iran continues its policies, risks giving Iran an excuse to free itself of all the JCPOA's constraints, and the motive to go further with its nuclear weapons program than it otherwise might have gone.

Another, obvious element of a sound U.S. strategy would be, simply, to enforce the many, nonnuclear Security Council resolutions that Iran has ignored. Many concern terrorism. Some prohibit the arming of groups in specific countries, such as Lebanon. Others prohibit giving sanctuary to terrorists. Several specifically order Iran to stop depriving individuals of their human rights. And Iran should be compelled to release Americans illegally held without due process, as recently confirmed by the U.N. Special Rapporteur for Human Rights. These are just the types of objectives which the U.S., in every administration, worked hard to obtain in the face of Soviet obstinacy.

Finally, the U.S. should go beyond sanctions in responding to Iranian behavior. The JCPOA could not have been more poorly timed. It takes the pressure off Iran, and legitimizes its nuclear program, at a moment in time when pressure is likely to succeed. Iran faces a situation much like the Soviet Union did in the late 1980s. Its economy is in shambles. It has lost over $160 billion in oil revenues and 20 percent of its GDP. Its foreign interventions have proved costly. Syria alone has cost some $6 billion per year. Hezbollah, which Iran supports to the tune of $100 to $200 million per year, has lost thousands of fighters in Syria. Many IRGC fighters have been killed, including some high-ranking individuals. Iran is also supporting, with money, equipment, and manpower, the Shiite militias in Iraq, the Houthis in Yemen, Hamas and other terrorist groups in Gaza, pro-Iranian groups in Afghanistan, and others. These activities drain limited Iranian resources and exacerbate Iran's economic problems. Its overwhelmingly young population is tired and oppressed by the IRGC's domestic Basij Force.

The U.S. should be doing more to increase these pressures instead of relieving Iran from their consequences. Helping Turkey to implement its aims in Syria would increase the pressure on Assad and his Iranian sponsors. The administration should long ago have assisted in creating a zone along Turkey's border in which Syrian refugees can safely be assisted, and in which anti-Assad forces can be supported. The U.S. should make Iran pay as great a price as possible for its support for that murderous regime. The U.S. should long ago also have provided more support to the Kurds in both Syria and Iraq. Helping the Kurds more robustly would increase U.S. influence in convincing them to refrain from threatening Turkey, while allowing them to do as they please in Iran. We should understand full well why Iran's 10 percent Kurdish population chafes under the control of a religious autocracy that murders Kurdish leaders. We should welcome and support any other legitimate resistance to a government that kills people because of their religion, sexual orientation, or beliefs.

While President Obama claims he is implementing a Reaganite policy in dealing with Iran, his administration has done everything possible to allay Iran's concerns rather than to use the excesses of its ambitions and ideology as vehicles for its demise, as Reagan did with the Soviets. President Obama's policy is much more like the failed Reagan policy regarding Iran than the successful one in confronting the Soviet Union.

III. CONCLUSION

Mr. Chairman, the negotiation with Iran has grabbed the world's attention. The administration has made a monumental effort to secure agreement. Great drama has accompanied each stage of the process. The technical nature of many of the issues has diverted attention from the strategic consequences of its overall terms. This has led much of the criticism to focus on this or that weakness, as though an improvement here or there would really matter.

In fact, if the JCPOA were one aspect of an overall effort to force Iran to bring its conduct and policies in line with international law and human decency, a deficiency here or there would not matter. But it is not. It is deliberately limited rather than "comprehensive," and it gives Iran huge benefits in the nuclear arena and essentially an implied promise to back off from seeking vigorously to curb the rest of its heinous activities.

The attention the JCPOA has garnered, however, and the hopes it has raised, are as ephemeral as any other diplomatic initiative based on flawed assumptions. One need only to remember Secretary of State Kerry's dramatic promise to negotiate a complete peace between Israel and the Palestinians in 9 months. Then, too, the press was filled with the drama of diplomacy at the highest levels of importance. People took the effort seriously, although it was hopeless from the start. So is the JCPOA, as we will learn in due course, unless it is rapidly supplemented with greater strength and more effective diplomacy.

Moreover, lost in the drama of meetings, shuttles, and press conferences is the lesson, repeatedly played out but quickly forgotten, that ill-considered diplomacy not only fails, but also exacts a price. The price for the failed Middle East effort was a new wave of bitterness and alienation, and a setback to the hopes for steady progress toward peace through economic development and cooperation on terrorism and other aspects of coexistence.

The price for negotiating and signing the JCPOA will be even more substantial. But Congress has an opportunity to limit the damage. Congress has the power to insist, Mr. Chairman, that the U.S. not accept as legitimate an Iranian nuclear program having the capacities required to develop nuclear weapons, so long as Iran's Government is committed to achieving criminal aims, spews racist rhetoric, and engages in wrongful conduct. Congress should insist that the President move the U.S. to a truly effective engagement with Iran, that extends to all issues between the two States, but that is based on the inexorable reality that Iran will give up its radical aims and improper conduct only if it sees that as required by its own interests. And that outcome is only possible through pressure. Not war, but substantial, unrelenting pressure.

Every administration since 1979 has failed to take on Iran with strength and effective diplomacy. Each, in its own way, opted instead for policies regarding Iran that fluctuated wildly between refusing to negotiate at all, to direct pleas and hopeless plans to convince Iran through gestures of kindness and humanity to change its policies and practices. Unless properly augmented, the JCPOA will take its place among the hopeless plans. And the consequences will be especially unfortunate, because the U.S. is missing an opportunity to press Iran for change at a time Iran is economically weak, militarily overextended, and politically vulnerable. Congress should vote disapproval to force the JCPOA to be augmented with a truly comprehensive, potentially effective strategy.

THE STATUS OF JCPOA IMPLEMENTATION AND RELATED ISSUES

THURSDAY, DECEMBER 17, 2015

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

The committee met, pursuant to notice, at 9:33 a.m., in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Flake, Gardner, Perdue, Isakson, Barrasso, Cardin, Boxer, Menendez, Coons, Murphy, Kaine, and Markey.

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

The CHAIRMAN. I want to call the Foreign Relations Committee to order. And I want to thank our witnesses for being here. I know Senators that are here at the moment. I know others will be joining.

This hearing is the first public meeting the committee has held since we began to oversee the implementation of the Iran deal, and I would like to underscore the importance that we place on the oversight effort. In many ways I think that was the strongest element of the Iran Review Act.

We intend to hold another hearing in January after the administration submits the 180-day report, as required by the Iran Review Act, and then a third if "Implementation Day" occurs. I am sure there will be more to follow after that, and we will work with the ranking member and others to make sure that those are scheduled in a timely fashion.

As we begin this process, it is worth noting that whether or not any of us supported or opposed this agreement, the deal is being implemented at present. And I think no matter what anyone's view on the agreement is or was, we all support the goal of preventing Iran from getting a nuclear weapon.

One area that we all agree on is the need to be tough on any destabilizing or illegal action by Iran. With that view, I think the agreement is off to a really terrible start. I know we have talked about this some in some classified settings, and today, we will talk about it more publicly.

Since the agreement was signed, Iran has convicted an American Washington Post reporter, launched cyber attacks against the State Department, defied a U.N. travel ban, and sent Soleimani to Russia, exported weapons to Syria and Yemen, and then violated the

U.N. ballistic missile test ban twice and lied to the IAEA in the PMD investigation. And I realize not all of those issues are covered by the Iran agreement, but they all relate to our relationship to Iran. And it is very evident that they are taking a very different tack, I think, than many administration officials thought would be the case after the agreement was agreed to.

Can anyone here point to any substantive consequences that Iran has faced? I am sure that during this hearing that is going to be a constant theme because we see no evidence of them paying a price for any of these actions.

Instead of consequences, Iran got what they wanted, and our administration supported a resolution at the IAEA closing the PMD investigation, which I think all of us believe—we thought they would maybe get a D minus in their actions—was an F.

I thought that our witnesses—I know that our witness will say that most of these actions fall outside of their jurisdiction, including the missile test, but I do not think we can take a narrow view of this oversight. Failure to impose any consequences on Iran for violations of the U.N. Security Council resolutions and other destabilizing actions sets a very dangerous precedent, which we have talked about, before implementation of the nuclear agreement, when sanctions are lifted and the leverage shifts to Iran.

So we hope you are going to talk with us today about how you plan to enforce the agreement when it appears we are paralyzed at present to act for a fear of Iran backing away from the agreement. Most of us have talked about the leverage shift that will take place and feel like it is going to be even more difficult for them to be pushed back again.

So we thank you again for being here. I look forward to the comments of our distinguished ranking member and certainly your testimony and questions.

STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

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

First, let me just pause for one moment on behalf of the Democratic members of this committee, but I think I speak on behalf of all the members of this committee, when I congratulate you on an incredible year as chairman of this committee. The way that you have conducted your leadership on the Senate Foreign Relations Committee is in the best tradition of the United States Senate, allowing us to have input into very important foreign policy security issues for the United States. So I just really want to thank you and congratulate you.

I do want to remind you, though, that members of this committee receive a set compensation. It is not based upon the number of committee hearings that we have. I think this committee had to set an all-time record on the number of hearings and briefings, which I think was because of the issues. Senator Menendez's leadership on the Iran Review Agreement and with your leadership and Senator Kaine's leadership and others we took on a very important responsibility of trying to deal with Iran's nuclear ambitions. But we also had to deal with Russia's unhelpful activities in Ukraine to Syria. We have dealt with a State Department authorization bill.

We dealt with individual bills and resolutions in a way that I think was in the best tradition of the United States Senate and this committee. So I applaud you.

I also want to point out, as I have said many times, your timely considerations of nominations—and we have had so many—and actions in this committee was in, again, the best tradition of the Senate in a nonpartisan manner.

The CHAIRMAN. Thank you.

Senator CARDIN. And we thank you very much for that. And I could tell the members of this committee—I know Senator Menendez will agree—the working relationship among the staffs, the majority and minority, could not be better.

So I just really wanted you to know that and that this is fortunately our last hearing, I hope. [Laughter.]

The CHAIRMAN. I do, too, actually.

Senator CARDIN. Thank you. So on to today's hearing. Today's hearing is the first on the oversight functions of the Senate Foreign Relations Committee in regards to the Iran agreement. And as you indicate, we will be having a series of opportunities to discuss the Iran agreement over the course of next year. We all, all share the common objective to prevent Iran from becoming a nuclear weapons state. Together we want to work to make sure that Iran does not attain a nuclear weapon capacity. So we want to see how we can work in that regard.

The PMD, possible military dimensions, it was certainly disappointing, but I do not think anybody here was surprised. What it pointed out is that Iran cheats and they want to develop a nuclear weapon through covert activities. That is not a surprise, but I think it verifies the point that, as we go forward, we need to make sure there is zero tolerance for any deviation from Iran's obligations under the JCPOA. So I think those are the lessons that are learned.

I also want to point out—and the Review Act also points to this—that we have to be able to consider the other activities that Iran's going to participate in outside of the four corners of the JCPOA. There is support for terrorism, their human rights violations, their ballistic missile ambitions and tests.

And let me first mention Jason Rezaian and his unlawful detention. For over 500 days he has been held in captivity. We need to make sure we do not lose sight of that gross violation of that individual's rights and Iran's other activities that violate the human rights not only of its citizens but citizens of other countries.

Yesterday, in the Helsinki Commission, we held a hearing in regards to Azerbaijan and pointed out that the incarceration of journalists is a way that you try to prevent a country from dealing with the rights of its citizens. And I think this is a particular case that I hope you will always keep in mind that this person is unlawfully detained, he is an American citizen, and we have to use every tool available to bring him home safely.

The ballistic missile test that the chairman referred to, not one but two now confirmed on October 10 and on November 21 are clear violations of the United Nations' Security Resolution 1929. Do we expect the Security Council to take action? They should. But we understand Russia. We understand China. We understand their

politics. But we also know about U.S. leadership and what the United States must do for zero tolerance of violations. And it is not only my hope the U.S. actions, but we have a coalition of the willing, we hope, with Europe. And they will be watching very closely what the United States does in response to these violations, as well as our influence on our European allies to make it clear to Iran that we will not tolerate any violations of their international obligations.

I look forward to this hearing, and I look forward to working with you and all the members of this committee in a common objective to prevent Iran from becoming a nuclear weapons state.

The CHAIRMAN. Ranking Member Cardin, just in light of what you said earlier, I want to thank you and your staff for the way that you have made sure that we had totally bipartisan efforts throughout the year. I want to thank Senator Menendez for the tone that he set before that and thank all the committee members for putting our national security interests and our foreign policy first and causing the other issues of disagreement to really go by the wayside. So this has been an outstanding year.

I do want to apologize to the PRMs. We were talking about this morning in our office both of us have staffs to cover a wide range of issues. You cover all the issues, and I do think we have about hit the wall this year as far as the kind of things that people have and the bandwidth that people have. So I want to thank everybody. We did have numbers of issues that needed to be addressed, and I think the committee together has addressed those in a good way. But thank you. And I do hope we will get some additional nominees confirmed before the end of this week somehow.

Senator CARDIN. Thank you.

The CHAIRMAN. With that, our first witness is the Honorable Stephen D. Mull, Lead Coordinator for the Iran Nuclear Implementation at the U.S. Department of State. The second witness today is the Honorable Thomas M. Countryman, Assistant Secretary of State for the Bureau of International Security and Nonproliferation. Finally, the third witness will be Lieutenant General Frank Klotz, Retired U.S. Air Force and current Under Secretary for Nuclear Security at the NNSA Administrator at the U.S. Department of Energy.

We want to thank you all for being here. I think you all understand we like for you to summarize if you would in about 5 minutes. Without objection, your written testimony will be entered into the record.

And with that, if you would just go in order in the order that I just introduced you, I would appreciate it. Again, we welcome you here. We thank you for changing some travel plans to be with us today. Thank you.

STATEMENT OF HON. STEPHEN D. MULL, LEAD COORDINATOR FOR IRAN NUCLEAR IMPLEMENTATION, DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador MULL. Thank you very much, Chairman Corker and Ranking Member Cardin, and all the members of this committee. I really appreciate the opportunity to provide an update on how we

are doing on implementation of the Joint Comprehensive Plan of Action, or the JCPOA.

My name is Ambassador Steve Mull. I have served as a career member of the Foreign Service for almost 34 years. And shortly after the JCPOA was concluded in July, Secretary Kerry asked me to return to Washington from my last post as Ambassador to Poland to serve as the lead coordinator for implementing the deal. In this job I am leading a terrific team of colleagues in the State Department, as well as at the Departments of Energy, Treasury, Commerce, and other parts of our government to make sure that the JCPOA is fully implemented to enhance not only the security of our country but also of our friends and allies around the world.

I am really pleased that two of my colleagues—Department of Energy Under Secretary for Nuclear Security and Administrator of the National Nuclear Security Administration, General Frank Klotz; and Assistant Secretary Tom Countryman, Assistant Secretary for International Security and Nonproliferation—are here with me today.

And I am especially honored to meet with this committee, which has been such a valuable partner in shaping our Iran policy over many decades with bipartisan support for our common strategic objective, as you mentioned, Senator Corker, of preventing a nuclear-armed Iran.

Now, as you mentioned, our government has numerous and serious concerns about Iran's policy in the region, which are unrelated to the nuclear deal. We continue to raise concerns about detained Americans that you mentioned, about Iran's support for terrorism, its hostility to Israel, or its human rights abuses, which are rampant. But my job is solely focused on the critical task of making sure the JCPOA achieves its one crucial objective: preventing Iran from developing a nuclear weapons capability. When fully implemented, the JCPOA will dramatically scale back Iran's nuclear program and provide unprecedented monitoring and verification tools to ensure that it is exclusively peaceful as it moves forward.

We are making steady progress towards this objective. October 18 marked "Adoption Day" under the JCPOA when the deal formally came into effect. On this day, all the participants began making the necessary arrangements for the implementation of their JCPOA commitments. That included Iran's informing the International Atomic Energy Agency—the IAEA—that it would provisionally apply the Additional Protocol and fully implement Modified Code 3.1, which provides for early declaration of nuclear facilities and granting unprecedented access to Iran's entire nuclear program from cradle to grave. These are two important mechanisms which will ensure the international community has much greater insight into Iran's nuclear program than it has ever had before.

The P5+1 and Iran have also issued an official document outlining the plan for redesigning the Arak heavy water research reactor so that it will no longer be able to produce weapons-grade plutonium. And the United States and the European Union have taken actions to lift nuclear-related sanctions upon reaching, and only upon reaching, Implementation Day when all of these commitments will be met.

Implementation Day is the next major milestone in the JCPOA, and it will occur only after the IAEA verifies that Iran has completed all of the nuclear steps that we specified in the agreement. These are the technical steps that will quadruple Iran's breakout time to at least a year from the current estimate of less than 90 days. At that time, Iran will receive relief from U.S., the E.U., and U.N. nuclear-related sanctions. The timing for reaching Implementation Day is primarily within Iran's control. However, I reiterate that Iran will receive no sanctions relief under the JCPOA until it has verifiably met all of its nuclear commitments.

Since Adoption Day, Iran has been making tangible progress to reach those commitments. For example, Iran has begun dismantling its uranium enrichment infrastructure by removing so far more than 5,000 centrifuges and transferring them for storage under continuous IAEA surveillance. It has begun to move quickly now to remove the remaining 8,000 in the coming days.

Iran is also reducing its stockpile of various forms of enriched uranium to no more than 300 kilograms of up to 3.67 percent enriched material. It will accomplish this primarily by shipping a significant amount of such material outside of Iran while diluting the remaining excess to the level of natural uranium or below.

Commercial contracts are in place for Iran to ship its enriched uranium stockpiles to Russia. We expect that this material—about 25,000 pounds of enriched up to 20 percent low-enriched uranium —- will leave Iran in the coming weeks. This step alone will significantly lengthen Iran's breakout time.

As I have briefed members the committee before, Iran must also remove and render inoperable the existing calandria—or core of the Arak reactor by filling it with concrete before Implementation Day can occur. These actions will effectively cut off Iran's ability to produce weapons-grade plutonium. Iran and the P5+1 are also continuing work to advance the redesign and reconstruction of the reactor so that it can no longer produce that weapons-grade plutonium. The P5+1 have set up a working group to facilitate this project, which we will begin to meet soon after the New Year.

Regarding the possible military dimension of Iran's past nuclear program, an issue on which all of us have been very focused, on October 15 the IAEA announced that Iran had fulfilled its commitment under the so-called Road-map for Clarification of Past & Present Outstanding Issues, as agreed to with the IAEA. Subsequently, on December 2, the IAEA director general released the Final Assessment on Past and Present Outstanding Issues regarding Iran's Nuclear Programme.

The report confirmed and corroborated what we in the international community have long known, that Iran had a structured nuclear weapons program up until 2003, but there are no indications that that program is continuing today. This candid assessment gives us further confidence that the IAEA will perform its duties related to the JCPOA vigorously and honestly.

And just this week, on December 15, the IAEA Board of Governors in a special session adopted a consensus resolution addressing that report. This resolution, submitted by the P5+1, turns the board's focus from confirming what we already knew about Iran's past activity towards fully implementing the JCPOA. This resolu-

tion gives the IAEA much better tools for deterring and detecting weapons-related activities going into the future.

We also continue to work closely with the IAEA as it makes preparations to implement the JCPOA's unprecedented monitoring and verification provisions of Iran's entire nuclear program. The IAEA will have continuous monitoring of all of Iran's key declared nuclear facilities. This includes uranium mills, as well as centrifuge production facilities, a first for the IAEA. These measures specific to the JCPOA will give us increased confidence Iran is not diverting material or equipment to a covert program. We have always said that this deal is not based on trust but rather on intense verification of Iran's program. That is why we are working so closely with the IAEA to make sure it has everything it needs to do this crucial job.

Meanwhile, we continue to engage with our international partners on other matters pertaining to implementation of the JCPOA and reaching Implementation Day. U.S. experts continue to meet with our P5+1 partners and others, including the E.U. and Iran, on setting up the Procurement Channel. That is the mechanism by which we will, together with the U.N. Security Council, review and approve or disapprove transfers of nuclear supplier group-controlled items and technology to Iran's nuclear and nonnuclear civilian industry, as well as other items that we think are inconsistent with the program.

And on sanctions we continue to work within the U.S. Government, as well as with the E.U. and others, to make the necessary arrangements to lift the nuclear-related sanctions once the IAEA confirms Iran has completed its commitments and we reach Implementation Day.

Full implementation of this deal is in our interest, in our partners' interest as well. It will place Iran's nuclear program under an unprecedented verification and monitoring regime, and when fully implemented, it will give us and the international community the tools necessary to ensure that Iran's nuclear program is exclusively peaceful. It will make us, Israel, our gulf partners, and the whole world safer.

Continuing, I am at your disposal 24/7, every day of the week as we go forward in this deal. Senators, I look forward to this being the first of many engagements with you. We really value your partnership and guidance as we go forward towards our common objective. I look forward to taking your questions.

[The prepared statement of Ambassador Mull follows:]

PREPARED STATEMENT OF AMBASSADOR STEPHEN MULL

Chairman Corker, Ranking Member Cardin, distinguished Members of the Committee—I appreciate the opportunity to provide an update on the status of implementation of the Joint Comprehensive Plan of Action, or the JCPOA.

My name is Ambassador Steve Mull. I have served as a career member of the Foreign Service for 33 years. Shortly after the JCPOA was concluded, Secretary Kerry asked me to return to Washington from my last post as U.S. Ambassador to Poland to serve as Lead Coordinator for implementing the JCPOA. In this job, I'm leading a terrific team of colleagues within the Department of State, as well as at the Departments of Energy, the Treasury, and Commerce, among others, to make sure that the JCPOA is fully implemented to enhance the security of our country, and that of our friends and allies around the world.

I am pleased that two of my colleagues, Department of Energy Undersecretary for Nuclear Security and Administrator of the National Nuclear Security Administration, General Frank Klotz, and Assistant Secretary of State for International Security and Nonproliferation, Tom Countryman, are here with me today.

As you all know, our government continues to engage Iran on a host of issues unrelated to this nuclear deal. For example, we continue to raise concerns about Iran's actions when it comes to its support for terrorism or human rights abuses. But my job is focused solely on the critical task of making sure the JCPOA achieves its one, crucial objective—preventing Iran from obtaining a nuclear weapon. When fully implemented, the JCPOA will dramatically scale back Iran's nuclear program and provide unprecedented monitoring and verification tools to ensure that it is exclusively peaceful moving forward.

Steady progress is being made toward this objective. October 18th marked Adoption Day under the JCPOA when the deal formally came into effect. On this day, all participants began making the necessary arrangements for implementation of their JCPOA commitments.

This included Iran informing the International Atomic Energy Agency—the IAEA—that it would provisionally apply the Additional Protocol and fully implement Modified Code 3.1, which provides for early declaration of nuclear facilities before they are built, starting on Implementation Day. These are two important mechanisms which will ensure the international community has much greater insight into Iran's nuclear program than it's ever had before.

The P5+1 and Iran have also issued an Official Document outlining the plan for redesigning the Arak Heavy Water Research Reactor so that it will not produce weapons-grade plutonium. And the United States and European Union have taken actions to lift nuclear-related sanctions upon reaching Implementation Day.

Implementation Day is the next major milestone in the JCPOA. It will occur only after the IAEA verifies that Iran has completed all of the key nuclear steps specified in the JCPOA. These are the technical steps that push Iran's breakout time to at least a year, from the current estimate of less than 90 days. At that time, Iran will receive relief from U.S., EU, and UN nuclear-related sanctions. The timing for reaching Implementation Day is primarily within Iran's control. However, I reiterate that Iran will receive no sanctions relief under the JCPOA until it has verifiably met all of its key nuclear commitments.

Since Adoption Day, Iran has been working to fulfill its commitments and reach Implementation Day making tangible progress on a number of key commitments. For example, Iran has begun dismantling its uranium enrichment infrastructure by removing thousands of centrifuges and transferring them for storage under continuous IAEA surveillance. It has already removed more than 5000 of its machines and is likely to move quickly to remove the rest in the coming days.

Iran is also making progress on reducing its stockpile of various forms of enriched uranium to no more than 300 kg of up-to-3.67% enriched material. It will accomplish this primarily by shipping a significant amount of such material outside Iran, while also diluting the remaining excess to the level of natural uranium or below. Commercial contracts are in place for Iran to ship its enriched uranium stockpiles to Russia. We expect that this material—approximately 25,000 pounds of material enriched up to 20 percent LEU—could leave Iran as soon as later this month. This step alone will significantly lengthen Iran's breakout time.

As I have briefed members of this Committee before, Iran must also remove and render inoperable the existing calandria—or core—of the Arak Reactor by filling it with concrete before Implementation Day can occur. These actions will effectively cut off Iran's ability to produce weapons-grade plutonium. Iran and the P5+1 are also continuing work to advance the redesign and reconstruction of the Arak reactor. The P5+1 have set up a working group to facilitate this project, which we expect will begin to meet soon after the New Year.

Regarding the Possible Military Dimensions of Iran's past nuclear program—an issue on which I know you all have been very focused—on October 15, the IAEA announced that Iran had fulfilled its commitments under the ″Roadmap for Clarification of Past and Present Outstanding Issues″ as agreed to with the IAEA. Subsequently, on December 2nd, the IAEA Director General released the ″Final Assessment on Past and Present Outstanding Issues regarding Iran's Nuclear Programme.″

The report confirmed what the international community has long known—that Iran had a structured nuclear weapons program up until 2003 and there are no indications that it is continuing today. This candid assessment gives us further confidence that the IAEA will perform its duties related to the JCPOA honestly and vigorously.

And just this week, on December 15, the IAEA Board of Governors in a special session adopted by consensus a resolution addressing the Director General's report on PMD. This resolution, submitted by the P5+1, turns the Board's focus from confirming what we already knew about Iran's past weapons-relevant nuclear activities toward fully implementing the JCPOA. This will give the IAEA much better tools for deterring and detecting weapons-related activities in the future.

We also continue to work closely with the IAEA as it makes preparations to implement the JCPOA's unprecedented monitoring and verification provisions of Iran's entire nuclear program. The IAEA will have continuous monitoring of all of Iran's key declared nuclear facilities. This includes its uranium mills as well as its centrifuge production facilities, a first for the IAEA. These measures specific to the JCPOA will give us increased confidence Iran is not diverting material or equipment to a covert program. We've always said that this deal isn't based on trust but on intense verification of Iran's program. That's why we're working so closely with the IAEA to make sure it has everything it needs to do this crucial job going forward.

Meanwhile, we continue to engage with our international partners on other matters pertaining to implementation of the JCPOA and reaching Implementation Day. U.S. experts continue to meet with our P5+1 partners and others, including the EU and Iran, on setting up the procurement channel—the mechanism by which the Joint Commission and United Nations Security Council will review and approve or disapprove transfers of NSG-controlled items and technology for Iran's nuclear and non-nuclear civilian industry, as well as any other items if a State determines it could contribute to activities inconsistent with the JCPOA.

And on sanctions, we continue to work within the U.S. government, as well as with the EU and others, to make the necessary arrangements to lift nuclear-related sanctions once the IAEA confirms Iran has completed its key nuclear commitments and we reach Implementation Day.

Full implementation of the JCPOA is in our and our partners' national security interest. It will place Iran's nuclear program under an unprecedented verification and monitoring regime, and when fully implemented it will give the international community the tools necessary to ensure that Iran's nuclear program is exclusively peaceful going forward. It will make us, Israel, our Gulf partners, and the whole world safer.

We look forward to continuing to engage with this Committee and with Congress more broadly on this important topic. I, along with my colleagues, look forward to answering your questions today.

The CHAIRMAN. Thank you so much. And thank you for that fulsome testimony. If we could do it a little less fulsome for the remaining witnesses, that would be great, but thank you so much for that.

Mr. Countryman?

STATEMENT OF HON. THOMAS M. COUNTRYMAN, ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL SECURITY AND NONPROLIFERATION, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. COUNTRYMAN. Thank you, Mr. Chairman and Senator Cardin and other members, for this opportunity. You have my written statement so I will be less fulsome.

For decades, my bureau, ISN, and its predecessors have had as a central assignment, taking every opportunity to analyze, impede, and frustrate the development by Iran of technology related to nuclear energy and to ballistic missiles and other technologies. We did that job before there were any negotiations with Iran on its nuclear program, we did it throughout the negotiations, and we do it today with the same tenacity and creativity and partnership with dozens of dedicated agencies across the Federal Government, and we will keep doing it.

Since the negotiation of the JCPOA, we have devoted our key resources in support of Ambassador Mull's mission to achieve full implementation of the JCPOA. And in particular we work hard on

support and cooperation with the International Atomic Energy Agency, as well as in creation of a Procurement Channel that can meet the limited legitimate nuclear needs that Iran may have under the JCPOA. It in no way diminishes, as I said, the task of counter-proliferation, of interdiction, of preventing acquisition of technology.

I look forward to addressing any concerns or questions you have about these two central roles of my bureau or any other topic. Thank you again for this opportunity.

[The prepared statement of Mr. Countryman follows:]

PREPARED STATEMENT OF HON. THOMAS M. COUNTRYMAN

IRAN'S MISSILE PROGRAM AND THE JOINT COMPREHENSIVE PLAN OF ACTION (JCPOA)

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for inviting me to talk to you today about our efforts to address Iran's ballistic missile program. Iran's efforts to develop increasingly capable ballistic missile systems remain one of our most significant nonproliferation challenges and a very real threat to regional and international security. As we have for many years, we continue to rely on a wide range of multilateral and unilateral tools to work to address Iran's ballistic missile development efforts and our use of these tools remains unaffected by the implementation of the Joint Comprehensive Plan of Action (JCPOA).

Currently, multiple United Nations Security Council resolutions (UNSCRs) that target Iran's missile development, procurement, and proliferation activities remain in effect. In particular, resolution 1929 prohibits Iran from undertaking any activity related to ballistic missiles capable of delivering nuclear weapons, including launches using ballistic missile technology. These resolutions require all states to prevent transfers from their territory or by their nationals of missile-related items, materials, equipment, goods, and technology to and from Iran. However, even with these strong provisions in place, Iran has continued to engage in activities that clearly violate these restrictions. This has been the case since the adoption of UNSCR 1737 in 2006, and we have continued to draw attention to Iranian violations of these provisions. For example, in October 2015, the United States, in conjunction with the United Kingdom, France, and Germany, reported an Iranian test of a medium range ballistic missile to the United Nations Security Council's Iran sanctions committee as an UNSCR violation. Other Security Council members joined the United States in condemning the launch as a violation, which the UN's own Iran Panel of Experts also agreed was contrary to UNSCR 1929. We will continue to call on the UN Security Council to address this serious matter, shine a spotlight on such destabilizing activities by Iran, and increase the cost to Iran of its behavior.

At the same time, we note that missile tests, such as the October launch reported to the UN, are not a violation of the JCPOA. The focus of the JCPOA is cutting off all of Iran's pathways to a nuclear weapon. We have long said that the JCPOA was not predicated on any change in Iranian behavior—including its missile development efforts—other than specific changes that would have to be made to its nuclear program. Full implementation of the JCPOA by Iran will ensure that Iran's nuclear program remains peaceful going forward and thus Iran will not be able to produce a nuclear warhead.

Under the JCPOA, after the IAEA verifies that Iran has implemented key nuclear-related measures, the provisions of previous relevant UNSCRs will terminate but the measures in UNSCR 2231, which was adopted last July after the JCPOA was finalized, still impose restrictions on Iran's missile-related activities for a period of eight years or the IAEA reaches the Broader Conclusion that all nuclear material in Iran remains in peaceful activities. Specifically, UNSCR 2231 prohibits all States from transferring all items, materials, equipment, goods, and technology set out in the Missile Technology Control Regime (MTCR) Annex to Iran unless the Security Council decides in advance on a case-by-case basis to permit such activities. As a permanent member of the Security Council, we would not expect to approve such activities.

While these provisions will reinforce our overall missile nonproliferation efforts with respect to Iran, we also rely on a broad set of other multilateral and unilateral tools to impede and disrupt Iran's missile development efforts. Specifically, we continue to work with many of the over one hundred governments around the world

that have endorsed the Proliferation Security Initiative (PSI) to interdict weapons of mass destruction (WMD), their delivery systems, and related items, including Iran's prohibited missile-related imports or exports. We also use our participation in the MTCR to prevent the spread of critical missile technologies and raise awareness among the 33 other MTCR Partners (members) of the proliferation concerns posed by Iran's missile development, procurement, and proliferation activities. We bolster these multilateral efforts through our bilateral cooperation with countries to prevent transfers to Iran's missile program, promote thorough UNSCR implementation, and target Iranian missile proliferation activities in third countries. In addition, we continue to use unilateral authorities to impose sanctions on entities connected to Iran's ballistic missile programs and procurement network.

We have no intention of reducing our focus and determination to prevent the development of Iran's ballistic missile capabilities, even as we take steps to implement the JCPOA. Thank you again for the opportunity to discuss this important security issue with you. I look forward to your questions.

The CHAIRMAN. Thank you. Thank you very much.

General Klotz?

STATEMENT OF LIEUTENANT GENERAL FRANK G. KLOTZ, USAF, [RET], UNDER SECRETARY FOR NUCLEAR SECURITY AND NNSA ADMINISTRATOR, U.S. DEPARTMENT OF ENERGY, WASHINGTON, DC

General KLOTZ. Thank you, Chairman Corker, Ranking Member Cardin, and members of the committee. It is a great honor to again testify before this committee and to have the opportunity to discuss the role that the Department of Energy and the National Nuclear Security Administration play and will continue to play in support of the U.S. Government's actions to implement the JCPOA.

As my colleagues from the State Department, Ambassador Mull and Assistant Secretary Countryman have already stated, the JCPOA ensures that Iran's nuclear program is exclusively peaceful. It provides unprecedented verification measures, it constrains Iran's nuclear program in a manner that gives us ample time to respond if Iran chooses to violate its terms, and it takes none of our options off the table.

As we move toward and then beyond Implementation Day, the scientific, engineering, and technical expertise within the Department of Energy, including our national laboratories, will be called upon to help ensure that Iran complies with all of the nuclear-related measures of the JCPOA.

The Department of State is leading the administration's efforts to oversee implementation of the JCPOA, but DOE plays—and, as I said, will continue to play—an indispensable role in this process by providing scientific, engineering, and technical support and analysis to inform policymakers in making sound decisions and judgments.

Allow me to provide just a couple brief examples of the kinds of unique expertise and skills the Department of Energy brings to the table. As Secretary of Energy Moniz has testified, the JCPOA blocks all of Iran's pathways to building a nuclear weapon, including the production of weapons-grade plutonium. To this end, as Ambassador Mull has pointed out, it requires Iran to redesign and rebuild the Arak reactor, effectively eliminating a potential source of weapons-grade plutonium. The JCPOA further requires that the final redesign of the reactor be approved by the Joint Commission.

For the United States, the expertise for assessing the technical aspects of the redesign, including fuel and safety standards, and

ensuring it complies with the nonproliferation provisions of the JCPOA, resides within the Department of Energy and in its national laboratories.

Another example, the JCPOA also establishes a process for review and approval of procurement by Iran of specified nuclear-related items. This process will be conducted, as Ambassador Mull said, through a Procurement Working Group of the Joint Commission. The NNSA's Office of Nonproliferation and Arms Control has a unique expertise and a long history in working with domestic agencies and with international organizations such as the Nuclear Suppliers Group on matters related to the expert of nuclear-related and dual-use technology and materials. They will play an important role in advising the Department of State, which will coordinate the U.S. Government's efforts regarding the Procurement Working Group.

Finally, the International Atomic Energy Agency, the IAEA, will play a major role in monitoring and verifying the nuclear-related measures of the JCPOA. The Department of Energy and the NNSA work very, very closely with the IAEA in supporting its nuclear safeguards mission, including providing training, developing technologies, and providing experts to the organization.

By the way, we have just published this brochure which lays out our support of that, and if the committee likes, I would be happy to submit it for the record. It is also available on our website.

[Editors' Note: The document referred to above can be found in the "Additional Material Suibmitted for the Record" section at the end of this hearing transcript.]

The CHAIRMAN. Thank you.

General KLOTZ. In conclusion, the JCPOA is not built on trust. It is built on hard-nosed requirements that will limit Iran's activities and ensure access, transparency, and verification. The Department of Energy takes seriously its participation and efforts to implement the JCPOA and to help ensure that Iran carries out its commitments under the deal, including participating in the administration's implementation efforts and supporting the IAEA.

Again, thank you, Chairman, for the opportunity to be here, and I look forward to fielding any questions you may have.

[The prepared statement of General Klotz follows:]

PREPARED STATEMENT OF LIEUTENANT GENERAL FRANK G. KLOTZ, USAF, [RET.]

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for the opportunity to discuss the status of implementation of the Joint Comprehensive Plan of Action (JCPOA) reached between the P5+1 (China, France, Germany, Russia, the United Kingdom, and the United States), the European Union, and Iran. I appreciate the opportunity to be here to discuss the role the Department of Energy (DOE) plays in support of the Administration's implementation of the JCPOA. The JCPOA provides unprecedented verification of Iran's nuclear program to ensure that Iran does not obtain a nuclear weapon. As we move toward and beyond Implementation Day, the technical expertise within DOE, including the National Nuclear Security Administration (NNSA), and at our national laboratories will be called upon to ensure that Iran meets all of its nuclear commitments.

As Secretary Moniz has said, the JCPOA ensures that Iran's nuclear program is exclusively peaceful, provides unprecedented verification measures, constrains Iran's nuclear program in a manner that give us ample time to respond if Iran chooses to violate its terms, and takes none of our options off the table.

As noted by Ambassador Mull, the Department of State is leading the administration's efforts to oversee implementation of the JCPOA. DOE, including NNSA, plays an important role by providing technical support to implementation efforts. In addi-

tion, the department and its national laboratories will continue to provide technical support and analysis throughout implementation of the JCPOA to help ensure that Iran carries out its commitments.

I will detail for you a few examples of the technical support to JCPOA implementation that the department is providing:

- The JCPOA blocks Iran's pathway to producing and using nuclear weapons-grade plutonium by requiring the rebuilding and redesign of the Arak Reactor, effectively eliminating a potential source of weapons grade material. The calandria, or reactor core, from the old design will be filled with concrete and made inoperable. The JCPOA calls for a working group to cooperate with Iran to develop the final design of the modernized reactor, and provides for the final design of the reactor to be approved by the Joint Commission. DOE/NNSA technical experts will provide technical support and review the design of the modernized reactor as well as analyze the fuel design and safety standards to verify that it conforms to the characteristics set forth in the JCPOA, including that Iran cannot use this reactor for prohibited purposes.
- The JCPOA establishes a process for review and approval of procurement by Iran of specified nuclear-related items. This process is conducted through a Procurement Working Group of the Joint Commission. Technical experts in NNSA's Office of Nonproliferation and Arms Control will review and make recommendations to the Department of State, which coordinates the U.S. government efforts regarding the Procurement Working Group, on such procurement proposals. The JCPOA prohibits any procurement by Iran of these items outside the Procurement Working Group process.
- As Secretary Moniz has noted, the JCPOA provides the most rigorous inspections that we have ever had in Iran. DOE/NNSA's technical expertise and training supports the International Atomic Energy Agency's (IAEA) monitoring and verification activities that will be important to ensuring that Iran carries out its commitments under the JCPOA. DOE/NNSA is highly engaged with the IAEA in providing training, technologies, and people to support this critical organization.

The IAEA is responsible for applying international nuclear safeguards, through which the IAEA is able to confirm to the international community that nuclear material and facilities are not being used for the illicit manufacture of nuclear weapons. Nuclear safeguards include, for example, on-site inspections, nuclear material accountancy, physical measurements, containment and surveillance, and environmental sampling.

Let me take a moment to expand on the support that DOE/NNSA provides to the IAEA, and share with the Committee a few examples of the substantial nuclear safeguards work that we support. Every year, the department hosts training courses for IAEA inspectors and analysts on a wide range of topics including measuring nuclear materials, inspector access under the Additional Protocol, advanced plutonium verification, enrichment technology, export controls and commodity identification. These courses are organized and implemented with the support of experts from our national laboratories and take place in the United States, at IAEA facilities in Vienna, and at international nuclear facilities in collaboration with other IAEA Member States. For example, every new IAEA inspector since 1980 has had nuclear materials measurement training at the Los Alamos National Laboratory, in New Mexico.

The department's national laboratories have played a major role in developing and improving safeguards technologies and providing expertise since the IAEA's inception in 1957. They develop and transfer various technologies to the IAEA for use in safeguards systems all over the world. This equipment goes through a rigorous evaluation process by the IAEA before being accepted into routine use, including vulnerability analyses by independent parties. The On-line Enrichment Monitor (OLEM), developed by the Oak Ridge National Laboratory, Los Alamos National Laboratory, the Pacific Northwest National Laboratory and the IAEA, is one example of a technology jointly developed by our national laboratories and the IAEA. The OLEM is an innovative safeguards technology that can be used to continuously monitor the enrichment levels of uranium in gaseous form at a centrifuge enrichment plant. In other words, it will allow the IAEA to determine if Iran enriches above permitted levels. And for the first time, as a result of the JCPOA, OLEM can be used in Iran.

In addition to our training and safeguards technology cooperation, five of the Department's national laboratories participate in the IAEA's Network of Analytical Laboratories, or NWAL, a network of 20 laboratories in 10 countries that provide

analytical services to the IAEA. These laboratories undergo a rigorous qualification process by the IAEA to ensure that they maintain the highest quality standards. While the IAEA analyzes material and environmental samples at its laboratory in Seibersdorf, Austria, the agency also relies upon its NWAL to assist in sample analysis for logistical purposes, quality control and to have access to state-of-the-art techniques. Environmental sampling, in particular, is a very powerful tool that the IAEA uses to determine if undeclared activities are occurring. The IAEA relies on the U.S. laboratories that are part of the NWAL because of our world class capabilities for high-precision analysis and quality control.

Finally, the United States provides personnel to the IAEA to support the IAEA's Department of Safeguards in a variety of areas, including technology development, information and statistical analysis, and development of safeguards approaches. As of June, approximately 10 percent of the workforce of the IAEA's Department of Safeguards was from the United States, and many of these Americans have worked for DOE or our national laboratory system. We are proud of the assistance we provide and the close collaboration we have with the IAEA.

JCPOA is not built on trust. It is built on hard-nosed requirements that will limit Iran's activities and ensure access, transparency, and verification. the department takes seriously its participation in efforts to implement the JCPOA and help to ensure that Iran carries out its commitments under the deal, whether that is participating in the administration's implementation efforts or supporting the IAEA.

Thank you for the opportunity to be here. I look forward to answering your questions.

The CHAIRMAN. Well, thank you for your testimony.

And without objection, we will enter into the record the document you just referred to.

[Editor's Note: The information referred to above can be found at the end of this document in the "Additional Material Submitted for the Record" section.]

The CHAIRMAN. Ambassador Mull, first of all, you have got a winning personality and we all like you and, you know, you have been very energetic in your meetings with us. At the same time, we have not verified, the U.S. Government has not verified this second missile launch to my knowledge. Is that correct?

Ambassador MULL. Sir, we are aware of the reports of that launch. We are analyzing those reports.

The CHAIRMAN. So we have not formally stated that it occurred?

Ambassador MULL. The U.S. Government has not.

The CHAIRMAN. Yes. You came before us—and I just want to make sure that as we go forward we are all really clear with each other, but you came to our committee on December 2. The launch took place on the 21st. No mention was made of that in this classified briefing. I am just curious as to why that did not occur.

Ambassador MULL. Senator, I had not seen any of those reports at our last meeting on December 2, so I was not in a position to comment on it.

The CHAIRMAN. So you were unaware of it happening on December 2?

Ambassador MULL. On December 2 I had not seen any reports.

The CHAIRMAN. You had no knowledge of it whatsoever?

Ambassador MULL. I had heard that someone said that there might have been a launch. It was an unconfirmed source. I had not seen any reports of that, though, verifying it.

The CHAIRMAN. Okay.

If you would just, you know, again, so we can maintain an appropriate relationship, even things like that would be useful, especially in the kind of setting we had, which was very casual. We would like to know those kind of things in real time. Okay.

Iran is obviously conducting work on long-range ballistic missiles. I know this is, again, a little bit outside of the purview. The only use for those in history up until this point in time is to put a nuclear tip on those, is that correct? I think General Klotz would agree that intercontinental ballistic missiles up until this point in time have only been used to deliver nuclear weapons, is that correct?

General KLOTZ. Long range, Mr. Chairman.

The CHAIRMAN. And I mean long range, yes.

General KLOTZ. I am drawing on my experience as an Air Force missile officer. Long-range intercontinental ballistic missiles, to my knowledge, have only been used for delivering nuclear—or being capable of delivering nuclear weapons. Shorter-range systems have been used by a variety of countries to use conventional munitions.

The CHAIRMAN. Ambassador Mull, as we understand that this is the case, that that is the only purpose, we know that they are doing that now, is there anything—what is the administration drawing from that activity?

Ambassador MULL. Well, I think the administration, as Ambassador Power mentioned in her meeting with this committee last week, the United States has strongly condemned the violation of U.N. Security Council resolution, which legally forbids that missile program from going forward. In fact, the United States was the leader in mobilizing U.N. Security Council resolution 1929 to make that illegal.

The CHAIRMAN. But I am really talking about the intent. I mean, since history has said—we are a pretty sophisticated country ourselves—you only develop those for the delivery of nuclear weapons, they are continuing to do that now in violation of U.N. Security Council resolutions. We have taken no action. That is a side issue that is very, very important, and I am sure many committee members will focus on that.

But what does the administration draw from the fact that they are testing missiles that throughout history have only been used to deliver nuclear weapons while "dismantling" the antique centrifuges that they are dismantling now?

Ambassador MULL. Senator, well, one of the reasons that we have pursued the JCPOA is that Iran has in fact, as you mentioned, repeatedly violated Security Council resolutions on that missile program. So Iran is going to develop that program regardless of the consequences it has paid for that. An important part to remove that threat, if Iran is going to continue to develop that program, let us make sure it does not have the capability to put a nuclear payload in such missiles.

And by reducing the amount of enriched nuclear material available to Iranian's nuclear program by 98 percent, Iran now has—today, within 90 days, it could amass enough material to produce a nuclear weapon. Following implementation of this deal, it will take us more than a year. So the missiles may continue to fly, but we have made it a lot harder to put a nuclear payload on those missiles.

The CHAIRMAN. I understand all that. Can you share with me why—any thoughts that the administration has over this 180-degree inconsistency where they are continuing to develop the ability

to deliver a nuclear weapon? That is the only purpose in history that these long-range ballistic missiles have been used. What is the thinking inside Iran from your perspective?

Ambassador MULL. Well, the thinking—I mean, first of all, the missile launch that took place, the most recent one, was a medium-range nuclear missile. It was not an ICBM. The thinking that we apply to this is that we need to make it as hard as possible——

The CHAIRMAN. I am not asking about your thinking. And if you do not—please do not read those paragraphs anymore to me. I am asking you what the administration thinks Iran is doing when this is totally inconsistent with rational thinking.

Ambassador MULL [continuing]. Well, I am not in a position to characterize what Iran or the Iranian Government is thinking. We are focused on making sure they cannot develop a nuclear weapons capability.

The CHAIRMAN. Let me ask you another question. Senator Menendez really pressed Secretary Kerry when he was here, and many of us since that time, relative to whether the launch of these ballistic missiles as defined will be in violation of the new agreement that is being implemented now. It was in violation of 1929. We have done nothing about that, which is unfortunate. But there is some really cute language that was utilized that we discussed while we were trying to understand what the agreement really said. Secretary Kerry was adamant that they could not continue to test missiles even after this agreement was put in place. There is some weird language in UNSCR that this refers to. It says "they are called upon." Out of curiosity, after the implementation, if they launch these types of missiles, is it or is it not in violation of the agreement?

Ambassador MULL. It is not in violation of the JCPOA. It is a violation of Security Council resolutions.

The CHAIRMAN. So the called-upon language from your perspective makes it clear that going forward it will continue to be a violation?

Ambassador MULL. The called-upon language, it would violate that part of the U.S. Security Council resolution, but that Security Council resolution contains legal prohibitions on any international support for Iran's nuclear weapons program. Any exception to provide materials or other resources to Iranian's missile program is forbidden by U.N. Security Council Resolution 2231. Exceptions can be sought. The United States will veto any such exceptions that are requested.

The CHAIRMAN. Thank you. I am going to reserve the remainder of my time for interjections.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. And thank you all for your testimony.

I would like to follow up a bit on what the chairman's, I think, line of question was from what I could see. But before I do so, I want to echo Senator Cardin's comments about the chairman's process of leading the committee. I do appreciate probably the most bipartisan committee in the United States Senate, and it speaks incredibly important to what U.S. foreign policy needs to be, which it needs to be as bipartisan as it can.

The CHAIRMAN. If I could, I was ranking when you were chair, and you have no idea how much I appreciate the way that you dealt with me and your staff, the respect. And just know that when someone like you is chair sets that kind of example, it really causes those who come behind you to want to do the same. So thank you.

Senator MENENDEZ. Thank you. I hope to do so again. [Laughter.]

The CHAIRMAN. I hope not, but we will see. [Laughter.]

Senator MENENDEZ. Well, there had to be a point of divergence.

But in any event, I have a very clear sense—and I hope I am wrong—that what we have here is a permissive environment. We have a set of circumstances where, regardless of what you saw of the PMD issue, we, for the longest period of time, pushed to get a real sense of what was the breadth and scope as to how far Iran got in development of its efforts for a nuclear weapon. And for the longest period of time, the government of the United States said that we needed to know that. And then what we got really was a process in the JCPOA that gave Iran the easy out by just simply answering questions as they wanted it without really fully coming clean. And the result was that that is closed.

Now, the administration consistently came before this committee and said that if we move aside from the nuclear portfolio that we would aggressively pursue Iran's violations of international order, missile technology, weapons trafficking, human rights, and its hegemonic interests in the region.

And so what have we seen since? We have seen not one but two missile tests. And we have seen an interdiction of arms shipments off of Oman. And I do not think we can expect the Security Council to do anything about it because of Russia and China.

So the question is, is the administration ready to act and find its own set of actions so that Iran understands the consequences for violating the international order and setting the tone so that when the full implementation of the JCPOA takes place, that we will have a very clear understanding by them that failure to comply fully will have consequences.

Ambassador MULL. Senator, I would stress that we fully concur with you and the rest of this committee that Iran has violated the Security Council resolutions in its missile program and does commit many other things that are very hostile to our interests and our friends' interests.

Senator MENENDEZ. So what are we going to do about it? That is the question. Well, there have been—Iran is one of the most sanctioned countries on earth thanks to a really effective partnership that we have had with this committee over two presidential administrations in putting together a patchwork of sanctioned regime that has exacted serious cost to the Iranian economy. We believe going forward, you know, as these—as we confirm these missile launches, we have been swift in condemning them, as we did, as Ambassador Power did in the Security Council. And measures that we will take in response to those confirmed missile launches, we are actively considering additional measures at this moment.

If you say to me, Ambassador, that they are the most sanctioned, it almost implies that there is nothing else we can do. If that is the case, then we are in deep trouble. But those sanctions are going

to be coming off, assuming implementation. So the bottom line is—and I see Ms. Hafta shaking her head no—but as far as I understand, those sanctions are going to be coming off upon implementation.

Ambassador MULL. Sir, those nuclear-related sanctions will come off when Iran has rid itself of 98 percent of its enriched uranium stockpile.

Senator MENENDEZ. That is what I am talking about. They are going to be off.

If those sanctions no longer exist and if you are saying they are the most sanctioned country in the world, I assume that you are referring to their nonnuclear sanctions. So then what is left to do? Basically to let Iran violate without consequence.

Ambassador MULL. Senator, I would underscore that a very important part of the agreement that we negotiated with Iran was the snapback provision that allows the re-imposition of sanctions for any violation of the agreement. And the United States is no bound by any—

Senator MENENDEZ. But, Ambassador, these are nonnuclear actions. Let us put the nuclear portfolio aside. If Iran continues to violate nonnuclear actions that are in violation of U.N. Security Council resolutions, in violation of what Secretary Kerry said before the committee, that we will aggressively pursue Iran on violations that take place for missile technology, for human rights, for arms trafficking, then what is left?

Ambassador MULL. Well, we will use the considerable full authorities that we have to take action. And perhaps I could ask my colleague, Assistant Secretary Countryman, who oversees those authorities in pursuing our nonproliferation interests.

Mr. COUNTRYMAN. Specifically, with regard to ballistic missile technology, we rely on two related concepts. One is sanctions; one is strategic trade controls. It is correct that we have sanctioned virtually every Iranian entity that is connected with the ballistic missile program so that they cannot do commerce with the U.S. or acquire U.S. technology legally or use U.S. financial system. And we have also used such sanctions and designations against commercial entities in other countries that have traded with the Iranian ballistic missile program.

Those sanctions remain in effect. We retain the authority to impose those sanctions even after the nuclear-related sanctions are lifted. And we retain, as the previous administration and I think the next administration, the determination to do so.

Strategic trade controls are different. They allow us, through the missile technology control regime, through the proliferation security initiative, in support of the U.N. Security Council resolutions, to partner with dozens of nations around the world in order, as I said, to interrupt, delay, impede in every way possible the transfer of such technology.

We have not and we cannot entirely stop that trade, but we believe that our efforts, which will continue after nuclear-related sanctions are lifted, have made the Iranian missile program less productive, less accurate, less of a threat to our friends in the region than it otherwise would have been.

Senator MENENDEZ. Well, let me close by saying, Mr. Chairman, number one, I am going to be looking forward to see what actions you take, and so far they have not been forthcoming.

Number two, you talk about snapback. You have to snap back to something, and the Iran Sanctions Act that I authored and that my colleagues here all helped us with and passed unanimously through the Senate expire this coming year. And I am going to seek its reauthorization because you have to snap back to something.

And, number three, I have been following Iran since my days in the House of Representatives, for the better part of 20 years. And I know some of my colleagues think that this is a question internally in Iran of showing that the hardliners have still some strength by firing missile technology and testing it. I know that Iran, over the last two decades, has tested the will of the international community, and that is why they got to the point that they are on the verge of having the nuclear power that could be converted to nuclear weapons. And basically, we said, well, it is too big to roll back.

So at the end of the day, if we allow them to continue to test us—they have a history. They have tested us and the world. And if we allow them to continue to test us without consequence, believe me that they will continue to expand. And that is the risk here, and that is what I hope we can come together, not only in an understanding but in an action.

The CHAIRMAN. Before moving to Senator Isakson, just to follow up, I am getting the strong sense that the reason we are doing nothing and creating a permissive environment, which I think is going to be very problematic over the long term, I think we are doing that because we are trying to effect the internal elections that are taking place this spring. And that is just not in keeping with the integrity of this agreement. I can understand a desire by some to do that. I know that is why they are dismantling so quickly so that the sanctions will be relieved before the election. But I get the sense that you and others are complicit in trying to affect their internal elections, and that is why we are not taking actions. When I say you and others, I am talking about our U.N. Ambassador and I am talking about the administration.

But with that, Senator Isakson.

Senator ISAKSON. Sorry I just called you, Johnny. Excuse me. [Laughter.]

The CHAIRMAN. Tell Diane hello.

Senator ISAKSON. He said hello, sweetie. [Laughter.]

Senator ISAKSON. Is it my turn, sir?

Let me echo what Senator Cardin, Senator Menendez, and Senator Corker said about each of you having been great leaders for the committee. We appreciate very much what you have done.

But I want to share something with the whole committee before I ask my question. Yesterday afternoon, the surviving hostages from the American embassy in Iran learned that this Congress will compensate for them in the omnibus bill we will take up later on this week.

The emotional relief for those 43 surviving hostages of that ordeal is not expressible in words, but I want the chairman, the ranking member, and every member of Democrat and Republican

alike to know that you did a great deal of work to help us over a 7-year period of time to make that a reality, and you have made the lives of some people who were tortured, beaten, and held captive by the Iranians at least get closure on an event that was a terrible part of their lives. I want to thank the chairman, the ranking member, and all the committee members for making that possible.

The CHAIRMAN. Well, I hope all 43 of them know it is because of your persistence and leadership that this is happening. And we all sometimes get frustrated with the impact that we are able to have with a 100-person body, but there is no question you have had incredible impact on these 43 citizens. Thank you.

Senator ISAKSON. Well, thank you. But it was a great team effort and I appreciate it. And it really is the template for my comments to Mr. Mull.

In 1981 when President Carter obtained the release of those Americans from the Iranian hostage-taking in the embassy, to get them released by the Iranians he had to negotiate away their ability to be compensated for their ordeal. That was the way the Iranians negotiated that deal. We finally got a hold of some sanctions money in the Paribas settlement, which the Department of Justice has, which is the money we are compensating those hostages from.

But the Iranians never want to accept responsibility or culpability for any crime they have perpetrated against the American people up to now. And I worry, as Senator Menendez has said, that if we are very passive about the JCPOA enforcement and just look the other way, the Iranians will just look the other way and do whatever they want.

By way of example—and I am quoting here—the Iranian regime has declared "they would consider any type of sanction at any level or under any pretext a breach of the deal that would release Iran from any obligations it has."

So, in other words, if we reach Implementation Day—and as I understand it, the President says the sanctions are then waived—and then we take any action to snap back, which is the enforcement mechanism we were all told by Secretary Kerry we would have, the Iranians will call the snapback a violation of the agreement and they will be free to do whatever they want to. So it is kind of like having it both ways. Now, am I missing something? Mr. Mull?

Ambassador MULL. Sir, we believe that this deal is a political commitment by all sides. The United States has been very firm both in the negotiations, as well as publicly, in explaining the deal since then that any violation of that agreement will draw consequences. And we have a wide range of consequences from re-imposing some of the sanctions, partially, to re-imposing all of them and walking away from the deal. So a number of the factors in this deal are close to irreversible.

If Iran goes forward, as it says it will, in the next few weeks to disable the reactor core of the heavy water reactor at Arak, that, in one swift action, will remove Iran's ability to produce weapons-grade plutonium for the foreseeable future. That is a huge win for our interests and those of our friends in the region.

If Iran decides to walk back—they will have, for Iran, an unprecedented inspection regime. They are going to be 130 to 150 IAEA

inspectors given full-time, 24/7 access to all of Iran's nuclear facilities. And so we will be able to determine if they are in compliance or not, and if they are not, there will be consequences.

Senator ISAKSON. On that point, then it would seem like to me what Senator Menendez has said he wants to do would probably be the appropriate thing for the Congress to do, and that is if in fact we reach Implementation Day, which I assume we will, and if in fact the sanctions regimen goes away when we reach that date, should we not have in place before that date comes what sanctions we would snap back to if in fact there was a violation?

Ambassador MULL. Sir, we have in place and will have in place on Implementation Day and far beyond Implementation Day a comprehensive network of sanctions authorities both through the legislation that the Congress has passed, as well as a complex of executive orders, which has the ability to impose sanctions on Iran swiftly should that be required. So we believe that we have the tools in order to do that.

Senator ISAKSON. General, can I ask you a question, please?

The Iranians are going to be sending 25,000 pounds, is that correct, of nuclear-enriched material to Russia as a part of the agreement?

General KLOTZ. Is that the total amount?

Ambassador MULL. Yes.

General KLOTZ. Yes.

Senator ISAKSON. Okay. If my math is right, that is a number of tons of nuclear-enriched material. Are we certain that the security of that material in Russia will be watched after, and will we have any ability to monitor how they take care of that material?

General KLOTZ. Senator, we have worked very, very closely with Russia over decades to enhance cooperatively their security and safeguards of their nuclear sites. Also, many of the sites in Russia are subject to IAEA safeguards in the same way that other sites are.

I think on this one, you know, the impression that we get is this is a move that the Russians are taking very, very seriously, very, very professionally. They know how to move nuclear material, they know how to store nuclear material, and they know how to account for nuclear material.

Senator ISAKSON. The reason I ask the question is—and I think I am correct here and you can correct me if I am wrong—but there was a significant breach in the integrity of some of that material in Russia a number of years ago, which brought about the creation of the Nunn-Lugar nuclear threat initiative and the inspections that took place in the old Soviet Union, which had let some of that stuff get loose and was never accounted for. So I think this is—we want to make sure we never revisit that chapter in history if they are getting that much nuclear-enriched material going into Russia now.

General KLOTZ. I could not agree more, Senator. And let me just add sort of parenthetically that the Nunn-Lugar Cooperative Threat Reduction measures that were taken immediately after the fall of the Berlin Wall and the dissolution of the Soviet Union was probably one of the single-most important achievements in U.S. for-

eign and national security policy that I personally had an opportunity to participate in.

We were quite concerned in those early days about security and safety at nuclear facilities in Russia, both civil and nuclear. And it is because of the work of Senators Nunn and Lugar and a whole bunch of very patriotic Americans who have made countless trips there working with Russian counterparts that it is better than it was before. There is still work to be done.

In my opinion, in the opinion of the NNSA and the DOE and we ought to—but under the current political circumstances, it has been very, very difficult to get the Russians interested in pushing forward, but we will continue to look for opportunities to do that.

Senator ISAKSON. Thank you very much. Thank you to all of you for your service.

The CHAIRMAN. Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman. Thank you to the witnesses.

I strongly supported this deal and continue to, and I strongly support tough enforcement of the deal. I was very glad to join with Senator Corker and others in the letter to the President following the October missile test, and I am gratified that the U.N. report about that test is so unequivocally clear that it was a violation of the Security Council resolution.

The reason, among many, that I supported the deal is I think the U.S. has to try diplomacy first. We have to. We started a war in 2003 over a nuclear program that turned out not to exist. And we need to try diplomacy first. We need to keep a military option on the table, but actually, that option is strengthened legally, it is strengthened strategically, it is strengthened in terms of coalition partners. It has even strengthened in terms of the intel we get if we go forward on this deal. So we keep that option on the table, but we need to try diplomacy first.

And the good thing about trying diplomacy is that we are now in a hearing like this where we are keeping the focus on Iranian behavior. That is where the globe's focus should be, Iranian behavior. If we had walked away from the deal, the focus would have been on American negotiating tactics. Why would America tank a deal that the international community—that would have been the focus. Now, the focus is on Iranian behavior, and we have got to keep the focus on Iranian behavior and what the consequences should be.

I was gratified—I think Senator Corker said we were kind of expecting the IAEA report to be a little bit kind of a fudge factor, but the IAEA was really clear. Iran had a nuclear program. And we were gratified with the clarity because it kept the focus on Iranian behavior.

I am gratified by the U.N. panel conclusion that has been reported on in the last couple of days about the October test. Clearly, this was a test and it was a test in violation of U.N. Security Council resolutions.

So I expect we are going to be having a lot of these hearings, and I just hope the focus is always primarily on what is Iranian behavior because that then lays a predicate for all kinds of actions that needs to be laid globally.

I do think, to the chair's question about what is going on in Iran, you know, we should all be humble about, you know, psychologizing any situation, but I think it is fair to say that just as we know we are not monolithic, we have divisions about things, I think a lot of what is going on Iran is a non-monolithic dispute within that political society about this deal and about broader issues of whether they want to be reintegrated into a global economy or continue to be an outlier.

And when you see the way this deal has been treated by the Iranian legislature and the degree to which hardliners hate it, threaten to kill those involved negotiating with it, I think you see some of the challenges that are underway there.

So I think what we need to do is we need to have these hearings every time there is activity, we need to keep the spotlight on, and we do need to demand of the administration consequences but precision in the consequences. I mean, to use an example of something that I think has been done pretty well by this committee and the administration, we had a pretty broad set of sanctions that we could have used vis-a-vis Venezuela. The extent of the sanctions that were used were sort of a smaller subset of what could have been done.

And the reason for that precision was of a concern, I believe, that if we went maximal in what we could have done, then that can have the effect of subverting internal political opposition. It gives the ruling authoritarians the ability to blame all their troubles on the United States, and then that crushes internal political opposition.

But what we just saw in Venezuela was a stunning rebuke to an authoritarian government because people rose up and said, no, you are trying to blame this on the U.S. but it is not the U.S. You have mismanaged our country. And they demanded significant political change.

So harsh spotlight on any violation either of this deal or of any other U.N. Security Council resolution is exactly what we ought to be doing, and we ought to be demanding—you know, when Senator Menendez asked the question what are you doing—that we are thinking about doing stuff really is not a good enough answer. And I recognize that we are still just a few days out from the U.N. definitely issuing the report about it.

There has got to be consequences but we have to be very precise in the consequences that we use because we do not want our actions to undermine legitimate political opposition, legitimate desires of the Iranian people for a different path than the regime has pursued in the past.

I am interested in this question, and I was not able to ask Ambassador Power this other day, so the U.N. has now definitely concluded—the panel that analyzed this—that the activity in October was a violation of the U.N. Security Council resolution. We have reason to believe, okay, Russia and China will probably not go along with this U.N. Security Council.

I hope—and, Ambassador Mull, I guess this is a question for you. I hope our attitude on things like this is not, well, Russia and China will probably veto it so we probably should not do anything. I hope any time there is something like this we get our colleagues

to put a resolution on the table and put it on the table in the light of day backed up by a clear U.N. Security Council report.

And we ask that you undertake action and we make Russia and China, before the whole world, be an apologist for something that is clearly a violation of the U.N. Security Council. And I hope we do that every time, and I hope we also think of other steps that we can take. But let us not give up any lever at our disposal to keep the spotlight on Iranian misbehavior or violation of rules.

So with respect to this U.N. Security Council situation about the October missile firing, we have got a great report out of the U.N. that definitely establishes that this was a violation. What is the strategy right now about how we pursue that in the Security Council? And let us make Russia and China use their veto power and use it publicly and then trash them for doing that. Walk us through the steps that you are thinking about right now.

Ambassador MULL. Well, Senator, I am proud to say that our colleague Senator Power in fact has been the leader on the Security Council in drawing the Security Council's attention to this issue first when we confirmed it in October and then this week when the report came back from the panel of experts. She was very forthright urging the Security Council to take action and calling out those who would reject such action as being inconsistent with our common objectives to keep this very serious threat to international security under control.

I mentioned in terms of responses to that action. We are now actively considering the appropriate consequences to that launch in October.

In terms of moving forward, perhaps Ambassador Countryman?

Mr. COUNTRYMAN. I will have to get you an answer on exactly how this will play out in New York. We have no hesitated previously to ask for resolutions even when we knew they would be vetoed if it was valuable for making a point, as you have suggested it is. There is obviously much broader dynamics at play in the U.N. Security Council, and I just cannot speak for Ambassador Power on what the next steps are, but we will get you an answer—

Senator KAINE. Well, can I just say then let me tell you what I hope you will do? And I bet many people up here would feel the same as me. I think we ought to make the point every time we can. And if we are sure they are going to veto it, we should still make the point. When it comes to Iranian behavior that is clearly in violation of the U.N. Security Council resolution, we should never say, well, somebody else is going to veto it, so why bother? We should make that point.

Here is another question that I was confused about. Senator Menendez was asking questions about the ballistic missile—the U.N. Security Council resolution versus the JCPOA and the ballistic missile. There is an article in the Guardian from the 15th of December about the experts' report about the ballistic missile test clearly violating U.N. Security Council resolution. And it says, "under the July nuclear deal, most sanctions on Iran will be lifted when its provisions are implemented in exchange for curbs on the nuclear program."

But the experts' report noted that "ballistic missile launches would be covered under the 20 July resolution." So the experts, in

concluding that there was a firing, that it was in violation of the U.N. Security Council resolution are saying it is covered under the July 20 resolution, I guess that is not the same thing as saying it is covered under the JCPOA. But they are saying it is covered by the July 20 resolution, which was embracing the JCPOA.

So what is the status of this vis-a-vis the JCPOA? And maybe I am going to ask that question for the record because I think we should all have a clear understanding of that.

Ambassador MULL. Yes—

Senator KAINE. But I hope soon you will be able to come back. And I will probably ask this for the record, too, and lay out what are the steps that we are going to pursue with respect to the clear violation of the U.N. Security Council resolution.

Ambassador MULL. Yes, sir. That is a very good question. I am happy to answer it. The JCPOA, as I mentioned to Chairman Corker, does not address Iran's ballistic missile program, U.N. Security Council Resolution 2231. The purpose of that was to endorse and give the Security Council blessing to the JCPOA, as well as address some other elements about Iran's policy, including continuing the embargo on conventional weapons sales to Iran from the world community for the next 5 years, and preventing trade and otherwise support from the international community for the Iranian ballistic missile program for 8 years. So 2231 was about JCPOA but also about these other issues as well.

Senator KAINE. All right. Thank you. Thank you, Mr. Chair.

The CHAIRMAN. I would say that regardless of whether U.N. Security Council takes action or not, which we all know they are not, we still have, just like we have done with North Korea recently, the ability to—the demonstration today can implement unilaterally sanctions in a surgical way, as you are describing. So hopefully, that is going to happen after the U.N. Security Council unfortunately does not take action.

Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

And to echo the comments made by other members, I, too, want to thank you for your leadership of the committee and to Senator Cardin for his leadership on this committee. He has also served as the ranking member of the East Asia Subcommittee, so he has pulled double-duty and done an outstanding job in both, so thanks to both of you for your bipartisanship and your leadership.

I wanted just to ask a brief question. General Klotz, remind me what the JCPOA states about the 25,000 pounds of enriched material, what type of inspections. Will there be IAEA inspections of that material in Russia, anytime, anywhere inspections, as the word or phrase was used, by the United States?

General KLOTZ. Well, thank you, Senator. What Iran is required to do under the JCPOA is to reduce its stocks of enriched uranium down to 300 kilograms or less of uranium that has been enriched to—

Senator GARDNER. Right. But if they do that, and once it is in Russia, assuming they do that, the 25,000 pounds, will there be inspections of that? Remind me the JCPOA terms.

General KLOTZ. Well, there will still be IAEA inspections under its safeguards regime and the additional protocol in Iran.

Senator GARDNER. But in Russia with the 25,000 pounds to verify that?

Ambassador MULL. Senator, I would be happy to take that question. We are in fact in the midst—it is a very active period for us right now—of negotiating the removal of that material. It is still in Iran. As I mentioned in my testimony, I believe its departure from Iran is imminent. However, we are working very closely with Russia and the IAEA to make sure that that material will be removed and stored wherever it ends up—

Senator GARDNER. And what is the inspection requirement once it is stored in Russia?

Ambassador MULL. Sir, we are in the process of discussing that very issue—

Senator GARDNER. So we do not have a plan in place to inspect the 25,000 pounds of enriched material—

Ambassador MULL. We—

Senator GARDNER.—in Russia?

Ambassador MULL. We would certainly not be comfortable in releasing that amount of nuclear material anywhere without appropriate safeguards.

Senator GARDNER. So we do have—

Ambassador MULL. We are—

Senator GARDNER.—a plan?

Ambassador MULL. We are pursuing with the IAEA—

Senator GARDNER. Can you share the plan with the committee—

Ambassador MULL. —and Russia—well, we are in the midst of negotiating. I will be happy to brief you—

Senator GARDNER. So you do not have a plan in place right now?

Ambassador MULL. We are negotiating the terms of how that material will be safeguarded—

Senator GARDNER. Yes or no, do we have a plan in place to inspect the 25,000 pounds of enriched material once it is in Russia?

Ambassador MULL. Well, today, we do not because we are developing—

Senator GARDNER. So the answer is no—

Ambassador MULL. —what that plan will be.

Senator GARDNER.—we do not have a plan. Thank you.

We have heard testimony from the panelists that we are actively considering sanctions against Iran when it comes to ballistic missiles. We have strongly condemned Iran for the ballistic missile launches. We have swiftly condemned Iran for the ballistic missile launch, and we have raised concerns about Iran's ballistic missile launch. In your response to Chairman Corker, you stated in response to the ballistic missile test one of the reasons we pursued this JCPOA is that Iran has repeatedly violated security resolutions on that program. And then you stated Iran is going to develop that program regardless of consequences. You stated that Iran will violate the ballistic missile provisions, resolutions, regardless of consequences. Knowing that, what plan for sanctions do we have in place upon verification that they violated it?

Ambassador MULL. Violating the missile—

Senator GARDNER. Yes.

Ambassador MULL. —provisions? Well, as I mentioned earlier, Senator, we have substantial sanctions in place. Practically every entity involved in Iran's missile program—

Senator GARDNER. But in relation to the two launches—

Ambassador MULL. —has come under sanctions—

Senator GARDNER.—what are we doing—if you knew all along that Iran is going to develop that program regardless of consequences, do you believe it is appropriate that they have access to billions of dollars that they will have access to once the implementation arrives and the sanctions are lifted, freeing their economy of the sanctions that prevented those billions of dollars from going there?

Ambassador MULL. Just correcting the record, I said that in fact Iran has continued to develop its—

Senator GARDNER. Well, I am reading from the—

Ambassador MULL. —ballistic missile program.

Senator GARDNER.—unofficial record. Again, it is unofficial playback, but you stated Iran is going to develop that program regardless of consequence.

Ambassador MULL. Iran has developed that regardless of the consequences that have been imposed. We are considering active measures, active consequences for this latest launch, and we will share those with the committee, of course, as soon as we make that decision.

Senator GARDNER. Mr. Countryman, in your testimony you said, "we continue to use unilateral authorities to impose sanctions on entities connected to Iran's ballistic missile programs and procurement network." What unilateral authorities to impose sanctions has the United States used after the last two ballistic missile tests the last 2 months?

Mr. COUNTRYMAN. The authorities we have include the Iran, North Korea, Syria Nonproliferation Act. It includes Executive Orders 13382 and Executive Order—sorry, there was another one; I do not have it in my fingertips—under which, as I said, virtually every Iranian entity connected to the missile program has been sanctioned. We are actively considering what steps to take in response to the October 10 test.

I have to say I do not understand the argument about a permissive environment. The Obama administration is doing exactly the same thing that the Bush administration did, which is to respond to every violation of ballistic missile resolutions, of human rights, of terrorism, of hostage-taking with the legal authorities Congress has given us in an aggressive manner to designate, sanction, and reach out to hurt those taking that action and at the same time pursuing an active diplomatic policy in the United Nations and in other bodies. That is what we do. We do it aggressively. It is what we have been doing for 15 years. And I have not heard an idea for doing something different that perhaps goes beyond the legal authorities we have and the diplomatic capabilities.

Senator GARDNER. Well, perhaps one idea that could be different would be to prevent Iran from receiving the billions of dollars that they are going to receive, which will then go in to continue a ballistic missile program that will continue regardless of the consequences.

Mr. COUNTRYMAN. And that violation by us of the JCPOA would lead to a resumption of the nuclear program. Do you think—

Senator GARDNER. Again, I think somebody used it, this permissive environment that we have created, which we acknowledge that Iran is going to continue a program of nuclear development, ballistic missile development regardless of the consequences, that we have referred these violations to a committee, that we have talked about it, we have sternly reprimanded them, we have wagged our finger. It had done nothing to protect the American people.

And this committee has, I think, done an incredible job of making sure that we understand the facts, but the fact is we do not have the response and the actions to back it up when Iran has clearly violated. In fact, we have not taken any steps necessary to prevent them from growing their ballistic missile program, which they will and has been admitted here.

Mr. COUNTRYMAN. I think that the—

Senator GARDNER. Mr. Chairman, my time is expired.

The CHAIRMAN. Let him respond.

Mr. COUNTRYMAN. The action taken by the Security Council Sanctions Committee into clearly identifying this as a violation of a U.N. resolution has a cost and it has a benefit to us in enabling us to fortify those partners around the world who work actively with us in preventing the diversion of ballistic missile technology to Iran.

The CHAIRMAN. Senator Coons.

Senator COONS. Thank you, Chairman Corker and Ranking Member Cardin, for holding this hearing. And I would like to thank our witnesses today.

Before I go on at any length, let me just briefly make sure I have understood the point you are making, Mr. Countryman. Is it not correct that the U.N. experts' report on the ballistic missile launches by Iran is just a few days old?

Mr. COUNTRYMAN. Correct.

Senator COONS. And in your testimony you said that "we will continue to call on the Security Council to address this matter, shine a spotlight on destabilizing activities, and increase the cost to Iran of its behavior." I respect that you are actively considering action, but could you just say will you act?

Mr. COUNTRYMAN. It is certainly my intent. The bureaucratic process is complicated in part because we want to get the facts right and we want to get the right target. But it is certainly the mandate of my bureau to push for such action, and I think that we will continue to do so.

Senator COONS. Thank you, Mr. Countryman. I think the focus that all of us as members of the Foreign Relations Committee have on this issue is important because at a time when our country, our constituents are focused on other things, whether it is ISIS or terrorism or refugees or concerns about our economy, it is the challenge and the job and the responsibility of this committee, in partnership with you, in partnership with the administration, to insist on a relentless implementation and enforcement of the JCPOA and the continued and aggressive enforcement of the sanctions against other inappropriate, illicit activities by Iran, whether it is support

for terrorism, human rights violations, or their ballistic missile program.

And my willingness to support the JCPOA was rooted in a clear-eyed commitment to holding this administration and the next accountable for active enforcement of the JCPOA and, frankly, was rooted in a deep suspicion of Iran's intention, suspicions which I think have been amply confirmed by the IAEA PMD report and by these two ballistic missile tests.

So while I do commend the administration for its active outreach to Congress and for a recent successful high-seas interdiction of a weapons shipment from Iran to support the Houthi rebels, I think we need to continue to work together because if we take our eye off this ball, if we fail in any way to relentlessly enforce what we have got in terms of both U.S. unilateral and multilateral abilities to constrain Iran's actions, they will take that as a clear signal that we have taken our eye off the ball and that they have carte blanche to continue their actions that are antithetical to our values and our interests.

So let me first, if I could, because we were talking about what authorities you have both unilaterally and multilaterally, in January many Members of Congress will call for the swift renewal of the Iran Sanctions Act, which expires at the end of 2016. What is the administration's opinion on the renewal of the Iran Sanctions Act? And do you believe Iran would consider that the United States would be breaking our commitments under the nuclear deal if it is extended? I suspect Ambassador Mull would like to take that.

Ambassador MULL. Certainly, I would be happy to, Senator Coons.

As I mentioned earlier in my testimony, the administration, thanks as a result from work with this committee and other parts of the Congress over the past decade and more, have developed an incredibly powerful toolkit for imposing sanctions on behavior by Iran that threatens our critical interests. The Iran Sanctions Act has, of course, been a very important part of that. It is in full force through the end of 2016.

The administration looks forward to working with this committee in considering, as we get close to the expiration of that authority, whether it makes sense to continue. But it is in place for the next year. We have a good, solid toolkit to use in protecting our interests with Iran.

Senator COONS. And do you believe Iran credibly would argue that we had somehow violated the JCPOA if we extend it? Given these recent actions, I think we will have more reason than ever to try to constrain their actions?

Ambassador MULL. It is difficult for me to predict how Iran would respond. I do underscore that, as we exercise our sanctions authority, we do so to protect our interests, not to anticipate or overcome any anticipated reactions.

Senator COONS. Well, I think tireless work with our P5+1 partners as well, as well as continuing to enforce what sanctions authorities we have and extend them as a key piece of this.

I mentioned the interdiction on the high seas of a ship loaded with weapons being sent in violation of international standards. I think we have to continue and increase our interdiction both of

weapons flows and capital flows going to terrorist proxies in the region. Tell me something about the administration's plans to heighten the pace of interdictions in the coming months and whether you are successfully working with our regional partners to prepare for this?

Mr. COUNTRYMAN. Well, of course interdictions can refer both to critical technology for nuclear ballistic missile programs. It can also refer to the transfer of conventional arms covertly, which Iran is heavily involved in, and unfortunately, a number of other states and actors in the Middle East region are involved in.

Interdiction depends crucially upon intelligence. It depends also upon building a framework of confidence with partners in the region. And I think that we have successfully developed such a partnership with key countries in the region. I would be not only willing but downright proud in a closed session to tell you some of the successes that we have had working with friends in the region. It has been our business for over 20 years to make the Iranian program more expensive, less successful, and we have done that.

Senator COONS. Well, thank you, Mr. Countryman. And I would welcome that briefing as well. My concern, having been briefed in a classified session about a number of successful interdictions, my concern is that other colleagues and the general public are not as aware of it. A metaphor I have used before is that when a sheriff conducts a successful drug bust, you put all the drugs and guns and money out on a table so that the rest of the community interested in conducting illegal activity recognize that there are costs and there are consequences. And I think we need to be doing some of that at a bigger and more visible way.

Let me ask you one last question. Given what I understand to be the actions by China and Russia in blocking the U.N. Security Council from condemning the ballistic missile tests, are you concerned that we do not have reliable partners in the snapback of sanctions when or if there is credible evidence of Iranian cheating on the JCPOA?

Ambassador MULL. Senator Coons, we worked very hard —my colleagues who negotiated this deal worked very hard throughout the negotiation to make sure that there would be absolutely no stricture on the ability of the United States to impose, to fully use the sanctions tools at its disposal to respond to Iranian violations of U.N. Security Council resolutions, of challenges to our interests.

In terms of broader international sanctions, we have also structured a process that, when there is a credible report to the Joint Commission that administers this deal of a violation, any member of the Joint Commission can bring such a complaint to the commission. And if a limited number of members of the Joint Commission refer that to the Security Council, the presumption is that those sanctions will be snapped back. It will be impossible for any member of the Security Council to veto a recommendation to re-impose sanctions. That is the autopilot. It is the assumption of how the Security Council will handle that. And we believe that that protects our interests and our equities very well.

Senator COONS. I understand and I am hopeful that that mechanism will work as intended, and I expect that we will work on a relentless and bipartisan basis to ensure that our allies understand

that we intend to continue to enforce sanctions against Iran's ongoing bad behavior in the region.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I think it would be helpful if something more certain could be given from the administration to us relative to this extension of the Iran sanctions. I do think Senator Coons is right. There will be efforts immediately after the 1st of the year to extend those. If there are things you need to share with us in a classified setting relative to that, that would be fine, too, but I do not think this vague response does us a lot —and I am not criticizing you. I know that is where the administration is right now. But I do not think the vagueness of their thinking is particularly helpful to us, and there may be things you want to share that we are unaware of at present. Okay.

Ambassador MULL. I certainly will be happy to take that request back to my colleagues.

The CHAIRMAN. Senator Perdue?

Senator PERDUE. Thank you. And I appreciate you guys and what you are trying to do. You have got a tough job. I think we are very naive in what we are trying to do, and I just look at history. I am not trying to predict the future. I just look at history, you know, to come to that conclusion.

I have a couple questions related to some of the reports coming out. The IAEA just this month released their report that basically says Iran has lied about their PMD efforts. When the foreign minister of Iran, Zarif said, and I quote, "the Islamic Republic of Iran has never sought nuclear weapons, nor will it seek them in the future," that is in clear contradiction of the IAEA report as I read it of their activity prior to 2003 on into 2009, as late as 2009.

And my question is, you know, given the missile violations that have already been asked about today—I will not go there—the violating 1929 and Resolution 2231, the question is about the 90-day certification that the Secretary of State has given Congress—and I am going to quote in here—"Iran has not taken any action, including covert activities, that could significantly advance its nuclear weapons program." If they are firing missiles while we are in here before the Implementation Day in violation of the U.N. resolutions, they are thumbing their nose at us.

And my concern is I am not clear on how the Secretary can make the certification that, including covert activities that could significantly advance nuclear weapon program, that they have not taken any actions when, just last year, the Defense Science Board concluded that in the case of Iran, our capabilities detect "undeclared facilities and/or covert operations are either inadequate or more often do not exist."

I am just not sure how to believe the facts here. The revelation that they were—our own report in a December IAEA report basically says that they were doing this all the way through 2009, but there was also a report the U.S. National Intelligence estimate—this is back in '07—assessed Iran's nuclear weapons program was halted in the fall of 2003. And we now know they—and they went on to say has not restarted the program as of mid-2007.

Now, I know those are old reports, but it goes to my question. And I would like the general to first address this, is what con-

fidence do we have, given our own intelligent community's reservation to assure us both in public and in private about our own ability to detect true covert activity?

General KLOTZ. Thank you for the question, Senator. My own sense, having worked in and around the intelligence community for decades, is that we have very good capabilities. We have a lot of different tools in the toolkit that can be brought to bear. Sometimes it takes time to ferret out all the details and put all the pieces of the jigsaw together, but I would commend our colleagues in the intelligence community for eventually getting to that particular point.

I am also struck, as I read a couple times, three times to be exact, the IAEA report that came out earlier in December on possible military dimensions just how detailed it was in terms of it laying out the very nature of Iran's program and following up on those issues which had not been resolved at the time it wrote its 2011 report. It is, I think, very clear, very frank, and very candid about what the Iranians have done, what they have denied doing that we know that they have done, and what we need to pay attention to.

The areas that are laid out in the PMD report that the IAEA put out in terms of specific capabilities, in terms of the development of nonnuclear capabilities that would be necessary to weaponize a nuclear weapon, find their way back into the JCPOA, as the people who negotiated this structured that agreement in such a way that we would place limits on those very things that our intelligence community and that the IAEA have identified as issues.

Senator PERDUE. The second question—Ambassador, I would like you to address this if you will—the fourth item that was in this certification is that this is the—"the suspension of sanctions related to Iran pursuant to the agreement is appropriate and proportionate to the specific and verifiable measures taken by Iran with respect to determining its illicit nuclear program and is vital to the national security interests of the United States."

So am I to read this to say that we are already certifying after the first 90 days that we are in support of—I would like you to clarify this for me in terms of "appropriate and proportionate" release of sanctions—suspension of sanctions, as it says.

Ambassador MULL. Sir, yes. There has been some limited sanctions relief up until now. That was negotiated as part of the Joint Program of Action, which was a mechanism by which to build some good negotiating faith to go forward in exchange for Iran's cessation of certain enrichment activities and other steps to begin to limit the nuclear program that were later codified in the JCPOA. The United States did agree to allow the unfreezing of a small percentage of Iran's frozen assets.

Senator PERDUE. Can you be a little more specific? I mean can you quantify what that release entails?

Ambassador MULL. Yes. It amounts to permission for Iran to withdraw $700 million of its frozen assets in various institutions around the world.

Senator PERDUE. Okay. Mr. Secretary, thank you again for your testimony. I appreciate your objectivity. I do take issue with one comment you made earlier that the administration has done every-

thing it can to protect U.S. interests when in this negotiation we did not even mention and negotiated the four hostages. And I do not want to fail to remember that we have got four U.S. citizens being held by this regime, and we are not even addressing that.

The real question I have for you is in the United Nations, realistically with the Security Council veto sitting in front of us, what can we expect to be the reaction of the United Nations, and what are we really trying to get them to do specifically related to the violations of these two resolutions?

Mr. COUNTRYMAN. Well, thank you, Senator.

You know, on the first point I absolutely share your frustration that we cannot solve every problem at once. In negotiations with the Soviet Union on arms control, we were never able to settle human rights questions, questions of foreign intervention in the Warsaw Pact countries, or a host of other issues. And yet those agreements were vital to U.S. national security, and I think, without making any kind of prediction about Iran, laid the groundwork for eventual progress that was made in Eastern Europe and, ultimately, the Soviet Union. But they were limited. They did not solve every issue at once.

Now, in the case of what we can expect from the Security Council, I take very well Senator Coons' point that we should force people to be on the record. Further, I think that it is important that we continue to support with our own expertise the U.N. Sanctions Committee, which will have, I hope, a bigger role in identifying and publicizing violations by Iran and violation by companies and merchants outside of Iran. That kind of publicity is what we rely upon when we go make the argument to an exporting country or a transshipment company you have got to do something to stop that shipment of technology.

So even if there is not, in the end, a U.N. Security Council resolution, what the Sanctions Committee has already done is valuable to our counter-proliferation efforts.

Senator PERDUE. Thank you.

The CHAIRMAN. Senator Boxer.

Senator BOXER. Thank you so much, Mr. Chairman. I want to thank the panel. You are working overtime to protect the world from a nuclear-armed Iran. I can think of no higher calling, and I so appreciate what you are doing.

And thanks to the chairman's generosity of spirit. I do have the privilege of introducing Ali Rezaian. Would you stand, please, Ali? Would you stand? We welcome you here today. His brother is Jason. As we all know, Jason, a Washington Post reporter, is being held in Iran and convicted. And thank you so much.

I want to give a message to the government there if they are listening. And I would like to use this opportunity to echo my friends and so many of our pointed views about the need for this government, the Iranian Government to release Jason Rezaian. December 3 marked the 500th day of his detention. And Jason's family lives in California and they yearn for his release. And as a Senator who stood with those who were willing to take a chance at a new relationship with Iran and as someone who took huge heat for that, I make this humanitarian request to release Jason and ease the extreme pain of his family.

You know, as I listened to everyone, and it has been so interesting, and in some ways you come a little later you get to hear everybody and it is very important. What I hear is kind of a narrative developing here that is painting an administration that is permissive and one of my colleagues said naive in terms of Iran.

And I personally believe the facts belie this. And I personally believe you do not have to scream every day and pound the table to be strong. And I know this President did not scream and pound the table or take a victory lap when he took out Osama bin Laden. He just did it. And so I just do not see the narrative that way. I totally respect my colleagues' views on it, and they certainly back it up with a lot of passion and policies that they see bolsters that narrative. But I just do not see it.

I just read Samantha Power's comments, and I want to ask you rhetorically if you think this is soft stuff? She says this—as we know, she is our U.N. representative. "This past October Iran launched a ballistic missile that was obviously capable of delivering a nuclear weapon. Security Council Resolution 1929 still enforced prohibits this kind of launch. After reviewing this incident, the U.N. own independent panel of experts concluded definitively that it was a violation, yet instead of an effectively, timely response, the Security Council has dithered"—has dithered. "We intend to keep working." She is speaking for the administration. "We intend to keep working with council members to acknowledge and respond appropriately to this serious incident." Then, she goes on and she says, "we do not see how council members can cast doubt on these violations."

So to me, to say this administration is naive and, you know, soft or whatever the word you want to use, I just do not see that permissiveness. I just do not see it. And then there is a letter that was sent by the President to Senator Coons in which he says, quote—he signed the letter, President Obama—"robust enforcement of sanctions related to Iran's nonnuclear activities will continue to be a critical"—a critical—"element of our policy. I will maintain powerful U.S. sanctions under a host of domestic authorities countering Iran's support for terrorism, its human rights abuses, missile proliferation, and the illicit sale or transfer or Iranian conventional weapons." I would ask unanimous consent that I place both these documents in the record—

The CHAIRMAN. Without objection.

[Editor's Note: The information referred to above can be found at the end of this document in the "Additional Material Submitted for the Record" section.]

Senator BOXER.—Samantha Power's and this letter because we all know that we have sanctions to counter Iran's support for terrorism, human rights abuses, missile proliferation, illicit sale or transfer of Iranian conventional weapons. And those sanctions have not been changed. They still will continue.

So I just do not like this narrative that is coming out of here because I think it sends a bad message to Iran because I think our message is we are united on this. We are not divided. Maybe we were divided on giving them a chance, but we are not divided at all on standing together to enforce those kind of sanctions. And I feel—anyway, I will move on.

Is there anything in this agreement—I would ask Ambassador Mull—that would prevent the United States from taking action if the Iranians violate our agreement, the nuclear agreement?

Ambassador MULL. No, ma'am, absolutely nothing.

Senator BOXER. So everything is on the table. And I think that is very important.

I want to switch to questions about the IAEA because I think they are very important in this. I guess I would ask Lieutenant General. In your testimony you mentioned the extensive coordination and cooperation between the IAEA and the Department of Energy. With regard to the training, how would you describe the quality and capability of IAEA personnel?

Ambassador MULL. Thank you very much for that question, Senator. I rate the quality, professionalism, seriousness of IAEA personnel, including those who work at the headquarters and the inspectors, to be very high.

Now, we support the training of IAEA inspectors. In fact, every single IAEA inspector takes a course on nuclear material management at Los Alamos National Lab in New Mexico. Other inspectors and other members of the staff receive what you might call continuing professional education or graduate-level education on monitoring plutonium, other aspects of the fuel cycle at other of our national laboratories here in the United States.

We also provide, at the request of the IAEA, a number of people to support their safeguard staff. There are about 800 people in the safeguard staff at IAEA. Roughly 10 percent of those, 80, are American citizens, many of whom have come through our national lab structures across the United States or have worked in DOE or NNSA. We also provide about 15 what we call cost-free experts to serve on the staff over there and on short-term consultancies.

The other thing that we do besides training if I might take just a little more time on this is our national laboratories are also developing a lot of the processes and the technologies which are part of the process for them carrying out their inspections and continuous monitoring. I have visited Lawrence Livermore Laboratory just last week and saw some of the work that they are doing there, other of our laboratories in developing the seals, the cameras, the monitors that the IAEA uses, will use in Iran, but also uses in all the other countries that have agreed to safeguards agreements or the additional protocol with the IAEA. So it is a very professional organization. It ought to be. We have been working very closely with them since the late 1950s.

Senator BOXER. Okay. I will close with this. Thank you. I think the IAEA is so critical for all of us, whether we support the agreement or not. And I would just urge you, if you see anything that you feel is changing your view of the IAEA, we need to know because they are key to this whole agreement. Thank you very much for your generosity, Mr. Chairman.

The CHAIRMAN. If I could, I do want to say that this permissiveness issue is one that has been felt strongly on both sides of the aisle, and there was, as I understand it, a strong letter that went from a large group of Democrats yesterday to the administration. I think the concern is that we have known of the violation, we have had multiple —I think Ben and I met directly with the U.N. Secu-

rity Council and Samantha Power, and we know that Russia and China are going to block. And I think people see this breakneck thing happening where likely at the end of January all the sanctions are going to be relieved, and yet potentially no pushback on this issue.

So just for what is worth I would like to engage in it since you answered my point. I never said it was partisan.

The CHAIRMAN. Yes. No, I know.

Senator BOXER. I said that there is some—you know, a narrative being written, yes, both sides of the aisle. You look at who voted against this nuclear agreement: both sides of the aisle. There is a disagreement, and it is not partisan. I did not mean to suggest it and I never said it. I just frankly disagree with it. You can write 100 letters 100 ways to Sunday.

The CHAIRMAN. Yes.

Senator BOXER. I just read Samantha Power; I just read the President of the United States. So you can create any scenario—not that it hurts. It probably emboldens our people to do even more. But the point is I just do not agree with it. And we could argue it all day.

Senator CARDIN. Let me—if I might——

Senator PERDUE. Mr. Chairman, I am sorry, but we——

Senator CARDIN [continuing]. ——interject——

Senator PERDUE [continuing]. ——For the record, we never really got to vote on this agreement.

Senator CARDIN [continuing]. ——If I just may interject myself for one moment here, and that is there is, I think, unanimous support in the United States Senate for zero tolerance for violations by Iran. I think there is 100 percent support to work as hard as we can to prevent Iran from becoming a nuclear weapon power. We are committed to that.

And I think there is pride that the engagement of Congress has given us a better opportunity to achieve those objectives. I think that is where we are together, and I know that we can continue to work together.

The CHAIRMAN. Senator Flake.

Senator FLAKE. Well, thank you. And thank you for the testimony. And I apologize if I am plowing old ground here.

But with regard to—and let me just say I come out against the agreement, but I feel it was a close call. It was difficult. You never want to be on the other side of almost all of your allies here. But my concern in the end and what tipped the balance for me is the concern that our ability or our desire for Iran to stick to the nuclear side of the agreement might prevent us from challenging Iran or punishing Iran on their nonnuclear behavior. And the ballistic, you know, weapons thing is kind of fuzzy. It is only used for a nuclear payload we are told, but it is kind of a nonnuclear side or not part of the JCPOA agreement.

But I am concerned that it seems as if we are just kind of accepting, oh, the Security Council is not going to act on this, Russia, China will veto, so that is it. What other remedies do we have outside of that? I understand you can publish and try to work with others who might be participating or supplying Iran or helping

them with this program, but what other remedy do we have outside of the Security Council for this breach? Mr. Countryman?

Mr. COUNTRYMAN. Well, a couple of points. One, this should not be taken in any way excusing an Iranian violation, but in fact, the missile launched on October 10 was a medium-range ballistic missile, not an ICBM. We do have, by the way, a general concern about the proliferation of medium-range ballistic missiles by a number of countries in the Middle East that is making the region more dangerous. But of course our number one concern and our number one target for action is the Iranian program.

Now, the authorities that we have, we have used aggressively and creatively and we will continue to do so. But they are the authorities that Congress has given and that the President has established, previous Presidents under executive order in order to designate specific Iranian entities and entities outside of Iran to impose a genuine economic cost upon the entity and upon the program of development of ballistic missile technologies.

When those sanctions and designations touch companies outside of Iran, it is a matter of significant commercial harm to those companies and those countries that allow countries to participate in that kind of behavior. That is what we have the authority to do, and that is what we do very aggressively.

On the diplomatic side I think Ambassador has already described what we can do within the United Nations. We of course reach well beyond the United Nations. Just last Friday, I was in Brussels for a meeting with all 28 of my counterparts from European Union states where I emphasized again the necessity to stand strong on preventing the shipment of technology in ballistic missiles to Iran. So those are the authorities we have, and I sincerely welcome ideas on how to use them more effectively.

Senator FLAKE. Ambassador Mull, my concern is that Iran has already said, the government has stated over and over that it will consider any implementation or going back to the sanctions that we have on the books for any behavior of Iran a violation of the agreement. If Iran were to take action outside of the nuclear agreement that we thought to be egregious enough to justify implementing sanctions, in particular here, let us face it, the ones that really—that we can do on a unilateral basis that matter, the capital market sanctions or central bank sanctions, will we hesitate to use that lever if we need to because that has been the difference. We have said yes, we will, or the administration has, and the Iranians are saying if you do, that violates the JCPOA and we are out of our obligations. What is your sense of our willingness to use those levers that we have?

Ambassador MULL. Thank you, Senator. The administration has been quite clear both publicly and throughout the entire negotiating process that this deal is exclusively about the nuclear question. And we will not hesitate to use other authorities to address other threats to our interest outside of that nuclear deal.

Senator FLAKE. Even if it is the same sanctions that we imposed on the nuclear side, in particular, the sanctions on their central bank?

Ambassador MULL. Yes. Well, we have a wealth of authorities available to confront all of these threats to our interest, whether

it is on human rights, the missile launches that we talked about, Iran's regional destabilization activities, its support for terrorism. We have a wide variety of sanctions that target any number of aspects of Iran.

Senator FLAKE. All right. As I mentioned, I was prepared to vote against the agreement had we gotten to the vote. Having said that, this is going forward. I hope it works. I hope that this committee and the Congress ensures that it does work. But it is important, I think, that we not count, even from the beginning, violations of the agreement on the Iranian side. If we do, then it is all gone. It is all for naught.

So thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

Secretary Countryman, last spring this committee held a hearing on the new U.S.-China Civil Nuclear Cooperation Agreement. During that hearing, we discussed very credible allegations about China's inability, or, as I suggested, unwillingness to enforce its commitments to prevent bad actors like Karl Lee from selling ballistic missile technology to Iran, North Korea, and other countries of concern.

As has been discussed here today, Iran has conducted two ballistic missile tests in the past few weeks in violation of U.N. Security Council Resolution 1929. Which countries do you believe are providing ballistic missile technologies to Iran, Mr. Secretary?

Mr. COUNTRYMAN. My assessment is the same as it was this spring, that the primary source of advanced technology for Iran's ballistic missile program are companies in China. I believe the Chinese Government has stepped up its efforts to enforce its own laws and U.N. sanctions. However, I cannot say that they have reached a satisfactory point of enforcement.

Senator MARKEY. Yes. And so again, that continues to be my very serious concern. It was my concern about the approval of the China Civil Nuclear Agreement without conditions attached to it. Now, I did not have the support on this committee or in the Senate to attach those conditions, but those conditions would have imposed upon China requirements to put in place the safeguards against Karl Lee and others transferring ballistic missiles into Iran and into North Korea and to other countries. I mean, we essentially have the equivalent of the nuclear materials, which I think are now under very close safeguards being the bullets, but the missiles are the guns, and we are in a gun control discussion here today, ballistic missiles. They can deliver those nuclear bullets to other countries in the world. And China is the gun manufacturer.

And so from my perspective we missed a great opportunity here to condition that agreement. I think we should have because this whole discussion on ballistic missiles now goes back to that China agreement since they are, from the administration's perspective, the most likely source of the ballistic missile technology. And we had a lot of leverage at that point. I argued that we should condition it at that time. But, again, I think it was a great historic missed opportunity to draw a line on nuclear proliferation issues to create the linkages so that we could have in one year put tough

safeguards on the bullet program, the nuclear materials program, and on the gun program, the ballistic missile delivery.

That was China, though, not Iran. They will receive whatever can come through clandestinely, and as long as Karl Lee and people like that are able to move around China with impunity, I think we are going to continue to have a very serious problem. And we might as well just have the hearing on that subject, you know, because that is the ballistic missile discussion in Iran. And it is going to be other countries like China who believe that, notwithstanding their public support for gun control, that they find their own way around a relatively poorly enforced restriction because we do not step up and use our leverage when the historic opportunity arrives. And that was the China Civilian Nuclear Agreement. If anything was directly related to Iran and its nuclear program, it was what China was looking for at that point to have that discussion, did not happen.

So going forward, having lost that opportunity, what else do we have as a tool to let China know how serious we are about this and how we do not intend on countenancing a circumvention of an international agreement that the entire world at least ostensibly says that they believe is very important to long-term global stability?

Mr. COUNTRYMAN. Well, briefly, I will be in Beijing again next month. I do not wish to have whatever I say there dismissed as finger-wagging because I think it will be a pretty strong message. But I also cannot predict and cannot forecast at this moment what additional actions we will take against Chinese entities that are complicit in providing ballistic missile technology. I will only say, as we said earlier, that under active consideration right now are additional effective measures in response to the October 10 test.

Senator MARKEY. I appreciate that. I think it is inadequate. I do not think it is, you know, going to actually have the kind of weight, force behind it that rejection of or conditioning of the China Civilian Nuclear Agreement would have. But again, it just continues to raise the whole question of China—of nuclear 123 agreements on the very high hypocrisy coefficient that it then sends out as a message to the rest of the world.

And I would hope that, Mr. Chairman, next year that we take up once again, you know, the 123 agreement climate that we have created around the world where we are suppliers ourselves and unfortunately turn a blind eye too often to other gun suppliers who are out there who do not believe that there is going to be a sufficiently well-enforced international response when it is clear that there are violations which are taking place.

And I do not think there is any question that Karl Lee is the gun dealer, the ballistic missile dealer, one of them anyway but at the top of list, and that there still is not sufficient Chinese response to it, and I do not think there is sufficient response from our own country's perspective on it. I just think we have to take a harder line on it, and there is really no point in trying to convince people that Iran is sincere if they are engaging in an ongoing clandestine ballistic missile program with supplies coming in from China, you know?

That just leaves the very clear impression that we are just in a temporary period of abeyance before they attach the bullets to the top of these ballistic missiles, okay, and that is really a cynical approach which they are taking, the Chinese are taking, and I just think that we had an opportunity, but I think we have to focus upon this next year. I think we need those hearings so that we come back to this China question once again.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you. And thanks for your continued vigilance there. I know that you and I shared concerns. I think we both realized where the issues stood in the United States Senate as a whole, but, again, I thank you for your continued efforts in that regard.

Senator Risch?

Senator RISCH. Thank you very much. I am not going to belabor this. You guys know where I am on this. Just so you know, the comments by Senator Boxer are not shared equally by members of this committee. You have apologists here. The administration has apologists here. I get that. This is a joke and has been for months and years now.

I am going to answer her rhetorical question. She read Samantha Power's letter and she read the President's letter and she said do you think this is soft stuff? Yes, I think this is soft stuff.

Let me tell you what is not soft stuff is the Iranians standing up, shaking their fist in our face and saying death to American, and we are going to prove it. We have prohibitions against us developing ballistic missile systems, but we are going to continue to develop them and we are going to continue to test them, and we do not care and what you do. And, Mr. Mull, you are absolutely right in your statement that it does not matter. They are going to continue to do it regardless of consequences.

So the only hope that we have—this—you know, Senator Kaine, who I have great respect for and generally agree with, talks about how we need to spotlight their violations. They love a spotlight in their violations. They just love that. They say look at us. We are Iran. We are violating this and you know what the United States of American can do about this? Nothing. And we are going to continue to do it.

The PMD report, the report of the U.N. on the ballistic missile firing, we had to wait. No, we did not have to wait. Everybody in the world knew when they fired those ballistic missiles, that that was a violation of the agreements.

Do I think this is soft stuff? I think it is tremendously soft stuff, and we are going to keep getting the exact same thing out of Iran until we toughen up. My prayer is that 402 days from now when we inaugurate a new leader, that leader is going to convince the Iranians that indeed we are going to do something about this, we are going to protect the American people, and we are going to stop them from testing ballistic missiles and doing what we all know they are going to continue to do with this agreement.

So thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you, Mr. Chairman. I appreciate you being here today.

I want to try to put a finer point on Senator Boxer's comments. I do not necessarily appreciate some of the name-calling here. I support the agreement not because I am an apologist for the administration but because I think it is the right thing to do for American national security. And I think she and Senator Corker are right and Senator Cardin's point are correct that I think there is broad agreement here that we need to take definitive steps to respond.

And we take Ambassador Countryman at his word that this is not just loose talk about a consideration of options. This is a predicate to action, and I think there is agreement that that is an absolute necessity.

The disagreement is over this broad labeling of the culture that may exist with respect to the actions that Iran is taking. And frankly, the report that was issued by the IAEA describes a culture of permissiveness that allowed for the Iranians up to 2003 and in some respects after 2003 to conduct a military-scale nuclear weapons research program.

There was a culture of permissiveness created by a lack of international consensus that in the years after 2003 allowed for the Iranians to stockpile up to 8,000 kilograms of enriched material to get up to 19,000 centrifuges. And in many ways this agreement ends a culture of permissiveness that had allowed for the Iranians to conduct a nuclear program that was unprecedented in scope, 8,000 down to 300, 19,000 down to 6,000.

And with respect to the ballistic missiles program, again, we are united in the idea that there should be a response, but whether we like it or not, this is not new. The Iranians have been engaged in a ballistic missile program since their war with Iraq, and there have been regular tests under Republican and Democratic administrations.

And so if you want to argue that there has been a culture of permissiveness relative to the ballistic missile program, you can make that argument, but—and maybe I will ask this question to Ambassador Countryman because you know the history of this program better than I. I think we have used strong words, but I imagine we have used strong words in the past. This has been a longstanding commitment to building a ballistic missile program that we have clearly tried to build international consensus to stop but predates the Iran nuclear agreement, am I right?

Mr. COUNTRYMAN. You are absolutely correct that the ballistic missile program goes back to the time of the Iran/Iraq war in the 1980s, that it actually preceded an active nuclear weapons program in Iran.

And I think it goes back a little bit to your question, Mr. Chairman. There are multiple reasons for Iran to engage in this program, including the desire ultimately to have a nuclear weapon to put atop an ICBM, but also including the fact that there is a proliferation of such systems throughout the region, and they have made enemies out of just about all of their neighbors. So they are building a whole bunch of them.

But it also includes an element of national pride, as it has been in other countries. An indigenously produced ballistic missile technology becomes something that both military and politicians boast

about, as well as a number of other motives. So it is a longstanding program. You are absolutely correct.

Senator MURPHY. And I think the chairman's point is that our inability or refusal to act this time may have greater consequences because now we are in business with them at a different level than we were before. And I get that. But I think having a scope of the full program is important as well.

Two specific questions on other points, I wanted to follow up on a question that Senator Gardner asked you, Ambassador Mull, about what happens to the material that is being sent to Russia. And I know he was not satisfied with the fact that there was not an agreement. But let me just clarify. As a member of the IAEA, Russia has obligations to safeguard that material, and the IAEA has ability, I assume, to assure that they live up to those safeguards that exist separate and aside from an agreement that you may be negotiating today. I just think that—and I am happy to have you take that question, General.

General KLOTZ. If I could just give a very brief answer—

Senator MURPHY. Yes.

Mr. KLOTZ.—before the Ambassador speaks on this. The way in which the safeguard system works is for existing nonnuclear weapons states. If they are going to have a safeguards agreement with the IAEA, that has to be voluntary. That is the case for us. It is the case for Russia as a recognized nuclear weapons state.

I do not know the—it will depend, of course, at the end of the day where this material actually goes, and as the Ambassador said, that is still a discussion that is going on as to whether or not safeguards exist there.

But let me go back to a point I made earlier if I could. You know, the Russians have been in this business for a long time. They know how to package, store, ship, safeguard, account for nuclear materials. We have collaborated and worked with them in terms of improving their capability of doing that over the years under such things as the Nunn-Lugar Cooperative Threat Reduction. So we are very confident that this will be done in a professional manner.

Ambassador MULL. Well, thank you, General.

Senator Murphy, thanks for the question. I do not want to leave any room for doubt at all that we have any concerns that this material, when it ultimately arrives in Russia, will not be subject to safeguards. We are in the process of negotiating very closely, discussing very closely with the IAEA and Russia what exactly that will look at. But there are 27 nuclear storage facilities in Russia that are subject to safeguards, IAEA safeguards. And this material will end up at a safeguarded facility.

Senator MURPHY. One last quick question, we are about to pass a reform of the Visa Waiver Program that will include in it a naming of Iran such that individuals who have traveled to Iran will no longer be eligible for the Visa Waiver Program. There has been a suggestion that because there is an element of the agreement that obligates us not to take steps that would stop economic relations between other countries and Iran, that we could perhaps be in jeopardy of breaching the agreement.

I think there are some other things that trouble me about this visa waiver reform proposal, including how it affects dual nations.

But have the Europeans raised concerns to you or have others raised concerns to you about that specific provision? Should it be something we should be thinking about in the wake of its, I think, pretty clear imminent passage?

Ambassador MULL. Yes, sir. I have heard from very senior—and Secretary Kerry has as well—from very senior officials of differing European allies of ours that it could have a very negative impact on the deal.

Senator MURPHY. Okay. I think it is early days but just something for the committee to consider. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. And if I could on that note, I think because of the way the omnibus came together there were some concerns about some of those technicalities being looked at. My sense is that down the road they will be. But, Ranking Member Cardin?

Senator CARDIN. Thank you, Senator Murphy. I do think, Senator Corker, this is an issue that we are going to take a look at. Obviously, there has been a great deal of congressional interest in the Visa Waiver Program and refugees, et cetera, since the Paris attacks and the attacks in our own country. But including this in the omnibus was not the right venue. We should have had an opportunity to debate this issue and look at the consequences far beyond just the immediate impact on individuals who wish to come to the United States.

So I thank Senator Murphy for raising that issue, and I hope that we have an opportunity early next year take a look at this from the point of view of the Senate Foreign Relations Committee.

The CHAIRMAN. And if I could just say one thing, I want to make sure they understand this is not of our jurisdiction—

Senator CARDIN. Well, I understand the direct interest of the legislation may not be ours, but the connection that Senator Murphy made to that issue is very much in our committee's jurisdiction. If it was on the Floor as a separate bill, our committee could have weighed in.

The CHAIRMAN. That is right.

Senator CARDIN. And we did not have that opportunity. I appreciate that.

And, Senator Murphy, I agree with you completely that a lot of the activities in Iran are not new, and we should not expect that it will change. And as I said in my opening comments about the Americans that are being held, this is an area that we know that we are going to have to be aggressive. And I appreciate the response from the administration, as they have said consistently throughout this that the Iranian activities in regards to human rights violations, in regards to ballistic missiles, in regards to support of terrorism, that our response to these issues has not been at all hampered by the Iran agreement, which is focused on stopping Iran from becoming a nuclear weapons state. So I appreciate all those matters.

So my first question, and it has been talked about by most members of this committee, and is in regards to Iranian violations of the U.N. Security Council resolutions on ballistic missiles. My question is pretty specific. Yes, the United States will respond. I think that is clear we are going to respond, but we have a mecha-

nism under the Iran agreement where an individual country that is a participant can take action unilaterally. That is true. But we are depending upon the coalition with our European partners to have a day-to-day strict compliance with the agreement by Iran.

So it would seem to me this is the first test of the unity with our European partners. And I just hope—and I am going to ask that question—that we are trying to coordinate a response with our European partners because it seems to me they also understand the importance of that coalition to the successful implementation of the Iran agreement.

Ambassador MULL. Yes, sir, I completely agree. I think one of our strongest—we do have a really powerful toolbox that we can use unilaterally, but to the extent that we can get others in the international community to join us, that substantially increases the impact of these sorts of measures.

And I think that has actually been one of the great success stories of American diplomacy in confronting these threats from Iran over the past several decades.

Senator CARDIN. Mr. Ambassador—

Ambassador MULL. And—

Senator CARDIN.—I would say to you we are looking at the math of the P5+1 in actions with the compliance within the Iran agreement. Yes, we want to get international support to respond to Iran, but it is important that we have the numbers that will be important in enforcing the Iranian agreement.

Ambassador MULL. Yes. And in response to your specific question about this missile launch, we in fact had the very full support at the Security Council in reporting this violation of U.N. Security Council Resolution 1929 from France, the United Kingdom, and Germany, who joined with us in bringing it to the attention of the Security Council.

Senator CARDIN. And we will be watching their actions to the U.N. resolution violation because to me it is telling whether we will have zero tolerance for compliance with the Iran agreement. Yes, we can take unilateral action, but a lot of this depends upon Iran understanding that we have the support of our coalition partners in Europe.

Let me move on to a second issue that has me concerned, and let me get your response to it. Throughout the Iran review of the agreement itself, the estimate from all of the administration witnesses was that Iran would most likely be eligible for sanction relief in the spring. That was the timeframe given. In many of the specific estimates, they said they had so much to do that it would take at least to the spring.

Now, we understand it is likely that Iran will be in compliance and entitled to sanction relief as early as January. So I guess my point is—and obviously, we want them to comply as quickly as possible. Do not get me wrong. But are we underestimating Iran's participation in this agreement that could affect other aspects here as well? And why do we misjudge so badly the date which was likely for compliance?

Ambassador MULL. Senator Cardin, I think the agreement is very clear that Implementation Day comes and the sanctions relief comes only when Iran has completed every single step that it must

do in terms of reducing the capacity of its nuclear program for weaponization——

Senator CARDIN. I do not mean to——

Ambassador MULL [continuing]. Activities.

Senator CARDIN [continuing]. Interrupt but I want to focus on this. Based upon intelligence information, based upon technical information as to how long it would take to dismantle the centrifuges and ship the equipment, et cetera, there was a thought that it would be spring. Now, it is December—January. So is that of concern or not?

Ambassador MULL. Well, I assume that during the time of the negotiation there were assumptions that some members of our administration did speculate on how long it would take. But what ultimately guides the answer to that is has Iran done everything it is supposed to do? And so the pacing of that is fully in Iran's hands.

We have been very firm and clear in delivering a message that they have to do this right. They do not have to do it quickly. In fact, beginning with Adoption Day, they moved very swiftly to begin dismantling their centrifuge operations.

So we are not there yet. We are working very closely with the IAEA to make sure that they have full insight to be able to verify everything that Iran has done. We will get to Implementation Day only when Iran has completed those steps. I do not think anyone in the United States is able to predict when that will be. The responsibility for that lies with Iran, as verified by the IAEA.

Senator CARDIN. My last question deals with the shipment of the enriched uranium outside of Iran to Russia and perhaps to Kazakhstan. As I understand, there is also considerations that some of this material may end up in Kazakhstan.

My question is a follow up to a question asked earlier, and that is from a legal point of view will we know whether Iran, after the time period on restrictions of their stockpile has elapsed, whether they will have the legal right to reclaim this material and have it shipped back to Iran?

Ambassador MULL. According to paragraph 60 of Annex I of the JCPOA, Iran, even before the agreement ends, is eligible to receive in 5 kilogram increments those bits of fuel for its Tehran Research Reactor. And it can only receive those increments as the IAEA verifies that the preceding amount of fuel has been used. So that is going to be under very tight control.

After the end of the JCPOA, years from now in the future, there is no restriction on Iran's enrichment activities beyond—I mean, they have committed to us that they will develop an enrichment program consistent with peaceful purposes whether we have this agreement or not. That is going to be a constant focus of the U.S. Government.

Senator CARDIN. Well, I understand that. My question is the agreement—will we know whether the legal agreement entered into between Iran and Russia and perhaps Iran and Kazakhstan today will give them the right to reclaim this material after the JCPOA restrictions are eliminated?

Ambassador MULL. The only exception for that is getting the fuel increments. Whether or not they will have the ability to get the

stockpile that will be moved to Russia back, that is not addressed in the agreement. They, according to the agreement, must keep below 300 kilograms.

Senator CARDIN. Right. So we will not know legally whether they have the right to reclaim? That is not something that is required to be disclosed contemporaneous with the arrangements being made for the shipping of the enriched uranium?

[Discussion off the record.]

Ambassador MULL. Sir, that is just not addressed within the agreement. The agreement only requires them to stay below 300 kilograms.

Senator CARDIN. Thank you. Thank you.

The CHAIRMAN. Thank you. Before turning to Senator Perdue, I know Ali Rezaian is in the audience. We talked earlier before he arrived relative to your efforts to secure his brother and get him back into the country. Would you want to address that one more time briefly before I turn to Senator Perdue?

Ambassador MULL. Yes, sir. I can say that this is a subject of grave concern for the administration. Secretary Kerry repeatedly raises the plate of Mr. Rezaian and the other detainees in Iran, whether it is Mr. Hekmati or Saeed Abedini, as well as asking for help and cooperation in finding out what has happened to others such as Robert Levinson who have disappeared, last seen in Iran.

I am not in every meeting that Secretary Kerry has with his Iranian counterpart, but every one in which I have been, he has raised this issue in the most unambiguous terms.

The CHAIRMAN. And you can understand how there is broad concern about our—and I know Senator Perdue spoke to it very eloquently earlier, that in spite of this massive agreement that is being put in place, these issues of these four people not being addressed causes a lot of consternation here in our country, and there is a lot of lack of understanding as to why that cannot be resolved much more easily than it is.

Ambassador MULL. Yes, sir.

The CHAIRMAN. Okay. Senator Perdue.

Senator PERDUE. Thank you for the courtesy. And I really appreciate your testimony today and for what you are doing. I mean that seriously. It is not the first time you guys have been before this committee. It may not be the last.

But I want to make two comments very quickly. One is I want to applaud the ranking member and the chairman for your leadership in this committee. And really, I have used this word before. This committee is more nonpartisan, not bipartisan, nonpartisan. This is about national security. It is about global security.

I used the word naive earlier, and I stick by that word. But, Mr. Secretary, you mentioned something before that you have not heard any alternatives. Well, of course you have. We did not talk about the third alternative. War was never talked about. We had talked about this negotiation. We never talked about what got these people to the table in the first place.

I am a business guy and I know how serious these sanctions have hurt them, and I think that we could have doubled down and at least talked about that as an alternative.

But I want to come back to the word naive, but before I do that, let me set the record straight. My colleague from California said this was done in a bipartisan way, and I take issue with that. This committee unanimously passed a bill recommending—it was an act that gave us a look at this bill. Otherwise, we would not know—or this agreement. Otherwise, nobody would know what was in this agreement other than the administration. So I give you guys full credit for that.

But we never got a vote on it. We could not even get it to the Floor of the Senate to have a vote on it. That is what drives my people back home absolutely apoplectic. I am sorry, but that is what is wrong with this process. It is all talk. Fifty-eight to forty-two. Four Democrats voted to even put it on the Floor. The rest of them unanimously almost—or 42 votes voted to not even move this bill to the Floor to have a debate on it.

The last thing I would say about the word naive, I did not use that word lightly. Not just this administration, other administrations, this country, we do not have a great record dealing with rogue nations. In 1993 another administration said trust us; this deal will preclude the potential of ever having a nuclear weapon on the peninsula of Korea. We know how that worked out.

Of course these guys are headed toward a nuclear weapon. I mean who are we trying to kid? The United Nations has no ability right now in my view except to talk because of the vetoes that are part of that Security Council situation.

So I just think we were faced with a false choice here. I wanted to set the record straight. But I do want to commend this committee for its bipartisan/nonpartisan approach to this whole topic and for the leadership you guys—and for what you guys are trying to do to make sure that the implementation of this thing goes properly. Thank you.

Senator CARDIN. Mr. Chairman, can I just—Senator Perdue is one of the most effective members of not only this committee but the United States Senate, and I very much appreciate all the comments he made.

I just really want to put on the record the negotiations took place with Senator Kaine and Senator Menendez and Senator Corker and other members of the committee. It was always envisioned that we would not have an expedited process for the consideration of the Iran agreement. Interpreted in layman's language, it was always anticipated there would be a 60-vote threshold in the United States Senate so that it had to be a bipartisan action considering that we have divided government between Congress and the White House by party. That was always envisioned in the agreement.

And I know there is a different interpretation among the Democrats and Republicans as to whether we had a vote on the substance or not. I fully understand that, and I understand what Senator Perdue was saying. But I think the American people know that 58 Senators opposed the agreement and 42 supported the agreement, and that it did not hit the 60-vote threshold that was the ground rules on which the legislation was negotiated. That legislation got the unanimous support of this committee and near unanimous support of the United States Senate.

I just really wanted to put that on the record because I think there was a difference among parties as to how that was to be handled, and I respect that, but I think clearly there was anticipation that it would take 60 votes.

The CHAIRMAN. I think I am just going to refrain from entering into——

[Laughter.]

The CHAIRMAN. [continuing]. A discussion regarding that. I thank you both for your comments. I want to thank you for the tremendous role you have played this year as a new member in Foreign Relations. I am so glad that things worked out where we could have two Senators from Georgia. And thank you so much for digging into the issues the way you have.

I want to just mention a couple things. This snapback provision, just for what it is worth, if we cannot get the U.N. Security Council to act relative to the missile issues, I do not think any of us really believe the snapback itself is real. You know, we can call for it, but the other countries have to implement. And if they are not willing to implement, it has no effect.

So I think if the U.N. Security Council—and I think —look, I understand what Senator Boxer was saying. I think much of the discussion here is to try to shame the administration and shame the U.N. Security Council into taking action. I mean, that is what people want to see happen, and much of our comments about Russia and China are to hopefully push them into being willing to address this issue that a panel of experts has said occurred. But again, if they are not willing to do that, I think it renders the snapback provision over time totally useless. Yes, sure, we can call for it to happen, but the other countries do not have to follow suit and cause those sanctions to snap back into place. It is just not real.

So that is a concern. And, again, I think we are not talking at you. We are talking with you. We know there are others that will be taking these actions.

On the issue that I left hanging out there and was not followed up on, is there any pressure—I realize the reason that Iran is doing what it is doing relative to moving quickly, which again, as Senator Cardin just mentioned, that is what we want them to do—but we understand there are political issues that are occurring within the country that—there is an election that is going to be taking place.

And we understand that the people who negotiated this agreement want those sanctions lifted prior to that election so that it is going to affect the outcome. I mean, we understand that. I do not think you would question that.

My question to you is are we dragging—is there any pressure within the administration to drag—is that one of the reasons you do not want us to implement the sanctions that are going to be expiring next year right now? Or is there pressure relative to this agreement to somehow cause inaction to have, again, an effect within the Parliament elections that are taking place in March?

Ambassador MULL. Mr. Chairman, I agree with your analysis of the political situation in Iran. In the same breath, I hasten to stress that what happens internally, politically in Iran is not part of my brief in terms of implementing this agreement.

We have a very specific roadmap of what Iran has to do, and on the first day that my office in the State Department was created, President Obama stopped by the State Department to congratulate the negotiating team, and he pulled me aside and he said you know what you have to do in making sure that this agreement is fully implemented. You cannot make a single mistake. It was a pretty impressive way to start work in a new job.

The CHAIRMAN. Yes.

Ambassador MULL. But nevertheless, it has been very clear that we are fully focused. There are politics in every country, but we have a deal that we need to implement and that Iran needs to implement regardless of its internal political situation.

The CHAIRMAN. But outside of your purview—I understand that you are not the enforcer; you are the implementer. Outside of your purview there are others within the administration that have the ability to put in place sanctions, right? I mean, Countryman can call for them but there are others that are going to actually decide.

And my question to you is have you sensed any issues relative to, you know, enforcing, punishing relative to the elections that are coming up in the spring?

Ambassador MULL. Senator Corker, Secretary Kerry, as recently as yesterday, as well as other members of the President's national security team, have all said that we need to follow up—we need to make sure there are consequences for violations of international prohibitions, such things as the recent missile launches. So we are fully committed as an administration to exercising those sanction authorities when it is warranted.

I do not know if you want to add anything.

Mr. COUNTRYMAN. No. I would only add that no one has asked me to modulate, accelerate, or slow down the implementation of the steps that we are considering due to considerations about an electoral calendar in Iran. I have seen no such indication.

The CHAIRMAN. Well, I think all of us again hope that if we are unsuccessful at the U.N. Security Council, very quickly, the abilities that the administration has to implement surgical and directed sanctions at Iran will take place.

Let me just ask one last question. The Procurement Channel, I understand that is going to be—when do you think that process will be fully agreed to and in a place where we begin implementation?

Ambassador MULL. Senator, at the last meeting of the Joint Commission, which I attended along with Ambassador Shannon last week in Vienna, we reached agreement on how the channel would work within the Joint Commission. And in fact, this week as we speak, we are doing a test run of the process with a number of tests. The personnel managing this process will meet in Vienna next Tuesday—the P5+1, as well as representatives with Iran—to scrub how we did in the test run, and we will make necessary improvements.

A piece of this that has yet to be agreed upon, and we are very close to coming to agreement on this, is how that process interacts with the Security Council because ultimately it is the Security Council that has to give its blessing for the transfer of any of this technology to Iran. We are very close to agreement with the Secu-

rity Council how the Security Council will staff that process and interact with the Procurement Channel.

The CHAIRMAN. Any other questions or comments?

Senator CARDIN. Thank you all very much.

The CHAIRMAN. Yes, we thank you for being here. We thank you for your service to our country, and we wish you well as you ensure that this is implemented with every t crossed and i dotted. And I think you can tell we certainly are going to be paying attention to that. We thank you for being here today.

Without objection, the record will remain open until the close of business Monday. If each of you would respond fairly promptly, we would appreciate it.

We wish you a very good holiday season. And with that, the meeting is adjourned. Thank you.

[Whereupon, at 12:01 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSE OF AMBASSADOR STEPHEN MULL TO A QUESTION SUBMITTED BY SENATOR BENJAMIN L. CARDIN

Question. Large amounts of low enriched uranium 3.5 percent will be shipped from Iran to Russia, in order to reduce Iran's nuclear stockpile below 300kgs. In addition, it has been reported that the United States is working on an arrangement that would send another portion of Iran's nuclear fuel stockpile to Kazakhstan.

- What are the details of these arrangements?
- Who retains legal possession of the nuclear stockpile if this arrangement is finalized?
- Could Iran retake possession of this stockpile once the limitations in the JCPOA expire?

Answer. Under the Joint Comprehensive Plan of Action (JCPOA), Iran is allowed to maintain a total enriched uranium stockpile of no more than 300 kilograms of up to 3.67 percent enriched uranium hexafluoride (or the equivalent in different chemical forms) for 15 years. To meet this JCPOA requirement, Iran has shipped nearly its entire stockpile of low-enriched uranium (LEU) to Russia, including all nuclear material enriched to near-20 percent not already fabricated into fuel plates for the Tehran Research Reactor. Iran shipped all of this material to Russia under commercial arrangements.

Russia has taken ownership of all of the up-to-five percent LEU material shipped out from Iran, and Iran no longer has a claim to this material. In return for the up-to-five percent LEU, Russia provided an equivalent amount of natural uranium in the form of uranium ore concentrate (yellowcake).

In addition, Iran has sent to Russia scrap material enriched to near-20 percent and partially fabricated near-20 percent enriched uranium fuel and targets. Iran no longer has ownership of the scrap, but does retain ownership of the partially fabricated fuel and targets, which can only be returned to Iran in small increments for use in the Tehran Research Reactor consistent with the JCPOA, subject to conditions decided upon by the Joint Commission. In return for the near-20 percent material, Kazakhstan provided an equivalent amount of natural uranium in the form of yellowcake. Norway provided the funding for the natural uranium.

After 15 years, Iran may possess a stockpile over 300 kilograms, but it cannot use any nuclear material it possesses or acquires at any time for nuclear explosive purposes, and such material will be subject to all the obligations under the Nuclear Non-Proliferation Treaty (NPT). Furthermore, all nuclear material will remain subject in perpetuity to the robust monitoring and verification measures in Iran's Comprehensive Safeguards Agreement and, as a result of the JCPOA, the Additional Protocol. This includes monitoring at all nuclear fuel cycle sites, including enrichment facilities and nuclear reactors. These measures are designed to detect any diversion from Iran's uranium stocks for nuclear explosive purposes. Any such diversion would violate Iran's obligations under the NPT and its IAEA safeguards agreement.

RESPONSES OF THOMAS COUNTRYMAN TO QUESTIONS SUBMITTED BY SENATOR DAVID PERDUE

Question. As you covered in your testimony, Iran is prohibited under UNSCR 1929 from undertaking any activity related to ballistic missiles capable of delivering nuclear weapons, including launches. The UNSCR that followed the JCPOA, 2231, also prohibits Iran from missile development for 8 years. Iran has tested twice a mid-range ballistic missile capable of striking targets as far away as 1200 miles and gone unpunished. Would you consider the ballistic missile launches to be consistent with the spirit of the JCPOA?

Answer. We remain deeply concerned that Iran continues to develop a ballistic missile capability that threatens regional and international security.

Under UNSCR 2231, important United Nations (U.N.) restrictions on transfers of ballistic missile technologies remain in place for eight years, or until the IAEA reaches its Broader Conclusion that all nuclear material in Iran remains in peaceful activities. These binding prohibitions directly constrain Iran's ballistic missile capability by limiting its access to new technology and equipment. Under these provisions:

- All States are still required to prevent the provision to Iran of technology, technical assistance, and other services related to ballistic missiles.
- All States are still required to prevent transfers from Iran of ballistic missile-related items to or through their territory or by their nationals.
- All States are still required to prevent Iran from acquiring interests in commercial activities in their territories related to ballistic missiles.
- All States are still called upon to inspect cargo in their territories suspected of containing ballistic missile items.
- Flag States are still called upon to allow inspections of their flag vessels suspected of containing ballistic missile items.
- If ballistic missile-related items are found, States will still be required to take actions, in accordance with guidance from the Security Council, to seize and dispose of them.

Under these prohibitions, the U.N. framework for disruption of ballistic missile-related transfers is fundamentally unchanged from the status quo. As a permanent member of the Security Council, we would not expect to approve any exceptions to these prohibitions.

In addition, UNSCR 2231 calls on Iran specifically not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology. Since the Security Council has called upon Iran not to undertake these activities, if Iran were to undertake them it would be inconsistent with UNSCR 2231 and a serious matter for the Security Council to review.

As the focus of the JCPOA is to cut off all of Iran's pathways to a nuclear weapon and ensure that the Iranian nuclear program is peaceful, Iranian missile tests, such as the October launch reported to the U.N. and the reported November launch, are not a violation of the JCPOA. This deal is not about trust or hope that Iran will behave in a certain way, but rather it is about clear provisions whose implementation can be verified through robust transparency and verification mechanisms. Indeed, we have long said that the JCPOA was not predicated on any change in Iranian behavior—including its missile development effortsother than specific changes that would have to be made to its nuclear program. Full implementation of the JCPOA by Iran will ensure that Iran's nuclear program remains peaceful going forward, and that Iran will not develop nuclear weapons.

Question. Do you view Iranian UNSCR violations even before the JCPOA is implemented a red flag for things to come?

Answer. The international community has long sought to restrict Iran's missile programs, adopting a series of United Nations Security Council resolutions (UNSCRs) that target Iran's missile development, procurement, and proliferation activities. Even with these strong UNSCR provisions in place, Iran has continued to engage in activities that clearly violate these restrictions. This has been the case since the adoption of UNSCR 1737 in 2006.

The JCPOA was not predicated on any change in Iranian behavior -- including its missile development efforts -- other than specific changes that would have to be made to its nuclear program. Moving forward, we have no intention of reducing our focus and determination to prevent the development of Iran's ballistic missile capabilities, even as we take steps to implement the JCPOA.

Question. Aside from statements of concern, what has the administration done in reaction to this repeated violation?

Answer. We have mounted a vigorous response to Iran's October 10 launch of its new "Emad" medium range ballistic missile. In addition to strong statements in the U.N. Security Council, on October 21, the United States, together with France, Germany, and the United Kingdom, submitted a joint report on the launch to the U.N. Security Council's Iran Sanctions Committee. We called on the Committee, with the support of the independent U.N. Panel of Experts, to review this matter quickly and recommend appropriate action. On December 11, the Panel of Experts submitted to the Committee its report concerning the launch of the Emad in which it concluded definitively that the "Emad launch is a violation by Iran of paragraph 9 of the Security Council resolution 1929 (2010)." We have proposed that the Committee send a letter to Iran raising our concerns and asking for an explanation.

In addition to the provisions of U.N. Security Council resolutions, we also rely on a broad set of other multilateral and unilateral tools to impede and disrupt Iran's missile development efforts. Specifically, we continue to work with partners—including many of the over 100 governments around the world that have endorsed the Proliferation Security Initiative (PSI)—to interdict shipments related to weapons of

mass destruction (WMD), their delivery systems, and related items, including Iran's prohibited missile-related imports or exports. We also use our participation in the Missile Technology Control Regime (MTCR) to prevent the spread of critical missile technologies and raise awareness among the 33 other MTCR Partners (members) of the proliferation concerns posed by Iran's missile development, procurement, and proliferation activities. We bolster these multilateral efforts through our bilateral cooperation with countries to prevent transfers to Iran's missile program, promote thorough UNSCR implementation, and target Iranian missile proliferation activities in third countries. In addition, we continue to use domestic authorities to impose sanctions on entities connected to Iran's ballistic missile programs, as warranted.

Question. If these tests continue, is the U.S. prepared to act in punishing Iran for these violations?

Answer. We are prepared to act. We have a range of unilateral and multilateral tools available at our disposal to counter Iran's missile-related activities. We have imposed on multiple occasions penalties under domestic authorities on foreign persons and entities engaged in proliferation-related activities and are actively reviewing the facts from the recent launch to determine whether such measures are warranted.

We are continuing to combat the proliferation of missile technology and equipment by working with the more than 100 countries around the world that have endorsed the Proliferation Security Initiative (PSI) and by urging all countries to implement and enforce missile-related export controls, such as those established by the Missile Technology Control Regime (MTCR).

In addition, we also will continue to raise such activities in the U.N. Security Council as warranted and call on the Security Council to address Iranian violations and increase the political and financial cost to Iran of its behavior.

Question. How will the U.S. take action now to stop further testing of nuclear-capable ballistic missiles from Iran, which is in clear violation of the UNSC resolutions?

Answer. At the December 15 U.N. Security Council meeting to discuss Iran sanctions, Ambassador Power insisted that the Council must take greater responsibility to respond to Iran's ongoing violations of U.N. Security Council resolutions, including the October 10 ballistic missile launch. We are now consulting with Security Council members about further appropriate responses. We also are actively reviewing the facts from the recent launch to determine whether penalties under domestic authorities on foreign persons and entities are warranted.

Question. Would ballistic missiles, such as the ones tested by Iran during the past two months, be an efficient and cost effective way for them to deliver a 500 pound conventional warhead? Or is it more likely that in fact, the only reason to have a ballistic missile is to deliver a nuclear warhead or other weapon of mass destruction? What is the administration's view of the purpose of Iran's ballistic missiles? Would you agree that Iran's continued development of ballistic missile technology reflects its long-term intention to acquire a nuclear weapon?

Answer. Iran has the largest ballistic missile program in the Middle East, and has deployed hundreds of conventionally armed ballistic missiles—including of the Shahab-3 class. Iran deploys such ballistic missiles to project power regionally and deter potential adversaries. Iranian officials have stated repeatedly that they see conventionally armed ballistic missiles as an integral part of their defense capability and have no intention to forgo this capability. These missile programs remain one of our most significant nonproliferation challenges, contributing to regional tension and posing a serious risk to international stability.

As we reported to the U.N. Security Council, Iran launched a medium-range ballistic missile (MRBM) on October 10 called "Emad" that appears to be a new variant of Iran's Shahab-3 MRBM with a maneuvering reentry vehicle. This system is an Missile Technology Control Regime (MTCR) Category I missile capable of delivering a payload of at least 500 kg to a range of at least 300 km and therefore is inherently capable of delivering a nuclear weapon. This missile has this inherent capability even if it was not designed for this purpose or is normally deployed with a conventional warhead.

Question. In their December 2nd report, the IAEA asserted that Iran concealed, and continues to conceal, efforts to weaponize nuclear material. The IAEA has still not verified that all of Iran's nuclear program is for purely peaceful purposes. This contradicts the requirements laid out during the negotiations. President Obama's lead negotiator, Wendy Sherman said to the Senate last February, "And in fact, in the Joint Plan of Action, we have required that Iran come clean on its past actions

as part of any comprehensive agreement." Do you believe that Iran has really "come clean" on their past actions as we were assured during the negotiations? What rationale underlay the Obama administration's initial requirement of full PMD disclosure during the negotiation of the JCPOA? Why does this rationale no longer apply?

Answer. Under the JCPOA, Iran committed to fully implement the "Roadmap for the Clarification of Past and Present Outstanding Issues regarding Iran's Nuclear Program," which established a time-limited process to address the IAEA's concerns regarding the possible military dimensions (PMD) of Iran's nuclear program. On October 15, the IAEA confirmed that Iran had completed the steps required of it under the Roadmap. On December 2, as specified in the Roadmap, the IAEA Director General submitted his final assessment on PMD to the IAEA Board of Governors. The December 2 report, largely consistent with what the United States has long assessed, concluded that Iran pursued a coordinated program of nuclear weapons related activities that was discontinued in 2003, though certain research and development activities continued until 2009.

Our primary goal continues to be ensuring that Iran's nuclear program is and remains exclusively peaceful. The JCPOA is a forward-looking arrangement, but addressing questions about Iran's past nuclear weapons work has always been an important part of the process. For this reason, we and our P5+1 partners insisted Iran work with the IAEA to address PMD. As the Director General's December 2 report makes clear, Iran did not get away with its illicit nuclear activities without being made to address each of the 12 areas originally identified in the Director General's November 2011 report. Moving forward, the IAEA maintains its full authorities to pursue all safeguards-relevant or JCPOA-related information in Iran, including any new concerns regarding weapons-related activities, through implementation of Iran's Comprehensive Safeguards Agreement, Additional Protocol, and the enhanced transparency and verification measures contained in the JCPOA.

Question. How can the JCPOA remain credible if the U.S. repeatedly shifts the goal posts in response to Iranian noncompliance?

Answer. We are not aware of any action by Iran, or failure to act, in breach of the JCPOA. We will continue to judge Iran's compliance with the JCPOA based on its full implementation of all required commitments.

Question. Yes or no, won't an incomplete understanding of what's happened in the past with Iran's nuclear weapons program and the country's current capabilities make it harder to determine when and how Iran pursues a nuclear weapon in the future?

Answer. No. The JCPOA includes the most comprehensive nuclear verification regime ever negotiated. We remain confident that Iran could not divert uranium or centrifuges to clandestine sites, or produce weapons grade plutonium, without detection, thereby cutting off all of Iran's paths to fissile material for nuclear weapons.

Question. If the IAEA is closing the book on Iran's PMDs, can you describe what parts of Iran's nuclear program will not be investigated further?

Answer. The IAEA maintains its full authorities to pursue all safeguards-relevant or JCPOA-related information in Iran, including any new concerns regarding weapons-related activities, through implementation of Iran's Comprehensive Safeguards Agreement, Additional Protocol, and the enhanced transparency and verification measures contained in the JCPOA.

Question. Can you elaborate on why these aspects of the program could not be restarted from where they left off according to the IAEA? Won't Iran still have the nuclear infrastructure and weaponization knowledge that they developed previously?

Answer. While we cannot erase Iran's knowledge, Iran's nuclear infrastructure and materials will be significantly restricted and monitored under the JCPOA, ensuring a one year timeline under any potential breakout scenario. In the event of non-performance of JCPOA commitments by Iran, we have the ability to independently re-impose both unilateral and multilateral nuclear-related sanctions.

Question. One of the most troubling aspects of this IAEA report was what was not found in the inspected facilities. Notably, what was missing from the Parchin site was the suspected high explosive test chamber. The IAEA assessed that despite an Iranian attempt to contest IAEA's imagery-derived analysis by providing Iranian aerial photography, the IAEA used new imagery from various sources to reinforce its previous assessment that a large cylindrical-shaped object was made and installed at the site in the summer of 2000. The IAEA stated that this cylinder matched the parameters of an explosives firing chamber featured in publications of

a foreign nuclear weapons expert. To give you a sense of scope, this is not a small piece of equipment-this expert's designs show that such a chamber would be 4.6x19 meters squared, with a volume of 315 cubic meters, with a reinforced concrete square section of 7.6 x 7.6 meters squared and a mass of 700 tonnes. The IAEA, through a visual observation, allowed the Agency to assess that as of September 20, 2015, the test chamber was no longer present inside the building. Signs of an Iranian cover-up, however, do exist—the IAEA noted a floor with an unusual cross-section and an incomplete ventilation system. From what I understand, our intelligence community still believed this test chamber was at Parchin. Why did we think it was still there? Was there an intelligence failure in the US, if this enormous object got out of Parchin? If this was an intelligence failure, then how can we reliably monitor Iran and ensure there's no cheating?

Answer. The IAEA Director General's December 2 report concluded that Iran's claims about the Parchin facility were not supported by the facts available to the Agency, including satellite imagery. Analysis of samples taken from Parchin was also not consistent with what the IAEA would have expected to find at chemicals storage facility, as claimed by Iran. In order to ensure Iran's full compliance moving forward, the JCPOA includes the most comprehensive nuclear verification regime ever negotiated. The JCPOA ensures both timely and effective IAEA access to any location in Iran necessary to verify Iran's compliance, including military installations. Any Iranian failure to allow access at the end of a time-bound 24 day period would be a violation of the JCPOA, and sanctions could be snapped back. The Joint Commission established by the JCPOA will be in a position to ensure that the IAEA is satisfied with the nature and extent of the access required of Iran.

Question. The verification procedures implemented at the Parchin military complex—where the IAEA believes that Iran conducted weaponization activities—differed from the standard protocols that the IAEA has applied in the past, both in other countries and in Iran, including at Iran's military sites. Due to the IAEA's limited access to information, the Agency is not able to state whether the conclusions in its report have been made with low, medium, or high confidence. The environmental sampling process at Parchin served as a poor precedent for investigations at other locations, including military-related sites. How concerned are you about this poor precedent, and what it means for future physical sampling of military sites? Will the administration demand that future sampling and investigation, in Iran and elsewhere, be done on-site by IAEA inspectors and experts? Can you explain to me how the Iranian self-sampling worked? Was the IAEA able to direct where samples were taken? Were air ducts and other parts of the ventilation system swabbed?

Answer. The U.S. government's nuclear experts remain confident that the IAEA's inspection of Parchin was technically sound, and we have full confidence in the IAEA to pursue only procedures that meet its high standards of independent verification in the future. The IAEA confirmed that the Director General, as well as his head of Safeguards, visited Parchin. This was the first time that the IAEA had visited the location. Before this visit, certain other safeguards activities were carried out at the Parchin site, included the taking of environmental samples, which the IAEA confirmed were conducted in a manner consistent with the IAEA's standard safeguards practices.

On December 7, the IAEA Board of Governors affirmed that the verification and monitoring of commitments set out in the JCPOA should not be considered as setting a precedent for the IAEA's standard verification practices, and further affirmed that it shall not be interpreted to alter the IAEA's right and obligation to verify compliance by other states with their Safeguards Agreements and Additional Protocols.

Question. Is it correct that the only other time that the IAEA has accepted videotaping of samples was in Japan, a nation with no trust deficit, and it was only done via video because it was an area that was hot with radioactivity?

Answer. Arrangements related to safeguards agreements and the IAEA's inspections activities are confidential within the IAEA system. The U.S. government's nuclear experts remain confident that the IAEA's inspection of Parchin was technically sound.

RESPONSES OF THOMAS COUNTRYMAN TO QUESTIONS
SUBMITTED BY SENATOR TIM KAINE

Question. After Implementation Day, would the Administration consider the type of ballistic missile tests conducted by Iran in October and November to be violations of either the JCPOA or U.N. Security Council Resolution (UNSCR) 2231? Why or why not? Does UNSCR 2231 provide a sufficient basis for restricting Iranian ballistic missile activity?

Answer. We remain deeply concerned that Iran continues to develop a ballistic missile capability that threatens regional and international security.

Under UNSCR 2231, important United Nations (U.N.) restrictions on transfers of ballistic missile technologies remain in place for eight years, or until the IAEA reaches its Broader Conclusion that all nuclear material in Iran remains in peaceful activities. These binding prohibitions directly constrain Iran's ballistic missile capability by limiting its access to new technology and equipment. Under these provisions:

- All States are still required to prevent transfers to Iran of ballistic missile-related items from their territory or by their nationals.
- All States are still required to prevent the provision to Iran of technology, technical assistance, and other services related to ballistic missiles.
- All States are still required to prevent transfers from Iran of ballistic missile-related items to or through their territory or by their nationals.
- All States are still required to prevent Iran from acquiring interests in commercial activities in their territories related to ballistic missiles.
- ll States are still called upon to inspect cargo in their territories suspected of containing ballistic missile items.
- Flag States are still called upon to allow inspections of their flag vessels suspected of containing ballistic missile items.
- If ballistic missile-related items are found, States will still be required to take actions, in accordance with guidance from the Security Council, to seize and dispose of them.

Under these prohibitions, the U.N. framework for disruption of ballistic missile-related transfers is fundamentally unchanged from the status quo. As a permanent member of the Security Council, we would not expect to approve any exceptions to these prohibitions.

In addition, UNSCR 2231 calls on Iran specifically not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology. Since the Security Council has called upon Iran not to undertake these activities, if Iran were to undertake them it would be inconsistent with UNSCR 2231 and a serious matter for the Security Council to review.

As the focus of the JCPOA is to cut off all of Iran's pathways to a nuclear weapon and ensure that the Iranian nuclear program is peaceful, Iranian missile tests are outside of its scope and therefore not a violation of the JCPOA.

Question. Please explain in detail what next steps the Administration is planning to take, unilaterally or in coordination with the P5+1, in response to the October 10 ballistic missile test, which the U.N. just determined to be a violation of UNSCR 1929, as well as the November 21 ballistic missile test.

Answer. The United States has mounted a vigorous response to Iran's October 10 launch of its new "Emad" medium range ballistic missile. In the U.N. Security Council, U.S. Ambassador to the United Nations Samantha Power highlighted this violation and condemned the launch as destabilizing on October 21, and reiterated a call for Council action on December 15. Other Security Council members joined the United States in condemning the launch as a violation, highlighting the widespread international concern with this act. On October 21, the United States, together with France, Germany, and the United Kingdom, submitted a joint report on the launch to the U.N. Security Council's Iran Sanctions Committee. The Committee discussed our report on the launch in a meeting on November 24. We have called on the Committee, with the support of the independent U.N. Panel of Experts, to review this matter quickly and recommend appropriate action. We have proposed that the Committee send a letter to Iran raising our concerns and asking for an explanation. On December 11, the Panel of Experts submitted to the Committee its report concerning the launch of the Emad in which it concluded definitively that the "Emad launch is a violation by Iran of paragraph 9 of the Security Council resolu-

tion 1929 (2010)." At the December 15 U.N. Security Council meeting to discuss Iran sanctions, Ambassador Power insisted that the Council must take greater responsibility to respond to Iran's ongoing violations of U.N. Security Council resolutions, including the October 10 ballistic missile launch. We are now consulting with Security Council members about further appropriate responses.

The Administration also is carefully reviewing the reported November 21 launch by Iran of a medium-range ballistic missile. If these reports are confirmed and we assess there has been any violation of relevant U.N. Security Council resolutions, we will take appropriate action. Such action may include calling on the U.N. Security Council to address Iranian violations, shining an international spotlight on Iran's destabilizing activities, and increasing the political and financial cost to Iran of its behavior.

In addition to the provisions of U.N. Security Council resolutions, we also rely on a broad set of other multilateral and unilateral tools to impede and disrupt Iran's missile development efforts. Specifically, we continue to work with partners—including many of the over 100 governments around the world that have endorsed the Proliferation Security Initiative (PSI)—to interdict shipments related to weapons of mass destruction (WMD), their delivery systems, and related items, including Iran's prohibited missile-related imports or exports. We also use our participation in the Missile Technology Control Regime (MTCR) to prevent the spread of critical missile technologies and raise awareness among the 33 other MTCR Partners (members) of the proliferation concerns posed by Iran's missile development, procurement, and proliferation activities. We bolster these multilateral efforts through our bilateral cooperation with countries to prevent transfers to Iran's missile program, promote thorough UNSCR implementation, and target Iranian missile proliferation activities in third countries. In addition, we continue to use unilateral authorities to impose sanctions on entities connected to Iran's ballistic missile programs and procurement network.

REMARKS AT A BRIEFING BY THE CHAIR OF THE U.N. SECURITY COUNCIL'S IRAN SANCTIONS COMMITTEE

Ambassador Samantha Power,
U.S. Permanent Representative to the United Nations,
U.S. Mission to the United Nations,
New York City, NY

December 15, 2015

AS DELIVERED

Thank you, Ambassador Oyarzun, for your briefing. We are grateful for your leadership during this important transition period.

Five months have passed since the P-5+1 countries, the EU, and Iran concluded the Joint Comprehensive Plan of Action, the JCPOA. I, like others, am pleased to note that the JCPOA participants are making progress in fulfilling their commitments under the deal. Iran is taking key steps outlined in the JCPOA, such as removing centrifuges, and it has begun work to eliminate 98 percent of its enriched uranium stockpile.

When the IAEA verifies that Iran has completed these steps—we call this "Implementation Day"—then we will enter a new phase of this landmark deal. After this day, however, this Council will continue to have a crucial role to play in JCPOA implementation and in monitoring compliance with Security Council Resolution 2231.

Prior to JCPOA Implementation Day, all the current U.N. Security Council sanctions have remained in place. Nevertheless, we have seen a troubling tendency to look the other way when these measures have been willfully violated in recent months.

For example, this past October, Iran launched a ballistic missile that was obviously capable of delivering a nuclear weapon. Security Council resolution 1929, still in force, prohibits this kind of launch. After reviewing this incident, the U.N.'s own independent Panel of Experts also concluded definitively that it was a violation of this resolution. Yet instead of an effective, timely response, the Security Council has dithered. We intend to keep working with Council members so as to acknowledge and respond appropriately to this serious incident.

And there have been other violations. Just last week the international affairs advisor to Iran's Supreme Leader acknowledged, said outright, that General Qasem

Soleimani, who is subject to a U.N. Security Council travel ban, visited Russia. This advisor called such travel "absolutely normal." That's a direct quote. Also, in late September, a shipment of arms from Iran was intercepted off the coast of Oman—this shipment was a violation of Resolution 1747.

We don't see how Council members can cast doubt on these violations. In many cases, Iranian officials have boasted publicly about taking prohibited actions, leaving them no plausible deniability. No desire on their part for deniability. After the October launch, Iran's Defense Minister even declared, "We don't ask permission from anyone" as he went on to describe the ballistic missile's technical capabilities.

This Council cannot allow Iran to feel that it can violate our resolutions with impunity. Some Council members may not like those resolutions, but they are our resolutions.

Furthermore, we reject the notion that those countries that raise these violations in the Security Council—countries like the United States—are somehow responsible for destabilizing the JCPOA. Implementing Council resolutions is the sine qua non of a credible, enforceable nuclear deal and to suggest otherwise is to miss the point of the JCPOA—and the point of the U.N. Security Council. A sense of impunity for violators will not help this deal.

The Council members who raise violations of our resolutions, who seek action from this Council in response to violations of our resolutions are not the destabilizers. We are not the rule breakers. Iran is when it violates Council resolutions. It's not allowed under the resolutions and they're admitting it.

The United States, as well as other Council members, has appropriately and firmly condemned these violations. We will continue to dedicate resources and work with international partners to make sure that U.N. measures are better enforced. We will continue to intercept and seize Iranian arms exports in accordance with international law. We will continue to identify and obstruct shipments to Iran of prohibited ballistic missile-related items. And we will continue to hold Iran accountable for violations of the measures imposed by this Council.

But this isn't enough. The Security Council itself—we here, we 15—must take responsibility to respond to violations of our resolutions. This will be a long-term challenge. After JCPOA Implementation Day, there will still be measures imposed under Article 41 of Chapter VII of the U.N. Charter—this is part of the JCPOA—these measures, enforced by the U.N. Security Council, will remain for many years; this includes restrictions relating to arms transfers and ballistic missile-related items. The United States and our partners will continue to bring violations to the Security Council's attention and press for this body to respond appropriately.

All of us are very pleased by the JCPOA. We are glad this exists. We think it's good for peace and security. But we have to remember how we got this deal. Decisive Security Council action played a major role in getting Iran to the negotiating table. But our job here is not done. We have to work together— in that same spirit of resolve that led to the JCPOA—to support the implementation of this nuclear deal and to enforce this Council's resolutions.

Thank you.

LETTER RECEIVED BY SENATOR COONS FROM PRESIDENT OBAMA

THE WHITE HOUSE,
WASHINGTON, DC,
December 8, 2015.

Hon. Christopher A. Coons,
United States Senate, Washington DC 20510.

DEAR SENATOR COONS: Thank you for your continued support of a strong and robust relationship between the United States and Israel. Per your November 9 letter on the importance of the U.S.-Israel strategic partnership, I want to respond to your questions about our support for Israel and this Administration's continued and unprecedented efforts to enhance Israel's security.

I have consistently viewed Israel's security as sacrosanct. The United States and Israel have forged deep and enduring bonds since the United States became the first country to recognize Israel in 1948. My Administration has pursued an unprecedented level of military, intelligence, and security cooperation with Israel to address new and complex security threats and ensure Israel's Qualitative Military Edge (QME). This commitment to Israel's QME lies at the heart of our bilateral security cooperation relationship. As your letter suggests, my November 9 meeting with Israeli Prime Minister Netanyahu was another demonstration of our countries' enduring bilateral bonds, and an opportunity to discuss how we might further strengthen our already unprecedented security cooperation. The Prime Minister's

trip followed the recent visit to Washington of the Israeli Defense Minister, and the visit to Israel of my new Chairman of the Joint Chiefs of Staff, all of which provided opportunities to build on ongoing conversations with Israeli defense officials regarding our robust defense partnership and how we might continue to strengthen our partnership. United States-Israel engagement at all levels speaks to the closeness of our two countries, the interests we share, and the depth and breadth of the ties between our two peoples.

As a member of the Senate, you know that since 2009 alone, the United States has provided over $20.5 billion in foreign military financing (FMF) to Israel, more than half of total U.S. FMF worldwide. Thank you for your assistance in this effort. And next year, we are confident that Congress will provide the next $3.1 billion installment of FMF for Israel and will continue to boost vital funding for Israel's lifesaving missile defense systems, including the Iron Dome system. Above and beyond our FMF assistance, we have invested an additional $3 billion in the Iron Dome system and other missile defense programs and systems for Israel. I have provided Israel with unparalleled access to some of the most advanced military equipment in the world, including the F-35 Joint Strike Fighter, an unprecedented $1.879 billion multi-year munitions resupply package that will provide Israel continued access to state-of-the-art precision-guided munitions, including penetrating munitions (the BLU-113 super penetrator), Joint Direct Attack Munitions (IDAM) tail kits, and air-to-air missiles, all of which will give the Israeli government access to the most sophisticated arsenal for years to come.

These examples only skim the surface of our bilateral security relationship and cooperation, and underscore that no administration has done more for Israel's security than mine. We are prepared to further strengthen this relationship. First, we are continuing talks with Israel on concluding a new I 0-year Memorandum of Understanding (MOU) on FMF that would cement for the next decade our unprecedented levels of military assistance. As Prime Minister Netanyahu and I agreed, a U.S. team traveled to Israel in early December for expert-level discussions regarding the MOU. We anticipate intensive conversations between the U.S. and Israeli teams over the coming period, focused on assessments of the threats Israel faces and its commensurate defense needs. Second, I am prepared to enhance the already intensive joint efforts underway to identify and counter the range of shared threats we face in the region, as well as to increase missile defense funding so that Israel and the United States can accelerate the co-development of the Arrow-3 and David's Sling missile defense systems. Third, our governments should identify ways to accelerate the ongoing collaborative research and development for tunnel detection and mapping technologies to provide Israel new capabilities to detect and destroy tunnels before they could be used to threaten Israeli civilians. Fourth, as I proposed to Prime Minister Netanyahu, we have begun a process aimed at further strengthening our efforts to confront conventional and asymmetric threats. We have an important opportunity now to continue to build on and fortify the United States historic and enduring commitment to Israel's security.

Regarding your concerns about countering Iran in the region, the Joint Comprehensive Plan of Action (JCPOA) provides a diplomatic means to achieve the objective we have sought for the last decade—to ensure Iran will not be allowed to obtain a nuclear weapon. It is imperative that, even as we effectively cut off Iran's pathways to a nuclear weapon through implementation of the JCPOA, we take steps to ensure we and our allies and partners are more capable than ever to deal with Iran's destabilizing activities, including its support for terrorism.

Addressing these challenges will take time but it can be done. Iran's destabilizing behavior in the region is unacceptable. We can and should deepen cooperation and information sharing with Israel and our Gulf partners to strengthen their own capabilities to counter a range of threats, from potential cyber-attacks to Iran's ballistic missile program. This means continuing the work I discussed in May with Gulf leaders on improving their maritime security capabilities and ramping up the joint interdiction of illicit weapons shipments. In fact, our coalition recently successfully interdicted a shipping vessel almost certainly attempting to smuggle weapons to Iran's Houthi allies in Yemen.

Under the JCPOA, the international community and the United States will retain a wide range of tools to enable us to push back against Iran's destabilizing activities. These include a number of binding U.N. Security Council resolutions prohibiting arms transfers to Iranian-backed Hizballah in Lebanon, Houthis in Yemen, and Shia militants in Iraq, as well as transfers involving North Korea, among others. My Administration will also continue to use the full range of tools at our disposal to counter Iran's missile program, including condemning Iran's latest test launch of a medium-range ballistic missile in mid-October as a violation of UNSCR 1929, which prohibits such action. Our tools to counter Iran's missile program in-

clude the Missile Technology Control Regime, whose guidelines are strongly weighted toward denying transfers of sensitive systems like ballistic missile technology, and the Proliferation Security Initiative, whose more than 100 members are committed to limit missile-related imports and exports. We will also continue our efforts in training our allies' special forces so that they can more effectively respond to crises such as the current one in Yemen, even as we work with our regional allies to resolve the regions' civil conflicts diplomatically. We will continue to share with the Congress our ongoingstrategy for addressing Iran's destabilizing activities.

Moreover, robust enforcement of sanctions related to Iran's non-nuclear activities will continue to be a critical element of our policy. I will maintain powerful U.S. sanctions under a host of domestic authorities, countering Iran's support for terrorism, its human rights abuses, missile proliferation, and the illicit sale or transfer of Iranian conventional weapons. These include (1) Executive Orders 12938 and 13382, which authorize U.S. sanctions on foreign persons involved in missile production and exports for a country of proliferation concern, such as Iran; (2) the Iran, North Korea, and Syria Nonproliferation Act of 2006, which levies U.S. sanctions on entities connected to Iranian ballistic and cruise missile activity; and (3) the 2006 Lethal Military Equipment Sanctions provision in the Foreign Assistance Act and the Iran-Iraq Arms Nonproliferation Act, both of which impose U.S. sanctions on individuals and entities involved in the sale or transfer of Iranian conventional arms.

My Administration will maintain and enforce our primary counterterrorism sanctions authority, Executive Order 13224. Each of these authorities will remain valid during the life of the JCPOA. The bottom line is simple: no entity or individual engaged in terrorism-related activity or in violating human rights is or will be immune from existing terrorism or human rights sanctions. Anyone worldwide who transacts with or supports individuals or entities sanctioned in connection with Iran's support for terrorism or development of weapons of mass destruction and missiles—or who does the same with any Iranian individual or entity who remains on our sanctions lists—puts themselves at risk of being cut off from the U.S. financial system. This includes foreign financial institutions, which would risk losing their correspondent accounts with U.S. banks. Sanctions will also continue to apply to persons who provide Iran with specified weapons, dual use goods, and related technologies. This is a point we have made clear to our partners, and to Iran.

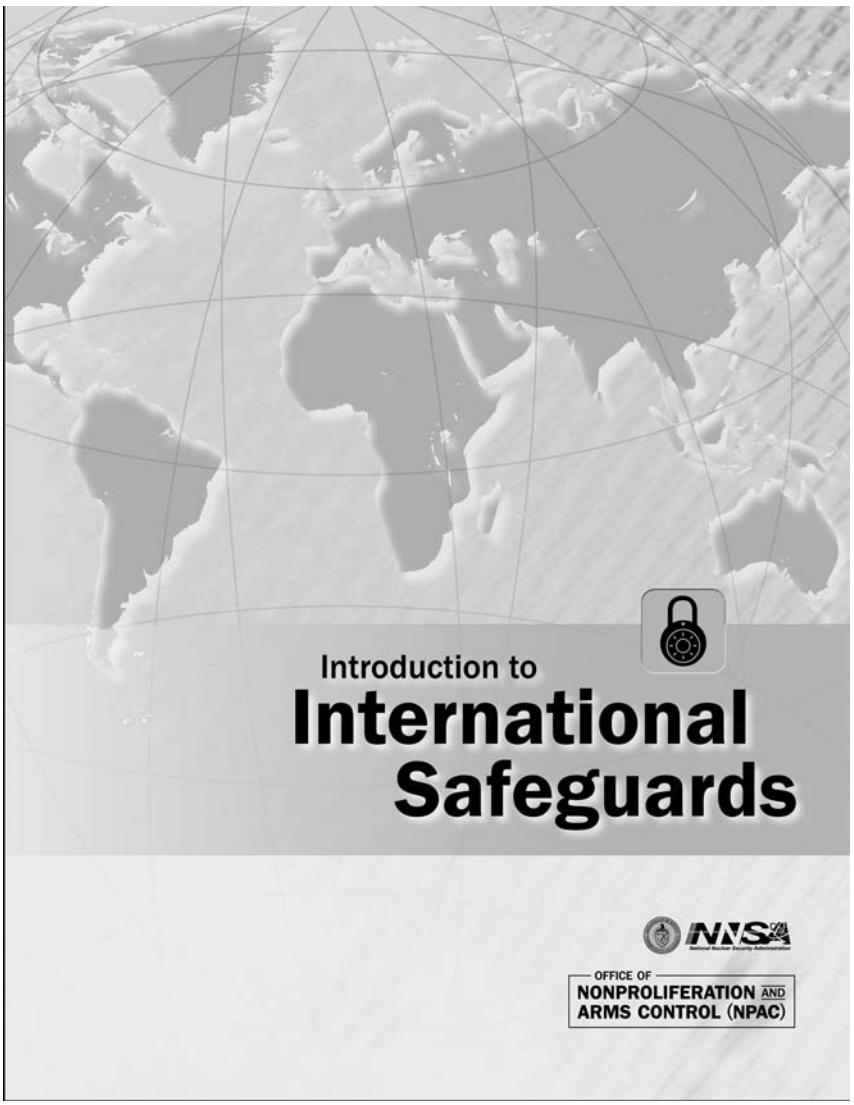
As Prime Minister Netanyahu and I discussed on November 9, my Administration will continue to consult closely with our Israeli partners at all levels on how to strengthen Israel's defensive capabilities in light of our mutual concerns over Iran's behavior and other regional threats. I look forward to working with the Congress on this shared imperative, and I thank you for your already strong support of the critical relationship between the United States and Israel. Please let me know if you have any additional questions or concerns.

Sincerely,

BARACK OBAMA.

INTRODUCTION TO INTERNATIONAL SAFEGUARDS, OFFICE OF NONPROLIFERATION AND ARMS CONTROL (NPAC)

Sumitted by Lt. Gen. Frank G. Klotz, USAF, [Ret.], Under Secretary for Nuclear Security and NNSA Administrator, U.S. Department of Energy



The Safeguards System of the International Atomic Energy Agency (IAEA)

The purpose of this booklet is to provide background information on how and why International Atomic Energy Agency (IAEA) safeguards play a central role in international efforts to prevent the spread of nuclear weapons.

IAEA safeguards provide assurances to the international community that nuclear material and facilities are not being used for the illicit manufacture of nuclear weapons. Under Article III of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), each non-nuclear weapon State (NNWS)[1] Party is required to conclude with the IAEA a comprehensive safeguards agreement (CSA). The State's primary obligation under the CSA is "to accept safeguards on all source or special fissionable material in all peaceful nuclear activities... for the exclusive purpose of verifying that such material is not diverted to nuclear weapons or other nuclear explosive devices." The NPT has near-universal global adherence; 190 countries have joined the Treaty.[2]

The application of IAEA safeguards promotes international confidence that States are using nuclear energy exclusively for peaceful purposes, deters and provides early warning of incipient nuclear weapon programs, and establishes a basis for States to make judgments regarding compliance with Article III of the NPT. Under the IAEA's Statute, the IAEA Board of Governors (see page 5) is authorized to report noncompliance with a safeguards agreement—a judgment that alerts the international community to possible undeclared nuclear weapons programs—to the United Nations (UN) Security Council. Under Chapter VII of the United Nations charter, the UN Security Council has the authority to impose punitive economic and political sanctions on States that are violating their safeguards agreements with the IAEA as part of the Council's responsibility to maintain international peace and security.

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[1] The NPT, which entered into force in 1970, defines nuclear-weapon States as those that "manufactured and exploded a nuclear weapon or other nuclear explosive device prior to 1 January 1967": The United States (1945); the Soviet Union, now Russia (1949); the United Kingdom (1952); France (1960); and China (1964). All other parties to the NPT are non-nuclear weapon States.

[2] India, Israel, and Pakistan have never joined the NPT. North Korea acceded to the NPT in 1985, and announced its withdrawal from the NPT in 2003.

What are International Safeguards?

International safeguards are the set of technical measures applied by the IAEA to independently and objectively verify that a State's nuclear material is accounted for and not diverted to nuclear weapons or other nuclear explosive devices. In States with comprehensive safeguards agreements, safeguards also provide credible assurance of the absence of undeclared nuclear material and activities, in accordance with the terms of the State's bilateral safeguards agreement with the IAEA.

These technical measures include, for example, on-site inspections, nuclear material accountancy, physical measurements, facility design information verification, containment using tamper-indicating tags and seals, surveillance, and environmental sampling.

The objective of IAEA safeguards is to deter the spread of nuclear weapons by early detection of misuse of nuclear material or technology, thereby providing credible assurances that States are honoring their legal obligations.

Basics of IAEA Safeguards. Retrieved from https://www.iaea.org/safeguards/basics-of-iaea-safeguards

Why are Safeguards Necessary?

The peaceful uses of nuclear technology include such applications as electricity generation, seawater desalination, the mapping of underground aquifers to improve groundwater management and investigate contamination events, the diagnosis of and treatment for cancer, and the control and eradication of disease-bearing insects. However, the nuclear materials employed for some of these applications—and the facilities used to produce and process those materials—also can be used for the production of nuclear weapons.

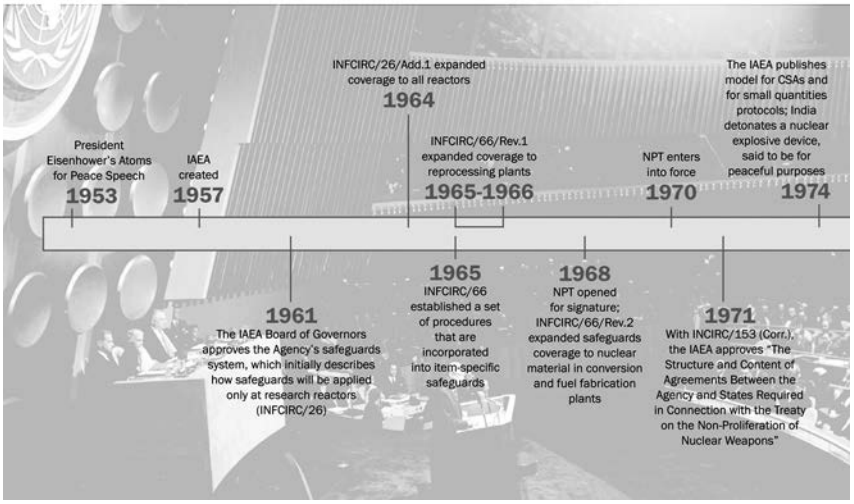
With its access to nuclear expertise, facilities, and information, the IAEA is uniquely positioned to reassure the international community that an NNWS is not diverting nuclear material from peaceful purposes to a nuclear weapon program. A robust IAEA capability to verify peaceful activities and to detect and investigate indications of clandestine programs can reduce States' incentives to develop nuclear weapons or latent nuclear weapon capabilities. By the same token, confidence in the IAEA safeguards system can help to facilitate the peaceful uses of nuclear technology, thereby helping to address global energy, environment, and human health challenges.

2

Historical Overview

In his "Atoms for Peace" speech of December 1953, U.S. President Eisenhower proposed to the United Nations General Assembly "an acceptable solution" that would place all nuclear materials capable of sustaining a chain reaction under the control of an international atomic energy agency. This agency would be responsible for holding the materials in "special safe conditions," making them "immune to surprise seizure." The more important responsibility, President Eisenhower emphasized, would be to "allocate [these materials] to serve the peaceful pursuits of mankind." Stemming from these lofty objectives, the IAEA subsequently was established in 1957 with the dual objectives of facilitating access by all States to the benefits of peaceful uses of atomic energy while also ensuring, through a system of safeguards, that such assistance would not be misused for military purposes.

Seeking a binding mechanism to limit the spread of nuclear weapons without precluding access to peaceful uses of nuclear energy, a number of countries negotiated the text of the NPT in the late 1960s. The NPT was opened for signature in 1968 and entered into force in 1970. Balanced on three mutually reinforcing pillars designed to limit weapons proliferation, encourage nuclear disarmament, and promote the peaceful uses of nuclear energy, the NPT has become a cornerstone of international peace and security.



The IAEA has 164 Member States and more than 180 countries have entered into safeguards agreements with the IAEA.

NPT Article III

Serves as the primary legal basis for the application of international safeguards in NNWSs party to the NPT. Under Article III, NNWSs agree to accept safeguards, as set forth in an agreement with the IAEA, on all nuclear material in all peaceful uses for the purpose of verification of the fulfillment of their NPT obligations "to prevent diversion of nuclear energy from peaceful uses to nuclear weapons or other nuclear explosive devices."

NPT Article IV

Recognizes the "inalienable right" of States "to develop research, production and use of nuclear energy for peaceful purposes" and encourages the "fullest possible exchange of equipment, materials, and scientific and technological information."

NPT Article VI

Requires States to "pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control."

1991 — Iraq found to have nuclear weapons program; the IAEA reports Iraq's non-compliance to the UN Security Council; South Africa accedes to NPT after dismantling its nuclear weapons program

1993 — The IAEA Board concludes the DPRK is in non-compliance with its safeguards agreement and reports matter to the UN Security Council; the IAEA initiates a two-year program ("Programme 93+2") to develop measures to strengthen safeguards

1995 — The IAEA Board reaffirms comprehensive safeguards system should be designed to verify both correctness and completeness of declarations

1997 — The IAEA Board approves Model Additional Protocol, under which States voluntarily bring into force an obligation to provide the IAEA with more information and more access

1998 — Pakistan and India detonate nuclear explosive devices

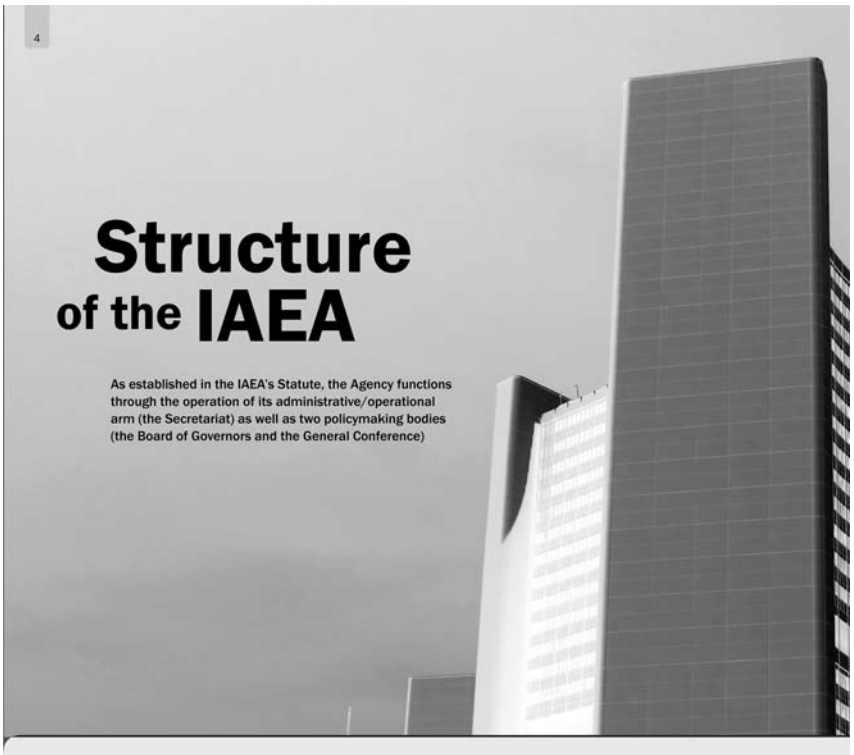
2002 — Iran's undeclared enrichment plant at Natanz is revealed to public, setting the stage for the IAEA to investigate and reveal extensive undeclared activities and safeguards violations

2003 — DPRK withdraws from NPT and the IAEA Board reports matter to the UN Security Council; Libya agrees to disclose and permit verified elimination of a secret nuclear program

2004 — President Bush announces the A.Q. Khan network sold centrifuge technology to Iran, Libya, and the DPRK

2006 — The IAEA reports Iran case to the UN Security Council; DPRK detonates a nuclear explosive device and subsequently announced a 2nd and 3rd test in 2009 and 2013

2011 — The IAEA Board finds Syria in non-compliance with its safeguards agreement and reports matter to the UN Security Council; the IAEA Director General provides detailed report to the Board on Possible Military Dimensions (PMD) of Iran's nuclear program



4

Structure of the IAEA

As established in the IAEA's Statute, the Agency functions through the operation of its administrative/operational arm (the Secretariat) as well as two policymaking bodies (the Board of Governors and the General Conference)

The IAEA Department of Safeguards

The Department of Safeguards is the IAEA's largest department, with about 850 staff.

Division of Concepts and Planning (SGCP)

Among its many responsibilities, SGCP "develops concepts, approaches, and methods for safeguarding nuclear material, facilities, and activities; prepares safeguards policy and guidance documentation; conducts strategic planning and coordination and management of Member State Support Programmes and related extra-budgetary funds."

Division of Technical Support (SGTS)

SGTS provides scientific and technical support to the Operations Divisions for the implementation of safeguards. Its responsibilities include "the design, development, testing, calibration, installation, and maintenance of safeguards equipment; performance and contamination monitoring of equipment; and inspection logistics."

Operations Divisions

Three Operations Divisions are responsible for safeguards implementation in different geographical areas: Operations A in Australia and East Asia; Operations B in the Middle East, South Asia, Africa, some non-EU European States, and the Americas; and Operations C in Europe, the Russian Federation, and Central Asia.

IAEA Secretariat

The **IAEA Secretariat** consists of a professional staff of about 2,550, including approximately 220 inspectors. Headquartered in Vienna, Austria, the Secretariat implements the Agency's mission through five operational departments: Safeguards; Safety and Security; Nuclear Applications; Nuclear Energy; and Technical Cooperation. It is headed by a Director General (DG), who is elected by the Board of Governors and serves a four-year term.

Board of Governors

The **Board of Governors** is composed of representatives of 35 IAEA Member States. The Board of Governors consists of 13 Member States that are deemed to be the most advanced in nuclear technology. The remaining 22 Member States are elected by the General Conference (GC) and represent eight geographical regions to ensure that there is equitable representation on the Board. The Board usually meets five times each year to decide or deliberate on a wide range of issues, including the IAEA budget, applications for technical cooperation projects, applications for membership, implementation of and compliance with safeguards agreements, and recommendations made to it by the General Conference. The Board of Governors also is responsible for electing the IAEA's DG, although the appointment is subject to the approval of the General Conference.

General Conference

The **General Conference** (GC) is composed of representatives of all 164 IAEA Member States. The GC meets annually in Vienna, Austria, to consider issues brought before it by the Board of Governors, the DG, and Member States. These issues include approving the Agency's program and budget, considering recommendations by the Board of Governors on membership applications and election of members to the Board of Governors, and voting on amendments to the Statute. With regard to safeguards, the GC may adopt resolutions requesting reports from the Secretariat on the status of various safeguards issues. For example, one recurring GC resolution requires the DG to report annually on the status of "strengthening the effectiveness and improving the efficiency of the safeguards system and application of the Model Additional Protocol." In addition to addressing such broad issues, the GC has requested the DG to report on the status of the implementation of safeguards agreements in particular countries, such as the Democratic People's Republic of Korea (DPRK).

Office of the Deputy Director General. The Deputy Director General and Head of the Department of Safeguards supervises the Department and oversees the implementation of IAEA safeguards.

Division of Information Management (SGIM)

SGIM is responsible for "data processing, secure information distribution, information analysis, and knowledge generation," for the purpose of planning safeguards activities and drawing safeguards conclusions.

Office of Analytical Services (SGAS)

SGAS "analyzes nuclear material and environmental swipe samples; provides associated sampling and quality control materials; coordinates sample shipment logistics; and coordinates work of the Network of Analytical Laboratories (NWAL)." The office also includes the Safeguards Analytical Laboratory (SAL) at Seibersdorf.

Office of Information and Communication Systems (SGIS)

SGIS has responsibility for the production and maintenance of information and communication technology (ICT) systems and for the management of all ICT infrastructure and services to support safeguards. In partnership with other organizational units, SGIS is responsible for planning and implementing an ICT strategy, as well as enforcing ICT standards.

Legal Context

Safeguards agreements reflect the rights and legally binding obligations of both the State and the IAEA with regard to the implementation of safeguards.

Comprehensive Safeguards Agreements (CSAs)
The objective of safeguards, as described in CSAs, is "the timely detection of diversion of significant quantities of nuclear material from peaceful nuclear activities to the manufacture of nuclear weapons or of other nuclear explosive devices or for purposes unknown, and deterrence of such diversion by the risk of early detection." Under a CSA, the State is required to provide the IAEA with information on all imports, exports, inventories, and flows of nuclear material and on the design of nuclear facilities, and the IAEA is charged with not only verifying that nuclear material declarations made by the State are *correct* (i.e., confirming that they accurately describe the types, quantities, and locations of nuclear material in a State's declared nuclear inventory), but also that they are *complete* (i.e., determining that all nuclear material that is required to be safeguarded has actually been declared).

Voluntary Offer Agreements
Under a Voluntary Offer Safeguards Agreement, a nuclear weapon State (NWS) voluntarily offers nuclear material and/or facilities for inspection. By applying safeguards in an NWS, the IAEA can test new safeguards approaches or gain experience in using advanced equipment and technology. In some situations, the IAEA can enhance cost efficiency by applying safeguards in the exporting State to nuclear materials that will be shipped to States with CSAs in force.

INFCIRC/66 Agreements[3]
INFCIRC/66 Agreements specify the nuclear material, non-nuclear material, facilities, and/or equipment to be safeguarded and prohibit the use of specified items from furthering any military purpose. The IAEA implements this type of agreement in India, Pakistan, and Israel–States that have not acceded to the NPT.

[3] Information circulars are published from time to time under the symbol INFCIRC/ for the purpose of bringing matters of general interest to the attention of all Members of the Agency. INFCIRC/1/Rev.14, May 2002

Strengthening Safeguards:

The Model Additional Protocol

Between 1991 and 1993, the IAEA was confronted with unique challenges in Iraq and the DPRK. Following the 1991 Gulf War, the UN Security Council empowered the IAEA to conduct intrusive inspections, including short-notice access to suspect undeclared locations, that resulted in the revelation of an extensive undeclared nuclear weapon program in Iraq. In 1992, discrepancies between the initial nuclear material declarations and the IAEA's inspection findings led to a conclusion that the DPRK was concealing an unknown quantity of undeclared plutonium in violation of its safeguards agreement. As a result of these undeclared activities, the Board of Governors found Iraq and the DPRK to be in noncompliance with their respective safeguards agreements.

These circumstances demonstrated the need for new safeguards tools and methods, expanded access, and expanded information in order for the IAEA to fulfill its verification responsibilities more effectively, in particular with respect to detecting and deterring undeclared nuclear activities.

In 1993, the IAEA and Member States began an intensive effort to identify and evaluate measures to strengthen the IAEA safeguards system. The target date for finishing this work was the 1995 NPT Review and Extension Conference, which led to the name "Programme 93+2."

When the results and recommendations of Programme 93+2 were reported to the Board of Governors, several Member States expressed concern that the proposed measures went beyond the requirements of a CSA and would require complementary legal authority. In response, the Secretariat presented a revised version of its proposals, calling for "Part I" measures that could be implemented under existing authority and "Part II" measures that would require new authority. The Board took note of the DG's intention to begin implementing Part I measures (e.g., environmental sampling, unannounced inspections, and improved analysis of information) in cooperation with States. To achieve the new legal authorities needed to implement Part II measures (enhanced access to locations where

Noncompliance

To maintain the credibility and effectiveness of the international nuclear nonproliferation regime, the world must be confident that non-nuclear weapon States are meeting their legal obligations.

If a State fails to meet its obligations, the State can be found in noncompliance with its safeguards agreement. To reach such a finding, the IAEA Secretariat, through the DG, reports any cases of noncompliance to the IAEA Board of Governors. The Board is empowered to report any noncompliance it finds to have occurred to Member States, the UN General Assembly, and the UN Security Council.

The types of actions[4] that could constitute noncompliance under a State's legally binding CSA include diversion of declared nuclear material, failure to declare nuclear material that is required to be placed under safeguards, undeclared production or processing of nuclear material at declared facilities, undeclared nuclear material or activities within the State, obstruction of the activities of IAEA inspectors, interference with the operation of safeguards equipment, prevention of the IAEA from carrying out its verification activities, or starting the construction or modifying the design of a nuclear facility without informing the IAEA.

The Board has determined noncompliance to have occurred in a number of cases and has reported that noncompliance to the UN Security Council. For example:

- In 1991, the Board found Iraq in noncompliance for its extensive undeclared nuclear program and its misuse of declared nuclear materials and facilities.[5]
- In 1993, after the DPRK refused to address anomalies in its initial declaration of nuclear material that were discovered by the IAEA[6], the Board found the DPRK to be in noncompliance with its safeguards agreement.[7] Ten years later, after the DPRK unilaterally removed IAEA seals and surveillance equipment and expelled inspectors, the IAEA determined that it was still not in a position to verify the non-diversion of nuclear material and the Board found the DPRK to be in "further noncompliance" before referring the matter to the UN Security Council.[8]
- In 2004, the Board found Libya in noncompliance based on its past pursuit of an extensive undeclared nuclear program that it recently had disclosed and had agreed to verifiably eliminate. Libya's noncompliance was reported to the UN Security Council for information purposes.[9]
- In 2005, the Board found Iran to be in noncompliance based on its past concealed nuclear program, as the DG had reported to it in 2003.[10] The Board delayed reporting its noncompliance finding to the UN Security Council until 2006.
- In a 2011 report on Syria presenting the Secretariat's conclusions concerning an alleged nuclear reactor destroyed in a 2007 air strike, the DG stated that *'the [IAEA] concludes that the destroyed building was very likely a nuclear reactor and should have been declared by Syria pursuant to…its Safeguards Agreement and… Subsidiary Arrangements.*'[11] The Board subsequently determined that Syria was in noncompliance with its safeguards agreement and reported the matter to the UN Security Council.

[4] See below examples and GOV/2011/30, GOV/2003/75, GOV/2005/77 and Safeguards Glossary: http://www-pub.iaea.org/MTCD/publications/PDF/nvs-3-cd/PDF/NVS3_prn.pdf, section 2.1
[5] GOV/2531, July 1991; GC (XXXV)/978/add.1, September 1991
[6] INFCIRC/419
[7] GOV/2645
[8] IAEA Media Advisory 2003/48
[9] Director General Mohamed ElBaradei, "IAEA Director General Briefs Board on Iran, Libya, Other Topics," 8 March 2004.
[10] GOV/2003/75
[11] GOV/2011/30 Challenges

nuclear material might not be present, such as centrifuge rotor manufacturing plants) and provide more credible assurance of the absence of undeclared nuclear material and activities anywhere in a State, the Secretariat drafted a new protocol additional to States' existing safeguards agreements. The Model Additional Protocol (AP), published as INFCIRC/540 (Corr.), was adopted by the Board of Governors in 1997.

The AP includes two important elements to strengthen the IAEA's authorities. First, it provides for additional information through an expanded State declaration. The expanded declaration includes information on, for example, nuclear fuel cycle R&D activities *not involving nuclear material*; the use and contents of buildings on a site surrounding nuclear facilities; certain nuclear fuel cycle-related manufacturing and assembly activities; uranium mining and ore concentration activities; and exports of certain nuclear-related equipment. Second, the AP provides the IAEA with "complementary access" (in addition to routine and ad hoc inspections) in order to, inter alia, provide assurances of the absence of undeclared nuclear material or activities, including the resolution of questions and inconsistencies about the completeness or correctness of a State's declaration. The AP identifies activities that the IAEA may conduct during such complementary access, and the basis upon which the State can manage that access.

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Implementation: Tools, Methods, and Sources

Safeguards implementation involves the use of advanced technologies and equipment in ways that are cost effective and efficient for both inspectors and the State. Trained personnel are required to ensure these measures are applied according to international standards and best practices. Common tools and methods employed for the implementation of safeguards include the following:

- *Nuclear Material Accountancy (NMA)* methods to establish the quantities of nuclear material present within defined areas and the changes in those quantities within defined periods. The IAEA applies NMA, complemented by containment and surveillance measures (see below) to independently verify the correctness of the accounting information provided by the State, so as to detect and deter the diversion of nuclear materials and provide assurance that nuclear materials are present in their declared locations.
- *Containment and Surveillance (C/S)* methods are designed to detect undeclared activities, such as attempts to alter the composition or quantities of nuclear material. Tools such as cameras, tags, seals, and other sensors provide "continuity of knowledge

The U.S. Support Program (USSP) to IAEA Safeguards

The USSP provides the IAEA with extra-budgetary assistance for targeted projects to make international safeguards more effective and efficient and to address specific technical safeguards issues. In recent years, the USSP has sponsored projects to assist the IAEA across a broad spectrum of activities, including nondestructive analysis of nuclear material, containment/surveillance capabilities, environmental sampling and analysis techniques, remote monitoring, information collection, processing, analysis, training, and development of expertise. The USSP receives funding from the Department of State through the U.S. Program of Technical Assistance to IAEA Safeguards (POTAS), established in 1977. Representatives from the Department of State, the Department of Energy, the Nuclear Regulatory Commission, and the Department of Defense provide program coordination.

There are two types of nuclear fuel cycle facilities that are placed under safeguards: item facilities and bulk facilities.

1 Item facilities are facilities where nuclear material is contained in individual, identifiable items, such as fuel assemblies. Examples of item facilities include power reactors (e.g., light water reactors), research reactors, critical assemblies, and separate spent fuel storage facilities.

2 Bulk facilities are facilities where nuclear material is in loose form, such as powder, liquid, or fuel pellets, or in large numbers of non-identifiable units. Examples of bulk facilities include plants for conversion, fuel fabrication, reprocessing, or enrichment. Implementing safeguards at bulk facilities can be significantly more complicated, expensive, and time consuming than at item facilities because the material does not exist exclusively as discrete items and quantitative measurement—not just verification of the presence of an item with the proper identification and attributes—is required.

between inspections by preventing undetected access to, movement of, or interference with nuclear or other materials."[12]

» *Tags and Seals* also help to "ensure continuity of knowledge of the identity and integrity of the material" in facilities, containers, and equipment by making "access to their contents without opening the seal difficult."[13]

- *Environmental Sampling (ES)* refers to the collection and analysis of samples from inside the facility or the local environment in order to detect traces of materials that can reveal information about nuclear processes conducted in the vicinity.
- *Nondestructive Assay (NDA)* refers to the process of measuring the nuclear material content or the elemental or isotopic concentration of an item without producing significant physical or chemical changes in the item.
- *Destructive Analysis (DA)* refers to the process of measuring the nuclear material content or the elemental or isotopic concentration of a sample through methods that alter the physical or chemical form of the sample.
- *Unattended and Remote Monitoring (URM)* refers to non-destructive assay and/or C/S measures that operate for extended periods without inspector presence. The data collected by remote monitoring systems may be transmitted off-site via secure communication networks for review and evaluation by the IAEA. Unattended monitoring systems can store data on-site.[14]

[12] Safeguards Glossary: http://www-pub.iaea.org/MTCD/publications/PDF/nvs-3-cd/PDF/NVS3_prn.pdf, section 8.1
[13] Safeguards Glossary: http://www-pub.iaea.org/MTCD/publications/PDF/nvs-3-cd/PDF/NVS3_prn.pdf, section 12.20
[14] Safeguards Glossary: http://www-pub.iaea.org/MTCD/publications/PDF/nvs-3-cd/PDF/NVS3_prn.pdf, section 8.15

Special Nuclear Material Timeliness Goals

The goal of safeguards under CSAs is to provide "timely detection" of diversion of "significant quantities" of nuclear material from peaceful nuclear activities and the deterrence of such diversion by the risk of early detection. The required "timeliness" of diversion detection is dependent on material "attractiveness." The more directly a material could be applied to nuclear explosives, the shorter the time window for detecting diversion. Direct-usability is influenced by enrichment levels for uranium and by isotopic purity levels in the case of plutonium. A Significant Quantity (SQ) is the approximate amount of nuclear material required to manufacture a nuclear weapon.

Special Nuclear Material	Significant Quantities in kg	Timeliness
Plutonium (<80% Pu-238)	8 kg total Pu	Irradiated = 3 months Unirradiated = 1 month
Highly Enriched Uranium (>20% U-235)	25 kg U-235	Irradiated = 3 months Unirradiated = 1 month
Low Enriched Uranium (<20% U-235) – including natural uranium (NU) and depleted uranium (DU)	75 kg U-235 (or 10 t NU or 20 t DU)	12 months

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Challenges

Since the international safeguards system is a central pillar of the nuclear nonproliferation regime, it is critical to ensure its effectiveness. As the peaceful use of nuclear technology continues to play in important role in international economic and social development, the IAEA will need more financial resources, political support, and personnel with specialized skills to meet the expanding safeguards challenges of the 21st century. However, in recent years, a convergence of factors has challenged the IAEA's ability to carry out its safeguards mission effectively.

- The number of nuclear facilities coming under IAEA safeguards continues to grow steadily–by 12 percent in the past five years alone. The amount of nuclear material to be safeguarded also has risen by nearly 14 percent in the same period.
- High-profile investigations in Iran, DPRK, Iraq, and Syria have strained the IAEA's resources.
- The number of States with APs in force has increased to more than 125, thereby strengthening the international safeguards regime but increasing the number and scope of State declarations the IAEA must verify.

The State-Level Concept

The IAEA continuously works to make international safeguards more effective and more efficient.

The State-level concept (SLC) continues long-standing efforts and trends in the evolution of safeguards implementation. The SLC is described by the IAEA as an approach to safeguards implementation that considers a State's nuclear and nuclear-related activities and capabilities as a whole, within the scope of the State's safeguards agreement, rather than mechanistically carrying out activities according to a rigid checklist of criteria for specific types of nuclear facilities. This approach, which does not require new legal authority, is driven by the IAEA's need to carry out its safeguards activities more effectively and efficiently and continuously improve its productivity. The SLC is implemented using an ongoing and collaborative State evaluation process and applied to all States with safeguards agreements, including those without Additional Protocols.

State Evaluation Process

Since the introduction of strengthened safeguards in the 1990s, the IAEA gradually has been acquiring more information about nuclear and nuclear-related activities in a State. To capture the expanded focus on information, the IAEA has established a more collaborative State evaluation process—in which interdisciplinary State Evaluation Groups with representatives from multiple offices within the Safeguards Departments collect, synthesize, and analyze all available information, including inter alia, State declarations, inspectors' observations, information from open sources, and third-party information. The ongoing State evaluation process contributes directly to the formulation of State-level approaches tailored to each State and helps the IAEA prioritize the allocation of its limited resources in an Annual Implementation Plan (AIP) for each State.

Information Sources:

Under the State-level concept, various information sources, in addition to State declarations and inspections, are used to develop and maintain an extensive picture of the State's nuclear activities and to support the IAEA's ability to derive safeguards conclusions. These other sources include satellite imagery, open source information, scientific publications, third-party information, and trade and procurement data.

At the same time

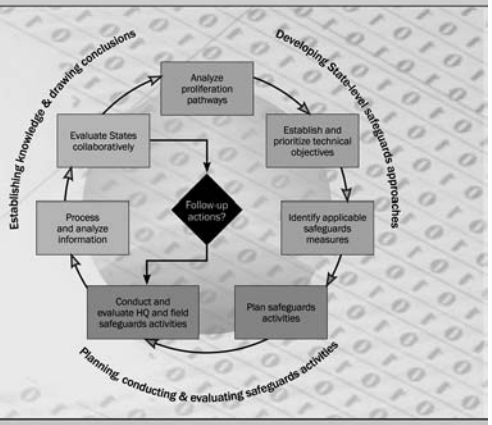
- The IAEA budget has remained relatively static;
- Many proven safeguards technologies are increasingly expensive to maintain; and
- The community of safeguards professionals is experiencing a high rate of attrition due to retirement.

Without a systematic, concerted effort to reverse these trends, the disparity between the IAEA's resources and responsibilities will continue to increase.

IAEA Safeguards Budget

In 2015, the IAEA's total Regular Budget amounted to €345 million. Of the total Regular Budget, €133 million—or 39%—went to nuclear verification activities.

Through the SLC, the IAEA seeks to complement routine on-site inspection activities with ongoing State-level evaluations that take advantage of all safeguards-relevant information to plan, conduct and evaluate safeguards activities, and inform the conclusions about Member States' compliance with their safeguards obligations. This holistic approach to safeguards implementation takes into account the unique characteristics of each State. The resulting "State-level" safeguards approach entails planning, conducting, and evaluating safeguards customized to a particular State. Implementation of the SLC ideally will be responsive to changes in analysis, thereby ensuring that the assurances provided to the international community remain credible and informed by the best available information.



State Declared

- Nuclear Material Accounting Data
- Imports/Exports
- Facility Design Descriptions
- R&D Projects, People, Locations

Inspection Information

- Inspection Reports
- Design Information Verification
- Environmental Sampling
- Consultation
- Clarification Letters

Other Information

- Open Sources *(news, Internet, catalogs, TV/radio transcripts, publications)*
- Scientific Literature *(tables of authors, organizations, date, abstract, keywords)*
- Third-Party Information
- Trade and Procurement Data
- Internal Databases
- Trip Reports

Information Types

- Text Descriptions or News Articles
- Maps
- Photographs
- Commercial Satellite Imagery
- Diagrams
- Formatted Output Tables
- Excel Spreadsheets
- Project Plans
- Budget Tables
- Locations Organizations
- Personnel
- Presentation Charts

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Office of International Nuclear Safeguards

Next Generation Safeguards Initiative

In 2008, the Department of Energy, National Nuclear Security Administration (DOE/NNSA) established the Next Generation Safeguards Initiative (NGSI) to develop the policies, concepts, technologies, expertise, and international safeguards infrastructure necessary to strengthen and sustain the international safeguards system as it evolves to meet new challenges.

Safeguards Policy

The NGSI Safeguards Policy subprogram, working with other U.S. agencies and the IAEA, conducts activities designed to:

- Strengthen and encourage full use of existing IAEA authorities and examine possible new authorities;
- Develop policies and strategies that will help the IAEA plan, evaluate, and report on the implementation of safeguards agreements in a manner that is effective, efficient, objective, transparent, and non-discriminatory; and
- Increase public awareness and understanding of the role of international safeguards in international efforts to prevent the spread of nuclear weapons.

Policy Studies

Some recent NGSI policy studies have examined ways to help the IAEA use all relevant information to customize safeguards approaches to each State, optimize its inspection activities, and draw conclusions as effectively and efficiently as possible.

Concepts and Approaches

The NGSI Concepts and Approaches subprogram focuses on: (1) identifying and analyzing safeguards best practices, gaps in current capabilities, and new requirements; and (2) demonstrating and evaluating advanced methods to safeguard nuclear material and facilities. These efforts help inform investment decisions about future safeguards technology research and development to support enhanced safeguards concepts and approaches.

Safeguards by Design (SBD)

NGSI promotes the concept of Safeguards by Design (SBD) in which international safeguards are fully integrated into the design process of a new nuclear facility from the initial planning through design, construction, operation, and decommissioning. NGSI supports the ongoing IAEA SBD guidance development effort, and engages directly with U.S. nuclear industry facility designers to assist the U.S. nuclear industry in better understanding and implementing SBD for specific projects. The NGSI series of SBD guidance documents are available at www.nnsa.energy.gov/safeguardsbydesign.

NNSA

OFFICE OF NONPROLIFERATION AND ARMS CONTROL (NPAC)

International Nuclear Safeguards Engagement

Through cooperation with more than 25 international partners, the NGSI International Nuclear Safeguards Engagement subprogram conducts activities that are designed to:

- Prepare the safeguards infrastructure necessary to support the safe, secure, and peaceful uses of nuclear energy;
- Enhance the implementation of IAEA safeguards and strengthen State accounting and reporting systems through capacity building, regulatory development, and technology transfers to reduce the likelihood of theft or diversion of nuclear material for non-peaceful purposes; and
- Test and implement new safeguards technologies to meet future and current safeguards challenges.

Additional Protocol (AP) Outreach

A number of countries require legislative and technical support in order to prepare the infrastructure and procedures necessary to provide timely, correct, and complete declarations pursuant to their AP. The NGSI International Nuclear Safeguards Engagement subprogram currently cooperates with nearly a dozen partner countries in strengthening AP implementation.

Technology Development

The NGSI Technology Development subprogram directs the DOE National Laboratories in the development and testing of tools, technologies, and methods that optimize the effectiveness and efficiency of safeguards implementation. In particular, this subprogram focuses on transitioning advanced and maturing technologies with near-term safeguards applications from the laboratory into the field. Focus areas include:

- Advanced nuclear measurement technologies;
- Field-portable, near-real-time analysis tools;
- Data integration and authentication applications;
- Improved detector materials; and
- Strengthened technology development infrastructure at the National Laboratories.

Advanced Technologies

The NGSI Technology Development subprogram has undertaken a multi-year effort to develop and test new nondestructive assay (NDA) techniques capable of measuring certain characteristics of spent nuclear fuel.

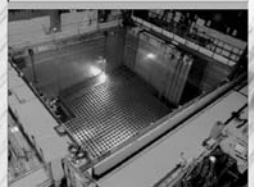
Human Capital Development

The Human Capital Development (HCD) subprogram of NGSI is developing sustainable academic and technical programs that support the recruitment, education, training, and retention of the next generation of international safeguards professionals to help meet the needs of both the United States and the IAEA for decades to come. Focus areas include:

- University engagement through curriculum development, guest lectures, and textbook development;
- Internships, post-doctoral fellowships, and graduate assistant positions at DOE National Laboratories;
- Safeguards policy and technology courses to strengthen young and mid-career professional development;
- Career opportunities for safeguards experts returning to the United States from positions at the IAEA; and
- Ongoing analysis of workforce needs of safeguards-relevant staff at DOE National Laboratories.

Metrics of Success

Of past NGSI students and interns, nearly four in ten pursue multiple NGSI opportunities, one in five are converted to permanent DOE National Laboratory staff, and nearly two in ten pursue a nonproliferation or safeguards-focused graduate degree.



THE MIDDLE EAST AFTER THE JCPOA

WEDNESDAY, JANUARY 20, 2016

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

The committee met, pursuant to notice, at 10:00 a.m. in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Flake, Gardner, Perdue, Cardin, Menendez, Shaheen, Coons, and Kaine.

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

The CHAIRMAN. I would like to call the committee to order.

I want to thank our witnesses for being here, and I think this is a very timely hearing. We have one witness, Senator Cardin, as we both know, that supported the Iran agreement. We have one that opposed it. I understand they just traveled together to the region. They were not going to broadcast that, but I am going to broadcast it for them. [Laughter.]

The CHAIRMAN. I just met with leaders of one of the countries you visited a just few minutes ago in the office. And I think all of us have been very concerned about how the agreement is going to affect the region. And I think there is no question that our friends in the region believe there is a realignment that is taking place relative to how the administration is approaching the region. I know that there are a lot of concerns on both sides of the aisle within the committee here as to how that is going to take shape. As a matter of fact, after the agreement was entered into, we had a number of hearings to ensure that we did not allow the Iran nuclear agreement to be our policy, if you will, in the Middle East, that we would leave in a vacuum.

And so there are significant concerns. I am not going to speak to which country, but I know there is this debate that is taking place relative to the moderates versus the hardliners, if you will. And I would love to tease out if there really is a significant difference in that point of view. Unfortunately, with our help in Iraq, I mean, they are achieving all of their goals. This moderation that took place, quote, quote, quote, relative to the Iran deal could be something, as we just discussed a few minutes ago, that is very tactical and yet benefits them hegemonically in the region, and we would love to hear your points of view.

I know both of you made comments that have turned out to be true in our last hearing, again from differing points of view.

So we look forward to this. We want to make sure that as a committee we are doing everything we can to deter Iran from doing the kinds of things that we all have feared after receiving the large amounts of money that they obviously are receiving now. A lot has happened. We are glad to get our hostages back. At the same time, somewhat hazy about some of the transactional issues that occurred relative to that.

They have already violated the ballistic missile issue twice. I was despondent that we waited so long. It is one point I guess we realize the hostages were part of the reason we were hesitating and understood that, by the way.

But we have general concerns. We look forward to hearing from you today. I think this, again, hearing is very timely. And with that, I will turn it over to Senator Cardin.

STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Well, Mr. Chairman, first let me thank you for today's hearing. I think it is extremely important.

You point out that we have two witnesses, one who supported the nuclear agreement, the other that opposed it. We have members of this committee who supported it and opposed it, but we all share the same common objective, and that is to prevent Iran from being a nuclear weapons state and to deal with its nefarious activities not only in the region but globally.

So I look forward to this hearing.

But I am going to start with an apology as I told the chairman privately. At this moment, the Environment and Public Works Committee is meeting, and several of my bills are on markup—it is a business meeting—that deal with fish and wildlife. So I am going to have to excuse myself. And I apologize for that. But the conflicts here are what they are and I have to deal with that.

But it has been a very busy start to a new year. There has been a lot of activity in the Middle East. Implementation day is here. The nuclear agreement is reality, and I think we all need to now acknowledge how we proceed with the nuclear agreement being implemented.

It opens up positive opportunities. There is no question about that. And we saw that with the release of our 10 sailors dealing with Iran, and to be able to get those sailors released as easily as we did is certainly a positive development. The Americans that have been unlawfully held by Iran are now home. That is certainly a very positive development. We all are looking for Iran's participation in the Vienna talks as it relates to Syria, and perhaps we will have some positive outcome from those discussions. So there are positive consequences to the Americans' involvement with Iran.

But we must remember at the end of the day Iran is still an anti-American, anti-Semitic, revolutionary regime cultivating a network of proxies to challenge stable governments in the region and protect dictators such as Assad in Syria. It is a regime that continues to violate U.N. resolutions on ballistic missiles. It is escalating its human rights violations by executions of its own people. Its dangerous rhetoric of Iran's leaders against U.S. partners in the region is causing major, major action and concern.

Congress needs to focus on a rigorous oversight and enforcement of the JCPOA. Mr. Chairman, we set the stage for that in this committee's activities in passing the Iran Review Act, which places Congress very much involved in the implementation of any nuclear agreement. There are certain requirements that the administration must comply with, and the United States Congress is going to be very much involved.

The chairman knows that during the discussion of the Iran agreement, after congressional action I introduced legislation that deals with trying to strengthen the congressional role on oversight. I was joined by several of our colleagues. It requires strict compliance, and we all want strict compliance. And I would hope that we will look at ways that we can improve strict compliance. It is aimed at making sure Iran never ever becomes a nuclear weapons state, which is our objective. It also works with our coalition partners recognizing the United States must have the support of our coalition partners. And we need to look at how we can strengthen sanctions if we need to impose them in regards to snapbacks. We also need to look at Iran's nefarious actions beyond its nuclear weapon ambitions to make sure that we can take appropriate actions in regards to ballistic missile violations, human rights violations, or to support terrorism. That is particularly important for us to be able to do that recognizing that Iran now has additional resources, which we hope they will use for their own economy and their people, but we also know it is very likely that they will be using that to escalate their international activities in violation of international standards.

We also have to be mindful of the security of our partners. There is no question about that, including Israel. We are now in the process of talking about the next level of the memorandum of understanding. We still have some time, but active discussions are taking place on that, but also the Gulf States.

The chairman mentioned this, and I just really want to underscore this. Whether it is real or perceived, there is a concern that U.S. strategic realignment is taking place in the Middle East and our priorities are changing in the Middle East. That presents challenges for security, U.S. security commitments. And I think we have to be very careful as we go forward to make sure that our allies in the region know that they have a trusted partner in the United States. This region is undergoing an unprecedented period of sustained violence, civil conflict, human suffering, and challenges to regional order. In this tinderbox, the danger of misunderstanding and miscommunication can quickly escalate with dangerous consequences. It is why communication and commitment to the politic processes are so critical, whether it is securing the swift, safe return of our sailors or ensuring commitment of all stakeholders to the Vienna process on the Syrian civil war or obtaining the release of innocent Americans.

I want to make one point very clear. There is no military-only solution to any conflict or crisis that we have discussed today. In my view, the United States must work in concert with other stakeholders to encourage negotiated political settlements to address these challenges and end the regional conflict and support for legitimate political institutions. This will require political will, investment of resources, and a clear long-term commitment. It also

demands a willingness to call out and confront counterproductive destabilizing actions especially from Iran. There may be opportunities in the aftermath of the JCPOA's implementation for engagement with Iran like the release of U.S. prisoners. But we must remain clear-eyed about Iran's intentions.

And I hope that this hearing will help us figure out how we can carry out our commitments to make sure that Iran's activities are understood and the United States can maintain strong international leadership against nefarious actions that can destabilize the region.

The CHAIRMAN. Thank you, Senator.

So with the backdrop that there seems to be no moderation in Iran's activities in the region—actually there seems to be a lot of momentum in their activities in the region and the fact that we have allies that are very concerned about our position there—I would like to introduce outstanding witnesses. Our first witness is Mr. Michael Singh, Managing Director and Lane-Swing Senior Fellow at The Washington Institute. We thank you and we thank you for the input you gave us as we were trying to deal with the actual agreement itself. Our second witness today is Mr. Brian Katulis, Senior Fellow at the Center for American Progress, again representing two very different points of view with similar concerns. We thank you both very much for being here.

Having been here before, if you could summarize for about 5 minutes your major points, your written testimony, without objection, will be entered into the record. And if we would start with you, Mr. Singh, I think that would be great.

STATEMENT OF MICHAEL SINGH, MANAGING DIRECTOR, LANE-SWING SENIOR FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASHINGTON, DC

Mr. SINGH. Well, thank you, Chairman Corker, Ranking Member Cardin, and members of the committee. It is a real pleasure to be here, and it is an honor to be sitting with Brian whom I respect quite a bit.

As I stated when I testified earlier before this committee, the nuclear agreement with Iran is a flawed agreement. It does leave Iran with a significant nuclear weapons capability and allow that capability to grow over the life of the agreement. And it does nothing, as we have seen, to constrain Iranian regional policies while offering the broad, upfront sanctions relief that we have now offered to Iran.

Many of the consequences, as you said, Mr. Chairman, that we feared would flow from the JCPOA we are now seeing come to pass. Iran has not moderated its regional policies. It has continued them. It has not softened its approach towards the United States, but instead, we have seen Iran's Supreme Leader in the aftermath of the JCPOA try to reiterate or reinforce his anti-American bona fides and the ideology of the regime. And those Iranian moderates have faced mounting attacks from their domestic rivals ahead of Iran's parliamentary elections. And this all comes even before Iran has received the full financial benefit of the deal.

And I am happy to talk, Mr. Chairman, about the differences between the so-called moderates and hardliners perhaps in the question period.

That Iranian forces and especially the IRGC have not changed their behavior was illustrated vividly by some of these incidents to which you and Senator Cardin referred, Mr. Chairman. The arrest of another American citizen in October after the deal was concluded, ballistic missile tests in October and December in violation of U.N. Security Council resolutions, a live-fire exercise in the Gulf in close proximity to U.S. naval vessels and commercial shipping also in December, and of course, the seizure of our U.S. Navy personnel and what looked to me like ill-treatment earlier this month.

The Obama administration has pointed to some of these things, some of these episodes such as the quick release of those sailors or the recent prisoner swap as vindications of its policies or evidence that the regime is changing its behavior. I do think, though, that those conclusions are premature at best, and I will say why. But I do not dismiss the possibility that the role of the Iranian foreign ministry, for example, in resolving some of these matters represents a shift in Iran's internal dynamics. This is something I think we need to watch over time to really prove or to really test. Nor am I one who downplays the value of engagement in our policy towards Iran or others. In my view it is a tool that we should use in concert with others, diplomacy backed by force, to achieve our ends and our objectives. And of course, we know that Iran is perfectly willing to engage when it suits its own interests and its own purposes.

However, I would say that by and large these incidents mere resolve crises that Iran itself is responsible for creating and would not have developed if Iran had behaved in a responsible manner like a responsible state. And we have to be careful, I think, not to fall into the trap of rewarding Iran for that bad behavior in which it engages. I do not see any sign that overall Iran does not remain a force for instability in the region, determined to act contrary to American interests and to try to hasten our exit from the region.

In addition, as you referred to, Mr. Chairman, the JCPOA has clearly reinforced a preexisting view among our allies that the United States is disengaging from the region or even embarked, as you said, on a realignment in the Middle East. These allies consider Iran one of the top threats they face, and they do not believe that it is a threat that we are seriously prepared to counter based on our actions so far. The region's vacuums from their perspective—and I think this is right—are not just filled by jihadists but they are filled also by Iranian forces and Iranian influence. It is not a problem that arose with the JCPOA. It is not because of the JCPOA, but it has been exacerbated by the JCPOA and what has followed. As a result, these allies, as we have seen across the region, are acting increasingly independently in ways that we do not often like, in ways that sometimes we think undermine our interests.

So as we move past implementation day, as we consider our post-deal Iran policy and post-deal regional policy, I think it is important that we start not with tactics but, as Senator Cardin said, with our objectives, despite all the tumult that we see in the Mid-

dle East, though our interests in the region really have not changed: nonproliferation, counter terrorism, the free flow of energy and commerce, and some others. But the obstacles to achieving those interests I would say have multiplied, and so we need a new strategy.

This is not really the forum to talk about that full strategy or to really articulate one, but our approach to Iran after implementation day needs, I think, to be nested in and consistent with a broader strategy that considers all these problems. We need to focus on not just preventing Iran from acquiring a nuclear weapon—I think that remains our top priority with respect to Iran—but also countering the Iranian threat to regional stability and enhancing the security and capability of our allies.

So I think this will require, among other things, first fixing the shortcomings of the JCPOA with respect to nonproliferation. And these in my view are threefold.

First, the JCPOA is not strong enough to provide assurance that Iran cannot clandestinely develop a nuclear weapon.

Second, it leaves unaddressed how we are going to approach Iran in 10 to 15 years when all these restrictions expire.

And third, it creates this clear incentive for other states, which I have heard again in the aftermath of the JCPOA, to pursue their own nuclear capabilities. And in my written testimony, you see more details on these things.

We also need to move to counter the Iranian threat to regional stability, and this has to, I think, begin with a more serious effort, again both diplomatically and militarily, to address the problem of Syria and not just to solve the conflict there, to end the conflict there, but to impede Iran's ability to use Syria to project power into the Levant, as well as a campaign to hinder the malign activities of the IRGC and also the other Iranian proxies we see operating there.

I think we also need to take steps to more explicitly counter Iran's anti-access/area denial, A2AD, strategy in the Gulf, which we have seen vividly on display in recent months and reassert our commitment to freedom of navigation in the Gulf.

And then finally, just to end, we need to repair and expand our regional alliances, as I think you have seen, Senator. It is tempting to view foreign policy as a problem-solving exercise to sort of focus on how do we end the conflicts, but sometimes a dollar invested in allies who are not yet problems is a sounder investment than a dollar invested in solving those conflicts. I think it needs to begin with a more concerted effort to understand and respond to our allies' priorities and needs, and as we work with them to address those needs, I think it needs to be multilateral. So, for example, one thing I heard when I was out in the region was that the tens of billions of dollars that the GCC states are spending on military procurement—those are not coordinated. Those are not complementary, and I think that we need to do a better job of that.

And of course, our allies will be more secure and more resilient if they have responsive security, political, and economic institutions, and I think we can help build those.

So for more details, I just refer you to my written testimony. I look forward to your questions.

[THE PREPARED STATEMENT OF MR. SINGH FOLLOWS:]

PREPARES STATEMENT OF MICHAEL SINGH

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for this opportunity to again appear before you and discuss the implementation thus far of the Joint Comprehensive Plan of Action (JCPOA) and its implications for the Middle East and for American policy.

The next president will inherit a flawed nuclear agreement with Iran. The JCPOA enshrines Iran's status as a nuclear threshold state, leaving it with the key fuel fabrication, weaponization, and missile capabilities it would require in the future to develop a nuclear weapon. It fails to address the missile issue entirely, and does not touch upon Iran's support for terrorism or its destabilizing regional activities. Yet it provides Iran broad relief from economic sanctions, tens of billions of dollars in unfrozen assets, and invites it to come in from the diplomatic cold.

In a broad sense, whether one feels that the JCPOA was worthwhile or not comes down to the question of whether we have averted a crisis or merely deferred one. Advocates of the deal must hope that the next ten to fifteen years will witness changes in Iran and its relations with the United States and neighbors that rid it of its nuclear weapons ambitions. Skeptics, on the other hand, believe that we have purchased a pause, and an incomplete one at that, at a high price. Regardless of which view one adopts, however, the policy upshot is the same - we must use the coming years to our advantage, ensuring that when the JCPOA expires or unravels, we and our allies are well-positioned to deal with the consequences.

Yet Iran's enduring nuclear program is not the only problem that the next president will face in the Middle East—far from it. He or she must contend with the rise of ISIS and reinvigoration of global jihadism, the tumult that has gripped Iraq, Syria, Yemen, and Libya, the new boldness of Russia in the region, the Syrian refugee crisis and the heavy burden it has placed on Jordan, Lebanon, and Turkey, persistent instability in Egypt, the dimming of Israeli-Palestinian peace prospects, and many other concerns. Alarmingly, one of these problems, as seen from the region, is us—our alliances have weakened across the board, and we do not enjoy the credibility and trust with our regional partners that we once did.

The JCPOA has contributed to some of these problems, but we should harbor no illusions that an effort to put Iran policy on the right track will be a cure-all. Iran policy must be devised not in isolation, but in concert with a broader set of regional policies that are mutually reinforcing and designed not only to advance our near-term objectives but to improve our readiness and capacity - together with allies - to confront problems in the future. In doing so, we must avoid the essential errors that have plagued our Middle East policymaking in for many years, among them a persistent failure to match means and ends and to use the full range of tools available to us in concert to achieve our aims, a failure to comprehend regional realities and take our partners' concerns into account and to nurture and enhance our alliances, and a tendency to craft policy reactively and for the near term rather than engage in serious strategic planning or long-term agenda-setting.

Implementation of the JCPOA to Date and Its Broader Impact

The United States government, along with other members of the P5+1 and the IAEA, announced that "Implementation Day" of the JCPOA had been triggered on January 16, 2016. This means that the IAEA had confirmed that Iran had met its initial commitments under the accord, which in turn has triggered the suspension or lifting of sanctions by the United States, European Union, and United Nations, as well as a range of other activities related to the monitoring of Iran's nuclear activities and civil nuclear and other forms of cooperation with Iran.

While I am not in a position to verify or dispute the IAEA's conclusion that Iran has met its initial requirements, several other observations about the initial implementation of the JCPOA can be made. First, it bears reiterating that Implementation Day marks the completion only of Iran's initial, "table-setting" obligations under the accord; however, Iran's obligations under the JCPOA are ongoing and must be continually verified. It is one thing for Iran to cooperate sufficiently to achieve the transfer of frozen assets and the dismantling of the international sanctions regime. It is quite another for it to cooperate on an ongoing basis after these aims have been achieved.

Second, the IAEA has confirmed only that Iran has met its initial obligations under the JCPOA; this should not be taken to imply that the IAEA or other parties are prepared to fully perform their duties under the agreement. This is a separate question that the U.S. government should investigate on an ongoing basis.

Thirdly, the resolution of concerns regarding Iran's past and possibly ongoing nuclear weaponization efforts - the "PMD" issue in IAEA parlance - was far from satisfactory. While the IAEA affirmed that Iran met its modest obligations under a protocol negotiated in parallel between the Tehran and the Agency, it does not appear that Iran submitted a complete declaration of its past and possibly ongoing activities related to weaponization, nor that it provided the IAEA with access to personnel, facilities, or documents related to those activities. In addition, the IAEA's report on the matter makes it seem as though Iran did not answer all of the IAEA's questions regarding weaponization, calling into question whether Iran can truly be considered to have cooperated. While the IAEA Board of Governors has decided to close the PMD issue, it should be borne in mind that absent the sort of cooperation I describe above, it will be difficult to have any confidence that Iran is complying with the JCPOA's requirement that it refrain from weaponization work.

Finally, I am concerned that the sanctions relief that has been provided to Iran is effectively broader than stipulated in the JCPOA. Even before Implementation Day, it was clear that the administration was reluctant to impose penalties on Iran for activities such as its ballistic missile tests in October and December, a dangerous and provocative live-fire incident in the Gulf, the seizure and inappropriate treatment of U.S. Navy personnel near Farsi Island, or Iran's ongoing activities in Syria and Iraq.

It is reasonable to assume that two concerns lie behind this reticence - first, a desire to avoid derailing the implementation of the nuclear deal, and second, a desire to avoid undermining the electoral prospects of Iranian moderates ahead of Iran's February parliamentary election. However, having negotiated a narrow nuclear accord in which Iran accepted no limits on its regional activities, missile development, or support for terrorism, we cannot ourselves accept limits on our freedom to penalize Iran for the same. If we do, Iran will receive the benefits of a comprehensive accord while incurring the obligations of a narrow one, and the opposite will pertain to the United States and our allies.

In terms of the JCPOA's broader impact, the incidents I note above suggest that there has been little change in Iran's regional policy. And because Iran has only begun to receive the benefits of sanctions relief and its unfrozen overseas assets, the full impact of the JCPOA on Iran's regional agenda will not be apparent for some time. Any increase in Iranian aid to the Assad regime, Hezbollah, Hamas and other Palestinian terrorist groups, or proxies elsewhere in the region could further destabilize an already chaotic region. The administration has insisted that Iran will use the benefits of the JCPOA only for domestic priorities, but this strikes me as unrealistic; Iran has invested a great deal in its regional pursuits when it might have been more prudent to focus on domestic development, and I believe that we can expect Iran to spend its post-deal windfall both on domestic and regional priorities.

Nor has the deal yet proven a boon to Iran's pragmatists, who might be most inclined to moderate Iran's behavior. If anything, internal divisions within Iran have grown sharper as those opposed to it and to President Rouhani seek to prevent him from gaining ground domestically in its wake (especially with parliamentary elections around the corner), and as Iran's Supreme Leader attempts to undergird the regime's anti-American ideology and make clear no broader transformation is under way.

Meanwhile, from what I have observed, the JCPOA has fueled preexisting fears among our allies that an American regional disengagement and/or realignment is under way, which has undermined their trust in us and increasingly prompted them to act independently in ways that we sometimes find unhelpful. By and large, these allies are less concerned with the particulars of Iran's nuclear program than with Iran's regional aims, which they fear have been abetted by American accommodation of Iran and by the sanctions relief provided by the JCPOA.

It is worth noting that since the JCPOA was concluded, the United States and Iran have reached several other agreements through direct engagement. The first of these was the release of U.S. Navy personnel seized by the Islamic Revolutionary Guard Corps (IRGC) Navy near Farsi Island. The second was a "prisoner swap" in which five American citizens detained by Iran were freed in exchange for the pardoning of seven Iranians imprisoned in the United States and the lifting of Interpol Red Notices for fourteen others. The third was the settling of a 1970s-era Iranian claim against the United States for $1.7 billion.

Each of these outcomes has been touted as evidence that direct engagement with Iran is paying dividends, and even that U.S. diplomacy has succeeded in shifting the internal dynamics within Iran. However, such claims strike me as exaggerated. The seizure of additional Iranian-Americans since the conclusion of the JCPOA, as well as the seizure and apparent ill treatment of the U.S. Navy personnel, suggests that the IRGC continues to act with impunity and continues to target U.S. interests.

Furthermore, engaging in prisoner swaps - especially given that the American citizens involved were little more than hostages held on trumped-up charges - is a questionable enterprise which risks rewarding bad behavior and encouraging more of it. Iranian-Americans previously held by Iran were released without such swaps.

Nevertheless, these incidents should be carefully analyzed, not dismissed. The speed with which the U.S. Navy personnel were released, and the apparent role of the Iranian Foreign Ministry in securing their release by the IRGC, contrasts starkly with similar episodes in the past. It bears watching whether reflects a shift in internal regime dynamics or the regime's attitude toward such matters, or whether it was merely a function of Tehran's desire to receive sanctions relief and its frozen assets without delay.

Whatever one feels about the outcomes achieved, these episodes suggest that Iran is increasingly willing to engage directly with the United States on a variety of issues. It is important, in my view, that we not conflate engagement as a tactic with the particular outcomes this administration has achieved via engagement, any more than our dissatisfaction with the Iraq War should lead us to forswear the use of military means in our foreign policy. Nor should we fall into the trap of thinking that engagement is meritorious in and of itself, or that every outcome achieved via engagement is necessarily a diplomatic triumph. When doing so would advance our interests, we should not hesitate to engage diplomatically with Iran; yet we should not allow such engagement to deter us from simultaneously pursuing firm and forceful policies toward Iran. We should instead consider engagement one tool among many, to be utilized when needed in concert with other tools. We achieve our best results when we employ diplomacy backed by force.

Post-Deal Iran Policy

Discussions of foreign policy too often begin with tactics - whether, for example, to enforce the JCPOA strictly or to walk away from it altogether. I believe we will arrive at better policy if we instead begin by considering the objectives and outcomes we hope to achieve, and mapping our way to achieving them. We also have a regrettable tendency to think of foreign policy as an exercise in problem-solving, focusing first and sometimes last on addressing conflicts, and neglecting the more prosaic work of building relationships and heading off new problems. Yet in the Middle East, we are likely to have far more and faster success in bolstering alliances that have weather the region's storms - such as those with Jordan, the GCC, and Israel - than in, say, ending Syria's civil war or building a new government in Libya. Finally, we have a tendency to think and plan in short increments, considering what must be done over the coming months, without reference to any clear longer-term agenda.

Despite the dramatic developments of recent years, our interests in the Middle East have not fundamentally changed. They include things like nonproliferation, counter-terrorism, the free flow of energy and commerce, and the security of Israel. However, the obstacles to advancing those interests have changed starkly - they include not only a flawed JCPOA, but also the rise of ISIS, the fall of allies (albeit problematic ones) in Egypt, Tunisia, and elsewhere, and so forth. This new context demands a new strategy - a set of actions that, given the obstacles and opportunities we face, holds the best chance of advancing our interests. This is not the forum for articulating a new Middle East strategy in full. But as we consider how we move forward in the aftermath of the JCPOA, it is important that the post-deal Iran policy we devise be consistent with and reinforce such a strategy. It is worth noting that none of the policy steps I recommend below strictly require that the JCPOA be renegotiated.

The first objective of our policy toward Iran should remain preventing nuclear proliferation in the Middle East. While the JCPOA provides some useful tools in this regard - chiefly by increasing the access of IAEA inspectors and recommitting Iran to implementing enhanced safeguards arrangements - it also has significant weaknesses.

The first and most critical weakness of the JCPOA is that it is not strong enough to prevent Iran from pursuing a nuclear weapon clandestinely. Iran is permitted to continue R&D on advanced centrifuges, the efficiency of which would be well-suited to the operation of a small, secret enrichment facility; it was not required to provide the IAEA with access to facilities and personnel involved in weaponization, making it difficult to have confidence that these will not be utilized again in a future weapons push; and it is permitted to openly pursue a ballistic missile program, and may receive international aid to do so within eight years. Uncovering a clandestine nuclear weapons program is complicated by the IAEA's lack of ″anytime, anywhere″ inspection authority, and the relative paucity of enforcement mechanisms, either in the JCPOA or in the national policies of the United States and its allies.

To address these weaknesses, I recommend the following steps:

- IAEA efforts to gain access to PMD-related facilities and personnel should be resumed, using the access provisions of the Additional Protocol and the JCPOA;
- The IAEA should use those same access provisions to verify the completeness of Iran's initial declarations regarding its uranium stocks, inventory of centrifuge components, and any related declarations;
- The IAEA should use those same access provisions to perform end-use verification of both nuclearrelated and dual-use items, even though the latter is not specifically provided for in the JCPOA procurement channel;
- Whenever possible, the 24-hour inspection requirement of the Additional Protocol should be applied, rather than the 24-day schedule of the JCPOA dispute resolution mechanism;
- The United States and its allies should press the IAEA to be forward-leaning in its access requests, and ensure that the next Director-General of the IAEA is focused and credible on this matter;
- The United States, European Union, and other partners should agree on a ″menu″ of penalties short of full snapback to be applied in the event of Iranian delays or violations of the JCPOA, and indicate their willingness to begin applying those penalties during the 24-day dispute resolution mechanism if Iran proves slow or reluctant to cooperate with the IAEA;
- The U.S. Treasury and State Departments, in conjunction with counterparts in allied capitals, should continue to actively educate U.S. and foreign firms about remaining sanctions on Iran, and invest resources in detecting Iranian efforts to circumvent them;
- The United States and its allies should provide the IAEA with the funding it requires to carry out its mission in as robust a manner as possible;
- The United States continue to invest in detecting illicit Iranian nuclear activities, and the United States and its allies should enhance their cooperation to gather intelligence on Iran's nuclear program and furnish information as appropriate to the IAEA to assist in its monitoring and verification mission;
- The United States, European Union, and other partners should assist other states in putting in place and executing sufficient export controls to prevent illicit Iranian procurement, and should urge states to institute a presumption of denial for the export of sensitive goods to Iran; vigilance will also be required to monitor Chinese, and North Korean compliance;
- The United States and its allies should invest in deterrence, indicating clearly their continued willingness to use the military option if Iran violates the JCPOA, and ensuring that their force posture and actions reinforce the credibility of such statements; this should include investing in a sufficiently large Navy to provide coverage in multiple geographic theaters so the United States is not forced to ″choose″ between Asia and the Middle East.

It should be noted that many of the above steps rely on the United States retaining the support of four other members of the JCPOA's eight-member joint commission - the EU, UK, France, and Germany. But there can be no guarantee that coming elections in France, Germany, and elsewhere will ensure these governments' continued support. Should political developments in Europe leave the United States with less support on the Joint Commission than needed to rigorously enforce the above actions, the United States will be left with little choice other than to reconsider its adherence to the JCPOA.

The second threat to nuclear nonproliferation posed by the JCPOA comes with the expiration of its limitations in ten to fifteen years' time. After this period, there is nothing explicitly in the JCPOA to bar Iran from significantly expanding its enrichment and reprocessing capacity and reducing its nuclear breakout time to essentially zero. I recommend the following steps to mitigate this danger:

- The United States and its allies should make clear that they do not accept the proposition that simply because something is not explicitly barred by the JCPOA it is implicitly accepted by the international community; instead, the United States and its allies should make explicit their opposition to the future expansion of Iran's nuclear activities, and their intention to negotiate further reductions rather than increases in those activities;
- To further constrain Iran's future nuclear activities, the United States and its allies should consider supporting international arrangements that would limit the proliferation of enrichment and reprocessing technology globally;

- To prevent Iran from using the next ten to fifteen years to perfect the elements of its nuclear program not constrained from the JCPOA, the United States and its allies should endeavor to impede the development of Iran's missile program and prevent other states from assisting Iran's centrifuge or other enrichment R&D efforts.

Additionally, the permissive nature of the JCPOA enhances the prospect that other states in the region will develop their own nuclear programs in an effort to match or exceed Iran's capabilities. They will assume that Iran will either possess a nuclear weapon or will be a screwdriver's turn away from one in ten to fifteen years, and plan accordingly. While the United States can urge our allies to refrain from such destabilizing actions, they are more likely to be influenced by the seriousness of our actions to counter Iran and address the flaws of the JCPOA than by any demarches we issue.

The second objective of our policy toward Iran must be to counter its threat to regional stability. Regional instability threatens a number of U.S. interests, as it creates an environment in which terrorism has thrived, has endangered our allies, including Israel, and has given rise to a refugee crisis whose full effects have not yet been felt. This threat is compounded by the easing of pressure on Iran, insofar as many of the sanctions lifted were not strictly nuclear-related but also imposed pursuant to Iran's support for terrorism and regional policies, as well as Iran's enrichment through the transfer of previously frozen assets and the removal of restrictions on Iran's export of oil and banking activities.

To address this threat, I recommend the following actions:

- First and foremost, the United States needs to revisit its policy towards Syria with an eye toward not only ending the conflict there, but to denying Iran the ability to project power in the Levant; One element of a new U.S. strategy in Syria should be firmer efforts to counter the activities there of the IRGC and its proxies, including Hezbollah as well as foreign Shiite militias; this is not only vital to countering Iran's regional threat, but to winning the support of our allies in the region and in Europe - where Syria has become a domestic political issue, not just a foreign policy concern - for our broader agenda;
- Work to disrupt Iranian control over certain Shiite militias (PMU) in Iraq, to prevent Tehran from permanently capturing the Iraqi security establishment in the manner it has done via Hezbollah in Lebanon;
- The United States and its allies should embark on a focused financial campaign against the IRGC, especially the IRGC-Quds Force, utilizing the robust financial tools we have developed over the last decade; if these tools prove insufficient, Congress should consider new legislation to add to them;
- In the same vein, act to prevent the transfer of funds, arms, equipment, and personnel by Iran to proxies such as Hezbollah, Hamas/PIJ, the Houthis, and Shiite militias, and make use of existing authorities to degrade those entities;
- The United States and likeminded members of the P5 should make clear our intention to deny requests for the export of banned arms or missile technology to Iran under the ″case-by-case″ mechanism established in UN Security Council resolution 2231;
- The United States should seek to drive a wedge between Iran and Russia to prevent the emergence of a de facto Tehran-Moscow-Damascus-Hezbollah alliance;
- The United States and its allies should be willing to engage with Iran on issues of mutual concern, but for the sake of transparency and to assuage allies' concerns, should whenever possible do so in multilateral rather than bilateral settings, and should view further engagement with Iran as a means to an end rather than an end in itself.

A related but distinct threat is to the free flow of commerce and freedom of navigation through the Gulf and the Arabian Sea, which recent Iranian actions—the live-fire incident, seizure of U.S. Navy personnel, and earlier the diversion of the Maersk Tigris cargo vessel—have called into question. To address this we should, beyond simply reiterating our willingness to resort to military force against Iran, design a force posture that specifically addresses Iran's anti-access/area denial strategy and asymmetric and unconventional and subversive tactics. We must not only prepare for a theoretical future conventional war against Iran—one which will hopefully never come to pass—but address Iran's present-day actions, which are concerning in their own right.

Another element of countering Iran's threat to regional stability is improving the strength of American alliances in the region and the capabilities of our allies, so

that Iran faces a capable, unified front. This line of action is also vital to securing our allies against the threat posed by jihadist groups, and to restoring the United States' standing in the region. To these ends, I recommend the following steps:

- Refocus the now-diffuse responsibility for U.S. policy in the Middle East in an empowered official at the Department of State (such as the Assistant Secretary for Near East Affairs), and charge that official with reestablishing smooth lines of communications with our Mideast allies and reaching an understanding of their priorities and needs;
- Attach particular importance to rebuilding cordial ties and effective cooperation at the strategic level with Israel;
- Continue the high-level consultations begun with the GCC at Camp David in 2015, and carry out the agenda outlined there; expand this forum to include Jordan and Egypt, similar to the GCC+2 mechanism utilized in the 2000s;
- Devise with key allies a multi-year procurement and training agenda designed to address their needs and vulnerabilities; coordinate this effort multilaterally within the region so that allies' capabilities complement rather than replicate one another's, especially in areas such as missile defense and naval activities where joint action makes the most sense;
- In the longer-term, seek to create a regional security forum focused on U.S. allies that can serve as a mechanism not only for policy consultations but for coordinated military, diplomatic, and other forms of planning and action, as well as a body suitable for multilateral engagement with Iran and others;
- Help our allies to improve their resilience in the face of Iranian and jihadist attempts at subversion by assisting them to build capable security, political, and economic institutions that can better weather crises such as those we have seen in recent years.

The list above is not exhaustive—others have proposed good ideas which can be readily added to it. However, I believe that by focusing on objectives rather than tactics, and engaging in long-term planning rather than continuing to think reactively or in six-month to one-year increments, the United States and its allies are more than up to the challenges posed by Iran and other regional threats.

The CHAIRMAN. Thank you.

And, Mr. Katulis, I should have thanked you also for your counsel during the period of time we were looking at the agreement. We thank you for being back and look forward to your comments.

STATEMENT OF BRIAN KATULIS, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC

Mr. KATULIS. Great. Thank you, Chairman Corker, and I want to thank you and Ranking Member Cardin for extending this invitation to me.

I wanted to start with my bottom line upfront assessment that the nuclear agreement, at a time of widespread regional instability, has produced very important and tangible benefits for U.S. and international security. It has severely restricted Iran's ability to produce a nuclear weapon in the next decade and perhaps beyond. It has produced concrete results, as we have seen from the IAEA certifications, in terms of actions with Iran dismantling its centrifuges and shipping low-enriched uranium stockpiles out of the country. And it has established an inspection regime that substantially increases our ability to know what Iran has been doing and is doing. So compared to where we were 5 and especially 10 years ago, when Iran was moving forward without few impediments, we are in a much stronger position.

The deal is far from perfect, of course, and the value of the deal depends on Iran's continued adherence to its obligations to its terms. And as I think we all agree, the United States needs to be

focused on what we can do to ensure that the international community makes sure that Iran sticks by the deal.

I wanted to highlight three main points in my presentation here today, and my written testimony has a more complete analysis.

One, I wanted to provide an assessment, a brief snapshot, of where we are in the Middle East as 2016 starts.

Second, four things that I think we can expect in a period of uncertainty in the next year as the JCPOA is implemented.

And then I will conclude with complementary remarks to what Michael has offered here in terms of what the U.S. should do next, some recommendations.

So briefly, my assessment of Middle East strategic dynamics. The JCPOA has not, obviously, abated any of the regional tensions as we have seen in the instability between Iran and Saudi Arabia just in the past few weeks. Region-wide there is a competition for influence between these two major powers that has weakened the region's overall state system. States like Iraq, Syria, and Yemen have become arenas for this competition as their governing authorities have broken down in struggles for power and legitimacy. This collapse of state authority I want to highlight in my testimony because I think it is central to the question of where we go in the Middle East more broadly.

In this context of regional fragmentation and strong divisions, it is my assessment that it is highly unlikely that one country, including Iran or Saudi Arabia, will be able to dominate the landscape. The regional security structure as it is today places limitations on what regional powers like Saudi Arabia and Iran can achieve. A more likely and I think more complicated threat is the continued breakdown of state authority within the region, something that could accelerate if the tensions between Saudi Arabia and Iran remain high.

So that is the first point. It is not a very optimistic picture of the region. It is one I think we need to keep in mind as we discuss the Iran nuclear deal.

Second, possible regional moves as the JCPOA moves forward this year.

Number one, proxy wars in places such as Yemen and Syria are likely to continue, alongside sporadic diplomatic efforts to reach these settlements. And the success of those diplomatic efforts will depend heavily on the connection between the military balance of power on the ground and the diplomacy.

Number two, we can expect and we can see from the last 6 months Iranian bad behavior unrelated to nuclear issues will continue. Tehran will continue to support terrorist groups like Hezbollah, as well as perhaps conduct cyber attacks against its enemies.

Third, the ongoing conventional military arms race in the Middle East appears likely to continue, even after a decade in which Gulf countries have purchased tens of billions of dollars.

And fourth, a bit of wild card, but I think it is important to keep in mind. The sharp drop in oil prices has placed pressures on all of the countries in the region, including Saudi Arabia and Iran. And I think all of these factors are important things to expect in the next few years.

Let me conclude briefly with a summary of what I think we should do with U.S. policy moving forward.

The first point—and I think it is important to stress—is that the United States remains the unrivaled power in the region. As you mentioned, Chairman, Mike and I were just in the region. We go regularly. And despite all of the talk about U.S. disengagement, no country possesses the broad networks of relationships with countries in the region, the security capabilities, the ability to shape dynamics through diplomacy that the United States has. Not Russia. Russia I think has punched far above its weight in its recent engagement in Syria but does not have the potential that we have. Not China. Even though China has increased economic and energy interests in the region, they do not have the networks of relationships that we have, the capacities. The question that we have, that you have, we all have before us is how are we willing to use these capacities.

And very briefly and in sum, I think there are five things we need to focus on in the next year.

One, we have all said it. The strict implementation of the JCPOA. Congress has an important role in this, and I think it needs to continue to play that role.

Two—and we can talk in detail about this—continue to respond to Iran's bad behavior whether it is ballistic missile tests, support to terrorist groups, its efforts to undermine state authorities in the region.

Three—and I highlight this because I think it has been forgotten—we need to continue to elevate Iran's human rights record and its record in how it deals with its own people in American policy. It is important I think for the long-term challenge in Iran.

Fourth—and I have said this before in testimony on the ISIS challenge—is that the United States needs to present a much more coordinated security approach to the region. I mentioned just a minute ago that we have a deep military footprint, a broad array of security partners. It is my assessment that if you add up everything we do in terms of bilateral relationships with key allies like Israel, like the GCC states, all of the bilateral security efforts we have with them, combined with the international coalition to counter ISIS, and combined with what has been promised post Iran nuclear deal—none of these have been properly synchronized just yet. If I were sitting in your seat, I would be asking tough questions to the Defense Department, to the White House about how all of these different pieces will sync together.

And the fifth I think—and I will close here—is that we need to continue to test the possibilities for de-escalation, deconfliction, conflict resolution in places like Syria and Yemen, but we should not be naive about it. We should be clear-eyed about who we are dealing with.

So in conclusion, the JCPOA is far from a perfect deal, but given the realistic alternatives we have today, it is a strong framework for the United States and the international community to prevent Iran from getting a nuclear weapon. But I think Mike and I agree. I think we all agree we need a much more coherent, much more assertive approach that deals with these regional security tensions.

Thank you.

[THE PREPARED STATEMENT OF MR. KATULIS FOLLOWS:]

PREPARED STATEMENT OF BRIAN KATULIS

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for this opportunity to appear before you today to discuss the Middle East after the start of the implementation of the Joint Comprehensive Plan of Action, or JCPOA.

I have structured my testimony today around three main points:

1. An overall assessment of strategic dynamics in the Middle East today
2. An overview of the likely continued challenges with Iran as the JCPOA is implemented
3. Recommendations for U.S. policy in the region

At the outset, I want to offer my main analytical assessment of strategic dynamics in the Middle East as the JCPOA, or Iran nuclear agreement, is implemented. [1]

The Middle East remains in a period of instability and high tensions between states, particularly Iran and Saudi Arabia. This region wide competition for influence has contributed to a weakening of the region's state system. Other states such as Iraq, Syria, and Yemen have become arenas for this competition as their governing authorities have broken down due to internal struggles for power and legitimacy. The collapse of state authority in some countries has enabled a range of non-state armed groups to grow in power and influence, including quasi-state terrorist organizations such as the Islamic State of Iraq and al-Sham, or ISIS, and Hezbollah.

At a time of widespread regional instability, the nuclear agreement with Iran produces very important and tangible benefits for U.S. and international security. It has severely restricted Iran's ability to produce a nuclear weapon in the next 10 to 15 years. It has established an inspections regime that substantially increases the international community's knowledge of Iran's nuclear program and enhances the ability to detect any possible move by Iran to start a new weapons program. The JCPOA, if strictly and properly implemented, could open up new opportunities for promoting regional stability. In short, the JCPOA offers the best option among the realistic and available alternatives for addressing Iran's nuclear program.

Achieving greater Middle East stability will require more than a strict implementation of the JCPOA. It will also require a more coherent and assertive U.S. strategy for the region than we have seen in the past 15 years. Regional tensions have not abated with the implementation of the JCPOA, and the United States can play an important role in de-escalating these tensions and contributing to greater Middle East stability over the long term if it uses the full range of its diplomatic and military tools.

ASSESSMENT OF MIDDLE EAST STRATEGIC DYNAMICS AT THE START OF 2016

Five years after the Arab uprisings, the leading countries in the Middle East remain involved in multidimensional and multipolar competition for influence. This competition is multidimensional because it involves governments using traditional forms of regional power projection-direct military action, military and intelligence support to partners in other countries, direct economic assistance to other governments in the region, and diplomacy.

But it also involves other types of actions that have directly affected the viability of the Middle East state system-funding and arming of non-state groups that have challenged the state system, the use of religious symbolism and sectarian appeals in public communications, and aggressive propaganda and media campaigns aimed at shaping popular perceptions across the region. Some countries in the region are more susceptible to the impact of this regional competition due to a crisis of political legitimacy in which some governments lack the support and sense of allegiance from key sectors of their populations.[2]

The struggle for influence and power in the Middle East is multipolar because it involves a complex number of state actors; the latest skirmishes between Iran and Saudi Arabia represent just one layer of conflict. Other countries such as Jordan, Qatar, Turkey, and the United Arab Emirates have all carved out unique positions on as the Iraq, Syria, and Yemen conflicts, the Iran nuclear agreement and tensions between Iran and Saudi Arabia.

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[1] U.S. Department of State, "Joint Comprehensive Plan of Action," August 14, 2015.

[2] For greater detail, see Brian Katulis, "Assessing the Anti-ISIS Campaign After the First Year," Testimony before the Senate Foreign Relations Committee, September 16, 2015

Weakened governments suffering from crises of legitimacy, combined with tensions between more stable regional powers, has contributed to conflict and fragmentation across the Middle East. This conflict and fragmentation has in turn created a massive humanitarian challenge, as millions of people flee conflict-many across borders.[3] Worse still, this combination has given terrorist organizations such as ISIS time and space to evolve, recruit thousands of foreign fighters, and become threats to international security.[4]

In this context of regional fragmentation and strong divisions, it is unlikely that one single country or actor in the region will achieve hegemony, or an overriding influence and authority across the region. The regional security structure places limitations on what one actor, including regional powers such as Saudi Arabia or Iran, can achieve. A more likely and more complicated threat is the continued breakdown of state authority within the region-something that could accelerate if tensions between Iran and Saudi Arabia remain high.

As the Joint Comprehensive Plan of Action moves forward in implementation, regional threat perceptions remain strong and varied. Certain gaps exist between the current U.S. policy toward the region and the policy that some of America's close regional partners advocate. One primary threat perception gap centers on Iran's regional role and the impact of the JCPOA. While the Obama administration touts the security benefits of the JCPOA and seeks to elevate dealing with the threats posed by ISIS higher in its agenda most Gulf countries and Israel, see Iran as the primary strategy threat to stability.

From the perspective of many regional leaders, the JCPOA has opened the pathway for an unchanged Iranian regime to expand its wealth and access to resources and to re-emerge from its international isolation and become a greater threat to their interests. Iran's support for Hezbollah in Lebanon, the Assad regime in Syria, and Yemeni and Iraqi elements sympathetic to Iran has unnerved some of America's closest regional security partners. The top concern among many in the region is that in 10 to 15 years, Iran will emerge wealthier and more powerful at a time when many of the JCPOA restrictions on Iran are set to expire.

As a consequence, Saudi Arabia has signaled through actions and words that it will seek to adopt a more assertive regional approach to counter Iran, as witnessed in its military campaign in Yemen and its recent efforts to engage on Syria.[5] Many Saudi leaders view the struggle with Iran as existential, and the JCPOA's implementation has not reassured them.

Six months after the international community and Iran announced their agreement in the JCPOA, Iran and Saudi Arabia remain engaged in proxy battles across the region, and both countries have taken steps that escalated tensions. On a positive note, the two countries have started to engage in nascent diplomatic efforts aimed at ending the conflict in Syria, a process that the Obama administration is working to advance, although these efforts remain fraught with challenges.

Overall, Saudi Arabia appears poised to continue to counter Iran in the region. Just two examples of this are its announcement last month of a new Muslim coalition to fight terrorism that notably did not include Iran and its cutting of diplomatic ties with Iran in reaction to the attack on the Saudi embassy in Tehran.[6] Indicative of the overall diplomatic fragmentation in the region was some countries' surprised reaction when they were named as members of this new coalition and the differing responses to Saudi Arabia's cutting of ties with Iran. Possible regional moves as JCPOA implementation moves forward

The uncertainties of today's Middle East make it difficult to predict events over the coming year, but four developments are likely. First, proxy wars in places such as Yemen and Syria are likely to continue, alongside sporadic diplomatic efforts to reach settlements. The success of diplomatic efforts will depend heavily on their connection to the military balance of power on the ground in both conflicts.

Second, Iranian bad behavior unrelated to nuclear issues will continue unabated. Tehran will continue its support for terrorist groups such as Hezbollah, as well as cyberattacks on those it considers its enemies. In addition, Iran may attempt to stretch the limits of ballistic missile testing or attempt to raise tensions with the United States and its regional partners through other means.

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[3] U.N. High Commissioner for Refugees, "Worldwide displacement hits all-time high as war and persecution increase," June 18, 2015.

[4] Eric Schmitt and Somini Sengupta, "Thousands Enter Syria to Join ISIS Despite Global Efforts," The New York Times, September 26, 2015.

[5] Brian Katulis, "How Saudi Arabia is Expanding its Role in the Middle East," Washington Wire, December 13, 2015.

[6] Ben Hubbard, "Saudi Arabia Cuts Ties With Iran Amid Fallout From Cleric's Execution," The New York Times, January 3, 2016.

Third, the ongoing conventional military arms race in the Middle East appears likely to continue-even after a decade in which Gulf countries purchased tens of billions of dollars of military hardware. In recent months, Iran, Saudi Arabia, and other Gulf states have all announced significant arms deals. Without a coherent, well-functioning regional security framework, the states of the Middle East will remain locked in their current security dilemmas. Fourth, the sharp drop in oil prices has placed pressure on oil-producing states' budgets. This pressure is likely to affect the regional geopolitical competition, possibly by reducing the ability and willingness of state actors to continue projecting power throughout the region.

ANTICIPATING CONTINUED CHALLENGES WITH IRAN POST-JCPOA

The Joint Comprehensive Plan of Action offers a strong tool to continue to limit Iran's nuclear program and block its pathways to a nuclear weapon. But dealing with Iran in a way that enhances regional security will require continued vigilance on the part of the United States on two primary fronts:

1. *Strict implementation of the JCPOA.* The JCPOA has produced concrete results in the past six months. The International Atomic Energy Agency, or IAEA, certified that Iran had dismantled more than two-thirds of the centrifuges it once used to enrich uranium.[7] Iran also removed the core of the Arak heavy water reactor and poured concrete into it, closing off another potential pathway to a weapon by making the reactor incapable of producing plutonium.[8] Iran also shipped 98 percent of its low-enriched uranium stockpile to Russia last month; it kept a small amount in-country that is far short of what is needed to make a weapon.[9] But the merits of the deal depend on Iran's adherence to its terms—and the United States needs to remain focused on working with the international community to ensure that Iran abides by the deal.
2. *Stronger efforts to counter destabilizing regional actions by Iran.* One top concern that many have about the JCPOA is that the deal provides Iran with additional financial resources and opens the country to greater trade and investment, and that Iran's regime might direct these resources into actions that destabilize the region. The European Union has lifted nuclear-related sanctions on oil trade and financial transactions, and the United States will suspend nuclearrelated sanctions that prevented non-U.S. actors from buying oil and investing in Iran's energy sector.

Estimates of how much sanctions relief Iran will receive vary substantially. The impact of years of economic sanctions and international isolation means that Iran needs to dedicate substantial investment to restore oil and gas production and jumpstart its overall economy. It remains unclear how the Iranian leadership will prioritize its spending in the coming years—it has a strong incentive to deal with domestic discontent with the economy.

Yet at the same time, Iran's long-standing support for terrorist groups such as Hezbollah and its willingness to spend substantial resources and send forces to places including Syria indicate that Iran could use the additional funds to play a negative role in regional security and work to undermine the security of close American partners.

The United States needs to be prepared to push back against the malign actions by Iran in the region. The past few years have demonstrated that the Iranian regime has several different factions, and these factions have been jockeying for position in reaction to the deal.

For example, the Islamic Revolutionary Guard Corps, which expressed opposition to diplomatic efforts by the Rouhani government, has continued an aggressive stance toward regional security. It remains to be seen how the new economic dynamics post-JCPOA will impact the Islamic Revolutionary Guard Corps' economic interests, and whether the introduction of more foreign investment and trade will undermine its position.

Regardless of these uncertainties, the United States has a strong interest in working with regional partners to address actions by elements of the Iranian regime that further destabilize the Middle East, weaken state authorities, and bolster to nonstate actors in Syria, Yemen, and Iraq. The United States must have a robust

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[7] Kelsey Davenport, "Iran Dismantling Centrifuges, IAEA Reports," Arms Control Association, November 19, 2015.

[8] Reuters, "Iran fills heavy water nuclear reactor core with cement: Fars," January 11, 2016.

[9] Laura Wagner, "Iran Ships Over 25K Pounds Of Uranium To Russia As Part Of Nuke Deal," NPR, December 29, 2015.

effort to counter violent extremism, terrorism, and sectarianism supported by Iran, as well as other countries in the region.

RECOMMENDATIONS FOR U.S. POLICY

The United States faces a major challenge in piecing together a coherent strategy for the Middle East that advances its interests as well as its values. While the Joint Comprehensive Plan of Action has provided an effective framework to address Iran's nuclear program, it has not ushered in a new period of regional stability. Tensions between regional powers remain high, and the prospects for settlement of internal conflicts plaguing the Middle East remain slim.

Nonetheless, the United States remains the unrivaled power in the region: No other country possesses the broad networks of relationships with countries in the region, the security capabilities, and the ability to shape dynamics through diplomacy. Russia's recent engagement in the Syria conflict has not substantially advanced Russia's position with most countries in the Middle East, who still look to the United States as the primary outside power to help advance their interests. China's increased economic and energy interests in the region have ushered in a new level of diplomatic engagement by its leadership in the region, that still falls short of what the United States has provided over the past few decades and continues to provide to a wide range of countries, including Israel, Egypt, Turkey, Jordan, Saudi Arabia, the United Arab Emirates, Qatar, and Kuwait.

To stabilize the Middle East, the United States needs to adopt a more assertive strategy that takes into account the increased scale and pace of activities by countries in the region and seeks to minimize the most extremist elements that have been upsetting the regional balance. At present, Iran remains one of the top destabilizing elements in the region, but it is far from the only actor in this regard. Also, Iran is not a unitary actor, as witnessed in the internal divisions on display in the JCPOA negotiations and their aftermath. Five key steps the United States should seek to take in the Middle East as the JCPOA moves forward in 2016 are:

1. *Ensuring strict implementation of the Iran nuclear agreement.* The United States should continue to work toward the successful implementation of this historic agreement that has enhanced international leverage over Iran and created important tools to prevent the spread of nuclear weapons in the Middle East. The agreement has already produced tangible results, but the United States needs to support international efforts to monitor Iran's program closely. It should prepare a range of contingencies if there are signs that Iran is not abiding by the terms of the agreement, including new economic sanctions, efforts to isolate Iran diplomatically, and possible security and military measures. The United States remains an unrivaled security presence in the Gulf region, and it should be prepared for all contingencies given the uncertainties that remain.

   Importantly, the JCPOA saw Iran agree to extensive monitoring by the IAEA, which is already underway. Given the complex and extensive nature of this agreement, the United States and other leading countries will need to continue to provide oversight of this monitoring. Congressional oversight and engagement on the monitoring and verification provisions of the JCPOA will be vital; if the JCPOA continues to prove its value by placing strong limits on and providing more information about Iran's nuclear program, it can contribute to greater stability in the region.

2. *Continuing to respond to Iran's bad behavior.* The United States should work closely with partners in the region, including Israel, the Gulf States, and Jordan, to respond more effectively to the threats posed by elements of the Iranian regime.[10] The United States has already done so by interdicting weapons shipments from Iran to forces in Yemen last year, and it should work with partners to cut off support for terrorist groups across the region. In so doing, the United States also should recognize that Iran is not the only actor that has offered support to extremist and terrorist groups that have undermined stability in the region, and it should take actions to motivate all countries in the region to cease activities that benefit terrorist groups.

3. *Elevating Iran's human rights record in America's policy.* The United States should continue to highlight the poor human rights record of Iran and put a

[10] For more analysis on possible efforts, see Peter Juul, Brian Katulis, and Shlomo Brom, "Countering Iran's Destabilizing Actions in the Middle East" (Washington: Center for American Progress, 2015).

spotlight on the regime's actions that are inconsistent with international standards for basic rights and freedoms.

Iran is quite likely to experience unprecedented economic and social changes in the coming years, given the demographic pressures and likely changes in its environment. The United States should continue to send the signal that it supports the basic rights and aspirations of the Iranian people, even as it works closely with the current ruling authorities in Iran to implement the nuclear agreement and work diplomatically to de-escalate conflicts in places such as Syria and Iraq.

4. *Presenting a more coordinated regional security approach.* The United States has a deep military footprint and a broad array of regional security partners. In addition to long-standing bilateral military and intelligence cooperation efforts across the region, the United States has built an international coalition working to counter ISIS. Furthermore, the Obama administration has begun discussions with key partners about the future of military support and security cooperation in recent talks with Israel[11] and discussions with Gulf States started last year at the Camp David summit.[12]

All of these potential streams of conventional military support and cooperation should be synchronized and coordinated; the United States too often allows its regional security efforts to remain disconnected and uncoordinated. Recent efforts to support greater regional security cooperation is a step in the right direction, and the United States should take steps to create a foundation for a more coherent regional security framework in the future-one in which the United States remains a key partner but where there is greater effective coordination among actors in the region. If they produce tangible results that counter the malign influence of countries such as Iran, additional dialogue with close partners in the region can do much to counter the perceptions of an American tilt toward Tehran in the post-JCPOA environment.

5. *Continuing to test the possibilities for de-escalation, de-confliction, and conflict resolution efforts.* Strategic dynamics and the threat perceptions in the region mean that the chances for diplomatic and political success in the short run on these fronts remain low. But it remains important to try to test the possibilities for a breakthrough that de-escalates the conflicts and marginalizes the influence of terrorist organizations. This means pursuing diplomacy with all countries, including Iran, with the recognition that many of the key countries have been actively supporting or coordinating with terrorist and extremists groups in these theaters-and that countries have been actively supporting brutal regimes such as the Assad regime in Syria or nonstarter groups that threaten civilians.

If prospects for resolution of these conflicts appear poor, the United States, its regional partners and Iran should keep the lines of communication open to avoid inadvertent conflict in the Gulf. The recent episode of American military craft drifting into Iranian waters and the subsequent capture of their crews serves to highlight the importance of avoiding future incidents at sea or in the air. During the Cold War, the United States signed an agreement with the Soviet Union to avoid such incidents that could serve as a model for a similar agreement with Iran.

The CHAIRMAN. Thank you. I am going to start it off with a few questions and maybe reserve some of my time for interacting as we move along.

Your fourth point of five that you just outlined, Mr. Katulis, I think speaks to the fact that I think many of us on both sides of the aisle have looked at our policy towards the Middle East recently as being more transactional. And I think the purpose of these hearings is to figure out a way to apply that pressure appropriately to the administration to have something that is much more coordinated and certainly of longer view.

So let me just follow up a little bit on that and ask you the question. So our allies, our friends in the region, our traditional friends,

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[11] Phil Stewart and Dan Williams, ″Israel, U.S. signal security ties back on track after Iran feud,″ Reuters, October 18, 2015.

[12] Office of the Press Secretary, "U.S.-Gulf Cooperation Council Camp David Joint Statement," Press release, May 14, 2015.

have the perception that we are disengaging and potentially realigning, as both of you have alluded to. Is that real or not? I mean, is that perception not reality, or is that perception reality from your perspective?

Mr. KATULIS. I think the perception is strong. I do not think it is the reality. When you look at the networks of relationships, the footprint, the fact that when we were in the region, we were building military installations and hearing about this, that we are going to last for decades. That perception exists in part I think because of sometimes the language we use, the body language that we have, and how we engage with partners in the region.

And the main point I would say, just to emphasize it a bit more, is that I know we are discussing with Israel an MOU about long-term security, and I think that is important to complete and complete it quickly. There is also a discussion about our relationship with the GCC post Camp David, and the follow-up I think needs to be accelerated on all of that. Plus we have the normal relationships that we have that are longstanding.

My concern is that all of these need to be synchronized towards a greater set of objectives that include deterring Iran's negative presence in the region, but also being clear with some of our partners when they act in ways that have led to the rise of non-state terrorist groups or have led to the erosion of state authorities, we often do not have that quiet, candid conversation.

So the two things I think we need to do to erode this perception of disengagement is not move episodically from an Israel-Palestine peace process, to a Syria attempt to resolve the conflict, to moving through JCPOA implementation. I think we need a much more holistic strategy—and this is where I think Mike and I agree quite a lot—that states our long-term objective and states that we are going to stay there as a partner for the long term. Again, restating what I just said before, if you look at all of the other outside powers, Russia, China, others, they do not have the potentials and the relationships that we have. We are just not using it in ways that I think are as forceful and assertive as I think they could be.

The CHAIRMAN. Let me move to another point because I am worried about the time.

We saw where, first of all, there is no question the Iranian—you know, the leaders of Iran were moving quickly to implement them. And I think this has been implemented probably 2 months more quickly than we thought. It was though that the moderates were rushing to make this happen so that it would affect the economy in a positive way prior to the election. And yet we saw over the last couple days where, quote, most of the moderates that would be part of the group, if you will, that were running to actually select the next Supreme Leader were actually disqualified. I think only 1 percent of them that had put their names forward were qualified, if you will, to actually run, which certainly speaks to the fact that the hardliners still, it appears, have an outsized role in determining the direction.

So, number one, do you agree with that? And do you see things not going in the direction that many thought it would that were for this agreement and a change of, if you will, how Iran conducted its business?

And number two, is there any real difference between the moderates inside of Iran and the hardliners relative to how they view the activities that they should be undertaking to continue to achieve their goals, if you will, in the region?

Mr. SINGH. Well, Senator, I will start with the second part and then sort of lead into the first.

My own view of the sort of different camps in Iran—it is obviously very complicated, but to boil it down, I would say you have got one camp—and I should preface this by saying I think both of these camps have as their first objective regime survival. They want the system to survive. They do not want to see democratic change. They do not want to see a fundamentally different system in Iran.

The CHAIRMAN. Both moderates and hardliners want to continue to have a Supreme Leader like a Khamenei leading the country.

Mr. SINGH. The regime system. That is right. There are those I think who do not want to see that. Those are the people who are, though, largely under house arrest, who are in jail, and so forth in Iran.

I think what we would consider the moderate or pragmatic camp led by President Rouhani—I think these folks think that in order to survive, the regime needs to adapt. It needs to change. And that change is largely sort of economic and social and so forth. Whereas I think there is a sort of hardline camp that thinks that to survive, the regime needs to sort of go back to purify, to go back to the 1979 values of economic self-sufficiency, exporting the revolution, and so forth. These are fundamentally opposed world views, and you could think of it almost like China in the 1970s, Senator.

The CHAIRMAN. If you do not mind, do the moderates believe they should export the revolution also?

Mr. SINGH. I think the moderates do not necessarily emphasize that, but I think that their regional strategy ultimately is basically no different than the sort of hardline regional strategy. I think it is about projecting Iranian power. It is asymmetric power. It is not necessarily conventional power. It is about pushing the United States out and sort of taking what they see as Iran's rightful place as the preeminent power in the region. So I do not think that their conflict really is over the issues that matter most to us is I guess the way I would put that. It is not over the nuclear issue. It is not over regional security issues. It is more over the character of Iran itself, economic issues, social issues, and so forth. And that is why often we make the mistake of saying, well, who is our guy and who is on our side. I do not think that is the right way to think about it.

The CHAIRMAN. So if I could, they both have exactly the same goals relative to the region. They have differing views as to how to strengthen their ability to make that happen.

Mr. SINGH. I think that is right. So I think that you would not see, for example, a big difference between those two camps on what should Iran's role in the region be, what should the United States' role in the region be, what should their policy in Syria be, in Iraq be, and so forth. I do not see big debates over that. There are debates over what are the right tactics to use. What is the role of diplomacy? Can you deal with the West diplomatically and so forth?

You see those things very clearly in some of these incidents that we have had recently. But that does not mean the ultimate objective is different I would say.

The CHAIRMAN. Mr. Katulis?

Mr. KATULIS. If I may just supplement because I agree with all of what Mike said there, is that I think the broader landscape, the longer term, if you look at the demographic changes that are likely to happen in Iran, the social and economic changes that may occur—and again, not overnight, not before the next election—this is why I highlighted the need for the U.S. to continue to have a stronger voice than I think it has had in the last few years about representing the basic rights and interests of Iranian people. There is a new generation that I think quite likely at some point in the next 10 years—there is going to be some short of shift and change. And today we see a calcified political leadership that is trying to maintain its grip by disqualifying all of these candidates and things like this.

But I suspect in Iran, as I think in Saudi Arabia as well, these are societies that are going to see tremendous stresses on their economy, on their social system. And we need to prepare ourselves in terms of articulating more consistently a voice that says we stand by the Iranian people when they are abused by their own government, when their rights are not respected. And I think this broader landscape, the longer game is something that we lost a little bit of sight of in the past few years.

The CHAIRMAN. Thank you both.

Senator Menendez?

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

Thank you both for your testimony and your insights to the committee at various times.

Mr. Chairman, I just want to get from you—I assume that at some point you are seeking administration witnesses to talk about the aftermath of the plan.

The CHAIRMAN. Yes.

Senator MENENDEZ. So without relitigating the nature of the agreement because we live in the reality of the agreement, I do think taking stock of certain things is important as a compass point moving forward. And I am not surprised that the Iranians met their initial implementation because that was the essence of what was necessary to get the multibillion dollar relief that was necessary. And some of us who have a problem with the agreement and voted against it is because it is not in the short term that we did not think that they would live up to it. It is in the longer process where they can realize their goals just by following the outline and the framework of the JCPOA. If they have the patience to do so, they will get to where they want to be. And so that is a concern for us.

And certainly can it be argued that 12 months is better than 3 months, which is where we were at breakout? Yes. Is it great that Iran received billions of dollars in relief? Concerning about how they use that money, which I would like to explore with you. Regional adventurism whether in Syria or Iran and Lebanon, Yemen, or elsewhere? That continues.

I rejoice in the Americans that are now home safely, but I think the important questions of U.S. policy have to be determined as what are we doing in terms of bartering for innocent Americans for convicted spies and others in the United States. What is the global message there? Because if we are going down a pathway as we did in the exchange in Cuba, in which one person was convicted of conspiracy to commit murder and gets released, and in this case we have seven Iranians involved in all manners of conspiracy, material support to a state sponsor of terrorism, and 14 more who get clemency, the question is, what is our policy? Is our policy now to exchange for innocent Americans those who have been convicted in violation of U.S. law? And what degree of conviction are we going to look at in terms of who is exchangeable or not?

I think it is important to raise that question at least in the presence or the absence of hostages except for Mr. Levinson obviously who we still do not know what is happening in his case, so that it is not about a person but about a policy. And I think that is an important one to look at here.

And then I look forward to understanding the $1.7 billion paid by American taxpayers for an agreement that took place with a different Iranian Government that was ultimately in line with the United States and for which at the end of the day I cannot imagine this Iranian Government wanting the same things that that Iranian Government wanted in terms of the military elements that were being sought.

So I look at this and I say that, and then I see the missile violations and I think a rather soft response to them, and I think that is alarming. I had called upon the administration to use a robust response in the absence of the Security Council doing anything. I think we got a soft response to that, and I am concerned about that.

And I see the Iranian Revolutionary Guard, obviously, not a force who wants to moderate their positions of Iran with the United States, propagandizing American military personnel on their knees across the world.

So a little bit of stock from my perspective at least to a compass moving forward.

So I would like to ask both of you. You know, in the New York Times" interview with Tom Freedman in July of last year, President Obama said that, quote, the truth of the matter is that Iran will be and should be a regional power. Will be and should be a regional power.

Now, I think our friends and allies in the region heard this and they are putting it together with the following observations, that Iran, having violated the international will for well over a decade, results in negotiations in which those negotiations accomplish or nears accomplish many of their goals and that others in the region see it as an existential threat to their own interests and their own security.

So is it fair to say that we are going through a very difficult time in the region in which our partners, our traditional partners, are wondering what the end game is here and are going to be acting increasingly more independently, at times maybe even in conflict with what we would see as our own interests because they have

taken the view that if the President of the United States says that Iran should be a regional power, that that is in conflict with everything they fear about Iran being a regional power?

Mr. SINGH. Senator, I would agree with your statement. And I think that that type statement—it feeds the fears amongst our allies that we are either disengaging from the region and sort of just leaving them to their own devices. And you are right, Senator. What that encourages them to do is to form these ad hoc blocs that we have seen forming in the region to jockey amongst themselves to accomplish their goals because that is what they need to do, sometimes using methods and tools which we find alarming frankly. And there is no sort of real winner in that contest because none of them will really rise above and impose regional order.

It also, frankly, comes across very badly in the region because of the way that Iran asserts its power in the region. It is not through conventional military means. It is not through diplomacy and so forth. But it is through subversion of sovereign governments in places like Lebanon, in places like Yemen, in places like Bahrain, and so forth. It is by feeding proxy forces. It is through asymmetric power. It is by doing things which are very dangerous to the fabric of the regional order such as it is in the Middle East. And I think that is also another reason why it strikes the wrong chord because Iran is not behaving like anything we would consider a responsible power.

So certainly you do hear that when you go to the region, and I do think, frankly, that that feeling of disengagement, which you were asking about before, Chairman Corker, is very real even though we have an extensive presence on the ground because they do not see that we share their interests, that we share their sort of concerns in the region, and they do not feel as though at the highest level, at the strategic level there is that sort of coordination and that sort of meeting of the minds between us and our allies any longer.

Mr. KATULIS. If I may add. I think these concerns and the question you asked about partners wondering what our end game is—this has been a problem for U.S. policy for more than a decade. It is my view that one of the consequences of the 2003 Iraq war was we ended a policy of dual containment of Iran and Iraq. And this actually helped facilitate and contributed to the rise of Iran's power in the region. It also I think had down sides in terms of the state structures. I mentioned this in my opening testimony about the coherence in the strength of state structures.

So to your question of what should be our next steps, I do not disagree with much of what you said, your concerns about the missile tests, the questions about the prisoner/hostage releases. All of these questions I think need to be asked of this administration.

But the biggest question I think we all need to ask is where do we want to be 10 years from now in the Middle East. We had a policy of dual containment of Iran and Iraq. Now the Middle East is in chaos. The state system I think has been weakened. I think two fundamentals I think we need to do is help try to strengthen and clarify the nature of the state system while remaining true to our values. And this is why I think it is important in looking at the nature of regimes like Iran, like even some of our partners who

do not like Iran in the region. We need to have, if not public talks, quiet talks about their actions in the region, who they support in terms of their own proxies and non-state actors.

And going back to my central point is that the U.S. still has no rival in the Middle East. The fact that the foreign ministers of Saudi Arabia and Iran are having dueling op-eds in the "New York Times" I think speaks volumes about how important the leaderships of those countries view the United States. The question is I think our reticence, our reluctance to engage as strongly and as assertively as I think we should have is in part borne out of some of the mistakes of the previous decade. And I think all of us, analysts, leaders here in the Senate need to think about a new role in the Middle East for the United States where it is not us sending tends of thousands of troops and these straw men arguments that you often hear from people who do not want to do anything about Syria. But it is how do we actually partner up with those most reliable and capable partners in the region, Israel, Jordan, the United Arab Emirates, the Kurds. There is I think the makings of a coalition that one could form. And in fact, if you look at the Anti-ISIL Coalition, we have got a lot of people on that team. The question is do we have a game plan. And I think the answer, quite frankly, is we have got episodic engagement that is trying to advance the ball on different pieces, but we do not have that bigger picture of how do we stabilize the Middle East and help integrate it with the rest of the world as a much more functioning region of the world.

Senator MENENDEZ. I just have a comment, Mr. Chairman. I have a bunch of other questions, but I will wait for the next round.

I totally agree with you about the dual containment and what we did in Iraq, which is one of the reasons I voted against the Iraq War when I was in the House of Representatives, including that spending a lot of time looking at intelligence information, I saw no evidence of weapons of mass destruction. And so I do not send America's sons and daughters needlessly into a war of choice versus a war of necessity.

Having said that, in the aftermath of that, it seems to me that by what we have done with Iran is that we have further confused the reality of what our policy is going to be in the region because we did not have a parallel track that many of us were advocating for to think about if you get this agreement, what is going to be set alongside with it so that you deal within the region. So now, having unlocked the resources, given Iran some sense of legitimacy in the international order, even though from my perspective, it has not fully earned it, it is a moment in which we are way behind the clock here in terms of engaging. We still may have the most significant presence in the region, but that significance means nothing if at the end of the day you are not asserting it and pursuing a plan of action pursuant to the national interests and security of the United States.

The CHAIRMAN. Thank you.

Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman, and thank you both for being here today.

I want to follow up a little bit on what Senator Menendez was talking about. The coalition, Mr. Katulis, I think that you talked

about of finding allies in the region who have a common interest to achieve solutions to present stability to the region—I think Israel, Saudi Arabia—you mentioned some others—were all nations, though, that as this agreement was moving forward, had great concern with the destabilizing possibilities that went along with this kind of engagement. And in the interview, as the President had stated that Senator Menendez pointed out, a regional power—if Iran is able to reach that, to achieve that goal, what does the future of this regional power of Iran mean for our allies in the region who view this as destabilizing to their futures? Mr. Singh?

Mr. SINGH. Well, look, I think that what Iran would like to see in the region is, of course, it would like to see itself preeminent and would like to see itself able to project power even more than it can today through the Levant and against what it considers foes like Israel, for example, or Saudi Arabia. It would like to also see us out of the region. It does not want to see freedom of navigation for the U.S. Navy in the Persian Gulf, for example, or the Arabian Gulf. It does not want to see American forces in the Middle East. In a sense, Iran shares with countries like, I would say, Russia and China to an extent this broader goal of wanting to see a fundamental reshaping of the international order to see the role of the United States decline. And you can see this in repeated comments by Iran's Supreme Leader and other regime leadership.

Senator GARDNER. So, Mr. Katulis, if you want to respond to that, I think this notion that a regional power wanted the United States to leave, what that means to Israel, how that could be in any way shape or form stabilizing.

Mr. KATULIS. Well, I think what we need to do is to be clear first, as I was trying to highlight in my opening remarks, that I think there will be inherent natural limits to how far any power in the region itself can go. Iran has high aspirations, but as we see in their support to the Assad regime and the high costs of the Syria conflict, as we see in the engagements in Yemen, the counter-reaction from regional forces, for every action, there will be a reaction.

The point I want to try to drill down is that in this context of Iran's aspirations and Saudi Arabia—I was in Riyadh last month, and you hear them talking a much more assertive game. They announced a Muslim coalition against terrorism. It did not include Iran or Iraq or other key countries there. You see countries that are moving to exercise their own self-interests I think in part because they see a reticence on the part of the United States to get engaged.

But what I hear when I talk to our friends in Israel and Jordan and some of the Gulf countries is that if the U.S. wanted to serve more like a quarterback role—we are in football season here—we do not have to run all the plays—

Senator GARDNER. Why do we not say "go Broncos"? I am not sure. [Laughter.]

Mr. KATULIS. Yes. We do not have to run all the plays, but they are really still looking for some sort of game plan beyond what I think has been this tactical reactive crisis management mode except for certain episodes. Of course, the Iran nuclear deal was one episode. The attempt at negotiations on the Israel-Palestine process. The Syria peace process, if it comes together, is another one.

I think what we need—and this is where I am more pragmatic about it—is we really truly need a bipartisan consensus here at home that agrees on the U.S. is going to be a little bit more assertive here. That does not mean we are going re-invade countries and occupy them with no end in sight. But the important thing I think is that the tools that we want to put into the game, the things that Mike and I heard I think on this last visit, of some of our partners want us to help them more in the conflict in Yemen. I think we need to have that conversation, but we need to have it realistically, to understand are what these partners doing moving towards a sustainable resolution of that conflict, one that marginalizes extremist forces, whether it is non-state groups like ISIS or the Houthis or state groups like Iran, which I think is a very malign strategic actor in the region. And that is what I think we are missing right now is sort of that broader game plan. Again, I do believe that if we are willing to use those resources and build a bipartisan consensus for it, we could actually have a positive impact.

Mr. SINGH. If I could just add one thing, Senator. I do not disagree with what Brian said. I agree there is a limit really to what Iran can achieve. You are not talking about a classically powerful country. As I said, they use proxies, asymmetric power. They have struggled in Syria. But they do not need to succeed to create big problems for us. I mean, if the Iranians were not helping us out in Syria—I mean, it is the IRGC, it is those Shiite proxies from Pakistan and Afghanistan, it is Hezbollah—I do not think Assad could have fought the war that he has fought. And that in turn has created that vacuum you see in eastern Syria which ISIS has taken hold of. And so it is not as though Iran likes ISIS or is allied with ISIS, but Iranian actions have helped to create those vacuums and break down those state institutions which allow such groups to thrive.

And then the reactions, even by folks who are allied with us, sometimes then further sort of create problems that we think are not good for our interests. Right? So sometimes the reaction to ultimately does not help American interests in the region. And that is as a result of Iran sort of reaching for this power even if they cannot ultimately achieve it.

Senator GARDNER. And does our allies acting—I think you have both identified ways that they may act in manners that are not in the interest of the United States as they are expressing or showing expressions of concern about the United States' willingness and commitment to the region. I think we also have to develop the strategies that we talked about which I think as Secretary Gates said in a recent Business Insider" article, he talked about working with our allies, both Arab and Israeli, in the region to counter Iranian meddling, support of terrorism and other activities. So what over the next year do we need to lay out to those allies in concrete terms to make sure that we have that strategy? You both have identified steps and strategies, but what concrete in the next year should the United States lay out?

Mr. KATULIS. Well, if I could start and maybe Mike can add.

First, the sort of actions we took last year when we interdicted weapons shipments that were going into Yemen was an important—you know, actions speak louder than words, and that was an

important action. And if we continue to do that—I know the case of re-arm and supply of Hezbollah and Syria is very complicated. It is tied up with Iraq airspace and the challenges there. But working that issue where we demonstrate with partners and our closest partners, including Israel, that we are stopping these shipments, we are stopping Iran from moving forward, arms embargos against some of these proxies, which I think have been undertaken, a very robust implementation of the Camp David discussions moving forward with what types of security cooperation we will have, but importantly, how do we synchronize that with the discussion that we have ongoing with Israel to ensure its qualitative military edge? Those are I think some of the tools that—again, going back to a central point I have here, is that no other country has the breadth of relationships that we have from Qatar to Turkey to Saudi Arabia, countries that are often at odds with one another. Let us use those tools to actually disrupt Iran's malign influence and also use it quietly to talk about the proxies that other countries in the region support as well.

Senator GARDNER. Mr. Singh?

Mr. SINGH. Look, I agree with Brian.

I think that the answer to your question really has three parts. I mean, one is our own posture in the region and how we respond to what is an emerging and will be a strengthening A2AD strategy by Iran, potentially with the help, for example, of China or Russia with some of the military aspects of that. I am not sure that right now—I am not an expert on this question, but I am not sure that right now our posture in the Gulf is the right posture to deal with that.

And you have to bear in mind that when there are pictures around the world of Iranian forces taking our sailors captive, even if they are quickly released, those pictures have a strategic impact in the Gulf, in the Middle East, and beyond. When you see those live fire exercises in which Iran engages in the Gulf, these are the types of activities in which Iran engages. So maybe we could beat them in a conventional war, but we also need to be able to address these types of more unconventional actions that Iran takes.

The second part is what we actually do to counter Iran's actions around the region. To me that starts with Syria. I think we just need to get much more serious about our policy in Syria rather than sort of standing back as we have been doing now for too many years. And there is a whole bulleted list in my written testimony, including things like a financial campaign against the IRGC, stronger measures against Iran's missile program.

And I would say just in response to something Senator Menendez said it is true that the Iranians have fulfilled those initial requirements, as far as we can see, under the JCPOA. That is in part because we set a very low bar. The resolution of the BMD issue was pro forma. We did not ask for anything on the missile question. That is part of the reason they were able to do it is we did not ask what they could not do or would not do.

And then the third element of that is the regional security element and how we bolster the security of our allies. And I think it has to start with, at the strategic level, understanding what their priorities are like Yemen, for example, having that conversation,

responding to their needs because that is what allies do. It has to involve multiyear sort of agendas for their procurement and training. And it has to involve coordinating all that so that you do not have sort of the UAE over here doing this and Saudi Arabia doing something else, but you have a sort of a bloc, a unified front that can confront both Iran, as well as jihadists and other threats that we face.

Senator GARDNER. Thank you, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Senator Coons?

Senator COONS. Thank you, Chairman Corker, and thank you for holding this hearing and thank you for the skilled and insightful testimony we received from both witnesses so far.

Well, here we are on the other side of implementation day. And as has been reviewed, Iran has taken several important, significant steps to delay their ability to quickly develop a nuclear weapons capability. And I am relieved by the long overdue release of five Americans from unjust Iranian custody and the steps the administration has taken to sanction individuals and entities that were involved in supporting Iran's ballistic missile program.

But I am deeply concerned that where we are now is that Iran has tens of billions of dollars of additional resources and that despite a lot of important efforts and a lot of valuable progress made through the JCPOA, I think our responsibility working together to deter Iran and contain Iran is more urgent and more difficult than ever before.

So it is my hope that we will achieve the view that Mr. Katulis offered at the outset of a more coherent and more assertive approach in the region. I appreciate your recognizing the interdiction of a weapons shipment to the Houthis.

In pressing the administration over and over for more information and more details about interdictions of weapons flow or funding flow, I am repeatedly told we can brief you on that in a classified setting. And I say that is very helpful, but it would be more helpful if our allies in the region and my constituents and our country were briefed on this in open setting. And I understand the tension, but we need to show what we are actually doing. Saying is good; doing is better.

I am also interested in your views on how we can strengthen our regional allies and demonstrate that our policy is one of containment of Iran and that our attitude towards them remains one of suspicion. They remain a nuclear threat because the knowledge of how to enrich uranium and produce a weapon is widely distributed amongst their technical and engineering staff, and we will have to stay on this for decades to come.

So if I could first to both of you, many Members of Congress, including my colleague, Senator Menendez, have called for the swift renewal of the Iran Sanctions Act, which expires at the end of this calendar year. What is your opinion on the renewal of the ISA, and what do you think would be the views of our P5 Plus 1 partners? And what do you think its consequences would be?

And then second, if you would speak to the unfrozen revenues, the Iranian assets that have been held in banks around the world and are now going to be flowing back to them. How do you expect

Iran to use these dollars? And are there mechanisms by which you believe we can track and report to the world their deposits in the Central Bank of Iran, their distribution into the Iranian system, and be more effective at interdicting cash flows to their terrorist proxies in the region? Mr. Singh?

Mr. SINGH. Well, thank you, Senator Coons.

On the renewal of the Iran Sanctions Act, I do think it is important to do. I think it is important that we be in a position to actually executive the snapback of sanctions if it comes to that. I do think that at this stage the concern that our allies would have about doing it now that we are past implementation day is probably a lot less than would have been pre-implementation day. I think now it is unlikely that renewing the ISA would unravel the deal somehow.

I do think, though, it is important too that we have other penalties in place to punish Iran short of full snapback and that we also enforce the sanctions which are on the books, which you yourself have said, Senator. So I think that it is one element of what needs to be a broader sort of look at sanctions.

And we also have to look at the ways that Iran is going to try to get around those existing sanctions because I expect them to come up with new ways to circumvent sanctions as they have in the past.

On the question of the unfrozen revenues, we have heard a lot about how Iran will or will not use the revenues. I think only Iran knows the answer to this question fully and maybe only the Supreme Leader of Iran. But I will tell you my view is under President Rouhani in his first budget, there was an increase in military and security spending, and I would expect that Iran's regional priorities are sufficiently important that it is going to use some of this money on regional priorities. We have seen a decline, for example, in the funding that Iran has given to Hezbollah in recent years. It would not surprise me that went back up. It would not surprise me if some of this money went into defending the Assad regime or into Hamas or Palestinian Islamic Jihad.

And that is for two reasons. One is simply that these are important issues to Iran. They have shown that time and time again when we would have thought it would be prudent to develop their own country, they have instead spent the money on a nuclear program or terrorist groups or things which do not benefit Iranians.

And second, from a macroeconomic perspective, there is a reason that you would not necessarily want to immediately repatriate $50 billion or whatever the exact figure is because of the sort of inflationary or currency effects that might have. So I do expect they will use some on things which we find very concerning.

We do, I think, have tools at the Treasury Department to try to track these things, to try to interdict these things, but frankly, some of the removal of the sanctions on the banks and now the much more permissive environment will, I think, complicate that. It will be a harder task. And we will need to be quite sure that banks around the world understand that we are still determined to enforce the sanctions which are on the books, make sure they understand what those sanctions are. And so we will need to be engaged, I would say, as heavy an educational campaign and enforce-

ment campaign as we were in, say, the 2007–2008 period when sanctions were ramping up.

Senator COONS. Thank you.

Mr. Katulis?

Mr. KATULIS. Just really quickly because I think Mike covered much of your questions, but the one question on the P5 Plus 1 partners and how they might respond to the renewal of sanctions, this is where diplomacy comes in. I think our friends in the administration talk I think a very good game and I think they are right about tough and hard diplomacy with adversaries. But we also need to talk to our partners and allies and those in Europe, Russia, and China. I think what was the strong point of the Obama administration in the last 8 years was that we built an international coalition that exacted costs on the Iranian regime. We need to have those tools in place. As I think you have said many times and have written recently, this is not done. You know, the implementation day is just one day and one moment, but Iranian behavior needs to be monitored closely and not only monitored but it has to be structured in such a way that they understand we have all of these tools at our disposal.

On the unfrozen revenues, I think there is a lot of conjecture here. I mean, I think Mike nailed it and I think our Treasury Department, some of our intelligence agencies may understand what is happening here. But there are so many different moving targets in terms of what the Iranian regime might or might not do.

But let us be clear. Even when it was under the harshest of sanctions, it was supporting some of the most malign actions and behaviors, supporting people who wanted to assassinate the Saudi ambassador in this town. So that is why I think we all need to be vigilant and have stronger tools. And these sorts of questions that I think have been raised already about has our response been too tepid in reaction to Iranian provocations—these are the sorts of questions that I think we all in this country need to ask if we want this JCPOA to succeed in its objectives.

Senator COONS. Thank you. Well, I appreciate both of your testimony. If I had more time, I would ask additional questions about the Kurds and how we support our Saudi allies.

I have taken the initiative to meet with both the British and French ambassadors recently and to just reinforce my view that there are sanctions that remain on the books that we will enforce and that we intend to enforce and to meet with banking leaders from Europe to convey that same point. I think that is a message worth repeating over and over and over so we do not find ourselves at counter-purposes with our P5 Plus 1 allies. And I agree strongly we need a graduated menu of responses. I expect Iranian cheating to be initially marginal and initially modest, and if they are not responded to promptly and effectively in a coordinated way with our allies, we will lose whatever advantage we may have gained through this agreement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I appreciate the questions.

I would just interject that I think we have seen the response of our coalition when the ballistic missile violations took place. It is gone. That was the flaw in this deal. And I think thinking that un-

less there is something so out of bounds that it is egregious that we are going to be able to easily put that coalition back when everybody is in Tehran trying to do business right now is just not going to happen. I do not know how you could be more clear about a violation and yet have no response at the U.N. Security Council.

So I appreciate the line of questioning because I think it highlights the fact that there now is no coalition. There is no coalition. And to me that is one of the greatest flaws of this deal now that they have what they want.

Senator Perdue?

Senator PERDUE. Thank you, Mr. Chairman.

You know, following up on that, I am very concerned about the lack of response of the United Nations. Over the weekend, the U.S. did impose sanctions on Iran on their ballistic missile program and I am encouraged. But I am very concerned, as the chairman just alluded, about the lack of response. And I would like to talk about that.

Also, we see continued testing in North Korea. We have had evidence in the past that Iran participates with Korea as observers or whatever. It looks to me like that we have one country testing, a rogue country, North Korea testing possibly for two countries.

Having said that, I am very concerned that we get after the people involved, and that is the sanctions—instead of going after individuals in these shell companies, you know, my suggestion was—and we put a letter to the President last week—I think 14 Senators signed it—that encouraged the administration to go after the foreign banks that are actually financing these ballistic missile tests and the program instead of these shell companies and individuals. We all know how people can maneuver around those with paperwork. We saw that in the sanctions on the Russian individuals just in the last year or two.

My question is, what do you suggest that we actually do to impact their ballistic missile program now that the coalition is absolutely gone? I agree with the chairman. This is a practical matter as far as I am concerned. And I would like to get your thoughts about what the administration should be doing now, what we should be thinking about as the Senate to basically enforce the sanctions and the position we already have taken. Mr. Singh, would you start that?

Mr. SINGH. Sure thing. Well, Senator, I agree with your concern, and I agree with your concern about the lack of U.N. Security Council response.

And just one thing I would point out maybe to add to your concern, Senator, is that so much of what we are talking about when we talk about even the enforcement of the JCPOA, much less things that are not in the JCPOA like the missile question, depend on this joint commission where we have to have five out of the eight members of the joint commission on our side. Well, in the coming year or 2, we are going to have elections in France, in Germany, and elsewhere. The EU is obviously is not an elected body. I do not think we can be 100 percent sure that we will have all those folks on our side as they are pursuing business with Iran and so forth. And so I think we will need to be taking a lot of this leadership ourselves unfortunately. It should have been in the nuclear

deal. There is no doubt about that. Missiles are part of a nuclear program and we have seen that with North Korea. And I think to simply wave them away and treat them as a sort of separate matter is the beginning of our problem here.

And so now we are left with the question, well, what do we do as a rearguard action to stop this. I think there will need to be stronger sanctions. I think it cannot just be designations, but it will need to be sanctions which are felt more strongly in Iran and, as you said, by those outside of Iran who are abetting the actions that Iran is taking. I think it will need to be interdictions and export controls.

One thing to bear in mind about implementation day is implementation day means that Iran has been certified by the IAEA as having done its initial obligations. That does not mean that other countries, say, in Asia and elsewhere are themselves ready to implement those export controls, the procurement channel that is talked about in the JCPOA or in resolution 2231. And so part of this has to be to work with those countries to ensure that they have the controls in place, they have a strong presumption of denial, and they also have a worry about the penalties they will incur if they fail to implement that.

Then I think there also has to be a ballistic missile component to this. I think if Iran is going to be taking provocative missile tests, I think it is very important that we show as an alliance there in the Middle East that we are well prepared to deal with that Iranian missile threat, to deter that Iranian missile threat by having a strong theater-wide BMD capability. And that requires investment from the United States. It requires getting our allies together in a complementary fashion to do that in the region.

Mr. KATULIS. If I could add to it because I think Mike offered a very cogent list of moves that we can do on the sanctions front and then also on the defense with the ballistic missile defense.

But as I was saying before, our footprint, our military presence in the region is quite robust. There are things that we could do in terms of actions with partners in the region whether it is exercises or similar responses which we have not seen in recent years. We have seen before. We have seen in terms of multilateral naval exercises in the Gulf where we bring a number of these countries in.

Senator Corker mentioned that we have no coalition left. The best way to reinforce a coalition, to rebuild it is not only through these actions and sanctions and things that restrict their ability, but then also things that we can do in terms of calculated very measured actions that send a signal to the Iranian regime that you have done this, we are going to sanction you, but we are also going to put on full display what our capabilities are. And if you do this again, if you do this again, you are going to see on full display what we can do with our partners in the region.

And again, I am not advocating war or anything like this, but the sort of signaling, the sort of games that Iran plays, as we saw with their photographs of our soldiers who went off course there—these sorts of things I think we should be more inclined to look to in terms of responses as opposed to just—I share your concern about the lack of action at the U.N. Well, guess what. It should not

surprise folks that the U.N. sometimes does not do enough in terms of what it should do in its responsibilities.

But my main point is that there are things that the U.S. can do as the unrivaled leader in the Middle East with partners that can send messages to Iran. And taking actions through naval exercises, through different exercises in response to these provocative measures I think would be a very good thing.

Senator PERDUE. So my last question—and this is a broad question, but I appreciate you both have spoken about this in your testimony before today and actually alluded to this today. I mean, how close are we to the actual ultimate fear that most of us have that we are going to drift into an ultimate Sunni-Shia war in the region, Iran, Saudis? You have got Egypt sitting there. And then our intransigence really in Syria with Bashar al-Assad and Russia, given that we have created a second power vacuum in the region that Russia has now stepped into—put on top of that $100 billion plus of cash that Iran looks like they are going to have access to here in the near future. And we know that there are past activities relating to support of Hezbollah, Hamas, Houthis, and so forth. Are we really drifting in that direction or are we actually racing in that direction with our own intransigence? I would like you both to respond to that quickly if you could.

Mr. KATULIS. Senator, to a certain we are already there, if you look at the conflicts in Syria and in Yemen.

Senator PERDUE. I agree.

Mr. KATULIS. I would hesitate as an analyst to simply classify it as just Shia-Sunni. I understand that paradigm and I think it is relevant. I am not dismissing it completely. But essentially this is about power between different nation states and the leaders of those nation states, Iran and Saudi Arabia. But then there are other layers of complexities. If you look a little bit westward to Libya, you see also a government that is fractured under the weight of regional competition not between Iran and Saudi Arabia but between different parts of the Gulf Cooperation Council countries and Egypt and their different view on political Islam. So there are layers of complexity here. But to a certain extent, we passed that point maybe several years ago.

What I would say is that the U.S. is not responsible, though, for this vacuum primarily. I think our posture could have led to a different outcome, literally to a different outcome if we have much more assertive posture. But the primary responsibility for this breakdown of the state system in certain parts of the region, I think rests in the hands of the leaders of the region. Iran, as we have discussed here extensively, is a key part of the problem. I would also argue that many of the other Gulf allies out of fear, out of concerns about Iran, out of other motivations have also contributed to the problem.

But a much more coherent and I think robust presentation of U.S. aims towards the long term in the Middle East I think will not solve all of these problems but could actually lead to a much more practical conflict resolution and a reinstitution of the state system that is not simply just on the shoulders of authoritarianism and the sorts of values that run contrary to our system. That may seem too ideal, but I think part of that is the quiet discussion we

need to have with countries like Saudi Arabia, like Qatar, like all of the members of the Gulf Cooperation Council.

Mr. SINGH. I agree with what Brian said. I would not call it a Sunni-Shia conflict, and the reason is that some of our Sunni allies are almost as concerned about Sunni jihadism as they are about Iran. Iran for its part is quite happy to support some Sunni extremist organizations like Hamas. They supported the Taliban in the past. And so sometimes a sectarian affiliation is a convenient way to extend influence, but I think it is not the only way. And I think that you see that. Really what we are engaged in here is this is a battle amongst states and blocs of states for preeminence in the region.

And I think what you have seen is a breakdown of the regional security order. You have seen a breakdown of states, as Brian has said. And that has caused this spreading chaos and I expect it will spread more unless something concerted is done to stem that. And I think we have a big role there. We have a big role in reconstituting a regional security order.

Senator PERDUE. What should that role be?

Mr. SINGH. I think we need to be in the lead. "In the lead" does not mean we have to do it. It does not mean we have to take the burden on ourselves, but I think we have to be the organizing force. We have to be the one that convenes our allies, brings them together, helps set the agenda, and again also helps them with building their institutions because I think that the states who have done best, who have fared best throughout all this are those that have resilient institutions. And I would like to see us invest not only in trying to solve what is happening in Syria and sort of help build governments in Libya. That is very hard. That is going to take a long time, even in the best of circumstances. But let us also make sure we are investing in shoring up the institutions in allied states that have not yet succumb to this chaos because I think that is going to be quite important for them. They have to be responsive institutions to their people as well. We cannot lose that as part of our policy just because of the problems that we face.

Senator PERDUE. Thank you both. Thank you, Mr. Chairman.

Senator CARDIN. Well, once again, thank you for being here and for your input.

There is clearly a concern of our partners in the Middle East on their security as a result of the changing strategies in the Middle East. We have heard that from all of our partners. We have no closer friend than the state of Israel. Could you share with us what you think the United States should be doing post the Iran nuclear agreement to make it clear our unwavering support for the state of Israel?

Mr. KATULIS. If I can start with one and this is in part borne out of my own trips to Israel and the fact that I have some colleagues at this moment who are on the Golan Heights looking down into the chaos. And I was talking with them just earlier this morning.

This is going to be a little tactical, but I think one of the main concerns that I have about the current environment, the post-JCPOA implementation phase and what is going on in Syria and the actions of Hezbollah is a particular vulnerability for Israel along its northern border. I was there last year several times, and

I think there is more that we can do in the way that I think U.S. engagement with Israel over the last few years in support for the Iron Dome system and how that saved lives from the rockets and missiles coming from Gaza, coming from the chaos in the Sinai Peninsula at times. Those sorts of measures, whatever is being discussed in the MOU and the 10-year plan, looking at how can we reinforce Israel's own security along that northern border because as we look at the conflict in Syria and also the complications in Lebanon right next door, there is a lot of uncertainty there, and the fact that Hezbollah has used the last 10 years since—essentially 10 years since the war with Israel in 2006 to rearm itself with the support of Iran, with the support of Syria—I think one of the first things that I think we need to do is talk about what sort of weapons systems we can do, what sort of intel platforms we can help the Israelis develop to ensure that they know what is going on and how to protect their citizens along the northern border.

Mr. SINGH. I agree with all that.

I will say that based on my own recent trip to Israel, I think that things are getting back on the right track. The sense that I get is that as bad as the relationship has gotten, that in recent months it is improving. And I credit the administration for that and I think it is very important because this is our most important ally in the region.

And I agree with some of those things that Brian listed. Some of this is aid, not just the amount of aid and not just the MOU but the sort of strategic planning that goes behind the aid. And that means we also have to have consultations at a high level. What do we do now about Iran? We disagreed on the JCPOA but let us make sure that we are hand in glove when it comes to detecting any efforts by Iran to cheat on responding to the missile threat, on responding to the proxy threat, which are all threats that Israel feels obviously much more keenly than we do given their geographic position.

Then I think there is also something that is just a little bit more intangible which is I think we need to restore a level of sort of cordiality to the relationship. I think we need to act more like friends than we have in the past, fewer sort of public statements chiding the other, and more sort of private discussions about the threats that we face and about the concerns we might have about one another.

And I think that also probably requires a trusted channel between the U.S. and Israel, which we have not really seen I think in recent years, but somebody—two people perhaps, one on each side—who can help to sort of address any concerns and disputes before they happen and also help to make this type of dialogue and strategic planning happen.

Senator CARDIN. Certainly all the signals that we are getting recently is that is being done, that there is much better direct conversations particularly among the sharing of intelligence information and strategies as it relates to common concerns in the Middle East. So I appreciate that response.

Let me move to a different subject, and that is what confidence you have in the announcement made by the Saudis of the Islamic counterterrorism coalition, whether that in fact can be an effective

partner in our campaign against ISIL, whether that in fact can be utilized for more unity among our Arab partners in the Middle East in our fight for the extremists that have been so dominant in that region.

Mr. KATULIS. First, I would not dismiss the announcement in and of itself. I think it is an important gesture on the part of the new Saudi leadership, and any time there is an actor in the region that says it wants to do the sorts of things that we would like it to do, I think it is potentially a good thing.

But let me qualify that overall observation with some analysis informed by a trip to Saudi Arabia last month where we spent about a week and met with many of the top leaders. When this coalition was announced, Saudi Arabia caught many countries by surprise, including countries that were named in the coalition. So whatever the aspirations that are friends in Riyadh may have here, the simple fact of how the rollout was flubbed should raise some concerns about its implementation and its capacity to do that.

Second, it is clear from the new Saudi leadership, its actions in Yemen last year and ongoing into this year, its efforts—while I was in Saudi Arabia, there was a conference to try to unify the Syrian opposition to Assad yet again—that it is trying to be more assertive and play a role.

But I think a lot of those attempts will be constrained by two main factors: one, the regional fragmentation and the constraints that both Mike and I have talked about. There is only so much I think Saudi Arabia will be able to do. Look at sort of the response to the rivalry and the skirmish between Iran and Saudi Arabia earlier this month. Saudi Arabia completely cut off ties and canceled flights. Some of its closest partners in the GCC had a much more modulated response. So herding cats in the Middle East, because of the structure of these different views vis-a-vis Iran, other things will be harder for Saudi Arabia to do.

The second constraint will be internal. And this is one I fear we are going to be talking a lot about more in the next year and beyond, is that the Saudi leadership has I think a very interesting vision about how it wants to transform its own social contract. It understands it has a lot of problems economically and socially inside the country.

But I think my top line is, yes, it is great that Saudi Arabia announced that it wants to form a coalition. We should discuss how this fits with the coalition that we formed a year and a half ago to fight ISIS, but then we should also keep our eye on the ball that, A, the region is still fragmented and then, B, inside of Saudi Arabia there are going to be major challenges that I think could impact not only what is going on inside of Saudi Arabia but what is going on in the region. I do not know if it will be instability, but there are going to be moves made by the Saudi leadership and their internal dynamics that I think will create new possibilities and also new uncertainties that we have not seen before.

Senator CARDIN. Mr. Singh?

Mr. SINGH. I will just say I guess I would put a slightly most positive spin on it. I agree with Brian that there are real limitations here strategically, when it comes to interoperability as I mentioned before.

But I think what this is a manifestation of—it is a manifestation of our allies in the region are increasingly acting and they are acting together. They want to act together. And I think that that is a real opportunity for the United States because we can help with some of these problems that they face. We can help, for example, with the strategic planning. We can help with the interoperability. We already are selling tens of billions of dollars of military goods to these countries every year or every couple of years. Let us make sure that all works together.

I would like to see us have more of a sort of regional security forum, regional security consultations with, say, the GCC, with Jordan and Egypt as well perhaps in the room. That would be a real upgrade to how we do things now. As Brian has said sort of the whole is less than the sum of its parts when it comes to U.S. security assistance and cooperation in the region. This I think is an opportunity to correct that.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

And, Senator Menendez, Monday evening at 5:00 we have got a classified briefing with the administration regarding what just has occurred.

Senator Flake?

Senator FLAKE. Thank you, and thank you for the testimony.

Let me focus on the sanctions relief, what impact that will have domestically on Iran, along with the falling oil prices. To what extent does the fall in oil prices completely outweigh the sanctions relief? Has anybody done an analysis, oil at 30 bucks a barrel over a period of 5 years, what that will mean?

Mr. Singh, in your testimony you talked about there really has not been a domestic political benefit for the so-called moderates under Rouhani. How does this play out with falling oil prices?

Mr. SINGH. Well, Senator Flake, I think I do not want to say there has been no benefit for Rouhani and the pragmatists. I think Rouhani probably is popular, and I think the nuclear deal was popular amongst ordinary Iranians. The question is will that translate into, say, an electoral triumph for Rouhani's faction in February. That is where I am much more skeptical because you have a vetting process which is controlled by the Guardian Council, which is a more hardline body, and I think the Supreme Leader historically has not wanted his presidents to kind of ascend or rise too much.

When it comes to those falling oil prices and the sanctions relief, the best analysis I have seen is that, yes, Iran will get more by selling its oil on the market than it would have gotten, say, under the JPOA when we were just sort of writing checks to the Iranians once every 6 months or something like that. But it will not be much more obviously, given the fall in oil prices. And of course, all that Iranian oil coming onto the market has probably depressed prices even further in anticipation of that. So it will not be nearly as much as they might have gotten had the oil prices been higher. But it will be better for them and, more importantly perhaps, the relief of the financial sanctions will spur all sorts of other kinds of economic growth. So it will not be as good as it could have been,

but I think that you will still see strong growth in the Iranian economy.

The problem is for the Iranian people. This does not mean that it will suddenly be a boon for ordinary Iranians because you have corruption. You have a lot of these sort of foundations and others who will capture I think a lot of the economic benefits of the sanctions relief in Iran. The IRGC I think will capture a lot of the benefits of the sanctions relief. And you also have economic mismanagement in Iran, which has been there for a long time.

So this might actually be a danger for President Rouhani and the pragmatists. Expectations are high and what they are able to actually deliver might be low.

Senator FLAKE. Mr. Katulis?

Mr. KATULIS. I think that was a very sound analysis on the internal dynamics.

If I could note one point on the broader oil market and the competition in the region. It is not related to your question on Iran, but I think Mike's answer I think responded well to it. I think there are a lot of questions about what will the new Iranian leadership do or the current Iranian leadership do in the current context with the windfall from sanctions relief. There are some indications that they need to spend on infrastructure investment and things at home. There is a lot that they need to do in their internal economy.

But on the broader point of the drop in oil prices—it is one I tried to highlight in my testimony—I think it is very important when it comes to strategic dynamics in the region. It is one where I think we analysts need to think a little bit more and you as leaders think a little bit more about what this means for the broader Middle East. It means after 10 years of essentially very high oil prices where some of our Gulf partners had a great capacity to spend and they are using those resources now in play in conflicts in Yemen, in Syria, and other places. If we think a little bit ahead of the curve in the next year or 2, the competition between Iran and Saudi Arabia, but not only Iran and Saudi Arabia, but Iraq, if it continues to get more oil on the market, is going to be I think tremendous no matter what happens with the global economy. And that I think leads an environment of continued competition not only in the military and security sphere and ideological sphere but one where OPEC essentially has broken down. And what that means for us on our regional and then our global strategy I think is very important.

Senator FLAKE. With regard to the so-called windfall that comes with the post-sanctions regime here, part of that is due to the assets coming back that were frozen, but the bigger part is investment in the Iranian economy. With dropping oil prices, how much of that is not going to materialize? I guess I am asking how much of that is going to be in the oil sector, will not be in the oil sector now with prices where they are.

Mr. SINGH. So, Senator, I am not sure I know specifically the answer to that question. I think you will still see significant investment because there are opportunities to exploit, and there are opportunities not just in the oil and hydrocarbon sector. There are opportunities because Iran is a big consumer market. So I think you do see considerable interests from firms to go into the Iranian mar-

ket. Obviously, there is also a certain amount of wariness not only because of the continued presence of sanctions but also because it can be tough to operate in the Iranian market whether because of the nature of oil contracts, which has actually recently been changed, although that is obviously quite new, or the role of groups like the IRGC and sort of the heavy hand they have in commercial activities in Iran.

So my sense talking to people is that firms in places like Europe and Asia see this as a big opportunity, a sort of untapped market, but they also approach it with real caution.

Mr. KATULIS. If I could add. I think there may be two limits on what outside investors and international businesses might do inside of Iran.

One is the simple practical matter that their banking system is outmoded and out of date. It is not in sync with the international system. There is a very good article—several articles about this recently in the "Financial Times" and other places.

And then secondly—and this is simple and it comes back to the point of hostages and prisoners. The fact that this is a regime that has still detained an Iranian American who is involved in business—this sends sort of a signal that is this an environment where someone can go in and actually feel like they are safe and transact business. I think that is a big worry that I think a lot of people will have. I think people in Europe, businesses in Europe may have a slightly different view than American businesses. But I think the way that this regime behaves, the way that the system behaves I think will operate as a natural constraint on the opening of flood gates of investment inside of Iran.

Mr. SINGH. I would just add as an addendum I think the message is actually a little bit different. I think the message is you can come do business in Iran but you better have the right partners if you want to be secure.

Senator FLAKE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine?

Senator KAINE. Thank you, Mr. Chair, and thank you to the witnesses.

Who is a bigger enemy of the United States? Refugees from Syria or ISIL?

Mr. SINGH. That is an easy one, Senator. It is ISIL.

Senator KAINE. ISIL. Just the reason I asked is we are debating a bill later today called the American Security Against Foreign Enemies Act. It is a bill to go after foreign enemies. And the enemies specified in the bill are refugees.

Let me ask you a second question. In February, 11 months ago, the President sent to Congress a draft authorization for use of military force against an enemy, ISIL. There has not been a vote or debate about it in either house. Are you aware of any other instance where a President has submitted an authorization for use of military force to Congress and Congress has not taken it up for 11 months?

Mr. KATULIS. No.

Mr. SINGH. Not that I am aware of, Senator.

Senator KAINE. I was at an Armed Services hearing earlier today, to kind of switch topics, and Ambassador Crocker was testi-

fying. I am kind of going back and forth between—and he talked about the Iran-Saudi Arabia tension that you guys have described in your testimony and I am assuming you talked about when I was gone. And he said it is really important that the U.S. pick a side.

Is there a danger in the U.S. picking a side in a sectarian divide?

Mr. KATULIS. Yes, there is a danger. In my testimony and what we discussed here before, I talked about what I see as a central challenge in the Middle East, which is the fragmentation of the nation state. And that is certainly Iran, and its support to sub-national actors, non-state actors in Iraq, in Syria, Yemen has contributed to that. But then the counter-reaction to some of our partners in the region have also had a deleterious effect on just the notion of central authority of governments that are coherent. So this is where Mike may have a different view than I do.

But I think we need to be very cautious about picking sides in particular conflicts that feed into this notion of Shia-Sunni divisions, that a better strategy would be to try to figure out ways to help reinforce the nation state in ways that these governments—and this is a long-term vision—rule justly, that rule according to international standards. We are so far away from that in Syria right now, and that is why anyone who talks to me about the Assad regime being a potential negotiating partner is ignoring the fact that that regime has killed more than 80 percent of its own casualties in the conflict there.

So I would be not persuaded by an argument that says we have to pick sides. We have to be clear-eyed about it, and I think we have to be clearer than I think the current administration has been about the U.S. role being assertive to try to marginalize extremist voices and forces that want to use sectarianism.

Senator KAINE. Mr. Singh?

Mr. SINGH. I may give you a very similar answer, which is I actually do not see the conflict in the region as being a Sunni-Shia conflict. We talked about that just a few minutes before.

But I do think that it is very important that we stand with our allies and that they get the feeling that we are standing with them. You know, Saudi Arabia is an imperfect ally. I do not think anyone here would dispute that. But even some of our best allies sometimes do things we do not like, but we still stand with them. We are on the same page with them strategically. We share their interests, and we do a lot of things together over time. And I think that is what is important here. Our allies right now in this region and in some other places around the world are questioning where does the United States really stand. They should not have that question.

Senator KAINE. It depends on how you look at it. Right? Is it a Sunni-Shia divide? Is it an Arab-Persian divide? Is it just nation state politics between Iran and Saudi Arabia? Is it Revolutionary Guard against monarchies? It is a worry about economic competition? There are a lot of different elements to this. I think that is a fair thing to say. It is hard to reduce it to a single "this is a sectarian conflict" because it is quite complicated.

And so I guess the challenge for us is how do we be a quarterback, to use your analogy, or how do we actively engage without making it look like we are planting our feet on one side of a sectarian divide, probably accidentally really without trying to. It has

been perceived, just because of who we have been allied with in the past, that we have been strong for the Sunnis and kind of irate against the Shias. That was not our intent, but that has been the perception. So how do we then begin to counter that notion that we are taking a side in a sectarian divide and explore some of the other complexities? That is the challenge that we have.

Mr. KATULIS. If I could say, I think one place to start would be to make sure that we are placing a higher emphasis on those reliable and capable partners that are closer to our values. Israel certainly is there. I think the Jordanians, when it comes to inclusivity, the welcoming of millions of refugees, the Kurds of Iraq. Any force and element—and this is the thing when you look at these societies, including Saudi Arabia and Iran, as these unitary actors. And the simple fact, as you know—you travel the world—is that there are so many different voices that I would call progressive voices—

Senator KAINE. They are more unitary than we are. [Laughter.]

Mr. KATULIS. Yes, yes, exactly. Yes.

And going to your first question about refugees versus ISIS as well, the values of inclusivity, of not looking at individuals in particular categories of Shia, Sunni, or Muslim and trying to ban them or bar them, working with those partners and building a much more coherent coalition than we have right now I think would be one.

Second—we have talked about this a lot—is trying to help reinforce the state system in the Middle East in a way that reflects not only the power balance but then also our values. Again, far afield, I think we are trying in Iraq. I think the leverage and the tools of U.S. assistance to try to get a different complexion of the Iraqi Government was an important first step, but it has not been followed through on. Those sorts of tools we have not used I think effectively across the region or as effectively as I think we could.

Mr. SINGH. Look, I agree with that. I think that these alliances are based on shared interests, and that will always be sort of really at the forefront of our relationships. But I think that we can make the case to these allies that it is in their interest and it is in our mutual interest frankly that their institutions, their political institutions, economic institutions, security institutions, be inclusive and responsive to the people, including minorities. And I would make an analogy with, say, Eastern Europe and the Russian-speaking minorities in Eastern Europe. If you worry that these are vectors for Russian influence, what you do not want to do is sort of marginalize them and cut them off. You want to make sure you are embracing them and integrating them essentially into the state. And I think we can make the same argument here when it comes to minorities in the Middle East.

Look, I think we should make that argument as sort of forcefully and as candidly as we can, but they are going to listen to us I think only if they see us as an ally and as a friend.

Senator KAINE. Thank you, Mr. Chair.

The CHAIRMAN. Thank you.

Just to follow up, I will ask a similar question, and that is do you remember any time in history when an administration believes they fully have the authority to conduct a war, are conducting a

war, that they send up an AUMF saying if you guys would like to participate, you can but we already have the authority. I think the answer is no.

Mr. SINGH. No.

The CHAIRMAN. Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman. And thank you both for being back before this committee.

I am going to follow up a little bit on some of the issues that Senator Kaine was raising because like him I was just at the Armed Services Committee, and so I am sorry I missed your testimony.

But one of the points that Ambassador Crocker made in that hearing is he said—he was talking about the JCPOA, the hostage release, and he said we have to recognize that we have not made a strategic shift in the Middle East with Iran. These have been transactional. And so it has been a transactional shift.

So I wanted to ask you all how would you define a strategic shift. What do we need to do in order to accomplish a strategic shift with respect to Iran?

Mr. SINGH. Well, thank you, Senator. First of all, I agree with the premise. I agree with what Ambassador Crocker said. I mean, we have not seen a strategic shift by Iran.

It is important to bear in mind, as I think everyone here would agree, in all these cases, none of them would have ever come to pass if Iran behaved as a responsible state. In most of these cases, in a sense we are rewarding or praising Iran for solving problems of its own creation. And that is always a trap with states like Iran. We see it with North Korea as well where they create a crisis, and then they de-escalate it and they get sort of praise for the de-escalation, rather than punished for the original provocation.

What will it take to achieve a strategic shift in Iran? I think it takes something internal in Iran. They would really need to change the way that they view their role in the region, the way they view their relationships with their neighbors. And I think that to the extent we can hasten that or facilitate that, it is by making sure that we are punishing behavior which we find destabilizing and irresponsible but also engaging in rewarding constructive behavior.

It is tough to pull that off and I think we have not pulled it off. My worry about our recent policy is that you can easily slide into this policy of sort of serial accommodation for fear of, say, derailing the JCPOA or undermining the moderates and so forth. I do not think that works because I think that one of the reasons that President Rouhani is President of Iran is that he made the case in his campaign that, look, the actions we have taken have caused us a lot of problems. And he could not have made that case if we had not had tough sanctions in place, if they had not had to pay a price for what they were doing. And so I think it is important that when they do something that is irresponsible and destabilizing, that there is a price that they pay.

Senator SHAHEEN. Mr. Katulis?

Mr. KATULIS. Yes. I would add to that. I mean, I think the onus is on Iran and how it behaves in the region and in the world for that matter is I think the key litmus test.

But a second thing I would add is how it deals with its own people. And again, I want to highlight this because I think it has be-

come out of vogue. It is not in fashion anymore to talk about freedom and democracy. And I started my career working with groups like the National Democratic Institute. And I understand that change needs to come on the society's own terms, but I think for us to really be able to even conceive of a strategic shift towards Iran, you need to have a regime that operates differently, that rules more justly, that respects the basic rights of all of its society.

And the republic of fear that is still in Iran right now is one that I—again, we should not be naive about the nature of this regime. Its actions in the region post JCPOA I think speak volumes about how it still has not made a decision to fully rejoin the international community, but in my view also, a decision to rejoin the international community means changes inside the country as well. I would never feel confident about the reliability of a country like Iran the way that it rules right now.

Senator SHAHEEN. I am sorry to hear you say that support for freedom and democracy is out of vogue because I think that is one of the underlying tenets of our foreign policy or certainly should be.

I understand that earlier in the hearing there was some discussion about efforts to address Iran's support for terrorist activities in the region. And one of the things that is still pending in Congress is the nomination of Adam Szubin to be Under Secretary of the Treasury for Terrorism and Financial Crimes. Would it not be helpful for us to get that nomination approved so that we have Adam Szubin place in the Treasury Department to continue to look at where money is being spent to support terrorist activities and to help us go after that?

Mr. KATULIS. Absolutely.

Mr. SINGH. Yes. Look, I would say, Senator, I have a conflict of interest because Adam is a former colleague and a friend, but I think he is a good guy and that is an important position. I do not know the nature of the holdup, but——

Senator SHAHEEN. I think it is fair to say it is politics.

Mr. SINGH [continuing]. He has done great work for the country.

Senator SHAHEEN. Thank you. I am sure, Mr. Chairman, you would agree with that.

I have a few more minutes, and I just wanted to ask. I know there has been a lot of discussion about the response to Iran's ballistic missile test and what is happening at the U.N. and what else we can do to sanction bad actions by Iran over this period of time of the JCPOA.

So what other options do we have to respond to Iran's activities? We have our own unilateral sanctions. I think it is probably going to be a little more challenging to get the Europeans on board for sanctioning various activities. So what other options do you all think we have got as we are assessing what Iran may be doing that borders on violation of some of the tenets of the JCPOA?

Mr. KATULIS. Well, I want to reiterate a point I made is that we could use our military footprint and our partnership with allies in the region to send signals back to Iran, whether it is naval exercises or more robust brush-back pitches. They do it all the time. You know, I do not want to sound like some sort of—I am talking about measured, calculated responses that reminds Iran and the people in their military forces and the Revolutionary Guard and

others that we are the strongest force in the region with our partners.

So the sanctions in Mike's testimony covers it very well. He went through I think very thoroughly, may add to it. There are any number of steps that we can take. Whether the U.N. acts or not is somewhat in our control if we are much more diplomatically forceful, but it depends on what Russia, China, and others want to do. But there are things that we can do, we should have done in my view in response to ballistic missile tests. And again, I do not mean in escalating into some sort of conventional war, but demonstrating that our presence is there and reminding Iran of that presence.

Mr. SINGH. I would only add a couple points. I have a long list of sort of bullets in my written testimony which go into specific actions we can take. I would just make two broad points, though.

One is I think that it is not enough to rigorously enforce the JCPOA or prevent cheating per se because I think the JCPOA needs to be fixed. I think we can do that without having necessarily to renegotiate the deal, but I think we need to strengthen it in addition to rigorously enforcing it.

The second broad point is I have often said that I think our efforts to counter Iran really need to start with Syria not only because Syria is perhaps the most important conflict we see, and Iran is perhaps the most important player in that conflict in quite a negative way, but because I think our allies around the world, especially in Europe, are looking for us to provide leadership on Syria because if you are in Europe, you are in France or Germany, this has become a domestic political issue for them and they are looking for an answer. And if that involves sanctions on Iran, I think we have a powerful case to make. But so far we have not really stepped up with that strategy.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I am going to close with some questions, but I know Senator Menendez had a few, and out of courtesy, I will let you go first and then close out.

Senator MENENDEZ. Thank you, Mr. Chairman, very much.

Just one quick comment before my three questions I would like to get your insights on. And this has been very helpful, a lot of good insights that you have both shared.

On the Iran Sanctions Act, it just seems to me that if we are going to have the potential to snap back to something, you have to have something in place. And if you know what it took not just to pass the law but to then go through the whole process of global notification to countries and businesses and then enforcement of it, it is a year easy. So at the end of the day, the suggestion that Congress would be willing to do that at any time is not as meaningful as the time frame that it will take to make it of value, and if breakout is a year and if there is to be a violation, then the sanctions without being enforced at the time will be meaningless. So I think it is very important to have something to snap back to, and I will be pressing that issue.

You both have been asked questions here, and I want to just see if I can get any greater thinking from you on how does decision-making take place in Iran as it relates to the decision on how to expend money. I think that is incredibly important because that is going to, to some degree, dictate how much is this going to go for civilian purposes, infrastructure, the things that the most optimistic people who will look at what Iran is getting, say, will spend on versus the Ayatollah. There are published reports of his vast holdings that I am sure it did not happen by accident that he acquired those vast holdings or that the Iranian Revolutionary Guard has some of the elements of Iran's economy that they operate and that they are going to want to get a piece of the action even if they were opposed to the agreement in the first place. Now that money is flowing, they are going to want to get a piece of the action.

So I look at what just happened with the Guardian Council and the number of people that were excluded. Of the 12,000 candidates, about two-thirds who applied to run for the parliamentary elections were excluded. And one of the reformists actually said that their camp was overwhelmingly targeted with one saying barely 1 percent has been approved. Now, we do not know whether that is just an anecdotal observation. But nonetheless, clearly a fair universe of those who might want to see greater engagement in the world did not seem to win out the day, and if the legislature is part of deciding the parliament there, how money is going to be spent, and the Ayatollah clearly has a say because he has six of the appointees to that Guardian Council and then the other six elected by the legislature which has his voice as well, then at the end of the day, do you have any insights as to how, based on the past, the decision-making about the expenditure or allocation of money is taking place?

Mr. SINGH. Well, Senator, I wish I could give you a clear answer to that. I cannot. It is something that I would also urge you to ask the administration for a briefing on because I think it is an important question.

I will say that clearly the President of Iran has a strong role in sort of setting a budget and so forth. In his budget last year, he increased spending for military and security matters. But there are clearly a lot of organizations which, as you said, are very powerful, these bonyad foundations, the IRGC, the broader intelligence apparatus in the Supreme Leader's office which clearly have a role in that and clearly do quite well not just from the transfer of unfrozen assets, but they also have a very strong role in Iran's economy and so stand to benefit from new investment and new commercial activity where you need to, as we have alluded to before, have, say, an IRGC partner working with you if you are a foreign investor coming into the country. So clearly there is a lot that is going to happen that is not strictly on the books, not strictly in the budget, which is worth paying attention to.

Senator MENENDEZ. Let me ask you this. Do you not think it is fair—I know one of the observations—I think Mr. Katulis said that we should be supportive of a more robust budget for the IAEA so that the enforcement mechanisms—and I believe the IAEA needs the resources. But do you not think it is fair to have the Iranians either pay or at least contribute to the IAEA's budget because they

created the circumstances that the global community said you are headed on a path towards a nuclear weapon? And so the whole monitoring process is created because of the conditions that they created in the first place. So is it not fair to seek the Iranians pay either all or at least contribute towards that especially since they now have a windfall of money?

Mr. SINGH. Well, sure, Senator, I would love to see that. In a sense, the Iranians, if they want to keep this deal, have as much interest as anybody else in ensuring that the monitoring and verification proceeds the way it is supposed to.

I would just want to add to your point, though. Yes, we should make sure the IAEA has the resources to do what it needs to do, but I think we need to go well beyond that, I would say, including ensuring that we push the IAEA to be forward-leaning in its requests for access and the way that it carries out its mission because there will probably be some intimidation coming from the other side and we need to have their backs.

Second is the next DG of the IAEA needs to be a person who really embraces this mission and is serious about it in the way that I think so far DG Amano has been, but his predecessor was not, frankly.

And then third, I would say we cannot just rely on the IAEA. I really am concerned that as this is considered a sort of done deal, an issue of the past, that the funding and the attention and the resources within our government focused on this issue, on detecting cheating and things like that, will shift elsewhere. And I think that would be a big mistake.

Senator MENENDEZ. Certainly the IAEA is an intelligence body. And so everything we hoped for in the implementation of the accords is going to have a big intelligence element to make sure it takes place.

Are you in agreement with Mr. Singh on his comments?

Mr. KATULIS. Yes.

Senator MENENDEZ. And one final question. In the reality of Russia's bombing having succeeded for the purposes of strengthening Assad, Iran seems to be pretty linked with Russia maybe for different purposes, but pretty linked with Russia in their end goal for Syria. Should we expect that Iran is actually going to be a constructive player on helping us get to the goal, the diplomatic or political solutions we want in Syria if it means getting rid of Assad?

Mr. KATULIS. I would not have high expectations on that front. I would not.

Senator MENENDEZ. You would?

Mr. KATULIS. I would not. Yes, I would not because I think actions speak louder than words, and you see not only what Iran has done but then some of its proxies like Hezbollah and moving in different episodes in the Syrian conflict. So I would not have high expectations, though I am on the record for seeing what can be done if there is anything possible here because the crisis in Syria—we should have responded I think earlier and things have gotten out of control. So we need to test every possible way to bring an end to that conflict even if it includes talking with and bringing Iran into the process as they have been brought into in Vienna.

The last thing I would say on it, though, and I want to stress is that no matter if we can get to some sort of foothold, some sort of endpoint in conflict resolution, the thing that we need to talk about when it comes to power sharing and political transition inside of Syria is the nature of the regime itself that would be created afterwards, the nature of who is involved there. And we need to have a much stronger voice than I think we have had. We cannot just leave it to the Saudis to organize the anti-Assad coalition, and we cannot just leave it to Iran and Russia to shape the battlefield in the way that I think they have in the last 4 or 5 months.

Mr. SINGH. I will add one thing, Senator, which is I agree. I have very low expectations for this Vienna process. I think that Iran and Russia do not have exactly the same aims in Syria. You could imagine, although I do not think it is likely, Russia accepting some outcome other than Assad being in charge. I think Russia has its own motivations.

I think Iran—Iran is strategically vital for Syria —I am sorry. Syria is strategically vital for Iran, and they need a compliant government in Damascus that will essentially allow them to use Syria as their sort of forward operating base.

I think one of the things that we need to try to do, although I think it is awfully difficult, is to the extent we can, drive a wedge between Iran and Russia in this process because I worry about a sort of more strategic, deeper alliance forming between the Russians, the Iranians, Hezbollah, and Assad in a way that could really complicate matters in the region, say, for Israel, could really complicate matters in the region for the Jordanians and others in a way that we have not even seen yet. It is already quite bad, but I think it could get much worse.

Senator MENENDEZ. Thank you.

Thank you, Mr. Chairman, for your courtesy.

The CHAIRMAN. Thank you. Absolutely.

Just to close out, I want to speak just a little or talk a little bit about the coalition we talked about earlier. I think it was wise of you to point out that we need to continue to work with our European, quote, allies relative to Iran.

But to China and Russia—I mean, we understand how these violations need to be dealt with. We understand that five need to be a part of it. But I do not think there is any question that Russia and China, by virtue of the Syrian conflict, but also what China is doing right now relative to selling arms, actually view Iran as an ally. Is there any question about that now that this deal is being implemented?

Mr. SINGH. I do not think there is any question about that. I think both Russia and China see Iran that way. In fact, the Chinese President will be in Iran in just a few days, the first leader to visit after implementation day.

Senator MENENDEZ. Mr. Katulis?

Mr. KATULIS. Yes. I agree. I mean, I think Russia has a slightly more coherent and robust approach to the region right now. My sense from China—and I was in Beijing last year—is that they are still trying to figure out—they have clear equities in Saudi Arabia with their dependence on energy resources there, but perhaps they are shifting with Iran. I think they have a slightly different and

not as clear view as Russia does. Russia I think has operated in ways that we understand who it backs and what it stands for.

The CHAIRMAN. But you usually do not provide defensive weaponry to people that are not your allies. Is that correct?

Mr. KATULIS. That is correct, yes.

The CHAIRMAN. So I just think that when we look at the region now, as you look at the group of countries who came together to negotiate this agreement, there is a real clear divide, a very clear divide that makes over time it even more difficult, if you will, when there are inconsistencies, problems, violations—make it even more difficult especially at the U.N. Security Council to really crack down on those violations when you know you have two countries that were part of this coalition, quote, quote, candidly viewing Iran as an ally.

Mr. KATULIS. I think that is right. And if I can go back to one of the points that I wanted to stress, which is so long as the region continues to fragment, that the state system continues to fragment and Iran is part of that and that China and Russia and aiding and abetting that, at a certain point that harms their interests as well. You know, the problem of their support to Iran is that it will allow Iran to punch far above its weight and conduct malign activities in the region. And that is why I think we need to continue to have this robust engagement with both China and Russia. They are trying to play a role in the region, but I go back to my central point that they really cannot rival what we have, what we bring to the table. But we need to be willing to use those resources and deploy them in a military and diplomatic strategy against them.

Mr. SINGH. And I would just comment, Senator, that I think you are right. I think China and Russia both had their own reasons I think for engaging in the P5 Plus 1 the way they did. I think neither wanted to see a U.S.-Iran war for perhaps different reasons, you know, China in part because it gets almost all of its energy from that area. But neither really want to see the flowering of U.S.-Iran friendship either. I think that China, while it tries to sort of be friends with everybody in the region, really sees Iran as its main strategic partner by virtue of its geographic location, by virtue of the fact that it is really the only major power in the region which is an ally with the United States.

And so I do think that this will be a point of difference. And of course, both, as I said, China and Iran share this sort of deeper goal of reshaping the international order in a way that excludes us more.

The CHAIRMAN. And how important are the economic ties that are being generated right now between our European allies on this issue, quote, quote? How important is that economic relationship that is being developed now that implementation day has taken place and even before, really?

Mr. SINGH. Well, I think it is important insofar as, you know, on the one hand, for the Iranians and for those who have been advocates of this deal, they say, well, you have to show that the benefits come, and that is what this is. But there is another side to that, which is having worked on the sanctions issue in the mid-2000s, I think we forget just how hard it was to get that initial coopera-

tion because of all these economic linkages. And so, look, if we had a great nuclear deal, I would say, yes, absolutely this is wonderful.

But because I worry that this is actually quite a flawed nuclear deal and in fact we have not seen the strategic shift that we wanted from Iran in the region, I worry that in the future this will be a real impediment to effective deterrence of Iran, to effectively fixing the flaws in the nuclear deal and preventing an Iranian nuclear breakout.

The CHAIRMAN. Do you want to add to that, Mr. Katulis?

Mr. KATULIS. I share some of those concerns, but I think it is still a little too soon to tell that I think we should discuss sort of in a few months what we see, how Europe acts, and to the point that I made earlier that I think our diplomacy and how we try to maintain unity with our partners to have structure in place if Iran does not abide by this agreement to be able to snap back.

The CHAIRMAN. Do we have any indications how robustly our European partners in this effort pursued ballistic missile sanctions at the U.N.?

Mr. SINGH. I am afraid I do not have an answer to that, Senator.

The CHAIRMAN. I think again between the leverage now, from my perspective anyway, being with Iran and the fact that we have Russia and China that deem Iran to be an ally, and we have our European friends deepening their economic ties, I think it is going to be very, very difficult in the future to push back in any meaningful way against violations that take place. And I think your statements earlier about the fact that what that will mean is a further fraying, if you will, of our relationships in the region, the fact that you are here pointing out some of the things that we need to do to make sure that we put as much pressure on the administration as possible to keep that from happening and to have a much more coherent strategy—even though we have been there, it has been more transactional—has been important.

So I want to thank both of you for being here today. I want to thank you for helping us in the past. I am sure you will be here in the future.

We are going to keep the record open until the close of business Friday. If you would answer questions promptly like you always do, we would appreciate it. And with that, the meeting is adjourned.

[Whereupon, at 12:02 p.m., the hearing was adjourned.]

RECENT IRANIAN ACTIONS AND IMPLEMENTATION OF THE NUCLEAR DEAL

TUESDAY, APRIL 5, 2016

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

The committee met, pursuant to notice, at 10:00 a.m., in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Rubio, Flake, Gardner, Perdue, Barrasso, Cardin, Menendez, Shaheen, Coons, Murphy, Kaine, and Markey.

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

The CHAIRMAN. The Foreign Relations Committee is called to order. I want to thank our witness for testifying today.

Ambassador Shannon, we congratulate you on your confirmation. We appreciate your continued service to our country, and we look forward to working with you in this capacity.

Today, we are looking forward to hearing your thoughts on the implementation of the JCPOA and relations with Iran. I think all of us have been, and remain, skeptical of Iran. Many of us were and remain skeptical of the nuclear deal.

There is also bipartisan frustration with the perception that previous commitments made by the administration are not squaring with reality. Secretary Kerry told us that the ballistic missile test ban would stay in place despite language suggesting otherwise. He testified before this committee that the exact same language in the previous embargo is in the agreement with respect to launches. We challenged him, as you probably know, —when the "called upon" language was put in place, and we said we felt that weakened the agreement. They pushed back strongly.

As it turns out, we were right, and that is very concerning.

Now, if I could, our European friends wrote a letter saying it was inconsistent instead of saying it was in violation, in many ways supporting Iran's position. That was very disappointing.

Ambassador Mull confirmed that launches would be a violation of the new U.N. Security Council resolution when he testified in December, saying that "called upon" language would violate U.N. Security Council Resolution 2231. Obviously, the U.N. Security Council does not view it that way. It is very different than what we have been told.

There is a lot of speculation that Iran will soon get some type of access to transactions involving the U.S. dollar. We would like to get your assurance that the dollar will not be available to Iran.

Yesterday, I did have a very good call with Adam Szubin. He assured me that that was not the case. Then this morning, Secretary Kerry was on a television program and acted as if we are going to find some accommodation for Iran.

So, yesterday, I felt very reassured after talking to Adam that we were not U-turning U.S. dollars and that we were not going to be involved in helping them outside of the agreement. Yet this morning, it seemed that Secretary Kerry indicated that we were, so I would love to have your response to that.

There are also questions about whether or not the administration would consider new legitimate sanctions authority for violations of the JCPOA. I think you know there is bipartisan support for new sanctions authority in response to Iran's repeated ballistic missile launches.

Previous assurances, including some by the President, clearly stated that we deserved the right to take new steps should we need to increase push back against Iran's nonnuclear behavior.

I think the repeated ballistic missile launches and desire to purchase all types of weapons from Russia proves that an increased push back is necessary.

I hope you can help us answer some of these outstanding questions in a constructive manner, so that we may know what the administration is thinking regarding these important matters.

With that, again, I want to thank you for your service. I am glad you were confirmed in the timeframe that you were. We appreciate you being here.

With that, I will turn it over to our distinguished ranking member, Ben Cardin.

STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND

Senator CARDIN. Thank you, Mr. Chairman, and thank you for convening this hearing. This is our first hearing on the JCPOA since its implementation date on January 16, as we look at how we are going to look at the post-JCPOA era.

Ambassador Shannon, it is a pleasure to have you here. Thank you very much for your continued commitment to our country. You hold a critically important position as we look at the enforcement of the JCPOA and other activities that Iran is participating in.

It is clear to me that we need to work together in regard to making sure Iran fully complies with the JCPOA, that we need to look at Iran's other nefarious activities. The chairman mentioned the ballistic missile test on March 8 and 9. Iran did ballistic missile tests that were clearly in violation of the missile ban and is clearly out of compliance with the United Nations Security Council Resolution 2231. Whether it was a formal violation that requires action is something that is being debated internationally. But it was clear that those types of missile violations were supposed to end and that we should be prepared to take strong action, and the administration has taken action.

Throughout the Middle East, Iran is an instigator of instability and conflict, fostering violence through its financial support of terrorist groups and violent militias, committed to the path of sectarian violence. We need to be able to take action in regard to those types of activities.

As the chairman knows, this past period when the Senate was not in session, I led a codel to Qatar, Saudi Arabia, and Israel. Senator Markey and Senator Gardner of this committee joined me, along with Senator Merkley.

In Israel, I spoke at length with the Israeli leaders about ways to further enhance our security cooperation. I have witnessed this cooperation firsthand paying a visit to the Iron Dome, the anti-rocket battery, a joint Israel-U.S. project that saves lives. I was very impressed by the commitment of the Israelis working with the United States in regard to their missile defense systems.

The U.S. and Israel are working together to complete other systems, including Arrow-3 and David's Sling, all very important.

I sort of expected to hear that from the Israelis, but when I was in Qatar and Saudi Arabia, I heard similar types of concerns. It was encouraging to see I guess the consistency of concerns expressed by the Israelis and by the Saudis and by the Qataris. They all are very concerned about Iran's influence in that region.

They are concerned about what Iran is doing in Syria. We just saw in today's articles that Iran has sent advisers into Syria to support the Assad regime. The ceasefire does not appear to be holding. Iran's activities are clearly destabilizing in that area.

In Yemen, we have a delicate ceasefire that we hope will yield results, but we know Iran is still actively engaged in Yemen.

So there is concern about what Iran is doing.

In Saudi Arabia, I learned how continued U.S. defense cooperation has significantly bolstered the capacity of the Saudi partners, including how U.S.-supplied Patriot missiles have shut down SCUD missiles fired by the Iranian-supported Houthi movement in Yemen.

In Qatar, I visited the U.S. troops stationed at the Combined Air Operation Center, an incredible operation there, and really dedicated men and women in the campaign against ISIL, and saw firsthand the impact we are having in that region.

So, Mr. Ambassador, it was encouraging to see the unity. But I must tell you I am concerned about the challenges that we have in the Middle East, and Iran's role in making those challenges more difficult.

I think we have to talk about how we can most effectively deal with those challenges. To me, it is not undermining the JCPOA. I opposed the JCPOA, but I want to see it now carried out. I want to see aggressive oversight by the administration and Congress to make sure there is strict compliance by Iran in regard to its nuclear obligations.

Then we need to work in unity on Iran's other nefarious activities that are continuing, including the support of terrorism and human rights violations and its ballistic missile tests, and how we as Congress, working with the administration, can give you a stronger hand to prevent these types of activities from continuing.

So I look forward to this exchange as to how we can work together in order to accomplish our mutual objective, to prevent Iran from becoming a nuclear weapon state, but also to rein in Iran's activities in regard to ballistic missile violations, human rights violations, and the support of terrorism.

The CHAIRMAN. Thank you.

Our witness today is the Honorable Tom Shannon, Under Secretary for Political Affairs at the U.S. Department of State. I know you have been before us in the past. If you could, summarize your comments in about 5 minutes. I think most of us have read your written testimony and it will be entered into the record, without objection, in full. But if you would summarize, we will go to questions. We thank you again for being here.

STATEMENT OF HON. THOMAS A. SHANNON, JR., UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S., DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador SHANNON. Thank you very much, Mr. Chairman. Thank you, Ranking Member Cardin, and distinguished members of the committee. It is a real pleasure to be here and a great pleasure to be here following my confirmation. I thank you and all the members of the committee for your support.

It is a pleasure to be here to talk about our U.S. policy toward Iran and especially recent Iranian actions. I will summarize, as you noted, the remarks that I have submitted officially.

I want to focus on three key policy objectives regarding Iran. The first is our intent to ensure that Iran adheres to the JCPOA, and that Iran does not develop a nuclear weapon. The second is to counter Iran's support for terrorism, and to counter its ballistic missile program while also working diplomatically to encourage Iran to play a more constructive role in the region. And finally, to promote respect for human rights in Iran.

Iran has taken significant, irreversible steps that have fundamentally changed the trajectory of its nuclear program. Before the JCPOA took effect, Iran was less than 90 days away from getting enough fissile material for a nuclear weapon, should it have chosen to pursue that path. Today, Iran is over a year away from being able to get that material. Any attempt to do so would be quickly detected by the international community.

In exchange for Iran completing its key JCPOA commitments, the United States and the European Union lifted nuclear-related sanctions on Iran. The United States retains our ability and authorities to snap back sanctions into place, should Iran walk away from the JCPOA. But as long as Iran continues to meet its commitments, the United States will continue to meet our commitments.

While we are encouraged by Iran's adherence to its nuclear commitments thus far, I want to emphasize that the JCPOA did not resolve our profound differences with Iran. We remain focused and determined to continue to address those differences and to take all necessary actions to protect ourselves and our allies.

Iran's support for terrorist groups like Hezbollah, its assistance to the Assad regime in Syria and to Houthi rebels in Yemen, sare at odds with core U.S. interests and pose fundamental threats to the region and beyond. That is why we have retained our sanctions

related to Iran's destabilizing activities in the region, including its support for terrorism.

We also believe the most effective way to push back on aggressive Iranian activity is to work cooperatively with our allies to deter and disrupt Iranian threats. This is why we increased our security cooperation with the Gulf Cooperation Council following the Camp David summit and have provided additional assistance to Israel.

Furthermore, we continue to coordinate with our coalition partners to interdict illicit Iranian weapons shipments throughout the region.

We also share your deep concerns about Iran's attempts to develop increasingly capable ballistic missile systems, which are a threat to regional and international security. While full implementation of the JCPOA will ensure that Iran is unable to develop a nuclear warhead to place on a missile, we will continue to use all available multilateral and unilateral tools to impede the development of Iran's ballistic missile program.

Our human rights policy has not changed as a result of the JCPOA. Iran violates fundamental human rights of its citizens by severely restricting civil liberties, including the freedoms of peaceful assembly, expression, and religion. Human rights-related sanctions are not subject to relief under the JCPOA, and we continue to vigorously enforce these sanctions.

While our concerns about Iran are substantial, we believe it is in U.S. national interests to continue a dialogue with Iran to address issues directly where we can, make sure that Iran is hearing both publicly and privately what we stand for and what we will not stand for. We will continue to hold Iran to its commitment to bilateral discussions about the whereabouts of Robert Levinson, and we will continue to raise the unjust detention of U.S. citizen Siamak Namazi and his father, Baquer Namazi.

The Congress plays an essential role in shaping our policy and posture toward Iran. The legislative and executive branches should continue to work together, as we did to build international pressure on Iran, to calibrate our approach to countering Iranian threats while remaining willing to engage when we judge it into our interests to do so.

I look forward to continued consultation with the Congress, as we strive to find the right balance between keeping this hand of friendship and lines of communication open and standing strong and resolute in the face of real and dangerous threats from Iran to the United States and our partners.

Again, I thank you for this opportunity to testify, and I look forward to your questions.

[The prepared statement of Ambassador Shannon follows:]

PREPARED STATEMENT OF UNDER SECRETARY OF STATE THOMAS A. SHANNON

Chairman Corker, Ranking Member Cardin, and distinguished members of the Committee, I am pleased to appear before you to discuss U.S. policy toward Iran. Thank you for the opportunity.

The successful negotiation of the Joint Comprehensive Plan of Action (JCPOA) with Iran created a framework whereby we and our P5+1 partners could pursue a common goal of ensuring that Iran does not obtain a nuclear weapon. Reaching that goal however, will depend on how the JCPOA is implemented and whether Iran

lives up to its international commitments. So far implementation is proceeding well. Should Iran continue along this path, we believe that, through the JCPOA, we can achieve our goal. Indeed, the significant nuclear steps Iran has already taken have put it much further away from a bomb than before this deal was in place.

While we are encouraged by Iran's adherence to its nuclear commitments thus far, I assure you that the Administration shares your concerns about the government of Iran's actions beyond the nuclear issue, including its destabilizing activities in the Middle East and its human rights abuses at home. Iran's support for terrorist groups like Hizballah, its assistance to the Asad regime in Syria and the Houthi rebels in Yemen, and its ballistic missile program are at odds with U.S. interests, and pose fundamental threats to the region and beyond. Iran continues to violate fundamental rights of its citizens by suppressing dissent, restricting freedom of expression, and torturing prisoners, among other abuses.

It is my purpose today to talk about our progress since JCPOA Implementation Day and the path forward for the coming years. We have several key objectives in our policy toward Iran: First, to ensure Iran's adherence to the JCPOA, which will prevent Iran from developing a nuclear weapon and guarantees that its nuclear program remains exclusively peaceful. Second, to counter Iran's support for terrorism and other destabilizing activities, while also working diplomatically to encourage Iran to play a more constructive role in the region. Third, to promote respect for human rights in Iran. Let me speak briefly to each of these efforts.

JCPOA IMPLEMENTATION

On January 16, the International Atomic Energy Agency (IAEA) verified that Iran had completed the nuclear-related steps necessary to reach JCPOA Implementation Day. This meant Iran had dismantled two-thirds of its installed uranium enrichment capacity, going from over 19,000 centrifuges before the JCPOA to just 5,060. In addition, Iran terminated all uranium enrichment at, and removed all nuclear material from, its underground Fordow facility. Reaching Implementation Day also meant Iran had shipped out 98 percent of its enriched uranium stockpile, reducing it from roughly 12,000 kilograms before the deal, to no more than 300 kilograms of up to 3.67 percent enriched uranium hexafluoride today, where it must stay. Iran also removed the core of the Arak Heavy Water Reactor and filled it with concrete, permanently rendering the core unusable and eliminating the nation's only source of weapons-grade plutonium, thus blocking that potential pathway to a weapon.The reactor is now being redesigned to not produce weapons-grade plutonium during standard operation and to minimize non-weapons usable plutonium production.

Additionally, Iran is now adhering to the IAEA Additional Protocol and the IAEA has put in place the JCPOA's numerous enhanced transparency measures. For example, modern technologies such as online enrichment monitors and electronic seals can detect cheating and tampering in real time. Iran's key declared nuclear facilities are now under continuous IAEA monitoring, and the IAEA also has oversight of Iran's entire nuclear fuel cycle from its uranium mines and mills to enrichment facilities.

Thanks to the JCPOA, Iran is now under the most comprehensive transparency and monitoring regime ever negotiated to monitor a nuclear program.

On March 9, the IAEA released its first monitoring report since Implementation Day. The report affirmed that Iran continues to adhere to its JCPOA commitments.

Iran has taken significant, irreversible steps that have fundamentally changed the trajectory of its nuclear program. Simply put, the JCPOA is working. It has effectively cut off all of Iran's pathways to building a nuclear weapon. This has made the United States, Israel, the Middle East, and the world safer and more secure. Before the JCPOA took effect, Iran was less than 90 days away from getting enough fissile material for a nuclear weapon. Today, thanks to the JCPOA, Iran is over a year away from being able to get that material. Any attempt to do so would be detected immediately by the international community.

This is why the United States is confident the JCPOA will ensure Iran's nuclear program is and will remain exclusively peaceful. In exchange for Iran completing its key nuclear steps, on Implementation Day the United States and the European Union (EU) lifted nuclear-related sanctions on Iran. The United States retains our ability and authorities to snap sanctions back into place should Iran walk away from the JCPOA. But as long as Iran continues to meet its commitments, the United States will continue to meet our commitments.

REGIONAL ACTIVITY

I want to re-emphasize that the JCPOA did not resolve our profound differences with Iran. We remain clear-eyed about continued Iranian destabilizing activity. For

decades, Iran's threats and actions to destabilize the Middle East have isolated it from much of the world. Over the past three decades, Iran has continued its support for terrorism and militancy, including its support for Lebanese Hizballah, Palestinian terrorist groups in Gaza, Kata'ib Hizballah and other Iraqi Shi'a militia groups in Iraq, and Shia militant groups in Syria. Iran was designated a State Sponsor of Terrorism in 1984 and remains so-designated today.

The Islamic Revolutionary Guard Corps—Qods Force (IRGC-QF) cultivates and supports militant groups around the region. Iran has been smuggling weapons to the Houthis in Yemen, fueling a brutal civil conflict in that country. Additionally, Iran sees the Asad regime in Syria as a crucial ally in the region and a key link to Iran's primary beneficiary and terrorist partner, Lebanese Hizballah. Iran provides arms, financing, and training to fighters to support the Asad regime's brutal crackdown that has resulted in the deaths of over 250,000 people in Syria.

That's why we have retained our sanctions related to Iran's destabilizing activities in the region, including its support for terrorism. We aggressively employ Executive Order (E.O.) 13224, which allows us to target terrorists and those who support them across the globe including Iranian persons and entities that provide support to terrorism. The IRGC-QF, the Iranian Ministry of Intelligence and Security, Iran's Mahan Air, Hizballah, and over 100 other Iran-related individuals and entities remain subject to sanctions under this E.O. On March 24, we designated six additional individuals and entities engaged in procurement activities for Mahan Air, which was named in 2011 as a Specially Designated Global Terrorist due to its support for the IRGC-QF.

We have found through experience that the most effective way to push back on aggressive Iranian activity is to work cooperatively with our allies to deter and disrupt Iranian threats. This is why we increased our security cooperation with the Gulf Cooperation Council—the GCC—following the Camp David summit and have provided additional assistance to Israel. We continue to interdict, and actively work with our coalition partners to interdict, Iranian weapons shipments throughout the region. Notable successes on this front include Israel's seizure of the Klos C vessel carrying weapons bound for Gaza in 2014, military and diplomatic efforts to prevent an Islamic Revolutionary Guard Corps (IRGC) naval flotilla from docking in Yemen in April 2015, and the four dhow seizures since September 2015 carrying weapons from Iran that we assess were bound for Yemen.

We take any threat to Israel extremely seriously and we understand that Iran's support for terrorism requires our strong support to one of our closest allies. This Administration has provided more than $23.5 billion in foreign military financing for Israel under the current Memorandum of Understanding. Additionally, the United States has invested over $3 billion—beyond our Foreign Military Financing (FMF) assistance—in the Iron Dome system and other missile defense programs for Israel. And we are currently working together on additional long-term support to Israel.

IRAN'S BALLISTIC MISSILE TESTS

Iran's attempts to develop increasingly advanced ballistic missile systems are a threat to regional and international security. While full implementation of the JCPOA will ensure that Iran is unable to develop a nuclear warhead to place on a missile, we will continue to use all available multilateral and unilateral tools, including sanctions when appropriate, to impede Iran's ballistic missile program.

Following Iran's October 2015 missile test, we sanctioned eight individuals and three entities involved in procuring materials and other equipment for Iran's ballistic missile program. We also led an international effort at the United Nations to highlight and condemn Iran's tests, which violated the provisions of UN Security Council resolution 1929.

Iran conducted another set of dangerous and provocative missile tests in March. On March 24, we designated two Iran-based entities directly involved with Iran's ballistic missile program.

Additionally, we called for UN Security Council consultations on Iran's missile launches on March 14, where Ambassador Samantha Power condemned these launches as destabilizing and inconsistent with UN Security Council resolution (UNSCR) 2231. As a next step, on March 29, we submitted a joint letter along with France, the United Kingdom, and Germany to the UN Security Council requesting the UN Secretary-General report on Iran's ballistic missile activity as inconsistent with UNSCR 2231, and calling for additional Security Council discussions in the "2231 format" on the launches so that the Council can discuss appropriate responses. The Security Council met at experts-level in its "2231 format" on April 1,

where U.S. missile experts briefed on the technical details of Iran's launches and explained why they were inconsistent with UNCR 2231.

We will also continue to work through the Missile Technology Control Regime and the Proliferation Security Initiative to prevent and interdict transfers of material and technology to Iran that would support its ballistic missile program.

In addition to our effects to enhance Israeli security, we'll also work closely with our Gulf allies, as part of the Camp David process started by the President last year, to develop missile defense capabilities and systems.

HUMAN RIGHTS

Iran violates fundamental human rights of its citizens by severely restricting civil liberties, including the freedoms of peaceful assembly, expression, and religion. Iran has the world's highest per capita rate of executions, which often happen after legal proceedings that do not follow Iran's constitutional guarantee of due process or international obligations and standards regarding fair trial guarantees. There are over 1,000 political prisoners in Iran, including 19 journalists. Many of them experience harsh treatment and extended pretrial detention. Women continue to face legal and social discrimination and limitations on their ability to travel, work, and access educational opportunities.

We use a variety of tools to raise awareness of these human rights violations and abuses and to hold their perpetrators accountable. This policy has not changed as a result of the JCPOA. We continue to have human rights sanctions authorities, including under the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010. Since 2010, we have imposed sanctions on 19 individuals and 17 entities that were determined to meet the CISADA criteria. Human rights-related sanctions are not subject to relief under the JCPOA, and we continue to vigorously enforce these sanctions.

We are also working multilaterally to press Iran to better respect the human rights of its citizens. The United States strongly supports the annual UN General Assembly Third Committee resolution highlighting Iran's poor human rights record and calling on Iran to take measures to address its abuses. Additionally, the United States fully supports the mandate of the UN Special Rapporteur on the Situation of Human Rights in Iran, which was renewed March 23 primarily because of our aggressive lobbying campaign.

We are vocal about our concerns with Iran's ongoing repression of human rights and fundamental freedoms of its people. We document the Iranian government's human rights abuses in the annual International Religious Freedom, Human Rights, and Trafficking in Persons reports. Iran is designated as a "Country of Particular Concern" under the International Religious Freedom Act and is a Trafficking in Persons Tier 3 country.

THE WAY FORWARD

As a result of the nuclear negotiations, we have started to talk directly with Iran in ways we had not done for decades. While our concerns about Iran are substantial, we believe it is in the U.S. national interest to continue a dialogue with Iran on the issues that divide us—while we also continue to use all tools available to counter the Iranian activities we oppose.

The nuclear negotiations also opened up the opportunity to talk with Iran about U.S. citizens unjustly held in their prisons, which was done on a separate track. We had a dialogue that freed four U.S. citizens—Amir Hekmati, Saeed Abedini, Nosratollah Khosravi Roodsari, and Jason Rezaian—and Iran separately released U.S. student Matthew Trevithick. The protection of U.S. citizens is a top priority of the State Department. We will continue to hold Iran to its commitment to bilateral discussions about the whereabouts of Robert Levinson. Iran has a responsibility to assist us in locating and bringing home Mr. Levinson, as he went missing on Iran's Kish Island. And we continue to be concerned by the reports regarding the detention of U.S. citizens Siamak Namazi and his father, Baquer Namazi.

Iran also participates in the International Syria Support Group, working with over 20 other countries and international organizations to reach a political transition in Syria. We know Iran works against our interests supporting the Asad regime, but we also know we can't resolve this conflict with Iran outside the tent playing a spoiler role. We thus judge that Iran, with its close relationship with and history of supporting Asad, needs to be a part of any lasting resolution to the conflict. This conflict has gone on far too long, and taken too many lives, to not have all the parties at the table trying to find a solution that gives the Syrian people a better future.

We know there is strong hostility towards the United States within certain Iranian quarters. We know parts of the Iranian establishment fear any relationship with United States. But we also know that millions of Iranians want to end their country's isolation while also benefitting from new economic opportunities. We now see Iran reengaging with the global community via high-level visits and trade agreements.

U.S. policy toward Iran must be calibrated to talk with Iran when it is in our interest while ensuring we address the threats to peace and security Iran continues to pose.

Congress plays an essential role in shaping this posture. The legislative and executive branches should work together, like we did to build international pressure on Iran, to now calibrate our approach such that we are simultaneously resolute when dealing with Iranian threats, while willing to engage when we think it in U.S. interests to do so. I look forward to continued consultations with Congress as we strive to find this balance.

We also must continue to make clear that our hand of friendship is open to the Iranian people despite the significant differences we have with its government. That is why President Obama and Secretary Kerry yet again this year delivered Nowruz messages addressed directly to the Iranian people, expressing the desire for stronger ties between Iranians and Americans.

It is up to Iran to decide the scope and pace of engagement. Whether Iran engages substantively with us or not, we are confident that the JCPOA makes us and our partners safer. We will continue to work with the IAEA, the EU, and the P5+1 to vigorously monitor and verify that Iran is keeping its commitments, and will continue to use all of the tools, both unilaterally and multilaterally, to address our other issues of concern with Iran.

Thank you for this opportunity to testify. I look forward to taking your questions.

The CHAIRMAN. Thank you so much. We appreciate it and again, thank you for your service.

Tell us what is going on with the dollar transactions. There have been rumors that have come out of the administration. I have actually talked to administration officials who do not know where those rumors are coming from and are somewhat disconcerted by them. Again, I talked to Adam Szubin last night, who reassured me that we are doing nothing to accommodate dollar transactions. The President seemed to state that on Friday. Yet, Secretary Kerry was on a television program this morning, acting as if we were going to do something.

What is going on relative to us accommodating Iran and their ability to use dollars in their transactions?

Ambassador SHANNON. Thank you very much for the question. It is an important one. As you noted, it has gathered a fair bit of media buzz.

This is, ultimately, a Treasury concern, because they are the ones that do general licensing, and Adam Szubin is a great person to talk to on this.

But let me tell you what I know at this point, which is that the rumors and news that has appeared in the press that the U.S. is preparing to reinstate a U-turn authorization or to allow Iran access to the U.S. financial system are not true.

The CHAIRMAN. This morning, why would Secretary Kerry have said that we need to accommodate Iran's ability to have the economic growth that they thought they would have under the sanctions relief?

Ambassador SHANNON. The point the Secretary was making is that, as Iran attempts to access money that is being made available to it to through the lifting of sanctions, that there will be instances in which we have had to help Iran access that money by clarifying the regulations under which money can be transferred to them.

We have found that as Iran seeks those funds, there are banks that are unclear about the nature of the regulatory structures and what sanctions have been lifted and what have not. The Secretary believes it is in our national interests to ensure that the commitments we made are being followed through on.

This is part of a larger engagement that we have had with the Iranians on different aspects of our commitments, both commitments they made and the commitments that we have made.

The CHAIRMAN. So the dollarizing issue is bogus?

Ambassador SHANNON. As of this moment, as I far as I know, yes.

The CHAIRMAN. So the acting head of OFAC, who is very good and I hope he is put in place permanently, told me that there was some concern that a little bit of a "wink and nod" was going on by which the U.S. was basically saying to institutions: look, just know that in spite of what the agreement says, we are not coming after you for this.

Do you know of any instance of urging, including by Secretary Kerry or the Treasury Department, to turn their head relative to the black-and-white agreement that is before us, relative to this issue? Do you know any incident of that?

Ambassador SHANNON. I do not. But again, the point that the Secretary was making is that we have commitments under the JCPOA, and we need to live up to those commitments and ensure that the Iranians are receiving, for what they have done, what they believe we have committed to.

And what the Secretary has been clear about, and what Secretary Lew has also been clear about, is the importance of ensuring that Iran has access to the assets that are now open to them.

The CHAIRMAN. Well, I do not think the administration is on the same page internally. I think there are some people that are invested in this and have developed relationships. I think some people are trying to bend this in a way that will benefit Iran. I hope Secretary Kerry, the President, and Adam Szubin will end up getting on the same page.

I guess if we acted to legislatively codify the fact that those things could not occur, that would be consistent with what the administration and you are saying today, so that would not be a problem. Would that be correct?

Ambassador SHANNON. By codifying if you mean not authorizing U-turns or not authorizing access to the U.S. financial system, that is already present, I believe.

The CHAIRMAN. So we could codify it, and it would not be a problem, and Iran would not consider it a violation. Good. We will attempt to do that.

On the ballistic missiles, I pointed out testimony from Secretary Kerry and Ambassador Mull. We knew, when the language said "called upon," this situation would likely occur. It has occurred, and it is disappointing.

I was disappointed that a letter from our European partners said it was inconsistent and did not say it was a violation. Obviously, there was some wordsmithing taking place.

Would you have any problem with us putting in place some sanctions against them for clearly violating the agreement as the administration explained the agreement to us?

Ambassador SHANNON. Thank you for the question, a very important one.

As I noted, we remain resolutely and absolutely opposed to Iran's ballistic missile program, and we believe that we have both multilaterally and unilaterally the tools necessary to attack that missile program and do whatever we can to interdict the technologies that Iran is seeking to advance its ballistic missile program. We believe that we have the necessary authorities now, and we will continue to designate individuals and entities that we believe are supporting that ballistic missile program, as we have done in response to Iran's several ballistic missile launches.

In regard to potential legislation, our only concern about this legislation is that it not interfere with JCPOA implementation or give Iran any excuse to walk away from the table.

But at this point, we believe that we can address the punitive side of Iran's ballistic missile program with the authorities we have. But also, as I noted in my opening remarks, we are very intent on helping our partners in the region defend themselves from Iran's ballistic missile program. That is where we are going to begin focusing a lot of our effort, to ensure not only that we delay and deter Iran's ballistic missile program, but we do what we can to support others to defend themselves.

The CHAIRMAN. I think the majority of people up here, whether they supported the agreement or did not support the agreement, were very concerned about the "called upon" language, and we sought assurances because we knew "called upon" was very different than what had been in agreements in the past. Unfortunately, we are where we are.

My sense is that most people here want to take some action, whether they supported the agreement or not.

Let me ask just one last question.

By the way, I am disappointed that the administration's goals for the agreement did not come to fruition. I am disappointed for our country. I am disappointed for all those who are counting on this agreement to deter that type of action.

Russia plans to sell Iran Su-30s. Do you consider this a violation of the agreement? I know that it is not a violation until they actually do it. I know they have entered into discussions, and it may not come to fruition. I think it likely will.

If the sale does occur, would you consider that a violation of the agreement?

Ambassador SHANNON. You are talking about the S–300 missile defense system?

The CHAIRMAN. No, the Su-30s.

Ambassador SHANNON. The sale of Su-30 fighter aircraft is prohibited under UNSCR 2231 without the approval of the U.N. Security Council. We would block the approval of any sale of fighter aircraft under the restrictions.

The CHAIRMAN. Since we are getting mixed signals, and the assurances we have received in the past have not always worked well, if we were to take action to make sure that sale could not

happen without additional sanctions, you would have a problem with it?

Ambassador SHANNON. Sir, far be it from me to tell the United States Senate how to legislate. But I would just say that the sale of this kind of aircraft is prohibited without the approval of the U.N. Security Council, and we would not approve it.

The CHAIRMAN. Thank you so much.

With that, Senator Cardin?

Senator CARDIN. Thank you again, Ambassador Shannon. I appreciate your explanations here.

I am going to follow up on some of the questions of Chairman Corker as to how the United States Senate and United States Congress can help to achieve our objectives. I think the oversight of the Congress will be helpful in making sure Iran does not become a nuclear weapons state.

But as we discussed during the debate on the JCPOA, Congress and the administration have full abilities to deal with those issues not covered under the JCPOA. So when Chairman Corker asked you about certain congressional action, I am going to be very clear, I will not support any congressional action that is out of compliance with the JCPOA, because I think that would not be helpful by the United States Congress.

But where I disagree with one of the statements you made is that I am not going to allow Iran to determine what is in compliance with the JCPOA. Your statement that we do not want to give Iran a reason, Iran has used interpretations that are far beyond any reasonable coverage of what is in the JCPOA.

So I would just urge us to be very careful as to how we interpret the JCPOA. We will use the international standards, but we will not use an Iranian standard.

So I want to bring you back to how the Congress can help. We are an independent branch of government, and I remember very clearly the testimony before this committee when your predecessor, Secretary Sherman, gave a similar answer that you just gave, and that is that we have the authority to take action. We do not need congressional action.

Congress did act, and we did strengthen the Iran Sanctions Act, and it was, I think, partially responsible for bringing Iran to the negotiating table and was helpful to get a stronger agreement, because Congress did take action, even though the administration had the ability to take action on its own.

So there are two areas that I want to get your view on. One is the extension of the Iran Sanctions Act. As you know, it expires at the end of this year.

The administration has taken action under the waivers in order to implement the JCPOA, but having that as a backstop as we go beyond 2016 would seem to me to be critically important for U.S. leverage to make sure Iran complies with the agreement.

So I just want to make sure of your view, if Congress takes action to extend the Iran Sanctions Act, whether the administration will look upon that as consistent with the JCPOA and the appropriate actions for an independent branch of government.

The second point I want you to respond to is what Chairman Corker talked about, and that is the ballistic missile sanctions that

have been posed by the administration under executive order, basically, not under congressional mandate.

It seems to me that ballistic missiles, which are not covered under the JCPOA, that the United States would be in a much stronger position if we had congressional sanction authorization in law. As I said, I never met an administration that did not think they could not do everything without the Congress, but having congressional authority to impose these sanctions I think gives us a stronger position.

So will the administration work with us on legislation to both extend the Iran Sanctions Act and to provide congressional basis for the ballistic missile sanctions that are being imposed?

Ambassador SHANNON. Thank you very much, Senator.

In regard to the first question, my understanding is that ISA expires at the end of this year. Our view is that we should not be in a rush, and we should begin to understand how Iran is meeting its commitments under the JCPOA. Based on that, this will give us a stronger idea and feeling for what a renewed ISA might look like.

But I can tell you that we would be happy to engage with this committee and the Congress on a renewed Iran Sanctions Act, again, assuming that it does not complicate or prevent us from meeting JCPOA commitments.

Senator CARDIN. In regard to a statutory authorization for sanctions against Iran for its ballistic missile violations?

Ambassador SHANNON. Again, we are opposed to Iran's ballistic missile program, and we are going to do everything in our power to delay and deter it, and to protect our allies.

As noted, and as you noted, we believe we have the authorities to do that. And we believe we have acted responsibly and rapidly in response to Iran's ballistic missile activity.

But again, we would be happy to talk with this committee and the Senate about what that legislation might look like.

Senator CARDIN. I thank you for that. I would just urge you to go back and take a look at the congressional record from when we passed the sanction regime in 2010 and look at what has happened since and how absolutely essential it was for congressional action in 2010 to lead to where we are today, which the administration is pleased about the JCPOA. 2010 was a major chapter in accomplishing that because of what Congress did, what this committee did.

This administration has 9 months left, and the JCPOA goes well beyond that. I would just urge you to be aggressively working with us to set up the appropriate statutory framework to make it clear to Iran that we will not tolerate ballistic missile violations. And it is not just a President, it is the United States and the Congress working with the President that will not tolerate that type of activities.

Let me move on to just to just one other issue, if I might, just very briefly, and that deals with the issue that the chairman raised on the Russian participation.

How does it complicate enforcement of the JCPOA, the fact that Russia is preparing to give missile defense support to Iran?

Ambassador SHANNON. As you know, Russia has been in the process of selling S–300s to Iran since 2008, and, for any number of reasons, has not done so. The purchase has not been finalized. The delivery has not been made.

There was a press report today indicating that Russia is preparing to move an S–300 system to Iran. The S–300 is not prohibited under the U.N. Security Council resolutions, because it is a ground-to-air missile, and it is considered a defensive weapon system.

Senator CARDIN. I understand that.

Ambassador SHANNON. Nevertheless, we have made it very clear to the Russians that we consider this to be a bad move, that we consider it to be destabilizing and not in keeping with what we have been trying to accomplish not only through the JCPOA but broadly in terms of our engagement with Iran.

Senator CARDIN. Well, I would just take it one step further. It seems to me that a missile defense system modernization from Russia to Iran makes it much more challenging for us to deal with the security concerns of our partners in that region. So it ups the ante for the United States. It very much takes us to a new level of what we are going to need to do.

The CHAIRMAN. Thank you.

No doubt, a missile system would do that. Also, the sale of Su 30 fighter jets from Russia would also complicate that even further.

Senator Perdue?

Senator PERDUE. Thank you, Mr. Chairman.

I just got back from a week in the region, and the common consensus of four different heads of state and several military people in the region is that things have gotten materially worse, not better, since the JCPOA, in terms of domestic security for these four countries that we visited.

But I am a little confused today, particularly with comments that are coming out this week, and I would like to get you on the record, Ambassador, about the U.N. violations or not violations.

In December, Ambassador Mull in this committee stated that ballistic missile launches would be in violation of U.N. Security Council Resolution 2231. We have seen those missile firings before and after implementation day, and yet this week, American diplomats submitted a joint EU–U.S. report that says that the launches, and I quote, "are inconsistent with UNSCR 2231, but not a violation."

For the record, do you think that the ballistic missile launches were, indeed, a violation of U.N. Resolution 2231?

Ambassador SHANNON. Thank you very much, Senator.

From our point of view, U.N. Security Council Resolution 2231 prohibits Iran from launching ballistic missiles.

The language in 2231 is different from 1929, as you know. 1929 says Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons; 2231 "calls upon" Iran not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons.

In international parlance, there is a distinction here. But for me, it is a distinction without a difference. From my point of view, 2231

is telling Iran that it should not be undertaking any activity related to ballistic missiles.

That is how we act. In other words, we responded to the ballistic missile launches with designations, and we will continue to respond.

Senator PERDUE. So we responded as if it were a violation?

Ambassador SHANNON. We did.

Senator PERDUE. Okay. So you think it is a violation?

Ambassador SHANNON. Let me put it this way, I believe they violated the intent of 2231. Whether international lawyers will say it violated 2231, this is why we use the word "inconsistent."

But from our point of view, these launches are prohibited, and we are going to do everything we can to stop them.

Senator PERDUE. So on the sanctions that we put in, and I agreed with the administration's view, and I also agree with our ranking member, that it would have more teeth if it were congressionally sanctioned, but in terms of those January sanctions, 11 entities and individuals were named.

But it was interesting that transportation companies that were involved in the procurement and delivery of this technology were not included. The financial partners were not included. Members up and down the supply chain were not included in that. So it seems to me that if we really wanted to stop the ballistic missile activity, we would put sanctions on the full supply chain from A to B.

Can you speak to that, about the omissions of those major players in the supply chain?

Ambassador SHANNON. Since 2010 when U.N. Security Council Resolution 1929 was approved by the U.N. Security Council, I believe we have designated over 27 entities and people that look not only at those providing equipment, but also those who are facilitating the provision of equipment.

I would be happy to talk with you about specific individuals or entities that interest you and respond to that question.

But I believe we have been focusing not just on providers of technology, but those who facilitate that technology, the provision of that technology.

Senator PERDUE. Thank you.

I am also concerned about the liquid assets that are now available through the JCPOA for Iran and what they are going to be doing about that. The administration, when they were supporting JCPOA before its enactment, was adamant about ensuring that Iran would not continue to subsidize Hezbollah and Bashar al-Assad.

Can you give us an update on what the administration is doing to assure people of the region that, indeed, is being implemented?

Ambassador SHANNON. Let me answer this in two tranches.

First, in regard to the monies made available to Iran through the JCPOA, we assess that Iran has access to about $50 billion scattered throughout any number of banks.

Senator PERDUE. That is pretty much cash, that is liquid today, correct?

Ambassador SHANNON. If they can get it.

Senator PERDUE. And then there are other assets, as I understand it, that are liquidatable, is that correct, in addition to the $50 billion?

Ambassador SHANNON. That I am not sure of. What I have been told is that there was $100 billion being held in overseas accounts, but that about $50 billion of that was already called for, either through financial commitments that Iran has made through contracts or because of other aspects of the financial instruments that are being used, but that the money available to Iran is about $50 billion.

But again, it is scattered throughout the international financial system and held at different banks. And therefore, it has to be accessed piecemeal and over time.

This is something that we have been watching closely. And this is what Secretary Kerry was referring to when he said that there are times when we have to clarify our guidelines in regard to sanctions, so Iran does have access to monies that we have committed to make available to it.

In regard to whether or not Iran continues to fund terrorism-related activities or destabilizing activities in the region, there is no doubt that that is true, and we are seeing it, whether it is in Syria, whether it is in Lebanon and Hezbollah, whether it is in Yemen with what they are doing with the Houthi rebels.

And we continue to do what we can through authorities that we have, both sanction authorities given to us through IEEPA and through other legislation and through executive actions, to sanction, when possible, and to counteract the activities of Iran in the region.

Senator PERDUE. Thank you.

Real quick, given the increased activity that Iran is showing in the region since the JCPOA, can you give us an update on the memorandum of understanding with Israel, relative to the military assistance there? I know it does not expire until 2018, I believe.

And also, given that Iran continues to make anti-Israel statements, even putting "Death to Israel" stenciling on the missile that they have been testing, I think this is really important that we reassert that support for Israel in light of this increased activity.

Can you give us an update on that MOU?

Ambassador SHANNON. We are in the process of negotiating the MOU with the Government of Israel, looking at how best we can continue to meet the defense needs of Israel, as it faces the threats posed in the region, some of the most significant being from Iran.

Since the beginning of this administration, over $20 billion has been provided to Israel in defense spending, including nearly $3 billion to help finance the Iron Dome antimissile system.

Senator PERDUE. Over what period of time would that be?

Ambassador SHANNON. This administration, 8 years.

Senator PERDUE. So 8 years.

Ambassador SHANNON. Yes. I can get you kind of the latest state of play of our negotiation with the MOU, but it is a constant theme of our engagement with Israel.

Senator PERDUE. Our intent is to continue to have the qualitative military edge that we have had in the past in eh region?

Ambassador SHANNON. Correct.

Senator PERDUE. Okay, thank you.
Thank you, Mr. Chairman.
The CHAIRMAN. Thank you.
Senator Menendez?
Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Secretary, I have the greatest respect for you. I have supported you in your role as Ambassador. I have supported you in this role. So it is with that respect that I have the following statement, though.

I am seriously concerned. I was at a meeting, but I had the TV on and listened to your answers to the chairman and ranking member about statements that suggest that we have to watch what we do, because we do not want to have Iran walk away from the table.

Well, this administration led by the Secretary of State before this committee after question after question after question said very clearly that we were free to pursue all other actions of the Iranians that are against the national interests and security of the United States outside of the nuclear portfolio.

So I see all these cautionary remarks all the time. I see all these caveats. I do not understand them. I do not understand them.

I do not understand when the President himself in remarks this week said that while Iran may have followed the letter of the agreement, they have not followed the spirit, sending signals to the world community that is a series of provocative actions, and, among that, failure to follow the spirit, the President himself acknowledged, launching ballistic missiles, repeatedly calling for the destruction of Israel, shipping weapons to Hezbollah. Not my comments, the President's comments.

Now, to that I would add its status as a state sponsor of terrorism, its acts of aggression designed to destabilize our allies in the region, its efforts to disrupt shipping through the Strait of Hormuz, its illegal detention and despicable humiliation of American sailors, its trafficking in weapons, its cyberattack events. I think many of those, you recited in your opening statement.

So what bothers me is that we seem to create a permissive environment, as is exemplified by what happened in the missile issues that have been raised, and I want to further pursue with you, in which we are treading on eggshells about doing anything else in this whole universe that we admittedly recognize is against the security interests of the United States.

So why are we, for example, knowing that resources, whatever amount it is, is in part going to fund these very activities that we acknowledge collectively is against our national interests? Why are we, for example, when the President says we are not going to use dollars to do business with Iran, which is good news, but then goes on to say it is possible for them to work through European financial institutions, which ultimately transact with the United States? Or that the United States reportedly also seeking ways to ensure that U.S. regulations do not deter foreign reinsurance companies from providing insurance coverage for Iranian shipping as two examples?

Why are we, outside of meeting our strict applications, facilitating the possibilities for them to use their resources in such a way that is against our interests?

Ambassador SHANNON. Thank you very much, Senator. And again, thank you for your support. I am grateful very grateful for that.

Let me be clear, if I was not in my earlier comments. When I talked about wanting to make sure that actions taken in regard to re-upping sanctions legislation did not interfere with JCPOA commitments, my purpose was not to say that we are walking on eggshells with the Iranians. My purpose was not to say that we are somehow pulling punches or stepping away from firm pursuit of the JCPOA commitments or, as you noted, broader understandings of concerns about Iran. That is not the case.

We just want to make sure that, as Iran meets its commitments, we meet our commitments. We understand what those commitments are.

And as we look at Iran's behavior broadly in the region, I would agree with everything that you have noted. We are concerned by it. We are appalled, in some instances, by it. But we are working actively to push back on it and to stop it where we can, whether it is in support for regional terrorism, whether it is in support for groups like Hezbollah and the Houthi rebels, or whether it is in pursuit of a ballistic missile program.

And as the Secretary and the President noted, we are not going to caveat that, and we are not going to soft-pedal that.

Senator MENENDEZ. Let me interrupt you. I appreciate what you are saying, but specifically, for example, if we wanted to pull no punches and make it very clear that instead of sanctioning individuals, which is like playing whack-a-mole, we would sanction financial institutions that are helping to finance the ballistic missiles and other activities. That does not seem to be the administration's effort, which we have recognized from that Congress that when we sanction financial institutions, the broad reach and effect of that is really consequential to the Iranians.

If we understand the nature of their obligations, let's turn to the missile issue. Last July, when Secretary Kerry was before the committee, I asked him, and I quote, "Is Iran banned from ballistic missile work under terms of Security Council Resolution 2231?" the U.N. instrument endorsed the JCPOA and that superseded previous U.N. Security Council resolutions with respect to Iran.

And his answer was rather unequivocal. He said, "It is exactly what it is today," and I am quoting verbatim from the transcript. "It is the same language."

Well, I disputed that, because there is a difference between "shall" and "calls upon." And if, in fact, it is exactly the same language, if the Secretary's interpretation was correct that 2231 explicitly prohibits Iran from testing ballistic missiles, then why would the United States and our European allies not push for the toughest language in the letter that was sent to the Security Council? Why not call it what it is, which is a violation?

Which is it? Is it a violation or did we soften the language in such a way that permits exactly what Iran is doing now?

Ambassador SHANNON. The language used in the letter was that Iran's launch was inconsistent with U.N. Security Council Resolution 2231 and not that it was in violation of 2231.

Again, I would argue that this is a distinction without a difference, because we are convinced that 2231 prohibits these kinds of launches, that there is a strong international commitment to——

Senator MENENDEZ. If that was the case, why did we not use the word "violation"? If we believe it is prohibited, why do we not use the word "violation"?

Ambassador SHANNON. I am not an international lawyer, sir.

Senator MENENDEZ. Okay, so let me close on this, you are not an international lawyer. I am not an international lawyer, but I was a lawyer before I came to this institution, and I understand the difference between "call upon" and "shall." And there is a fundamental difference.

And finally, I would say to you that, as the chairman and ranking member have discussed, the Iran Sanctions Act that I authored with others, it needs to be reauthorized now, because otherwise we do not send a very clear message to Iran that if they violate terms, we have something to snap back to.

The administration sat before this committee and the Senate and said, well, we can snap back. Well, you cannot snap back to something that does not exist, at the end of the day.

So, again, this tentativeness, worried about what Iran will do, seems to have frozen us. The suggestion of that is that the Senate should be frozen as well.

I hope the Senate will not, Mr. Chairman. And on missile sanctions, which I think should be pursued, particularly on financial institutions, on this question of reauthorizing the Iran Sanctions Act, among others, I would urge the chair and the ranking member, and I have legislation I am happy to engage with the chair and ranking member on, to do some of this, because I think we are headed in the wrong direction.

The CHAIRMAN. I could not agree more. I think the issue is that most of us do not want to let a national security waiver be used to enter into an international agreement. I think if we can get past that issue, then we might end up with some very strong bipartisan legislation.

You were working on Venezuela and other issues, which we appreciated, but this "called upon" language was a message to us that we were going to "wink and nod" on this issue, and we were going to give the other countries the ability not to enforce. That is why many of us were concerned.

While you were working on Venezuela, we were also concerned that we were giving away leverage. On the front end, Iran would get all of this relief and then we would be on the eggshells that Senator Menendez just mentioned, and then all of a sudden, the administration will be concerned that if we push back, they might walk away, since they got everything they wanted on the frontend.

So know that you are Exhibit A for why there was so much concern about this agreement, based on the things that you are saying today.

Senator Barrasso?

Senator BARRASSO. Thank you very much, Mr. Chairman.

Thanks for being with us. I think we all agree, when you said we are opposed to what is happening with ballistic missile testing. You want to do everything in your power to delay and deter it.

We just have questions if that is actually happening with this administration. I do not believe it is. I think that the administration is not doing all that it can. I look at the recent sanctions. I think Senator Menendez referred to them playing whack-a-mole. There are sanctions on individuals, some entities.

Can you tell us here today that those recent sanctions are actually going to change Iran's calculus and actually have an impact on Iran's ballistic missile program, given that they have done testing in October, testing in November, in March, last month, two successive days of ballistic missile testing?

Ambassador SHANNON. Thank you very much for the question.

Iran is intent on pursuing a ballistic missile program. It sees it not only as part of its larger strategic weapons program, but it also plays an important political role in Iran, especially in the aftermath of the JCPOA. Hardliners in Iran lost on the nuclear issue. They are intent on doubling down on the ballistic missile program.

So we can expect more launches. But, in that regard, we are very intent on doing everything we can to deter and delay that program and, at the same time, work with our partners in the region to ensure that they can protect themselves, and that it becomes clear that the strategic weapons program that Iran has continues to complicate its existence internationally, continues to call into question how it behaves internationally, and it becomes increasingly less relevant as our partners and our allies increase their ability to protect themselves.

But since 2010, if I have my numbers right, we have designated over 27 entities and individuals related to Iran's ballistic missile program. And we will continue to designate individuals and entities, as we determine their role, and not only in response to ballistic missiles, but also as we determine which entities and individuals are playing a role, not just in the provision of technologies, but also in the facilitation of technology.

Senator BARRASSO. I think what we are hearing here is that Congress believes the administration needs a stronger backbone in legislation to allow you to accomplish the goal that you have to delay and deter.

With regard to the Russian sales to Iran, it came up earlier. The chairman raised that. U.N. Security Council Resolution 2231 requires Security Council approval of any sale of major combat systems to Iran.

So Russia and Iran have been discussing an agreement for Russia to sell Iran Su-30, the combat aircraft, the T–90 tanks, helicopters.

Just to clarify, would the United States veto the approval of such a sale at the U.N. Security Council?

Ambassador SHANNON. Yes.

Senator BARRASSO. Can you talk about how the sales of the system contemplated that they are talking about to Iran could affect the balance of power in the region?

Ambassador SHANNON. Are you talking about the systems you just——

Senator BARRASSO. Yes. At this point——

The CHAIRMAN. The Su-30s or the S–300s?

Senator BARRASSO. The Su-30s.

The CHAIRMAN. The fighter jets.

Ambassador SHANNON. Obviously, we have no interest in Iran having enhanced either air fighter capability or enhanced ground combat capability. And any weapons that Iran can use offensively, we would seek to oppose in whatever way we can.

Senator BARRASSO. I want to talk a little about terror in the area. Iran is a state sponsor of terror, continuing to threaten Israel. We have heard that from Senators who just returned from the region. It continues to threaten the region with ballistic missile testing.

It appears that the administration can be afraid of Iran threatening to pull out of the nuclear deal, truly believes the foreign country businesses might risk ties to the United States. You read the Wall Street Journal editorial this weekend called "More Dollars for the Ayatollahs." It says the "latest administration cave-in could have been predicted from every previous U.S. capitulation to the mullahs. Expect other concessions as Tehran takes the full measure of America's weakness."

That is a concern. So what other actions do you know that the administration is considering that could provide additional sanctions relief to Iran beyond what has been committed to by the JCPOA.

Ambassador SHANNON. At this point, none. We have met our commitments under the JCPOA.

And I think it is important to note at this point that the way the JCPOA was structured, it is really Iran that gave everything up front, as opposed to the United States. It was Iran that tore down its centrifuges. It was Iran that poured concrete into its heavy water reactor.

And because of this, as I noted in my opening statement, we have been able to push back Iran's breakout period in pursuit of a nuclear weapon from a few months to over a year.

And as we continue the implementation of JCPOA, we believe we are in a very strong position to ensure that Iran cannot develop a nuclear weapon. That is a huge accomplishment. And it is an accomplishment that this Senate can take huge pride in, as can the executive branch, because we have had to work together in pursuit of that, both through the sanctions authority that this legislative body authorized and through the diplomacy that we were able to fashion built around that kind of legislative authority.

But as we look into the future, we are intent on meeting our commitments, period. We are not intent on providing additional sanctions relief. And we are intent on successful implementation of the JCPOA.

Senator BARRASSO. I just want to get this clarified. What I heard from the chairman and others in a bipartisan way is many of us believe it is the administration that gave away everything up front. You are testifying today that no, no, in fact, it was Iran that gave up everything up front.

Ambassador SHANNON. Indeed.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

Thank you, Ambassador Shannon.

I want to repeat an element of your testimony and do some follow-up.

Page 2, Iran has taken significant irreversible steps that have fundamentally changed the trajectory of its nuclear program. Simply put, the JCPOA is working and has effectively cut off all of Iran's pathways to building a nuclear weapon. This has made the United States, Israel, the Middle East, and the world safer and more secure.

That is your testimony. I do not need to ask you about it. It is for the record. But I was interested that there is now starting to be public comment by Israeli officials that might be somewhat different, but essentially making the same point.

The Israeli IDF chief of staff, who is the equivalent of our head of the Joint Chiefs of Staff, Gadi Eizenkot, in January, the nuclear deal with Iran contains "many risks, but also opportunities" the IDF Chief of Staff Gadi Eizenkot said Monday. Speaking at the ninth annual security challenges conference at the Institute for National Security Studies in Tel Aviv, Eizenkot said that, "The nuclear deal with Iran constitutes a strategic turning point, compared to what IDF faced over the past decade."

Eizenkot's long-term assessment is that Iran will make great efforts to fulfill their side of the bargain and enjoy the benefits. However, Iran will continue to see itself as a regional power and, after 15 years, when the terms of the deal expire, may turn again toward expanding its nuclear capabilities.

In the meantime, Eizenkot said, the deal reduces the immediate Iranian threat to Israel because it rolls back Iran's nuclear capability and deepens the monitoring capabilities of the international community into Tehran's activities.

Many of us had heard Israeli officials say those words to us as privately. Many of us had seen anonymous reports from Israeli officials publicly or had seen reports from former Israeli officials.

Gadi Eizenkot's predecessor, General Benny Gantz, after the deal was done in September, said a better deal may have been possible but he also acknowledged the final agreement's success in putting off a nuclear-armed Iran for at least 10 to 15 years. Diplomacy, he said, had prevented war from breaking out.

It is the Israelis who have been the most focused, as they should be, to some degree, as to whether this deal would work or not. But you now have the current IDF Chief of Staff, essentially the equivalent of our head of the Joint Chiefs of Staff, and his immediate predecessor, both saying that this deal has prevented war and will forestall an Iranian nuclear program for at least 10 to 15 years.

I think that testimony from our key ally, from the IDF Chiefs of our key ally, is validation of the point you make on page 2 of your testimony.

Let me now ask this. If that is the current IDF head's position about the deal, three of the five individuals currently running for President of the United States say the United States should exit the deal, the JCPOA. Two said that they should rip it up. One said the U.S. should withdraw from the deal.

Based on your testimony and the stated public position of the head of Israeli military, talk a little bit about what it would mean

for the United States alone among the nations that negotiated this deal to rip up the deal or back away from it.

Ambassador SHANNON. Thank you very much for the question. And thank you for highlighting the comments of the IDF Chief of Staff.

We would agree with him completely. We share that assessment. We believe that, through JCPOA, Iran has given up its ambition of a nuclear weapon and has submitted to an international structure of intervention and compliance that allows us great insight into their nuclear program and will, if complied with, create a program that is exclusively peaceful.

That is our purpose and intention. That is the intention of the international community.

In an environment as conflictive and combustible as the Middle East, making sure that a country like Iran does not have a nuclear weapon has to be a strategic goal of utmost importance, and we believe we have accomplished that.

We would argue that any effort to step away from JCPOA would reopen a Pandora's box in that region that we do not think we could close again, because it would highlight an inability of the United States to maintain a continuity and stability in an approach, when we accomplished what the U.S. Government and the U.S. Congress has been seeking for more than a decade, which is no nuclear weapon in Iran.

Hypothetically, if we were to contemplate stepping away from the JCPOA, we would not be followed by our P5+1 colleagues. Quite the contrary. This would become an issue of extraordinary concern and division between ourselves and our P5+1 colleagues.

But more importantly, it would be grasped by supporters of a nuclear program in Iran and by hardliners in Iran to assert that we were an unreliable interlocutor and that our stepping away from the JCPOA would be a clear signal that they need to return to their nuclear weapons program with even greater urgency. So we would view that as very dangerous.

Senator KAINE. Isn't it in the security interests of the world that we keep everyone's attention on Iran's activities, rather than on the U.S. negotiating tactics?

Ambassador SHANNON. As I noted, and as you noted, we are very focused on what Iran is doing. And it is very important in our diplomacy and in our engagement with our partners that we highlight where Iran steps out of bounds.

And this is what the President was referring to when he said that Iran was not complying with the spirit of the JCPOA, because the spirit was one of engagement, the spirit was one of highlighting the peaceful nature of the nuclear program, or the ambition of creating a peaceful program. But what it is doing elsewhere indicates otherwise. And therefore, our ability while we implement the JCPOA and while we consolidate this important strategic accomplishment that we continue to highlight and focus on Iran's bad behavior in terms of its regional activities, in terms of its support for Hezbollah, in terms of its support for the Houthi rebels, in terms of its support for the Assad regime, its support of terrorism, and its ballistic missile program, from our point of view, is the centerpiece of how are going to deal with Iran.

Senator KAINE. Great. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I know that we worked together and I think the types of legislative efforts that people are looking at are consistent with the JCPOA. I just want to restate that comment. It is to push back on those areas.

The only way an agreement can bear the fruit that people laid out, is to make sure it is not violated. I think that there are those issues, but in addition to that the activities in the region.

That is where the legislative focus is, not to counter the JCPOA, but to make sure that it is enforced, and to push back on other activities that are destabilizing the region.

Senator Rubio?

Senator RUBIO. Thank you. Thank you for being here.

I want to go back to this issue of access to the dollar. I saw a recent example cited in a blog, and I wanted to get some pretty clear understanding about how this would or would not work.

The example that was used was a Swiss company that sells a product of any kind to Iran. Now, I think the President and everyone has been pretty clear what they are not allowed to do. They are not allowed to go to a U.S. bank to turn the rial into a dollar and the dollar into a Swiss franc. That is pretty clear, and I think that has been outlined.

But here is what I want to get at, and that is an alternative mechanism. This outlines an alternative mechanism, and I want to understand whether or not this alternative mechanism is allowed or not under this agreement.

The way it would work under this scenario that was laid out is that the U.S. would allow a general license for the U.S. bank to provide dollars to a non-U.S. clearinghouse somewhere overseas. And then what would happen is that Iran would pay a European bank in rials. The European bank would then exchange those rials for euros. They would then go to that clearinghouse and swap the euro out for a dollar, bring the dollar back and exchange the dollars for Swiss francs, and then pay that to the Swiss company.

Is that sort of arrangement something that would be allowed under the agreement?

Ambassador SHANNON. I am not sure. I would have to check, because if it does not touch a U.S. bank, if it does not touch the U.S. financial system, because what our sanction languages had done and what we have been able to accomplish in terms of limiting Iran's access to our larger financial system, is we have not permitted U-turn authorization. In other words, no exchange of dollars inside the U.S. financial system. And we have not allowed it access to our larger financial system.

But again, I am not a financial expert here. I would have to check with Treasury. But I do not know if what you just described is authorized under——

Senator RUBIO. Do you know if that kind of mechanism was discussed as part of this negotiation? I know that the chairman has already alluded to this earlier, but in an interview today, Secretary Kerry implied that Iran deserves the benefit of the agreement they struck.

Is there within that agreement some sort of understanding with Iran that we would be helpful to them in figuring out how to get access to the dollar, even if it is through a one-step removed process like the one that I have outlined?

Ambassador SHANNON. The agreement is clear in terms of what our commitments are, and we believe we have met those commitments.

My understanding of the Secretary's remarks is that we have worked with U.S. Treasury and with banks to clarify what sanctions relief is and what banks are allowed to do, in order to avoid any kind of punitive action for taking steps that are not permitted under the JCPOA.

So my understanding is that our efforts to ensure that Iran has access to assets that we have committed to release to them is really about ensuring banks understand how that money can be accessed. It is not my understanding that there is anything beyond that.

Senator RUBIO. Has the Department of State received instructions from the White House, or has the Department of State in any way signaled the Treasury that it needs to search for ways to allow Iran to get access to dollars through a mechanism that does not directly impact the transaction within a U.S. bank?

Ambassador SHANNON. I have not received that instruction.

Senator RUBIO. Again, the fundamental question here—I know you say it does not touch the dollar. I just want to make this point for the record. By allowing a U.S. bank a general license to move this money offshore, it is in essence allowing them access to the U.S. dollar. It is not technically happening within the United States, per se, but we know what that money is going to be used for. The general license would be used to provide liability protection to the U.S. bank.

But the only reason that money would be moving to an offshore entity, a clearinghouse, is so that Iran could get access to dollars. I think this is an important point that we need to get some clarity on. I guess it would be from Treasury.

But that sort of mechanism has never been discussed with the Congress, from my understanding. It is, in fact, part of this agreement. We have never been notified of that as well.

I guess what I am trying to get at the core of is, and you are saying your testimony here today is that is not the case, but was there ever a moment or is it part of this agreement that we would somehow help Iran get access to dollars in some way that did not violate the need to deal directly with a U.S. bank. And you said here today that you are not aware of that ever being part of this agreement or conversation in anyway.

Ambassador SHANNON. Again, I did not take part in the negotiations of the agreement. But my reading of the agreement indicates otherwise.

Senator RUBIO. One more point on access to the U.S. banking sector. This is not just about punitive action. It is also the fact that even irrespective of the nuclear program, the Iranian banking sector posed a hazard because of its laundering activities and so forth.

Has Iran taken any actions to halt the use of its financial institutions for money laundering or for other illicit behavior?

Ambassador SHANNON. My understanding is it is much more careful about which institutions it uses, but it still is engaged in money laundering activities that we attempt to block and stop.

Senator RUBIO. Thank you.

The CHAIRMAN. Since there is a minute left, I think it was the money laundering and illicit financing that put these restrictions in place and that is still occurring. My observation is that Secretary Kerry and/or others within the State Department who spent a lot of time on this agreement are trying to figure out a way to accommodate Iran. My sense is that Treasury, at this point, has held firm and hopefully they will continue to do so.

I do not think there is congruence right now, on the administration level. I am glad pressure is being applied to ensure that we do not try to accommodate them, that Iran gets only what they negotiated, and that we are not trying to make this agreement work better for Iran, especially when they are violating the ballistic missile testing.

I mean, it is incredible that we would accommodate Iran while we know they are in essence, violating the agreement in our face.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Secretary Shannon, in response to recent questions about the administration's plan to provide Iran with additional relief from U.S. financial sanctions, President Obama stated that existing restrictions would remain in place. He also noted that Iran's difficulties in doing business abroad has more to do with its own aggressive actions, including ballistic missile tests, than it does with U.S. financial restrictions.

This morning, Secretary Kerry reiterated that Iran deserves the benefits of the agreement they struck, but that if they want to capture the broader benefits of global commerce, they need to change their aggressive behavior.

Rather than changing any current rules that restrict Iran's access to the dollar-based financial system, the President suggested that the Treasury Department could clarify to foreign financial institutions the kind of activities that are permissible under current restrictions.

What kind of changes would we have to see in Iran's behavior with respect to missile development, support for terrorism, and human rights violations, before we would consider changing existing restrictions on Iran's access to our financial system?

Ambassador SHANNON. They have to stop. I mean, in terms of sanctions that limit Iran's access to the U.S. financial system, this is related to a whole series of Iranian behaviors that we find reprehensible.

But what you said at the beginning of your question is important. Both the President and the Secretary made clear that while we will meet our commitments under the JCPOA, that Iran's ability to benefit economically and financially from a greater openness to the world and the lifting of sanctions depends not just on the lifting of those sanctions. It depends on the environment it creates inside of Iran, first to attract businesses and investment, but also to establish a degree of confidence as Iran engages generally within the larger international community.

As long as Iran behaves as it is behaving in the area of terrorism, in the area of regional destabilization, in the area of ballistic missile development, there will be a natural prejudice against some aspects of economic and financial engagement with it.

Senator MARKEY. But you are saying Iran does have within its own power to change its behavior that would then help to give the United States the ability to relax access to the financial system.

Ambassador SHANNON. Yes.

Senator MARKEY. Okay.

In addition to imposing restrictions on Iran's nuclear weapons programs, one of the great opportunities that the JCPOA provides is to raise the standards for the overall nonproliferation regime. I recently joined Senator Cantwell and other Senators in writing a letter to President Obama that detailed a number of steps the administration could take to do that.

One of these would be to expand the worldwide application of the additional protocol, which provides that IAEA with enhanced inspection rights, including the right to inspect a country's entire fuel cycle and to conduct environmental sampling beyond declared facilities.

Iran signed its additional protocol agreement with the IAEA in 2003. Under the JCPOA, it has agreed to implement it fully.

What steps is the administration taking to encourage all NPT parties to sign and implement additional protocol agreements with the IAEA?

Ambassador SHANNON. Thank you for the point on the additional protocol and the IAEA.

The commitment by Iran to provisionally apply the additional protocol, and then ultimately to accept fully the additional protocol, is, in the world of nonproliferation, a huge deal and indicates that the IAEA will have enhanced capabilities to measure and track Iranian compliance not only with the JCPOA and broadly with NPT.

And this is a huge concession on Iran's part and one that was viewed with concern around the world by those who do not adhere to the additional protocol. So committing to the additional protocol is the centerpiece of much of what we try to do in our nonproliferation work, and it is something that my colleagues at the State Department who work in the area of nonproliferation address on a regular basis.

And we will continue to do so. And it is our hope in this regard that Iran's willingness to accept an additional protocol should be seen as a point of reflection for our partners around the world who have not done so.

Senator MARKEY. And another step that the administration could take to strengthen nonproliferation would be to achieve a ban on the production of fissile material in the Middle East. Under the terms of the JCPOA, Iran has agreed not to produce uranium enriched beyond the 3 percent threshold for at least 15 years, but it has expressed a willingness to extend that restriction if its neighbors promise to do the same.

What steps is the administration taking to discourage any additional countries from the Middle East from engaging in that kind of activity?

Ambassador SHANNON. I think the JCPOA itself is a powerful reason for countries in the region not to develop their own nuclear enrichment capability, because they are not facing a threat from Iran through a nuclear weapon at this point in time.

But we continue in our regular engagement throughout the region, in our regular security discussions, to begin to identify and understand the security threats and vulnerabilities that our partners face and to help them find ways to address them without approaching a nuclear threshold. We do this with the Gulf Coordination Council. Secretary Kerry will be meeting with the Gulf Coordination Council ministers in Bahrain at the end of the week, and the President will be meeting in Riyadh with the leaders in the near future.

Senator MARKEY. So the administration is specifically encouraging all states in the Middle East to not pursue uranium enrichment or plutonium reprocessing facilities?

Ambassador SHANNON. Anywhere we can, yes.

Senator MARKEY. You are doing that?

Ambassador SHANNON. Yes.

Senator MARKEY. Okay.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

Thank you, Secretary Shannon, for your time here today. I want to clarify a remark you made earlier. I believe it came in response or at least after your exchange with Senator Barrasso, where I believe you had said Iran was the one that gave up everything up front. I think later on, in perhaps another question and answer with another Senator, you had mentioned that Iran has given up its ambitions of a nuclear program.

I do not want to misquote you. What did you say?

Ambassador SHANNON. I will have to go back and check the transcript, but my intent was that it has given up its ambition of a nuclear weapon.

Senator GARDNER. Do you believe that Iran has given up its ambition of a nuclear weapon? That is an accurate portrayal of your statement?

Ambassador SHANNON. At this point, the JCPOA, as it is implemented, prevents Iran from achieving a nuclear weapon.

Senator GARDNER. At this point. But, I mean, do you believe that Iran is testing ballistic missiles with someday the hope of putting a nuclear warhead on it?

Ambassador SHANNON. This is one of the reasons why we are concerned about the ballistic missile program and especially about ballistic missiles that have the capability or are designed to have the capability to launch nuclear weapons.

But the JCPOA, as it is implemented today and over time, will not allow Iran to develop a nuclear weapon. Should, for whatever reason——

Senator GARDNER. Today or over time, is that what you said?

Ambassador SHANNON. Correct.

Senator GARDNER. Now, how many of the gulf council countries agree with you on that point?

Ambassador SHANNON. In terms of?

Senator GARDNER. How many of our allies in the region agree with you that Iran has completely given up its nuclear weapons program?

Ambassador SHANNON. I think, at this point, they would agree, given what Iran has done in terms of tearing down——

Senator GARDNER. Leadership in Saudi Arabia, leadership in Qatar privately would agree with you, that they have given up their ambitions toward a nuclear weapon and that they are testing a ballistic missile to put a conventional warhead on top?

Ambassador SHANNON. Qatar, I do not know, because I have not been there and spoken with them.

I have been in Saudi Arabia, and the Saudis view the Iranians as a real danger in the region, and they view them as a danger in the region for any number of ways.

Senator GARDNER. If I may, though, do you believe, though, that they are testing a ballistic missile with someday the hopes of putting a nuclear warhead on it?

Ambassador SHANNON. That was the purpose when they began their ballistic missile program.

Senator GARDNER. Is it no longer their purpose today?

Ambassador SHANNON. You know, it is not their purpose if they cannot achieve a nuclear weapon.

Senator GARDNER. Then why would they test a ballistic missile?

Ambassador SHANNON. Because it is a strategic weapons system that can carry different payloads.

Senator GARDNER. Like a nuclear weapon?

Ambassador SHANNON. Indeed. And this is why——

Senator GARDNER. Let me just drill down on this, because this is important, because if the administration is so concerned about a ballistic missile—you have said that they have given up their ambitions for a nuclear weapon. Do they believe that they would like—do you believe that they continue to test a ballistic missile, in hopes of putting a nuclear warhead on it?

Ambassador SHANNON. I understand the point, and I would just reiterate that we are opposed to this ballistic missile program.

Senator GARDNER. I understand that you talking about how appalled that we are and how concerned we are. But yes or no, do you believe Iran hopes to put a nuclear weapon on top of a ballistic missile?

Ambassador SHANNON. At this point, no, because they cannot.

Senator GARDNER. Mr. Shannon, in conversations I have had with allies in the region, nobody there believes that they have given up their nuclear weapons ambition. I think it is important to address, yes, this outrage over ballistic missile, but yet we have not put in the full measure of responses that we said we would, in order to prevent them from continuing to test a ballistic missile.

And I do not believe that they are testing a ballistic missile just to show that they can do it. I believe they are doing it with the purpose of continuing to develop a nuclear weapons program.

In fact, I have heard from leaders in the region where they talk about, at the end of this 12-year period, where they believe they will have just a short amount of time to, indeed, possess and de-

velop a nuclear weapon. That is what the leaders in the region will tell you.

Secretary Kerry said in the letter in September, September 2 to the Senate, saying that the full measure of U.S. response would be affected if Iran continues to push its bad behaviors like testing ballistic missiles. I do not believe that we have done that.

Do you think we have done everything possible to stop Iran's testing of ballistic missiles?

Ambassador SHANNON. Within the authorities that we have been given, we have. But this is about an evolving situation. And as we determine where Iran is getting——

Senator GARDNER. Within the authorities we been given, what authorities are preventing us from fully and effectively countering Iran's ballistic missile program?

Ambassador SHANNON. The authorities we have under sanctions authorities are being used and being used effectively. The problem we face in Iran——

Senator GARDNER. By effective, do you mean that it has stopped their ballistic missile program, because that is certainly not the case.

Ambassador SHANNON. No, but it has deterred and delayed it by limiting the ability of external assistance to that program and proliferation assistance to that program.

Iran has an indigenous capability that we cannot affect in the short term, but we can limit and delay Iran's ability to build out its ballistic missile program. And in the process, as we gain time through that, we can work with our partners in the region to ensure that they have the capability to defend themselves, and that we have the capability also to help them defend themselves.

Senator GARDNER. So let me get this straight. By their continual testing of ballistic missiles, we believe that that is a delay of their ballistic missile program?

Ambassador SHANNON. Considering where it would be absent the sanctions authority, yes. It is not where we want to be, obviously, but Iran sees this ballistic missile program as an important part of its strategic weapons systems, and it will continue along this route. We just need to make sure that it does not get there in any fast time.

Senator GARDNER. Secretary Shannon, then do you believe that our sanctions efforts against Iran for its ballistic missile program has been a success or failure?

Ambassador SHANNON. It has been an effective tool, but it has not been a complete success. Obviously, not, because they are launching.

Senator GARDNER. In the Wall Street Journal, April 4, the UAE Ambassador to the United States stated it is now clear that one year since the framework from the deal was agreed upon, Iran sees it as an opportunity to increase hostilities in the region. But instead of accepting this as an unfortunate reality, the international community must intensify its actions to check Iran's strategic ambitions.

Do you agree with the Ambassador's assessment?

Ambassador SHANNON. I do.

Senator GARDNER. Have our allies in the region expressed similar concerns?

Ambassador SHANNON. Yes.

Senator GARDNER. And have we acted appropriately in response to these concerns?

Ambassador SHANNON. We are working very closely with our partners around the region to ensure that they have the ability to defend themselves.

Senator GARDNER. So Iran sees the agreement, the framework, as an opportunity to increase hostilities in the region. Could you outline some of those increases in hostilities?

Ambassador SHANNON. As I noted in my testimony and in previous comments, what Iran is doing in Syria, what it is doing in Lebanon with Hezbollah, what it is doing in Yemen with the Houthis, are destabilizing actions that we believe pose significant danger to our allies and partners in the region. And we are responding to them by working with our allies and partners, by enhancing their capability to defend themselves, and by looking for ways to build a broader diplomatic connectivity in the region that will allow them to push back on Iran in a significant way.

Senator GARDNER. Thank you, Mr. Chairman. My time is expired.

The CHAIRMAN. I think this is an important part of the testimony. I know you are new to this particular position and you are getting some leeway today because of that. But, for you to state that you know they are going to continue to do ballistic missile testing, in clear violation of the agreement, does speak to the fact that we do not need to be accommodating them relative to dollars and instead punishing them for violating the intent of this law.

You mentioned the authorities that you have. I assure you that, on a bipartisan basis, if you feel you need additional authorities, I think we could pass them out of here very quickly.

I think it is unsatisfying to listen to that line of questioning, and for you to state that you know they are going to continue to violate the agreement. Yet we have a Secretary of State acting as if we need to accommodate them because they did not negotiate the deal well enough.

Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

Under Secretary Shannon, it is very nice to have you here finally.

I want to continue some of the questioning around the ballistic missile program, because I was interested in the U.S. response to the program. Last week, we blacklisted two Iranian companies for supporting the ballistic missile program, and we sanctioned two British businessmen for helping an airline that was used by the Iran Revolutionary Guards. And France has also suggested that there could be unilateral European Union sanctions against Iran over the launches.

As we know, one of the reasons that the sanction regime was so effective in pushing Iran to the negotiating table to get us JCPOA is because of the international sanctions that really worked together to put pressure on Iran.

So can you talk about how realistic it might be for the Europeans to put additional sanctions on Iran over their ballistic missile tests?

Ambassador SHANNON. Thank you very much, Senator. And thank you for that question.

I know that our European colleagues—the European Union, Germany, France, and the U.K.—agree with us on ballistic missile testing. They view ballistic missile testing as a danger not just to the region, but to themselves. And for this reason, we have worked in concert with them in response to ballistic missile tests. It is why they joined us in writing a letter to the U.N. Security Council highlighting the recent ballistic missile tests.

So they are partners that were effective and important in implementing the sanctions regime that led to JCPOA. And I believe that they will work with us to attempt to address the ballistic missile launch issue.

We would have to have a larger discussion with them about what an enhanced sanctions regime might look like in regard to ballistic missiles. But they would at least be prepared to have that discussion.

Senator SHAHEEN. Secretary General Stoltenberg of NATO is here this week. Is there a role for NATO, given that the ballistic missiles pose a potential threat to NATO countries? Is there a role for NATO in thinking about how we should respond to Iran on the ballistic missile issue?

Ambassador SHANNON. I am sure there is. I am not capable at this point of delineating it, except that it would be related to how we work missile defense systems internally inside of Europe in protection of NATO countries, which we do already in some parts of the region.

Senator SHAHEEN. I know that whenever Iran has launched a missile, that there has been activity at the U.N. to try to condemn that, and that Russia has really been the obstructionist in many of those cases to our taking stronger action at the U.N.

So can you talk about what other actions we might be able to take to counter what Russia is doing?

Ambassador SHANNON. Well, we have been engaging with the Russians regularly on this for several purposes, first, in order to try to the extent possible to ensure that we have coherence and cohesion within the P5+1 as we address JCPOA implementation and as we address any other activities of Iran that are dealt with in the U.N. Security Council, the most recent U.N. Security Council Resolution 2231.

And in this regard, we have a difference with the Russians. So we have been engaging with them at many different levels to try to find a way to address that disagreement.

We have a commitment, however, from the Russians in terms of working to prohibit the transfer of technologies to Iran's ballistic missile program. And on this, we are trying to ensure that they stay firm within the P5+1. And at this point, they are.

Senator SHAHEEN. So the Russians are actually helping on that front?

Ambassador SHANNON. They are in the sense that they are complying with their commitment not to transfer these kinds of technologies or to facilitate the transfer.

Senator SHAHEEN. Thank you.

I want to switch topics a little bit to the Iranian elections and ask what our analysis in the State Department was of those parliamentary elections back in February and whether we think there is any room to believe that reformers may be gaining support within Iran, and whether those reformers are actually doing anything that is going to moderate Iran's stance with respect to its actions in the international community.

Ambassador SHANNON. An important question. The elections are still in play, since there are a variety of runoff elections. So it is hard for us to give a global understanding or estimate of the impact of those elections.

However, if we just look at what happened in Tehran and the extent to which reformers kind of swept the board in terms of the seats there, I think it highlights the fact that President Rouhani and his intent on opening Iran to the world. And addressing some of the fundamental stumbling blocks has resonated in a positive way.

It is not easy for us at this point to determine the impact that is going to have on how Iran behaves strategically, largely because Iran is a mix of conflicted entities and groups with hardliners aligning themselves both with religious leadership and with the security leadership to prevent reformists from moving too fast too far. And part of the work of the supreme leader is to balance forces inside Iran.

But it is our hope and our intent that as we pursue the JCPOA, and as Iran begins to connect with our colleagues in the European Union and elsewhere, that the positive impact of that connection or connectivity is going to have a political effect in Iran.

It is important to understand that Iran faces a huge demographic population. Sixty percent of Iran is 30 years old or younger. In other words, they were born after the revolution, and they have lived in a sanctioned society. Their ability to connect with the larger world I think is going to become a big factor inside of Iranian internal politics. It is our hope that will lead to some changes in Iran's behavior.

Senator SHAHEEN. I know I am out of time, Mr. Chairman, but if I could just follow up with one question.

Do we see any connection to that and a reduction in the human rights abuses that are occurring inside Iran?

Ambassador SHANNON. At this point, we do not see a lot. That is because there is a political struggle going on, and a definitional struggle. In moments like that, the tendency is for human rights abuses to go up.

Senator SHAHEEN. Thank you.

The CHAIRMAN. Thank you.

Senator Coons, congratulations on passage of your bill last night, by the way.

Senator COONS. Thank you, Mr. Chairman. It is great when we get things done here.

I appreciate deeply your making it possible for us to have this hearing today and your close cooperation with the ranking member, such that we have a functional and relevant Foreign Relations Committee as well.

Ambassador Shannon, thank you for your testimony here today.

Broadly speaking, I continue to be glad that Iran has taken critical steps to restrain its nuclear weapons program, as mandated by the JCPOA, to limit its ability to quickly develop a nuclear weapon. And I applaud the administration for sanctioning both individuals and entities involved in cyberattacks against the United States in 2011 and 2013. And I am pleased that you worked closely with our international partners over three recent incidents to interdict Iranian weapons shipments bound for the Houthi rebels in Yemen in the Arabian Sea. And I urge continued thoroughness and vigor in the enforcement of all the different mechanisms we have for preventing the Iranians from continuing to project power in the region.

But I remain deeply concerned that Iran continues to expand its influence in the Middle East and increase support for its terrorist proxies.

Iran's recent ballistic missile tests, which I know has been discussed at length at this hearing today, contradict its commitments under U.N. Security Council Resolution 2231, and I think demonstrate that the nuclear deal will not change Iran's behavior, at least in the short run, and Iran remains unready to meet the obligations required of a responsible member of the international community.

And I remain disturbed Iran continues to flagrantly violate the human rights of the Iranian people and has increased the pace of arrests and executions of political prisoners.

So I believe that if we fail to hold Iran accountable for these actions and fail to respond to violations of the JCPOA, even minor violations, that the viability of the nuclear agreement will be in jeopardy.

So while I commend the administration for its recent actions, I encourage that they continue, and I encourage that you enhance the implementation of the nuclear accord while we continue to work together on a bipartisan basis to be vigorous in pressing back on their ballistic missile tests, their support for terrorism, and their proxies and human rights violations.

Let me start, if I could, with a question about IAEA funding.

A February 2016 GAO report says that IAEA officials have expressed concerns about the reliability of the sustained extra-budgetary contributions for JCPOA enforcement activities due to possible donor fatigue over the long run. And a visit that I made to Vienna to meet with IAEA leadership earlier this year reinforced those concerns.

Does the State Department agree that these are significant concerns, and that a failure of the IAEA to have appropriate personnel deployed to take advantage of the search and inspections made possible under the JCPOA matters deeply? And do you believe the U.S. should make a significant, proactive, and long-term investment to meet the IAEA's requirements, to demonstrate we are fully committed to enforcing the JCPOA over the long term?

Ambassador SHANNON. The short answer is yes. The longer answer, first of all, we are grateful for the GAO report. We have it in draft, and we are commenting on it. We believe that the IAEA has the resources it needs in the short term through the end of the

year to address its responsibilities in terms of compliance verification, but we are continuing to look for ways with our partners to enhance the resources, especially the funding that the IAEA has at its disposal.

What we are asking the IAEA to do is quite remarkable. It is an important organization to begin with, in terms of nonproliferation and in terms of nuclear security and safety, but we are asking it to take on a role in Iran so intrusive and so interventionist that it will be groundbreaking for it, in many ways.

Much it can do technologically, but much of it is also going to require inspectors on the ground. This is going to require special funding and special training. But we are working with our partners to ensure that the resources are available.

But we will have a conversation with this Congress to discuss in broader detail where we think additional help will be important.

Senator COONS. Thank you, Ambassador. My strong impression is that the IAEA is a thorough, cautious, professional organization, and so they are simply being responsible in not leaping forward to invest in a whole new generation of inspectors, but that is not what this moment calls for.

One of the real positive features of the JCPOA is the opportunity for searching intrusive inspections, as you referenced. And nuclear inspectors take a while to train and to deploy, and I do not think we should be penny-wise and pound-foolish in this area and fail to enthusiastically take advantage of this window and provide robust support to the IAEA.

One other question. Last month, the U.N. issued a report showing the number of people executed by the Iranian Government skyrocketed to nearly 1,000 in 2015, twice as many as in 2010, 10 times as many as in 2005.

In your testimony, you highlight CISADA, the Comprehensive Iran Sanctions, Accountability, and Divestment Act, as a tool to potentially draw attention to and punish Iranian human rights violations. Do you believe the CISADA authorities should be expanded in any way, in light of Iran's ongoing human rights abuses?

Ambassador SHANNON. First of all, at the beginning of my testimony, I noted the three areas of concern, and one is human rights, because of the situation we see right now, and what it means for Iran politically and what it means for Iran going into the future.

When it comes to sanctioning, Iranian people and entities for human rights abuses, again, we believe we have the authorities. And I realize this is an unsatisfactory answer for this committee, but we are happy to engage in a conversation with this committee and with the Senate about what more we can and should be doing to address these issues, as we would be in other areas of sanctions, as I noted.

Senator COONS. I see my time has expired. Let me just make two comments if I might, in closing.

I had the chance yesterday to meet with Vitaly Churkin, Russia's Ambassador to the United Nations. He made it clear Russia will block U.N. Security Council action in response to Iran's recent multiple ballistic missile tests.

I think it is incumbent on us to work closely together in the legislative branch to ensure that we take greater action to strengthen

our unilateral sanctions against Iran's ballistic missile program. And I am very concerned about the ongoing debate in this committee and across other committees about the possibility of wider access to the U.S. dollar and U.S. dollar facilities for Iran.

I am determined that we make sure that Iran and its efforts to expand its reach in the Middle East and to support terrorism and finance terrorism is contained appropriately.

Thank you for your testimony, Mr. Secretary.

The CHAIRMAN. Thank you.

Senator Cardin?

Senator CARDIN. I just want to make a comment about U.S. leadership. Obviously, it would be preferred to have the Security Council take action against Iran for its missile violations. That would be preferred. It would also be preferred that, in addition to the U.S. actions, we have our coalition partners, including beyond the JCPOA. The gulf countries to participate with us would be very helpful, in sanctions against Iran for missile violations.

But it really starts with U.S. leadership. We have seen it over and over again, that if the United States is not prepared to take a very strong stance, it is difficult to get the type of attention internationally.

We did that recently in North Korea with the passage of the North Korea sanctions act. It was a strong bill, strong message. Working with the administration, we get that done.

So I would just make a couple comments. You mentioned a couple times human rights violations and that, under these current circumstances, we see an uptick on what Iran is doing on human rights violations. We should have a strategy to respond to that, and we will be stronger if Congress gives you the way to deal with that, working with Congress to show that we are serious about holding Iran's nefarious actions accountable.

And on ballistic missiles, it seems to me this is a relatively easy matter, working with the administration to have a statutory framework that goes beyond any one administration to make it clear we are going to take action against Iran. If we are the only country, we will do it. But when we act, we generally can get our partners in Europe to pay more attention to us and our strategic partners around the world to pay more attention to it, perhaps even adding to U.N. sanctions, ultimately.

So I would just urge you, in the strongest possible way, to not only show a willingness to work with Congress, but to help us come to the appropriate legislative response to the realities of Iran today. And today, we see that they are violating their missile obligations. They are violating international human rights, as you pointed out. And they are supporting terrorism.

Beyond the JCPOA and nuclear responsibilities, which I said earlier, we will treat that as a separate basket, but let's not be bashful about the need for U.S. leadership, and Congress has a critical role in that. And you can help us.

There is a common agenda in the administration, but there is a different attitude in the State Department, Defense, Energy, Treasury, the White House, and I think you can play a very important role bringing us together with a strong statement by the United

States Congress, getting us to pass legislation that can help you in this effort.

The CHAIRMAN. Thank you.

I know Senator Menendez wanted to come back and ask some questions.

Senator MENENDEZ. Thank you, Mr. Chairman, for the opportunity.

Mr. Secretary, just a couple quick questions. Maybe you can answer them yes or no. When you hear the question, you will probably understand that it is acceptable for a yes or no. I know sometimes that is hard, particularly for members of the State Department to do.

Yes or no, are sanctions against ballistic missile testing a violation of the JCPOA?

Ambassador SHANNON. No.

Senator MENENDEZ. Are sanctions against financial institutions that are financing, whether it be ballistic missile tests or the financing of terrorism activities, in violation of the JCPOA?

Ambassador SHANNON. No.

Senator MENENDEZ. Is reauthorization of the Iran Sanctions Act a violation of the JCPOA?

Ambassador SHANNON. Not that I am aware of.

Senator MENENDEZ. Okay, a little bit more equivocal. I do not think it is.

Now, I am sure that you are aware that I have had the GAO investigating some of the assumptions of the administration about the JCPOA and the international community's ability to ensure that Iran is, and as the President has said, following the letter of the agreement, but also the spirit.

The GAO's observations pointed directly to future problems at the IAEA with monitoring, verifying, and meeting the requirements of the JCPOA, included but not limited to limited investigative capabilities, limited analytical capabilities, a limited budget from irregular funding sources, human resource shortfalls, certain important equipment operating at capacity already, a lack of authorities and a dependence on Iran's cooperation, and the tyranny of dichotomy. As the IAEA turns its attention almost exclusively to Iran, it turns away from other proliferators that we are concerned about as well.

These are pretty profound challenges.

Now the GAO has found some additional problems, which I am raising with you for the first time, and I hope to hear your responses to it.

Iran has a history of safeguard violations and of denying the IAEA access to its facilities. How does the IAEA communicate potential violations of the agreement to the joint commission or individual parties to the agreement? And has the IAEA flagged any activity as a violation or potential violation so far?

Ambassador SHANNON. Thank you for that question.

The IAEA is a central part of compliance with the JCPOA. As you noted, the demands of the JCPOA, and as Senator Coons noted, are going to place a very special responsibility on the IAEA, but also very special demands that will require the IAEA to trans-

form aspects of its structure and its behavior. And we are prepared to work with the IAEA to ensure that it does so in a timely fashion.

The IAEA communicates with the joint commission and the members of the joint commission in a variety of forms. It has regular reporting requirements related to JCPOA compliance. It also engages with us individually in Vienna on JCPOA compliance. And it is in a position to identify aspects of JCPOA compliance that need further attention. And we have had——

Senator MENENDEZ. I am sorry to interrupt you, but my specific question is how does it communicate potential violations with the agreement to the joint commission, and have they flagged any activity as a violation or potential violation so far?

Ambassador SHANNON. They have not flagged violations. They have flagged issues in which there is not a complete understanding between both parties about what needs to be done. Because of that, we are working within the joint commission and working with our partners, and the Iranians have been able to address them.

Senator MENENDEZ. So they communicate to the joint commission in writing? verbally? To individuals? I am trying to get the process here, because that is one of the things the GAO talks about. What is the process to do this?

Ambassador SHANNON. As I noted, there is kind of a two-tiered process. The first is through its formal reports. But secondly, the joint commission members engage regularly with the IAEA. That is the reason we do the meetings in Vienna and meet with IAEA——

Senator MENENDEZ. Let me ask you this. You said that there was interpretation—correct me if I am wrong—interpretation questions. So have there been instances of questionable compliance thus far that were resolved outside of the dispute resolution mechanism?

Ambassador SHANNON. These are issues that did not kind of rise to the issue of a dispute. These are issues in which we noticed certain activities that we thought were not in compliance. We engaged with the Iranians, and they were fixed.

Senator MENENDEZ. Because if there was a dispute on something, you would be more formal and everyone would know about it. The way in which you described those issues, it is rather informal, and no one knows exactly what they are, right? There is no record of that?

Ambassador SHANNON. I will have to go back and check on a couple of the specific ones, whether or not they were formalized or written in some fashion.

Senator MENENDEZ. Let me ask you this. If an access issue arose to the joint commission, would the IAEA still get access within 24 days, if any members of the joint commission disagreed on its significance?

Ambassador SHANNON. I am sorry? Would they get——

Senator MENENDEZ. An access question, meaning access by the IAEA to Iran by the joint commission. Would IAEA still get access within 24 days, if any members of the joint commission disagreed on its significance? Some might say it is not significant, worthy of having access.

Would the IAEA still get access?

Ambassador SHANNON. My understanding is yes. My understanding is the IAEA can access areas——

Senator MENENDEZ. Even if members of the joint commission are in disagreement?

Ambassador SHANNON. Yes.

Senator MENENDEZ. Okay.

Finally, how will the IAEA and/or the procurement working group know that exporters are going through the procurement channel? Are there consequences, penalties, for exporters failing to go through the procurement channel?

Ambassador SHANNON. If the material that they are seeking to sell is on excluded lists, the answer is yes. But my understanding is that anybody that wants to engage with Iran on issues that are controlled has to go through the procurement working group.

Senator MENENDEZ. I raise these questions, because this is a new onset of the GAO study, and I would invite you, as you go back to the State Department, to review your answers to me. And if any of them need to be modified, because I am really just interested in the facts, if they need to be modified for the record, I am sure that the chairman would consider it.

Thank you, Mr. Chairman.

The CHAIRMAN. I would actually ask you to reconsider your answer. There is a joint commission vote that has to occur, and the IAEA can be denied access. I know you are somewhat new to this. I know you were not involved in negotiations. I do not think you answered that question appropriately, not intentionally, of course, but it is my sense is you are going to need to correct that.

Senator MENENDEZ. Mr. Chairman, none of those were gotcha questions. They are new questions raised by the GAO study that I and Senator Kirk asked to be commissioned. I just want to get a definitive answer, so that I understand it, as the chairman does.

But we need to know what the State Department view is on it, so that as we are looking at legislation or whatever, we can think about that.

Ambassador SHANNON. Okay. I appreciate that. I will take that and get back to you.

The CHAIRMAN. I think one of the concerns, was the period leading up to the 24 days, then the 24 days, then the vote of the commission. I do think you might want to restate your answer.

Ambassador SHANNON. Okay.

The CHAIRMAN. I think we are closing out. I just would like to say I know Senator Shaheen has some questions about the election, which I appreciate. The fact is, people are still observing whether, there were actually "more moderate" folks elected and the policies are actually going to change, or whether Iran is putting on a moderate image but carrying out the same policies. The number of people being executed, the human rights violations, and things they are doing to destabilize the region, seem to have been on the ascendancy since these elections have taken place.

Secondarily, I would just say that, look, there are people on this dais and on this committee that voted in different ways, relative to the agreement and that is understandable. I do not think a single person today said that they wanted to lighten up in pursuit of

Iran adhering to this agreement. I do not think there is that push. I may have misunderstood, but I do not think that is the case.

No one is advocating putting in place policies that violate the agreement, but we want to make sure that Iran adheres to the agreement.

I get the sense that Secretary Kerry has gotten to know Foreign Minister Zarif well. They developed a relationship, maybe also with Rouhani.

I get the sense that there is a desire by the Secretary to accommodate Iran, to make this agreement work more than the language states it should for Iran. My sense is there are other parts of the administration that are countering that. I think the President is some place in between.

I just want to say I am glad we had this hearing, and I do not think you heard from this committee any desire to provide flexibility that does not exist. In fact, I think what you heard today that there is desire to push back in appropriate ways, because there is a sense that, over time, the will to adhere to this agreement could erode. I hope you will take that back to the State Department.

We thank you for your testimony. There will be questions asked in writing. The record will remain open until the close of business Thursday. If you would respond appropriately, we would appreciate it.

The CHAIRMAN. I know this is a hearing on some technical issues today, some of which you are familiar with, some of which you are not. We thank you for coming, and we appreciate the role you are playing at the State Department.

Ambassador SHANNON. Thank you very much. I appreciate this opportunity.

The CHAIRMAN. With that, the meeting is adjourned.

[Whereupon, at 11:58 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF UNDER SECRETARY OF STATE THOMAS A. SHANNON, JR. TO QUESTIONS SUBMITTED BY SENATOR BARBARA BOXER

Question. I appreciated your testimony, in which you said the Administration takes any threat to Israel extremely seriously and has strongly invested in Israel's defense. I agree that Israel's security should be of utmost concern. Following the implementation of the Joint Comprehensive Plan of Action (JCPOA), what measures has the Administration taken to boost Israel's defense systems, security, and preserve its Qualitative Military Edge?

Answer. Our commitment to Israel's security is steadfast, and our close cooperation with the Israeli government on military and security issues continues. We consult closely with the Israeli government to determine how we may best support them in defending against emerging threats. As Prime Minister Netanyahu recognized during his 2015 speech to the UN General Assembly, "we never forget that the most important partner that Israel has always been, and will always be, the United States of America."

Israel remains the leading recipient worldwide of U.S. Foreign Military Financing (FMF). The current ten-year $30 billion Memorandum of Understanding between the U.S. and Israel, under which Israel currently receives $3.1 billion per year, is just one example of our strong, enduring partnership and the U.S. commitment to Israel's security.

The United States also provides Israel with access to highly sophisticated equipment to ensure its security, including the F-35 Joint Strike Fighter. With deliveries starting in late 2016, Israel will be the only country in the region with a fifth gen-

eration U.S. fighter aircraft. We will continue to work with Israel to identify the best equipment to meet its security needs.

Under President Obama's leadership, the United States has invested approximately $23 billion in FMF assistance in Israel, and over $3 billion in the Iron Dome, David's Sling, and Arrow 3 missile defense systems. Since 2011, the United States has provided Israel with over $1.3 billion for the Iron Dome system alone.In FY 2016 Israel will receive an additional $487 million in missile defense support, including $55 million for Iron Dome. After successful joint tests of David's Sling and Arrow 3 in December 2015, in FY16 the United States will fund coproduction and procurement of these systems for the first time - further deepening our missile defense cooperation with Israel.

Question. How has the Administration pressed Iran to uphold human rights, specifically the rights of women?

Answer. Our position on the human rights situation in Iran has not changed as a result of the Joint Comprehensive Plan of Action. We continue to condemn Iran's ongoing repression of human rights and fundamental freedoms and to call on it to respect the universal human rights of all persons in Iran. As your question indicates, women in Iran continue to face official and social discrimination, and limitations on their travel, work, education, and family-related rights. We regularly highlight the situation of women in Iran via our social media platforms and public statements. For example, we specifically called for the release of female activist Bahareh Hedayat as part of the #freethe20 campaign.

One tool we have for addressing human rights violations in Iran is our sanctions targeting Iran's human rights abuses. We have imposed sanctions on 19 individuals and 17 entities determined to meet the criteria in Sections 105(b) and 105B(b) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010. We will continue to vigorously enforce these and other sanctions related to human rights violations. These individuals and entities are blocked from the U.S. financial system and the individuals are barred from traveling to the U.S.

Additionally, we apply international pressure on Iran for its human rights violations through the United Nations. First, we support the renewal of the UN Human Rights Council mandate for the Special Rapporteur on the Situation of Human Rights in the Islamic Republic of Iran, which was most recently renewed March 23 primarily because of our aggressive lobbying campaign. Second, we support and lobby aggressively for the UN General Assembly 3rd Committee resolution expressing the international community's concerns over Iran's human rights violations.

Beyond these measures, we document human rights abuses in the International Religious Freedom, Human Rights, and Trafficking in Persons reports. Iran is designated as a "Country of Particular Concern for Religious Freedom" under the International Religious Freedom Act of 1998 and a Trafficking in Persons Tier 3 country.

Question. As you know, I supported the Iran nuclear agreement. Key to my support was the international community's endorsement of the deal, including our partners in the Gulf. Our Gulf Cooperation Council (GCC) partners will remain essential in countering negative Iranian influence in the region. As Iran continues to test ballistic missiles in defiance of UN Security Council Resolutions, it remains imperative that we shore up the ballistic missile defense systems of our regional partners. Emerging from the U.S.-GCC Camp David Summit last May, the United States and our Gulf partners committed to developing a region-wide ballistic missile defense capability. What is the status of this effort?

Answer. The Department of Defense's (DoD) Missile Defense Agency (MDA) committed to undertaking a Ballistic Missile Early Warning System (BMEWS) study to determine requirements for the GCC to establish a BMEWS. A U.S.-GCC BMD (ballistic missile defense) working group met in August 2015, and again from April 18-19, 2016. At the April meeting, DoD and State Department officials briefed GCC partners on the status of the study, which MDA plans to complete this summer. The GCC was satisfied with the proposed architecture and requested the United States provide cost and schedule information along with the final report. The GCC will then decide how to implement the study's recommendations for acquiring an early warning capability.

The United States is also planning a BMD Senior Leader Seminar. This tabletop exercise will be hosted by Kuwait from May 23-25, and will be attended by senior representatives from each of the GCC member states' ministries of foreign and defense affairs, the GCC Secretariat, as well as the U.S. State and Defense Departments. The exercise will allow GCC countries to examine military issues, such as defense design and BMD planning, as well as the role BMD can play in supporting diplomatic solutions to regional crises.

The United States continues to support GCC member state acquisition of BMD systems to assure them of their own deterrence and defense capabilities. The United Arab Emirates has acquired Patriot and Terminal High Altitude Area Defense (THAAD) systems. Saudi Arabia is upgrading its Patriot PAC-2 systems to the more advanced Patriot PAC-3 and is considering buying THAAD. Qatar has agreed to acquire Patriot PAC-3, and is also considering the purchase of an Early Warning Radar (another significant BMD capability) and acquiring THAAD. The United States continues to work with Kuwait, which has acquired Patriot systems.

Question. I understand that during your visit to Russia at the end of March, you discussed the implementation of the Joint Comprehensive Plan of Action (JCPOA) with Russian officials. How is the Administration working with Russia to ensure Iran upholds its commitments under the JCPOA?

Answer. (SBU) Russia was an important partner in concluding the Joint Comprehensive Plan of Action (JCPOA) and has continued to play a constructive role in its ongoing implementation. For example, Russia assisted in the removal of Iran's low-enriched uranium stockpile. This was a key step Iran had to complete in order to reach Implementation Day under the JCPOA and integral to extending Iran's "breakout time" for production of a nuclear weapon from two to three months before the JCPOA to at least one year, where it is now. Russia is also taking a lead role in the ongoing process of converting Iran's underground Fordow facility for stable isotope production.

Given Russia's important contributions to the JCPOA which will ensure Iran's nuclear program is and will remain exclusively peaceful moving forward, I routinely engage with my Russian counterparts on matters related to the ongoing implementation of the JCPOA, as I also do with my other P5+1 and EU counterparts.

Question. How is the Administration, both unilaterally and with our partners, working to counter Iran's destabilizing activities in the Middle East?

Answer. Iran's destabilizing activities in the region threaten our interests and our allies, and we are working intensively with our partners in the region to deter and disrupt Iranian threats.

Unilaterally, we have forcefully deployed Executive Order (E.O.) 13224, which allows us to target terrorists of any stripe across the globe, against Iran. The IRGC-Qods Force, the Iranian Ministry of Intelligence and Security, Iran's Mahan Air, Hizballah, and over 100 other Iran-related individuals and entities remain subject to sanctions under this E.O. Most recently, on March 24, the Department of Treasury designated six individuals and entities that have facilitated Mahan Air's efforts to circumvent sanctions. Further, under Iran sanctions statutes, foreign financial institutions may be subject to secondary sanctions for knowingly facilitating a significant financial transaction or providing significant financial services for an entity on the Specially Designated National (SDN) List, which includes the IRGC and its designated officials, agents, and affiliates. These and other authorities allow us to continue to target the IRGC for any destabilizing activities in the region.

We continue to work intensively with our partners, especially Israel and the Gulf states, to deter and disrupt Iranian threats and proliferation. Examples of such cooperation include ongoing security cooperation with the GCC following the Camp David summit, sanctions on a range of Iranian entities for actions in Syria, and Israel's seizure of the Klos C vessel carrying weapons bound for Gaza in 2014. Additionally, since September 2015, Coalition maritime forces have interdicted four dhows carrying weapons from Iran that we assess were destined for the Houthis in Yemen. Each of these three shipments contained roughly 2,000 small arms, including rifles, some heavy machine guns, sniper rifles, and anti-tank weapons.

RESPONSES OF UNDER SECRETARY OF STATE THOMAS A. SHANNON, JR. TO QUESTIONS SUBMITTED BY SENATOR JOHNNY ISAKSON

Question. In the wake of the Iran Nuclear Deal and in light of Iran's recent provocative behavior, what are some specific actions the United States is taking in response to Iran's actions in the region?

Answer. We are deeply concerned about Iran's destabilizing activities, which are a threat to us and our allies. We continue to work intensively with our partners, especially Israel and the Gulf states, to deter and disrupt Iranian threats and proliferation. Examples of such cooperation include ongoing security cooperation with the GCC following the Camp David summit, sanctions on a range of Iranian entities for actions in Syria, and Israel's seizure of the Klos C vessel carrying weapons bound for Gaza in 2014. Additionally, since September 2015, Coalition maritime

forces have interdicted four dhows carrying weapons from Iran that we assess were destined for the Houthis in Yemen.

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The Joint Comprehensive Plan of Action (JCPOA) was meant to address the international community's concerns with Iran's nuclear program. An Iran armed with a nuclear weapon would be able to project even more power in the region. This is one of the reasons we worked so hard on a diplomatic solution to the nuclear issue. Full implementation of the JCPOA is a step in the right direction to begin addressing the other very serious concerns we have about Iran's malign regional activities.

Question. One of the keys to bringing Iran to the table in the first place was the coalition around enforcing multilateral sanctions against the regime. How will that coalition hold together? Especially as trade and potential economic benefits return to Iran and some of these countries invest there?

Answer. The Joint Comprehensive Plan of Action (JCPOA) between the P5+1 (China, France, Germany, Russia, the United Kingdom, and the United States), the European Union (EU), and Iran has cut off all of Iran's pathways to a nuclear weapon. This has improved the security of the United States and our allies. The best way to ensure that the international coalition holds together is to ensure that Iran continues to uphold its commitments under the JCPOA. Like the United States, the EU understands the threat posed by a nuclear Iran. The EU has been a strong partner on Iran sanctions. When the United States was increasing sanctions pressure on Iran the EU also took significant steps, despite their strong economic ties with Iran. We are confident that the EU will again take such steps should Iran breach its JCPOA commitments. UN Security Council Resolution 2231 also includes a snapback mechanism for UN sanctions, which could be used to reimpose multilateral sanctions on Iran.

Question. How will we be able to limit the Iranian regime's ability to use capital to further destabilize the region? These malign activities do not necessarily cost a lot of money, and we can argue that they have been doing these things with little money to wreak havoc.

- What tools are available to the U.S. and our allies to counter Iran's provocations in the region, especially those that are less capital intensive?
- Do we need additional tools to counter these destabilizing activities?

Answer. Iran has, over the past three decades, used some of its resources to support terrorism. That is why Iran is and remains a designated State Sponsor of Terror. And that is why our non-nuclear related sanctions on Iran remain, and why we will continue to work with our partners in the region to counter Iran's malign activities, regardless of the source of funds for those activities.

Iran's ongoing economic difficulties make it harder to divert large portions of its financial gains from sanctions relief away from its domestic economy and toward its regional activities. For example, we estimate that Iran needs about half a trillion dollars to meet pressing investment needs and government obligations.

What has been most effective in countering Iran's destabilizing activities in the region is working with our partners in the Gulf to disrupt malign Iranian activities, and we continue to enhance both our cooperation and their capabilities. We have established with our partners in the Gulf Cooperation Council a set of working groups to accelerate arms transfers and improve their military preparedness, ballistic missile defense, counterterrorism, and cyber capabilities.

We have numerous domestic authorities - including sanctions - to counter Iran's support for terrorism and other destabilizing activities. We will continue to enforce aggressively our sanctions related to Iran's support for terrorism, ballistic missile activities, regional destabilization, and human rights abuses.

Question. What is the Administration's assessment of Iran's human rights practices? How effective have international sanctions been in altering any of Iran's human rights practices? What further steps can be taken to bring about improvement on this issue?

Answer. We remain deeply concerned by Iran's human rights record. We document the reasons for our concern in our annual Country Reports on Human Rights Practices, International Religious Freedom Report, and Trafficking in Persons Report. The human rights report on Iran highlights severe restrictions on civil liberties, limitations on citizens' ability to choose their government peacefully through free and fair elections, and abuse of due process combined with escalating use of capital punishment for crimes that do not meet the threshold of most serious crimes. Iran also continues to use the death penalty in cases of juvenile offenders. Iran is designated as a "Country of Particular Concern" under the International Religious Freedom Act and a Trafficking in Persons Tier 3 country. We routinely address human rights issues in Iran in public statements.

Our sanctions targeting Iran's human rights abuses remain in place and we will continue to vigorously enforce them.

In general, human rights sanctions that the United States and our partners exercise around the world are an important tool for defending international human rights norms. They help to shine a light on abuses of power and to demonstrate to ordinary citizens of repressive regimes that countries like the United States stand with them and against those who deny them the right to pursue their aspirations.

In addition, we believe highlighting Iran's human rights record in international forums is a critical method to bring pressure to bear on Iran to change its record. We continue to support and lobby for the renewal of the mandate of the UN Special Rapporteur on the Situation of Human Rights in the Islamic Republic of Iran so that he can continue his important work. We also strongly support and lobby for the annual UN General Assembly 3rd Committee resolution on human rights in Iran, which stresses the international community's serious concern about these issues.

We will continue to press Iran to end its mistreatment of its people and we will continue to raise our voice in support of the Iranian people and their desire for greater respect for human rights and the rule of law.

Question. To what extent is Iran receiving the sanctions relief it says it was promised under the JCPOA? What steps, if any, might the Administration be considering that could provide additional sanctions relief to Iran beyond that committed by the JCPOA?

Answer. In exchange for Iran meeting its nuclear-related commitments under the JCPOA, we lifted nuclear-related sanctions on Iran. As long as Iran continues to meet its nuclear commitments, we will continue to uphold our JCPOA sanctions commitments.

It is important that the United States follow through on its commitments in the JCPOA. It is important that the United States be seen around the world as a good faith partner; our ability to deliver on what we promise affects American standing in the world.

We have, therefore, been providing clear guidance to banks and businesses about what transactions are possible under the JCPOA. We have seen indications that some non-U.S. banks are still reluctant to give Iran access to its funds, despite the fact that foreign financial institutions can now transfer such funds to the Central Bank of Iran without running afoul of U.S. sanctions. This may be due to a lack of understanding about the sanctions relief or a misunderstanding about the intent of the U.S. government.

It is not in our interest to create artificial barriers to transactions that we committed in good faith to allow. We are, therefore, committed to ensuring that those types of transactions can occur within the bounds of the JCPOA.

Question. According to an Associated Press report last week, "While no final decision has been made, officials told The Associated Press the Treasury Department has prepared a general license permitting offshore financial institutions to access dollars for foreign currency trades in support of legitimate business with Iran, a practice that is currently illegal."

- ♦ Does the Administration plan to allow this to facilitate Iranian business in dollars?
- ♦ Is this beyond the scope of the sanctions relief agreed to in the JCPOA?
- ♦ Does this ability to do these transactions in dollars circumvent the assurances the administration gave to Congress during the deliberation of the deal?

Answer. The recent press reports that the Administration is planning to reinstate the authorization for "U-turn" transactions or give Iran access to the U.S. financial system are inaccurate. In fact, we will continue to vigorously enforce the many sanctions that remain against Iran, including our primary sanctions that generally prohibit Iranian banks from clearing U.S. dollars through the U.S. financial system, holding correspondent account relationships with U.S. financial institutions, or entering into financing arrangements with U.S. banks. These sanctions are an important part of our government's tool kit to protect the integrity of our robust and globally influential financial sector. As we have said consistently, Iranian banks will not be given access to the U.S. financial system under the JCPOA.

Question. What is the Administration's position on legislation to extend the Iran Sanctions Act (ISA) at this time? How would the United States "snap back" key sanctions if the authorities of that Act expire? What message would it send to Iran for the United States to dismantle some of the legal architecture that would be employed to re-impose sanctions if Iran violates the JCPOA?

Answer. It is not necessary to extend the Iran Sanctions Act (ISA) at this time, since it does not expire until the end of 2016. Right now our focus is on continuing to verify that Iran is implementing its nuclear-related commitments under the Joint Comprehensive Plan of Action (JCPOA). Further, it is not necessary to renew the Iran Sanctions Act in order to retain the ability to snap back sanctions. The President could utilize his authorities under the International Emergency Economic Powers Act (IEEPA) and other statutes to impose a variety of economic sanctions that would allow us to recreate sanctions currently required under ISA, if necessary. Indeed, much of our Iran sanctions architecture has been created through the use of Executive Orders that were issued pursuant to IEEPA. These E.O.s can be issued in as little as a few days, which means that we could quickly re-impose sanctions in a snap back scenario.

THE IRAN NUCLEAR AGREEMENT: ONE YEAR LATER

TUESDAY, JULY 14, 2016

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

The committee met, pursuant to notice, at 10:29 a.m., in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker, Risch, Rubio, Johnson, Flake, Gardner, Perdue, Isakson, Barrasso, Cardin, Coons, Udall, Kaine, and Markey.

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

The CHAIRMAN. . The Foreign Relations Committee meeting will come to order. I want to thank everybody for participating in our business meeting and for all of you being here today.

I certainly want to thank our witnesses for testifying. We know them well. Both of you have been great resources for this committee as we continue to develop and refine our policies toward Iran. So thank you both for appearing before this committee again.

I personally opposed the Iran deal. I did not believe it would ultimately prevent the regime from developing a nuclear weapon and would instead embolden the world's leading state sponsor of terrorism, while diminishing our leverage. Even though members of this committee wound up in different places on the agreement itself, we continue to pursue vigorous oversight in a bipartisan fashion consistent with a mandate from the Iran Nuclear Agreement Review Act.

One year after the agreement concluded, the Iranian regime remains as serious of a threat to our national security as ever before. The Obama administration readily admits that Iran's ongoing support for terrorism, repeated ballistic missile violations, human rights abuses, and other destabilizing activities in the region continue to take place.

To restore our resolve in our Iran policy, I am introducing a bipartisan piece of legislation today, with other committee members, that mandates tough sanctions for ballistic missile activity, terrorism, and other threatening behavior. I plan to work, as always, with everyone here on this legislation and ensure that U.S. policy is not held hostage by Iran's threats to walk away from the nuclear agreement. The need for this legislation is very apparent. Whether

or not Iran is complying with the nuclear deal, their hostile intentions are clear.

Just this week, the U.S. military released photos of the IRGC Navy's provocative actions around U.S. naval ships. Last week, the Germans released an intelligence report outlining Iran's clandestine attempts to procure "illegal proliferation-sensitive procurement activities" throughout 2015. Additionally, last week, Angela Merkel warned of Iran's unabated rocket program.

Iran also recently attempted to purchase 5 tons of carbon fiber to build centrifuge rotors for which they have no need.

Meanwhile, Iran has announced charges against four dual nationals and foreigners, one of whom is an American citizen. They have also doubled down on the support for the Assad regime and Hezbollah while Iranian forces are currently assisting on the ground to encircle the city of Aleppo.

I could go on about their use of commercial airlines to support terrorism, illicit financial activities, cyber threats, and more, but I am sure that we will cover those issues fully in this hearing.

I think it is worth noting that there is broad bipartisan support for new Iran legislation. I know both of our witnesses would support such legislation.

Mr. Nephew, who played a prominent role in negotiating the Iran deal, wrote in his testimony today that it is reasonable to consider new legislation that would impose penalties on those who support Iran's development of and trade in missiles and conventional arms, as well as violations of Iranian human rights.

We have crafted a bill that does just that, and I hope to build even broader bipartisan support for the legislation. So today, I hope our witnesses can help us in this effort to push back against Iran's continued aggression and recommend ways that Congress can remain constructively engaged.

With that, I want to thank you again for appearing here and turn it over to my friend, the ranking member, Senator Cardin.

STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND

Senator CARDIN. Mr. Chairman, thank you very much for convening this hearing. I thank both of our witnesses for once again being willing to come back before this committee.

This is a historic day, the 1-year anniversary of the signing of the JCPOA. It provides us an opportunity to reflect on its implementation and what has been achieved in rolling back Iran's weapons program.

Over the past year, Iran has fulfilled the nuclear pieces of the agreement. On January the 16th, the International Atomic Energy Agency, IAEA, confirmed that Iran reduced its number of operational and installed centrifuges below the 5,600, which is what Iran committed to in the JCPOA; limited its nuclear stockpile to no more than 300 kilograms of low-enriched uranium; removed the core of the Arak reactor, making it physically incapable of producing significant amounts of weapons grade plutonium; and agreed to all of the enhanced IAEA monitoring inspection, which the JCPOA required to verify that no undeclared nuclear materials or activities are occurring in Iran.

Since implementation day, the IAEA has been able to confirm in its quarterly reports that Iran is upholding the nuclear portions of the deal. This is a welcome development, but we cannot evaluate the JCPOA in a vacuum. It must be considered within the strategic and regional context.

From this vantage point, my worst fears expressed last year, that the JCPOA would actually increase the likelihood of conflict, may be coming true. Since this agreement was signed, the Iranian Government has continued ballistic missile testing activities, which flies in the face of the spirit of the agreement and is in violation of the U.N. Security Council resolution that endorsed the JCPOA; doubled down in Syria and now openly acknowledges casualties taken protecting the regime of Bashar Assad; funded and supported the Iraqi Shiite militia in Iraq that have participated in sectarian violence; restored relations with Hamas, a U.S.-designated foreign terrorist organization committed to Israel's destruction; deployed vessels full of lethal aid to the Houthi fighters in Yemen; incited riots to attack Saudi diplomat facilities in Iran; increased the number of executions and is doing nothing to improve the abysmal human rights situation in their country.

Last year, after deep reflection and evaluation, I ultimately did not support the JCPOA. But I was also clear that, if it was implemented, my priority would be ensuring that our government has all the necessary tools and resources to implement it.

I am also committed to addressing the weaknesses beyond the nuclear agreement, the troublesome issues left unaddressed, many of which I just enumerated.

This agreement has the best chance of succeeding if its weaknesses are squarely addressed. Congressional action should not focus on undermining the agreement by passing legislation that clearly violates the JCPOA. Instead, we should be working together to strengthen it.

U.S. policy in Iran has always been strongest when Congress stands together, united.

I introduced the Iran Policy Act last year, over 10 months ago, along with many of my colleagues who both supported and opposed the JCPOA. That legislation does exactly that, strengthen the JCPOA.

So, Mr. Chairman, I look forward to the work of this committee and bringing us together. There is overwhelming consensus in this Congress of a common objective to prevent Iran from becoming a nuclear weapons state, yes. And to also take action to prevent the other nefarious actions of Iran.

Whether it is ballistic missile violations, conventional weapons, human rights violations, interference in other countries, we all agree that we need to take action in order to deal with that. But let's do that in a bipartisan way, not in a divisive way.

The bill that I filed on behalf of many of my colleagues provides for rigorous oversight of the agreement, including additional reporting of Iran's nuclear research and development activities and the use of sanction relief; clarifies U.S. policy to make it clear that Iran does not have an inherent right to enrich; and that all options remain on the table, including military options to prevent Iran from obtaining a nuclear weapon; continues sanctions on Iranian entities

and individuals engaged in ballistic or cruise missile proliferation, and terrorism or human rights violations; and provides for expedited considerations on new sanctions if Iran directs or conducts an act of terrorism against the United States or substantially increases its operational or financial support for terrorist organizations that threaten U.S. interests or allies.

The bill, importantly, authorizes additional specific security assistance for Israel.

There are also several other steps that we must work together going forward. Mr. Chairman, we must reauthorize the Iran Sanctions Act for another 10 years, so that the threat of snapback sanctions remains a credible deterrent. We much must urge our partners in the P5+1 to coordinate responses for Iran's troubling behavior. Last week's U.N. report on Iran's ballistic missile activities is a perfect opportunity.

As the Iranian regime continues its destructive pattern of supporting terrorism, proliferation of weapons, threatening Israel and violating basic human rights, the Congress has to remain strong and united in countering this warped worldview.

Thank you again, Mr. Chairman, for convening this hearing and bringing us two distinguished panelists to continue our discussion. I look forward to that discussion.

I look forward to working with you and all the members of this committee on how we can best deal with the Iranian threat.

The CHAIRMAN. Thank you, and thank you for your comments and the way that we have been able to work together on so many issues. I think both of us have meticulously stayed away from anything that compromises the JCPOA, while attempting to deal with Iran's illicit activity. I think we both understand that doing anything that would attempt to undermine the agreement while we push back against Iran would not be in the mode that we have continued to operate within this committee.

I realize there are some bills that are coming out of the House that may do that. I think you will see that the legislation that was introduced this morning in a by members of the committee is one that does not do that, does not undermine the JCPOA, but does push back against the illicit activities that are underway.

I thank you for that and I look forward to continuing to work with you.

Our first witness is Mr. Mark Dubowitz, executive director for the Foundation of Defense of Democracies. Our second witness is Mr. Richard Nephew, program director for economic statecraft, sanctions and energy markets at the Center on Global Energy Policy at Columbia University's School of International and Public Affairs.

We want to thank you both for being here. We are obviously very interested in your comments. If you could summarize, though, in about 5 minutes or so, without objection, your written testimony will be entered into the record.

With that, we will start in the order you were introduced. Thank you.

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

Mr. DUBOWITZ. Chairman Corker, Ranking Member Cardin, members of the committee, on behalf of FDD and its Center on Sanctions and Illicit Finance, thank you for the opportunity to testify. It is an honor to be back before the committee.

It is also an honor to testify with Richard Nephew, whose work and service to our country I greatly admire.

It is worth recalling why this nuclear deal is fatally flawed. It provides Iran with multiple patient pathways to nuclear weapons capability by placing limited, temporary constraints on its nuclear activities. These nuclear sunset provisions begin to expire in 8 years, and mostly disappear over a period of 10 to 15.

Iran will become a threshold nuclear power with an industrial-sized nuclear program, near zero-nuclear breakout capacity, and advanced centrifuge power clandestine sneakout capability, an ICBM program, access to heavy weaponry, greater regional hegemony, a more powerful economy increasingly immune to Western sanctions.

The deal already has provided Iran with substantial economic relief that helped the regime avoid a severe economic crisis and return to a modest recovery path. Tehran badly needed hard currency, which it received and which frees up funds for the financing of its malign activities.

The Obama administration officials repeatedly have pledged the U.S. would continue to enforce nonnuclear sanctions and "oppose Iran's destabilizing policies with every national security tool available." Iran's leaders, however, view any imposition of sanctions as a violation of the deal and grounds to snap back their nuclear program.

Those threats have effectively deterred Washington from imposing meaningful nonnuclear sanctions. This is what I have called Iran's nuclear snapback.

In fear of this nuclear snapback, the administration has missed numerous opportunities to counter Tehran's expanding malign activities. Tehran has tested nuclear-capable ballistic missiles seven times since July 2015, in violation of U.N. Security Council resolutions. Iran attempted to illegally procure materials that could be used for its nuclear, missile, chemical, and biological weapons programs as recent reports from Germany's domestic intelligence agencies and David Albright's institute have assessed.

German intelligence reportedly indicates that this is continuing, which is in contravention of the JCPOA. And disturbingly, over the past 2 years, according to Mr. Albright, "The Obama administration has inhibited Federal investigations and prosecutions of alleged Iranian illegal procurement efforts."

The administration has also not requested that the IAEA conduct follow-on inspections, including physical ones at the Parchin military base after finding uranium particles highly suggestive of military nuclear activities.

As former IAEA Deputy Director General Olli Heinonen has explained, this is standard procedure under the comprehensive safe-

guards agreement with Iran. Not to do so sets a bad precedent for future inspections.

The administration has imposed no human rights designations since the JCPOA and only three since Rouhani took power in 2013, even as Iran's human rights record further deteriorates and the regime holds hostage a number of dual nationals and refuses to provide information on the whereabouts of Robert Levinson.

In total, the administration has issued only 20 new designations since last July as compared to more than 100 in the 18-month period of the interim agreement, according to former Treasury official Katherine Bauer. These designations are highly ineffectual and do not impose the costs needed to change Tehran's calculus.

Committee members, it is worth remembering, for the supreme leader, the JCPOA was not the end of the negotiations. It was merely the beginning. And Tehran is demanding ever greater sanctions relief and is seeking to legitimize itself without changing its illicit conduct.

The Iranian Government is engaged in a full-court press to persuade the United States to greenlight Iran's access to U.S.-dollar transactions with administration officials leaving open the possibility of offshore dollarization.

Iran has pressured FATF to remove it from its financial blacklist. While FATF refused to do so recently, it did suspend mandatory countermeasures for 1 year, and opened up the possibility for future changes.

Iran is also seeking membership in the WTO, which would severely curtail Washington's future ability to use financial and economic sanctions. The administration should be asked, what is its position on Iran's membership?

The administration is also greenlighting about $50 billion in Boeing and Airbus aircraft deals with Iran Air, which continues the malign activities for which it was originally sanctioned. To recall, Iran's aviation industry is dominated by the IRGC and comprised of four still-sanctioned airlines.

If Washington does not confront the regime's dangerous activities now, future Presidents will have insufficient peaceful leverage to respond to an expanding military-nuclear program, regional aggression, and global terrorism. If a future military option becomes necessary, Iran will be much stronger and the consequences more severe.

In my written testimony, I recommend 16 ways that Congress can legislate nonnuclear sanctions fully consistent with the JCPOA. I would be happy to discuss them during Q&A.

Thank you for the opportunity to testify. I look forward to your questions.

[The unabridged version of Mr. Dubowitz's prepared statement is located in the "Additional Material Submitted for the Record" section at the end of this hearing transcript.]

The CHAIRMAN. Thank you very much.

Mr. Nephew?

STATEMENT OF RICHARD NEPHEW, PROGRAM DIRECTOR, ECONOMIC STATECRAFT, SANCTIONS AND ENERGY MARKETS; CENTER ON GLOBAL ENERGY POLICY, SCHOOL OF INTERNATIONAL AND PUBLIC AFFAIRS, COLUMBIA UNIVERSITY, NEW YORK, NEW YORK

Mr. NEPHEW. Thank you, Chairman Corker, Ranking Member Cardin, and other distinguished members of this committee for inviting Mark and me to speak here today.

Mark and I differ on the JCPOA, but not our shared commitment to address threats from Iran.

A year has passed since negotiations concluded on the text of the JCPOA. Much has been achieved, but there is more work to be done to deal with the range of threats posed by Iran and to ensure that the deal delivers on its promises.

Thus far, the IAEA has verified that Iran is doing its part and is now further away from being able to construct a nuclear device. Moreover, because of the enhanced monitoring, including IAEA access rights that it has been exercising, we would have nearly the full balance of the breakout timeline to mount a response to Iran if it cheats. This includes the option to use force, as President Obama has made clear.

We must be vigilant, but prudent and measured. For example, though German intel has reported on Iranian procurement efforts in 2015 that are troubling, there is no clear public information that this continued after the JCPOA entered into force in January. Overreacting to reports such as this would be inadvisable.

Taking a measured approach is also important because the United States and its partners made their own commitments. The Iranians are even now debating whether we are cheating or whether their continuing economic difficulties are the result of other more systemic issues.

The Iranian economy has improved since President Rouhani's election in 2013. As of today, Iran has been able to regain some of the market share it lost when U.S. sanctions clamped down on oil exports and other industries are showing signs of life.

Internally, inflation has been reduced from around 45 percent to around 10 percent. Iran's currency has stabilized. And there are indications that the Iranian banking system is finally recovering from the insolvency brought on by years of bad loans and damage from sanctions.

On the other hand, though unemployment is down, it remains in the double digits. GDP growth has returned after years of contraction, but Iran is building on a far weaker, smaller base than prior to the Ahmadinejad years. And Iran has yet to see major external investment pour in.

Iran's difficulties primarily stem from three factors: its complicated and onerous domestic business environment, residual sanctions and the threat of snapback, and low oil prices.

The problems that these three factors create are interrelated, and together they contribute to the risk-reward calculations by international businesses that remain heavily weighted to risk. Remedying this combination of problems is going to be difficult for Iran, notwithstanding what the United States chooses to do.

The United States has executed its responsibilities under the JCPOA to the letter and need not, as a legal matter, do anything further. But the United States does have an interest in ensuring that Iranian leaders believe, and can credibly argue, that they saw economic benefit from the JCPOA beyond the present stability to preserve the deal and to persuade the international community of our sincerity.

We can do much simply by offering clarity on remaining sanctions. Updated frequently asked questions and licensing policy statements would help. The judicious use of executive licensing authority, for example, for the provision of U.S.-compliance and legal services to foreign companies who seek to do business in Iran and the United States would also help.

These steps will not solve Iran's problems. Only Iran can do that. But they would make foreign business activity with Iran easier to pursue and demonstrate that the United States takes seriously its responsibilities under the deal.

At the same time, we should continue to confront Iran for its support for terrorism, destabilizing activities in the region, and violations of human rights. Sanctions designations for those supporting these activities should continue to be issued when sufficient evidence exists.

New legislation that imposes penalties on those who contribute to Iran's behavior in these areas is also reasonable, but much already exists in law, and the specifics of what is proposed merit close scrutiny.

The provisions of CISADA that give our sanctions global effect should continue to be leveraged. In this way, and as demonstrated in Iran's inability to reconnect fully with the global economy thus far, Iran can and will pay a price for its policy choices even under the current sanctions framework.

But as we use such authorities, we must ensure that in our zeal to confront Iran's other illicit conduct, we do not inadvertently create grounds for Iran to walk away from the JCPOA. This is not acquiescing to nuclear blackmail from Iran, just as it is not sanctions blackmail to hold open the possibility of snapback. This is acknowledging that we have an interest in the nuclear deal, and so do our partners in the region.

Canceling the JCPOA would recreate the existential threat that Israeli General Eizenkot, for example, declared over just months ago. Seeing whether a deal with Iran can be managed while dealing with these challenges could also create a foundation for a long-term better relationship that may help us address these challenges further.

Many in Iran have signaled no such willingness. Security forces in Iran have sought to prevent any opening, including through the most basic and unconscionable of maneuvers, the arrest of dual nationals, including Siamak Namazi's father.

These are activities of strong men in positions of power, but not confident ones. They betray a deep sense of trepidation and fear that the system they have built may be unraveling.

Last July, I suggested in this room that these people face an existential threat of their own. I see nothing to change this assessment in their behavior or developments over the past year.

Our challenge in this is to avoid contributing to the power base of Iran's security services by playing once more the villain while advancing our own interests. It will not be easy, and there are no guarantees of success, but it is worth the attempt.

Thank you very much for this opportunity.

[The prepared statement of Mr. Nephew follows:]

PREPARED STATEMENT OF RICHARD NEPHEW

Thank you, Chairman Corker, Ranking Member Cardin, and other distinguished members of this Committee for inviting me to speak here today. It is a privilege and an honor to speak to you once more on the issue of the Joint Comprehensive Plan of Action (JCPOA) reached between the United States, its negotiating partners in the P5+1 and EU, and Iran.

A year has passed since negotiations concluded on the text of the JCPOA. I appreciate the Committee's decision to hold this hearing today in recognition of that fact. Anniversaries are good times to reflect in general and the Action phase of the JCPOA has largely taken place since I was last in this room. Much has been achieved and, in my view, the United States and our partners in the region are today far safer than we were just one year ago. In fact, it is not just my view: it also happens to be the view of Lt. Gen. Eisenkot of the Israeli Defense Forces as well as many other national security professionals in the United States, Israel and beyond.

But, my sense of satisfaction of having played some role in arresting Iran's nuclear program should not suggest complacency. We have not yet dealt with all of the ways in which Iran poses a threat to the United States, our interests, and those of our friends and allies. Nor have we necessarily prevented Iran from possessing nuclear weapons for all time. The JCPOA has improved our situation significantly. It has laid a foundation for the future. But, there is more work to be done to ensure that its ambitions of preventing a nuclear arms race in the Middle East, bringing a modicum of stability to the region, and facilitating the emergence of a more constructive relationship between the United States and Iran can be achieved. In a paper I published in late May with Bob Einhorn, we laid out a series of specific recommendations that the United States ought to pursue in order to build on this foundation.[1] I will not dwell on those recommendations here, but it is vital to note that I see the JCPOA not as the end of an effort but rather the beginning of a much greater one.

And, of course, there is also much more work to be done in order to ensure that the JCPOA delivers on its principal, more immediate promises: that Iran will keep its nuclear program within its agreed limitations during the agreed timetables; that Iran will cooperate with monitoring and verification measures consistent with the JCPOA and its obligations under its agreements with the IAEA; and, that the United States, the European Union, and the UNSC provide the sanctions relief and economic engagement to which we committed ourselves.

I was asked to offer my perspective on the sanctions side in particular. However, before touching on those points, I want to make a few observations on the nuclear provisions of the JCPOA (mindful that it is constraining the Iranian nuclear program that remains the driving necessity for the deal and the subject of most of my time working in the U.S. government on Iran).

Nuclear

Thus far, Iran has fulfilled its part of the bargain. The IAEA verified on January 16, 2016, that Iran has:

1. Reduced its number of operational and installed centrifuges down to JCPOA levels;
2. Reduced its stocks of enriched uranium and heavy water down to JCPOA levels;
3. Begun the modification of the Arak heavy water research reactor such that it will be physically incapable of producing enough weapons-grade plutonium for even one nuclear weapon in less than four years; and,

[1] Einhorn, Robert and Richard Nephew. May 2016. "The Iran Nuclear Deal: Prelude to Proliferation in the Middle East?"

4. Accepted enhanced IAEA monitoring provisions at its centrifuge storage and production sites, its uranium mines and mills, and other locations described in the JCPOA.[2]

In sum, as a result of the JCPOA, Iran's assessed breakout time using uranium has increased from 2-3 months to approximately one year and, using plutonium, to at least four years. Moreover, because of enhanced monitoring, we would have nearly the full balance of those breakout timelines to mount a response to Iran. As President Obama has made clear, we retained all of our options in the event of Iranian cheating on the deal, including the use of force.

Since the IAEA's initial report of January 16, it has issued two further reports. Both of these have confirmed that Iran is fulfilling its commitments, though with some implementation challenges (discussed below).[3] [4] Yet, these reports were not without controversy, largely stemming from the absence of some of the data that nongovernmental observers and organizations had become used to seeing in IAEA reports. In particular, the IAEA has been criticized for not publishing data on Iran's exact low-enriched uranium stockpile, which had become a normal attribute of IAEA reporting since Iran restarted uranium enrichment in 2007.[5] The nature of this concern has focused less on whether the Iran was fulfilling its commitments and more on the degree of public transparency that the IAEA (and, by extension, the United States, Iran, and the JCPOA parties) was showing into Iran's nuclear program so as to permit "independent determination of Iran's compliance" with the JCPOA.[6] In my view, it is reasonable for us to expect and to request more information from the IAEA and, for that matter, from Iran on the specifics of its nuclear program during this extended period of confidence-building under the JCPOA.

That said, the absence of particular details in the report should not be confused with lack of transparency on Iran's part with international inspectors or with members of the P5+1. The IAEA has provided repeated assurances that it can verify Iran's implementation of its nuclear commitments. The governments of the P5+1 have indicated their satisfaction with their own understanding of Iran's nuclear program pursuant to the JCPOA, though some of them—the U.S. government included—have expressed a desire for more public accounting of Iran's nuclear activities in the IAEA's reports. But, ultimately, it is the degree to which the IAEA and member governments of the JCPOA understand what is going on that matters most, as the IAEA remains in a position to raise a flag should it find indications of Iranian cheating and the P5+1 can respond to any such noncompliance swiftly.

Moreover, this change in IAEA public reporting—while ill-advised at this sensitive juncture in JCPOA implementation—does match the more general approach taken by the IAEA in reporting on its member states' nuclear activities. Pursuant to the provisions of safeguards confidentiality enshrined in IAEA safeguards agreements with each state, the IAEA is charged to keep "any information obtained by it in connection with the implementation of the Agreement" confidential.[7] There can be exceptions, as indeed was the case with Iran from 2003-2015, and it would have been more confidence-enhancing for the IAEA (and for Iran) to have maintained a more detailed reporting template for the time being. But, the decision to revert to a more restrained—if still abnormal—approach to IAEA reporting onIran is hardly the same thing as walking back the commitments made by the Obama Administration that the JCPOA would involve the most intrusive monitoring and transparency arrangements ever negotiated.

This is especially the case because, as the February 2016 report made clear, the IAEA has not been reluctant to report information indicating that Iran has broken the terms of the JCPOA. In that report, the IAEA found Iran had produced and then possessed slightly more than its JCPOA-allotted 130 metric tonnes of heavy water. Iran's overage-which the IAEA measured at 0.9 metric tonnes-was then resolved by the export of 20 metric tonnes of heavy water seven days after the overage was identified.

This breach was not only modest in its import-as heavy water is not a nuclear weapons- usable commodity itself but rather a component in the production of pluto-

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[2] International Atomic Energy Agency. January 16, 2016. "Verification and Monitoring in the Islamic Republicof Iran in Light of United Nations Security Council Resolution 2231 (2015)."

[3] International Atomic Energy Agency. February 26, 2016. "Verification and Monitoring in the IslamicRepublic of Iran in Light of United Nations Security Council Resolution 2231 (2015)."

[4] International Atomic Energy Agency. May 27, 2016. "Verification and Monitoring in the Islamic Republic ofIran in Light of United Nations Security Council Resolution 2231."

[5] Albright, David, Serena Kelleher-Vergantini, and Andrea Stricker. February 26, 2016. "IAEA's First Post-Implementation Day Report: Key Information Missing."

[6] Ibid.

[7] IAEA Model Safeguards Agreement, Information Circular 153.

nium for use in nuclear weapons-but also something that is entirely expected in the implementation of a deal of this sort. Iran will likely violate the terms of this provision again and perhaps similarly the provision dealing with low-enriched uranium (LEU) stocks because they are products of an ongoing process line that must be exported shortly after production. Any problem with shipping these commodities out of the country would lead to the potential for temporary excess in Iranian stocks of these materials. The real sensitivity in this regard is the degree to which Iran believes that it can engage in these activities and not be caught. If nothing else, the heavy water incident suggests the opposite: the IAEA's identification of the excess heavy water occurred quickly—Iran's production of the 0.9 metric tonnes of excess heavy water occurred between January 16 and its identification on February 17—and Iran had to take swift remedial action to address the problem.

This informs my view of the likelihood of Iran pursuing a nuclear fuel cycle capability (or even a nuclear weapon itself) covertly. I believe that, should Iran seek nuclear weapons, it will absolutely seek to do so using undeclared nuclear facilities and undeclared nuclear material. The odds of being caught at declared facility are high and the risks of doing so are great. Moreover, Iran's *modus operandi* over the past fifteen years has been to provide extensive transparency at its declared sites, largely in an attempt to confuse consideration of their nuclear program internationally through showmanship (such as multiple tours of NonAligned Movement (NAM) ambassadors through Natanz).

I believe that the transparency and monitoring provisions in the JCPOA will make it very difficult for Iran to construct a new nuclear facility in the country in secret, particularly given that any such facility will need to identify a source of nuclear material as well as the various devices and materials required to bring it online.[8] The nuclear procurement channel established in the JCPOA and in UN Security Council Resolution (UNSCR) 2231 also provides some protection in this regard, as well as the potential for consequences for exporters that are incautious.

That said, it is always possible that this layered approach intended to deny Iran access to the necessary components of a covert site will fail. It may be that Iran has unknown stores of materials and equipment necessary to outfit a new site, or that it will be able to evade international export controls in order to acquire such a stockpile. It may also be possible that Iran has a fully complete, covert site waiting in the wings. To my knowledge, U.S. and partner intelligence services have yet to detect such a site and of course remain vigilant in their watching for any such indications to emerge. But, intelligence failures have happened and could happen again.

Intelligence can also be successful. Reports from Germany indicate that Iran sought nuclear-related goods via covert means throughout the negotiations of the JCPOA and may be continuing to do so now. It would not be surprising that Iran hedged its bets during the negotiations; after all, we did not end our sanctions on the nuclear program during that time. Germany has not reported any procurement efforts after January 16 (and, for that matter, neither has the United States, according to the State Department). But, if Iran were to engage in covert procurement now—in direct contravention of the terms of the JCPOA—then this would be a major threat to the integrity of the deal, even if intelligence reporting ultimately precludes illicit transfers. The United States should respond directly to any such violations, including by using its authority in the Procurement Working Group to deny any legitimate procurements while there are positive indications of Iranian cheating. The United States should use all of its authorities to ensure that, even if it causes difficulties, the JCPOA serves its fundamental purpose.

This takes me to the issue of inspector access to Iranian military sites. The JCPOA explicitly made this possible, in the event of questions raised about Iranian compliance with the terms of the deal and Iran's other obligations under its agreements with the IAEA. This right exists for a reason and it should be utilized if there is reliable, credible information pointing to Iranian violations of their obligations.

But, in this, there are three important clarifications. First, there has to be some indication that Iran is in breach of its obligations now. Information acquired that points to Iran's past nuclear weapons work is less relevant, if for no other reason than we know they pursued nuclear weapons in the past. True, it would be useful to know as much about that past effort as possible, if for no other reason than to help discriminate against ongoing work. But, even had the Iranians given us a full confession of their past work, the United States and its partners would still have held back some suspicion that Iran was not telling us the complete story. Consequently, there would always be a residual question in the minds of intelligence

[8] Nephew, Richard. September 2, 2015. "How the Iran Deal Prevents a Covert Nuclear Weapons Program."

analysts whether information received points to historical work or present work. This is why intelligence analysts would also require far more information about what Iran is up to than just the identification of one or two particles of man-made uranium.

Second, the focus on military facilities is understandable, but misguided. Prior to 2002, Iran's uranium enrichment project took place in part at a warehouse in Tehran. If Iran were to restart its nuclear weapons program, it may decide to do so at a military facility. But, it may just as easily decide to do so at a civilian facility or one that, to all outward appearances, is civilian. Our focus ought to be less on gaining access to military sites for the purpose of gaining access to military sites and more on ensuring that if there are any credible indications of Iranian cheating, access is granted wherever those indications point. And our focus ought to be on ensuring that we have as much information as possible, from intelligence sources, IAEA reporting, open source data-streams, to accurately judge Iran's intentions as well as its capabilities.

Third, there is now and there always will be some element of risk that Iran's cheating will go unnoticed. To that end, there is now and there always will be some element of risk that Argentina, Brazil, South Africa, South Korea, Sweden, or Ukraine have started to pursue nuclear weapons. We all judge that risk to be much lower than with Iran because of the unique history and relationships that surround those countries. This is sensible. But, the risk is not zero.

For Iran, our perceived risk is high. So, we have engineered a deal to constrain their capabilities and improve transparency to help address that risk. But, no deal could reduce that risk to zero. There would always be some risk, even in an Iraq-in-the-1990s style inspections regime, that we were being cheated. It is worth noting that the pursuit of "zero risk" led to us to jump at shadows in Iraq. Even if every nuclear facility in Iran were to have been obliterated in the JCPOA, even if every gram of enriched uranium were to be shipped out, and even if every Iranian scientist involved in the former nuclear program were to be employed charting the movements of stars, the risk of further nuclear proliferation in Iran would not be zero and while its present government exists, there would be people who believe Iran's nuclear weapons program was not only operational but closing on its goal.

Positive discrimination between actual attempts at noncompliance with the JCPOA and incidental implementation issues will be vital going forward on the nuclear side. It is important because an inability to determine whether Iran is cheating or just made a mistake could mean the difference between an incautious move to conflict and an overly cautious decision to treat every Iranian slip-up as just an accident. Time, care, and prudent assessment of the circumstances and facts of any implementation problem on Iran's side will be essential. And, in fact, the creation of time and space for such an assessment is an unsung benefit of the JCPOA. Rather than face a pre-JCPOA 2-3 month timetable for assessing Iranian intentions during a prospective breakout attempt, the JCPOA now will afford us much more time to make a reasoned and thoughtful assessment of what Iran is up to and how we should respond.

Sanctions

Taking a measured approach to determining Iranian compliance (or lack thereof) with the nuclear commitments of the JCPOA is also important because the United States and its partners made their own commitments in the deal. Iranian leaders are even now considering carefully whether to regard what they view the delayed benefit of the sanctions relief provisions of the JCPOA as merely a reality of the global economy and Iran's place in it, or a calculated effort on the part of their intractable enemies in the United States to deny them the very relief they purchased with nuclear concessions.

First and foremost, we should consider carefully Iran's overall economic health. The economy has improved since 2013. President Rouhani brought with him into government a cadre of technocrats who arrested Iran's economic freefall, aided in part by the halt in U.S. sanctions under the Joint Plan of Action (JPOA) but largely because having found themselves at the bottom of a hole, they stopped digging. These officials implemented a combination of reforms that, in the IMF's words last December, "set the stage for improved macroeconomic performance, provided comprehensive reforms are implemented."[9] In essence, these steps created some stability in Iran's economy but they did not repair any of the major, structural problems identified by the IMF nor did they change the basic facts of Iran: that its state-based, oil-focused economy will always have a ceiling.

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[9] International Monetary Fund (IMF), Article IV Staff Report on Iran. December 2015.

The sanctions relief contained in the JCPOA was never going to replace the need for Iran to make further reforms. I do not think that most of the experts in Iran's government believed that they would. Rather, I believe the hope was that JCPOA relief would provide enough of a spark for the economy to permit Iran's political leaders to take the politically sensitive step of economic reform, particularly given there are entrenched groups in the country with a clear interest in maintaining the status quo.

It is difficult to say whether the economic relief created by JCPOA has provided room for such reforms. As of today, Iran has been able to regain some of the market share it lost when U.S. sanctions clamped down on oil exports in 2012-2013. Iran's automotive industry is showing signs of life, facilitated by the fact that sanctions on the auto sector were fairly nascent when the JPOA froze them in November 2013. And, Iran has been able to sign fairly large contracts for the import of aircraft from Airbus and Boeing. Internally, inflation has been reduced from around 45% to around 10%.[10] Iran's currency has stabilized. And, there are indications that the Iranian banking system is finally recovering from the insolvency brought on by years of bad loans and damage from sanctions.

On the other hand, Iran's economy is nowhere near what it might have been had sanctions not been imposed, or at the levels promised by Iran's leaders. Unemployment is down, but it remains in the double-digits.[11] GDP growth has returned after years of contraction, but Iran is building on a far weaker, smaller base than prior to the Ahmadinejad years and sanctions.[12] This is particularly frustrating for Iran, given that the Ahmadinejad years were also marked with record oil prices and revenues, most of which now appears to have been squandered. And, Iran has yet to see the kind of major external investment pour in that, to some extent, its leaders were banking on after the JCPOA came into force. In my view, this leaves Iran with an economic position best described as "stable and improving slightly." (I outline the main successes and impediments that Iran has experienced thus far in a paper being published today by the Center on Global Energy Policy at Columbia University, which accompanies my testimony as an appendix.)

Iran's difficulties primarily stem from three factors:

1. Iran remains an incredibly difficult country in which to do business, with a complicated regulatory environment, onerous security issues, and lacking financial infrastructure;
2. Residual sanctions and the threat of snap-back of those sanctions suspended or terminated by the JCPOA has chilled enthusiasm for going back into Iran; and,
3. Low oil prices have contributed to an overall imbalanced perception of the risk vs.reward calculus for the outside world with respect to Iran.

The problems that these three factors create are interrelated. For example, I have heard directly from numerous third country banking and business officials that they are deeply concerned about the risk of U.S. secondary and snap-back sanctions. They understand clearly that, with the 2010 Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) fully in place, they remain at risk for doing business with the Iranian Revolutionary Guard Corps (IRGC) and approximately 200 other U.S. designated entities and individuals in Iran. In fact, as I testified during last summer's hearings on the deal, the JCPOA not only did not constitute "unilateral sanctions disarmament," but—in the eyes of many in the international business community—it did not even represent a real change in U.S. sanctions posture or approach.

At the same time, when I have asked these same executives whether they would go back into business with Iran if all U.S. sanctions were to be lifted, many voiced a different concern: that Iran itself remains a tough place to do business, with uncertain profits to those who dare enter. Many have recounted stories of contracts that were faithfully fulfilled by the foreign participant, but then changed by their Iranian counterparty (e.g., building facilities in Iran that were supposed to be "builder operated" for some length of time in order for the construction contractors to recoup their investment, only to have this part of their contracts voided in deference to local operators). Others have described the negotiating process in Iran as needlessly and endlessly complex, stymying agreement and ensuring that—once negotiated—deals are next to impossible to implement due to second guessing and re-

[10] Slavin, Barbara. June 2016. "Senior American Official at IMF Says Iran faces 'fundamental' economicchoices." Al Monitor.
[11] International Monetary Fund (IMF), Article IV Staff Report on Iran. December 2015.
[12] Ibid.

negotiations. Still others have expressed their concerns about actually operating in Iran, noting the arrests of dual nationals.

Yet, for all of these problems, had Iran re-entered a global oil market with high prices instead of one in which oversupply was keeping prices low, the country might have experienced an economic boom. The practical result of low oil prices has been to drive down interest in investing in Iran's oil and gas fields, and to reduce still further the "reward" element of any risk/reward calculus of doing business in Iran. Iran's leaders are conscious of this reality—it is one reason why Tehran pushed for production cut-backs from other OPEC member states so as to create room for their own return to the market. But this awareness does not address the more fundamental problem that Iran's oil simply isn't what it was worth when negotiations on a JCPOA commenced.

Absent a market-creating force like a major oil company or similar announcing a significant investment and setting up shop in Iran, there is little incentive for banks or smaller service companies to go back into the country. Instead, we have seen short-term trade deals, continuation of existing relationships (such as in the auto industry), and discussions of new Iran Petroleum Contracts that have yet to emerge in final form. Here too we have evidence of Iran's domestic political and regulatory processes getting in the way—as the main hindrance appears to be debate internally over how to interpret the Iranian constitution's prohibition on foreigners opening Iranian oil and gas resources—as well as fears over sanctions contagion from the presence of IRGC and related entities throughout Iranian industry.

Remedying this combination of problems is going to be difficult for Iran, notwithstanding what the United States chooses to do. However, unlike in other countries in which our stake is relatively minimal, the United States does have an interest in Iran being able to reap the benefits of its emergence from economic isolation. Put simply, though I believe the United States has executed its responsibilities under the JCPOA to the letter and need not—as a legal matter—do anything further, the United States does have an interest in ensuring that Iranian leaders believe and can credibly argue that they saw some economic benefit from the JCPOA. Our audiences are two-fold: Iran's leaders and population; and, those countries that we may need to appeal to in the future should Iran breach its obligations and set us again down the path of confrontation.

We should look for ways to offer clarity on our remaining sanctions measures and how they operate. Though they are seen sometimes in Washington as merely words, frequently asked questions (FAQ) and licensing policy guidance have real value in the real world. They explain U.S. enforcement positions and they articulate the standards that we expect businesses and banks to uphold. They provide confidence to compliance officers that they understand what the U.S. government means. And, they avoid creating unnecessary ambiguities that undermine the integrity of our sanctions regime and perceptions of our competence. This material should be updated to clarify further the U.S. approach to sanctions now, using plain language where possible, particularly as relates to questions of how much due diligence is required for foreign entities to avoid sanctions for inadvertent business with illicit actors and how to handle any U.S. persons' involvement in foreign companies' dealings with Iran.

This guidance should be supplemented by the judicious use of executive licensing authority. The United States should constantly look for ways to streamline the processes necessary for companies to fulfill their obligations under U.S. law and reduce the workload on U.S. compliance officers. Licensing can do this where guidance fails. For example, General License I—little noticed, I am sure—offered real assistance to aviation service companies who were free, as a result, to enter into discussions with their potential Iranian counterparts without receiving specific licenses in advance. Discussions have little material value to Iran, but—for U.S. companies and those foreign companies who watch (and shadow) U.S. companies to ensure they are fulfilling U.S. law to the extent possible—providing a general license for these discussions ensured that companies seeking to use the relief in the deal had an easier time in doing so. This reduced the paperwork burden on Treasury while still offering Iran no real advantage over the specific licensing approach outlined in the JCPOA and subsequent U.S. policy.

There may be other areas in which new general licenses would be useful. For example, providing licenses for U.S. compliance and legal services to those companies who seek to do business in Iran (solely for the purpose of avoiding breaking U.S. law) expands the practical reach of U.S. law in a constructive and sober way. Iran will generate some value from this, as business may once again flow that otherwise could be denied by confusion. But, is the U.S. interest in stymying business in Iran really best served by making compliance with U.S. law and regulation as cumbersome and awkward as possible? Taking this approach reduces the overall

attractiveness of business with Iran and could contribute to de-risking that will—in the long term—disadvantage the United States both economically and in terms of the use of sanctions to deal with future problems.

Working to address the ambiguities of U.S. sanctions and to smooth JCPOA implementation will not solve Iran's problems. But, they will make international business activity with Iran easier to pursue, demonstrate that the United States takes seriously its responsibilities and the common interpretation of them as being intended to facilitate Iranian economic progress, and reduce Iran's ability to claim—in the event of future cheating—that it is reciprocating for Iranian malfeasance.

At the same time, we also have an interest in demonstrating that we will continue to confront Iran for its support for terrorism, destabilizing activities in the region, and violations of Iranian human rights.

We should continue to apply those sanctions not terminated under the JCPOA. We have an interest in Iran not receiving the benefit of sanctions relief under those provisions until it has satisfied our other concerns. Iran must understand that it will not be treated as a "normal" country internationally—and especially in the United States—until it does. And, this will

create interest in Iran to address these problems. So, designations associated with Iran's ballistic missile and conventional arms proliferation, as well as human rights violations, are reasonable and should continue to be issued. And the provisions of CISADA should continue to be leveraged to reduce Iran's ability to engage in "normal" commerce, consistent with U.S. law. In this way, and as demonstrated in Iran's inability to reconnect with the global economy thus far, Iran can and will pay a price for its policy choices even if the overall legislative framework does not expand to touch on more of Iran's economic sectors.

To this end, though I do not believe its renewal is essential for the stability or efficacy of U.S. sanctions against Iran, it is reasonable to renew the Iran Sanctions Act (ISA) and to consider new legislation that would impose penalties on those who support Iran's development of and trade in missiles and conventional arms, as well as violations of Iranian human rights. These sanctions should be crafted in such a way as to avoid violating the JCPOA, which denies Iran a credible nuclear weapons option and thus deny Iran the ability to threaten the our partners in the region, particularly Israel, with existential force. Indeed, we must ensure that in our zeal to confront Iran's other illicit conduct we do not inadvertently create grounds for Iran to walk away from the nuclear deal, not for the sake of the deal itself but rather for what it denies Iran. This is not acquiescing to nuclear blackmail from Iran. This is acknowledging that we have an interest in the nuclear deal and so do our partners.

All told, going forward, the situation demands a thoughtful, nuanced approach toward dealing with Iran, the JCPOA, and sanctions.

But, ultimately, only Iran can solve Iran's problems, and this can only start by addressing one fundamental issue: stopping support for terrorism and destabilizing regional activities, as well as violating the human rights of its population. An Iran that was more tolerant at home and constructive abroad would find business easier to attract and keep. It might also find a United States prepared to reciprocate with changes to U.S. sanctions laws, which would also facilitate business. For its own sake, Iran also should pursue more straightforward, economic reform. Iran should adopt changes to its financial system to sustain banking operations that conform to international standards for anti-money laundering, tax compliance, financial disclosure, and capital adequacy. Iran should reform its bureaucratic process to make it easier for foreign companies and domestic entrepreneurs to operate in the country.

Taking such steps, however, may be a bridge too far for Iran's leaders. Many of them, particularly in the security services, have a vested interest in the status quo. It affords them political power, in that they can control the economy and its spoils. And, it affords them direct financial benefits personally as well as for their institutions. Some in the system have embraced the idea of change in order to advance the cause of the Iranian population and, doubtless, to further their own political fortunes. And, my assessment is that we are now seeing the continuation of this struggle in the former of scandals, allegations of bribery and tax avoidance and, crucially, corruption investigations. Charges have been lobbed from all sides in this fracas, despite the Supreme Leader's frequent appeals for civility and focus on the outside threats (particularly the United States).

Last July, I suggested that the security forces in Iran were facing an existential threat of their own: reform and openness for their captive population. I see little now to challenge this assessment. Security forces in Iran have sought to repress the economic changes that Rouhani and his technocrats have pursued, including through the most basic and unconscionable of maneuvers: the arrest of dual nationals, including Siamak Namazi and his father, on charges of espionage. They have

also sought to discredit some in Rouhani's administration. These are the activities of strong men in positions of power. But, they are not the actions of confident, strong men in positions of power. Rather, they obscure a deep sense of trepidation and fear that the system they have built and furthered may be unraveling. It is here that the United States has a unique, if difficult to harness, opportunity in Iran: to avoid contributing to the power base of Iran's security services by playing once more the villain. This will require care and nuance in our response to Iranian provocations, but it is not beyond us.

Thank you for this opportunity.

[The document referred to in Mr. Nephew's prepared statement is located in the "Additional Material Submitted for the Record" section at the end of this hearing transcript.]

The CHAIRMAN. Thank you both. It is great to have two highly intelligent and knowledgeable witnesses who have slightly differing points of view.

With that, I am going to defer to the ranking member and reserve my time for interjections. Thank you.

Senator CARDIN. Thank you, Mr. Chairman.

I think what we are really focusing on is what is the appropriate role for Congress in accomplishing our objective to change Iranian behavior, whether its nuclear proliferation or whether its support of terrorism or whether its ballistic missile program.

We act through passing legislation, and we act by oversight. Both are critically important, and both led up to the types of negotiations that were possible in regards to the Iran nuclear agreement, so I think we can learn from our behavior and what we were able to do in the past.

So when I look at what would be now useful, because there are still significant problems with Iran—I think everybody acknowledges that. I do not think anyone disagrees that Iran's behavior is not where it needs to be. And I think we acknowledge now that we are not going to take action that would violate the JCPOA. At least the chairman and I have agreed on that.

The question is, what can Congress now do. So I look and I say one thing we can clearly do is improve our oversight, get reports on the sanction relief, how much funds have been made available to Iran, get clear information as to how that has been used. We would like to see it used for its people, but is it used just to increase terrorist activities or support for the nefarious actions that we are trying to avoid?

The record does not reflect head nods, but I saw both witnesses nodding affirmatively on that.

Another thing we can do, and this became very clear to me in my visits to the gulf states, is that we have an articulated regional strategy to protect our allies in the region. They are very concerned that there may be a new chapter in what is happening in the Middle East, as far as the power change, and that Iran might be a more significant player, which jeopardizes the security of gulf states.

So I think having an articulated, supported congressional involvement on a regional strategy would make sense.

Third, of course, is that we know Iran, one of its major targets is Israel, so making clear our commitment to Israeli security seems to me another matter that becomes a very important fact of congressional policy.

But that brings me to sanctions, which is where we seem to put a lot of our attention. One thing to me is clear, and I think would be something that we can all agree on and try to get done immediately, is the extension of the Iran Sanctions Act, because if snapback is really to be effective, you have to have a law beyond December of this year.

So why don't we just get that over with, get that done, because we are running out the clock on legislative days here? And I would hope through the leadership of this committee and through others, we could get that done. I do not think that would be difficult. I think we could probably get that completed.

I would hope we would also be willing to look at expedited considerations of sanctions legislation if Iran participates in actions that violate our policies. I would think that is something we could get done.

The reason I mention these issues, they are all incorporated in legislation I filed on behalf of other members, but I have had conversations with our P5 partners. I met with some of the direct negotiators that were negotiating on behalf of the partner countries. I wanted to understand, because I hear they were not happy about Congress taking action, and I wanted to find out why, because wouldn't they want us to be strong against Iranian nonnuclear violations? And the answer is they do want us to be strong, but they are concerned as to whether this is just a piling on or a backward way of violating the nuclear agreement, which is not what I want to see happen.

That is why I think we have to be very strategic as to how we deal with new sanctions legislation.

And if we deal with sanctions legislation that provides a statutory basis for the executive sanction regime that is currently in existence, to me, that is a very sound basis for us to be on. And then we do not run the risk of whether Congress is supporting a very strong position in that regard.

So I just really want to get, starting with Mr. Nephew, if I could, as to whether we can get this surgically done in a way that does not interfere with the support we need from our P5 partners.

Mr. NEPHEW. Senator, I very much agree with your comments I think in total, in terms of the challenges that we face and the kinds of things that we need to do to respond to them.

I also agree that there is a way, as Chairman Corker pointed out in my written statement, of crafting sanctions legislation that is complementary to the JCPOA and keeps within the boundaries of the JCPOA.

But it does, it comes down in the end to the specifics and what is involved and the degree to which it affords executive flexibility, again, for any President who might come into office to be able to respond to circumstances that may evolve over time.

Senator CARDIN. Thank you. Did you want to respond quickly?

Mr. DUBOWITZ. Senator Cardin, I agree, absolutely. But I think the most important thing that Congress can do is reestablish American deterrence. I think over the past year, American deterrence has been severely degraded, because the Iranians do not believe that we are willing to use nonnuclear sanctions to respond to their malign activities.

I think if we do not reestablish deterrence, we are tying the hands of the next administration and effectively paralyzing U.S.-Iran policy.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Just for what it is worth, I agree with the comments that were made. In crafting our legislation, we tried to do exactly what Mr. Nephew and Mr. Dubowitz just said.

I will say I do not think the administration wants to see anything happen this year, including extension of ISA. I do think they are tiptoeing around issues and allowing Iran to continue to press the outer limits. I do think it is our role to push back. I think we have struck the appropriate balance with the legislation introduced this morning.

Senator Risch?

Senator RISCH. Thank you, Mr. Chairman. Thank you for holding the hearing.

The hearing underscores what a lot of us have been saying for a long time, and that is that this was a really, really bad deal when it was made. It is a much worse deal today.

This business of taking a bad boy who is doing 100 things bad and saying we are going to negotiate with you on one of those, and gosh, you are doing better now on that one thing, the other 99 things have gotten worse instead of better, is not a victory by any stretch of the imagination.

Mr. Nephew, your suggestion that we should help Iran by clarifying this and doing that, count me out. I do not want to help these people. Until they change their ways, I have no interest whatsoever in helping these people.

Indeed, I think we need to double down on the sanctions and get after this, and convince the world that these people are going to have to change their ways or they are going to pay the price for it. As far as counting on our so-called partners in the P plus five group, these people aren't going to help us.

As frequently happens when we do the right thing in the world, we are going to wind up going it alone. Sometimes we put a facade over the top of it with other people giving the nod that it is okay. But we are going to have to go it alone on this.

We need to continue to do the right thing, and this regime in Iran is going to continue to do the wrong thing. They signaled that immediately following the agreement being put in place, when it started to launch ICBMs and flaunted the world, really, and said, look, this thing does not mean a thing as far as our movement toward a nuclear power.

So this thing, it is time to turn the page with this administration. Get a new administration in and hopefully we will toughen up and do the right thing.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Coons?

Senator COONS. My apologies to the chairman.

The CHAIRMAN. You are not used to being called in front of Senator Menendez, so I will filibuster, if you would like me to do so.

Senator COONS. I am not used to being called quite so briskly.

Let me thank you, Chairman Corker and Ranking Member Cardin, for convening this hearing.

And to the remarkable witnesses we have had, your mastery of the details of the JCPOA and of its shortcomings and its successes I find important and refreshing. I am grateful that this committee continues to do its job of real oversight.

As someone who narrowly agreed to support the agreement, characterizing it as the least bad option before us at the time, I also made a commitment to continue to acknowledge its successes and its shortcomings and to work wherever possible with my colleagues to address those shortcomings.

A year later, my rough assessment is that the deal is working as intended, and I agree with the witnesses that some of the flaws of the deal have also been exposed. So I will continue to call for Congress to do three things.

First, as other crises around the world emerge and take the attention of the current and future administration, the current and future Congress, we have to continue to push the executive branch—Treasury, State, Energy, Defense, and the intelligence community—to monitor, enforce, and implement this agreement so that violations, small, marginal violations, are known and are promptly addressed. And that means holding Iran accountable in every way possible.

Second, we have to work together to find ways to strengthen the administration's ability to push back against Iran's continuing bad behavior outside the four corners of the JCPOA.

And then last, we have to maintain a credible conventional military deterrent to protect U.S. interests and our allies in the region, including, of course, Israel. And in each of these areas, rigorous, fair, and responsible oversight by Congress is crucial.

So if I might, Mr. Dubowitz, you said not tear up the deal but you recommended I think it was 16 ways that we can legislatively strengthen nonnuclear sanctions in ways that you believe are fully compliant with the JCPOA.

And if there is a core disagreement I think between the administration and members of this committee, and within members of this committee, it is what is our degree of freedom to legislate new sanctions provisions without violating the JCPOA.

Help me, if you would, hear your view. What happens if the JCPOA begins to unravel and breakdown? Will the rest of the P5+1 continue to enforce it without us? Will Iran exploit the difference between the United States and its European partners? Will Iran ramp up centrifuge production and enrichment? And will that isolate us from our partners?

And what do you view as most critical ways that we could legislate that you also believe complies in full with the JCPOA?

Mr. DUBOWITZ. Thank you, Senator Coons.

First of all, I think it is absolutely critical that we send a clear message to the Iranians now and certainly in time for the next administration that we do not interpret the JCPOA as precluding nonnuclear sanctions. The Iranians have made it very clear they do.

I think the administration's activity to date confirms the Iranian interpretation. We have had really a handful of new sanctions. They have been small designations that have been highly ineffectual.

So we need to send a clear message to Iran that we are willing to enforce the deal vigorously, and we are willing to use nonnuclear sanctions to push back against their malign activities.

The legislation that was introduced today by Senators Corker and Menendez and Rubio and others I think is critical because it does not violate the JCPOA. It is fully consistent with the JCPOA. Not only does it give some interesting new authorities, but, most importantly, the President is not using his existing authorities in the way that he committed to last summer.

So of the 16 recommendations I have, I think, in principle, what I would like to see are the kinds of nonnuclear sanctions that punish the Revolutionary Guard for their continued malign activities and vigorously enforce the JCPOA against Iran's continued illicit procurement activities, including most recently in Germany.

Senator COONS. Thank you.

If I might, since I am about to run out of time, one more question for Mr. Nephew, something that I think concerns both of you and you both referenced, which is that, in 10 to 15 years, there are legitimate concerns about Iran's industrial scale nuclear enrichment program.

What steps should we be taking now to ensure that Iran does not ramp up fissile material production when key restrictions expire 10 to 15 years from now? And how do we build a new set of restrictions that Iran will face as those in the JCPOA expire?

Mr. NEPHEW. Thank you, Senator. I think there is a lot that we can do. In fact, in a report that I issued with Bob Einhorn via the Brookings Institution about a month ago, I laid out a number of ideas. I will mention two here.

First off, I do not think it is absolutely true that the Iranians will immediately break to expand their fissile material capabilities once the deal's main restrictions expire. They are going to have some decisions to make, including whether or not they want to be threatening other countries in the region with their own potential nuclear options.

So I think the Iranians will already have some sense of need to at least balance the potential security dilemma they could create for themselves.

Beyond that, I think there is an opportunity here to look to expand the application of the restrictions and transparency steps in the deal to make them part of a broader international framework and potentially even a regional multinational nuclear concept that helps to govern the whole spread of nuclear technology throughout the region.

It takes the nuclear deal we have with Iran and it attempts to build on it as a foundation for nuclear restraint in the region.

Senator COONS. Thank you both, and I look forward to another round of questions.

The CHAIRMAN. Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

Mr. Nephew, I did not vote for the deal either, and I share some of the eloquently expressed concerns of Senator Risch.

But my biggest concern during the whole thing was whether or not we would have any real access to inspect onsite in Iran. To what extent in this last year are you familiar with inspections that have taken place, the ease with which they have gained access, and the thoroughness of those inspections by the IAEA?

Mr. NEPHEW. Senator, I think the IAEA has reported that it has been able to verify Iran's commitments under the terms of the nuclear deal.

In their report just issued last May, they noted that they had gained access to sites and to other locations in Iran under the additional protocol's complementary access provisions. Now, the IAEA report does not identify the specific facilities to which the IAEA went, so I am not in a position here, especially since I am no longer in government, to provide you with a list of where they went and how they experienced their access.

But the IAEA in February reported that it had a problem with heavy water in Iran. The IAEA reported in May that it had difficulties with Iran working on centrifuge rotors that it should not have been working on.

So the IAEA's absence of reporting on difficulties of access and cooperation from the Iranians to some extent is a helpful indicator that they are getting the kind of access and support that they feel that they need. I think we would need the IAEA to be able to tell us whether or not they are having any kind of difficulty. They did not say that in their latest two reports.

Mr. DUBOWITZ. Senator, if I could just jump in on that, one of the things that we do know is that the IAEA cannot get physical access to the Parchin military base. They relied on self-inspection regime that the Iranians set up. That revealed that there were actually uranium particles in Parchin.

The IAEA was then in a position to insist on the comprehensive safeguards agreement that Iran has signed with the IAEA, that they get follow-on inspections.

That is setting a dangerous precedent because what we are effectively saying through the Parchin precedent is that, for future military sites, we are not going to insist on physical inspections. And even when we use self-inspections, and we find nuclear materials there, we are not going to insist on follow-on inspections.

I think that is setting a terribly bad precedent for the future and a great situation for the Iranians who can all always invoke the Parchin precedent to keep the IAEA out of military sites.

Senator ISAKSON. Mr. Nephew?

Mr. NEPHEW. Senator, if I can just respond to that?

I think Mark usefully points out an area in which the IAEA was able to get access that it deemed sufficient to be able to address lingering questions associated with Parchin. Under the terms of the deal, the United States has given the IAEA the discretion to implement the commitments it took on as part of the deal.

I think that the IAEA has demonstrated in numerous other cases its willingness to take access requests forward, if they believe they have real problems they need to address.

I think that the fact that the IAEA did not go back into Parchin because of two particular particles, at least not yet, should not be indicative of a broader problem with IAEA inspector access or IAEA inspector efforts. In fact, if you go back in history from 2003 to 2005, the IAEA was inspecting military facilities throughout Iran, including Parchin.

I think this demonstrates that the IAEA, when it believes there is value and merit in going into a facility, it can structure inspection protocols and inspector access to get what it needs to get.

Mr. DUBOWITZ. And yet we do not know, for example, as Mr. Albright and Dr. Heinonen have pointed out repeatedly, we do not know what happened to the uranium stockpiles from which those particles were brought.

So exactly what is going on? Where are the uranium stockpiles? What has happened since? Why is the IAEA not insisting on follow-on inspections?

And the notion that somehow that IAEA is always going to be this apolitical, technical body I think also flies in the face of the history of the IAEA where there have been times under different IAEA leaders where the body has been highly politicized.

So I think it is Congress' role to insist that the administration hold the IAEA's feet to the fire and that we do not establish bad precedents that the Iranians are going to exploit in the future.

Senator ISAKSON. Mr. Nephew?

Mr. NEPHEW. Sorry, with respect, Senator, you may have other questions, but I did want to just put one point out there.

We go back to look at the history of the IAEA, let's look at one of the most political directors general that we have ever had, Mohamed ElBaradei. It was under Mohamed ElBaradei that the IAEA demanded access to military facilities inside of Iran, including to the Parchin facility.

So the idea that the IAEA is going to somehow automatically be a problem because in one instance they are not demanding access again I think lacks foundation. We have had experiences before where the U.S. and the IAEA differed strongly about the case in Iran and what to do with it. At the same time, the IAEA demanded access and conducted inspection authorities, as it set out to do in its charter.

Mr. DUBOWITZ. This is not the time to be establishing bad precedents that the Iranians can invoke in the future.

Senator ISAKSON. I agree with that. I am glad you all took the time you did to expand on it, because my big concern is the Iranians will cheat. We know that. In your opening statement, Mr. Nephew, you state in there that the risk of them cheating is not zero. They probably will, and we have to be able to catch them.

I just worry that the inspection provisions the Iranians insisted on in the JCPOA left them enough wiggle room where it is the fox guarding the henhouse, in some cases. And I want to make sure we are getting as much oversight out of Congress as possible, so if there is cheating going on, we can detect it as soon as possible.

Mr. DUBOWITZ. Senator Isakson, it is not theoretical cheating. The Iranians were cheating last year. They were illicitly procuring nuclear, chemical, bio, and missile technology from Germany. They

were procuring carbon fiber in great quantities that have no other utility than to actually use for advanced centrifuges.

If that only happen in 2015, as Mr. Nephew said, despite the fact the Wall Street Journal is reporting that German intelligence officials say that it continues into 2016, I think it is deeply troubling that they were conducting these illicit activities during the negotiations up to the JCPOA and between July of last year when the JCPOA was reached and December.

I also point out some interesting facts in that German intelligence report that says explicitly that they are concerned that those activities are continuing. I do not know why a report coming out in 2016 would say that those activities may be continuing if those activities had actually stopped on December 31st, 2015.

So I think it is a great example of how the Iranians continue to test the JCPOA and that, in the face of non-enforcement, the Iranians will know that they have a green light to continue to push at the international community and see what they can get away with.

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

The CHAIRMAN. Thank you.

Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Chairman, I would like to submit for the record a report issued by the U.S. Government Accountability Office, at my request, along with Senator Kirk.

The CHAIRMAN. Without objection.

[The information referred to is located in the "Additional Material Submitted for the Record" section at the end of the hearing transcript.]

The CHAIRMAN. I assume it has something to do with the subject at hand.

Senator MENENDEZ. I am sorry, Mr. Chairman. It talks about how great you are as a chairman.

The CHAIRMAN. That we have no objection to.

Senator MENENDEZ. It is the "Iran Nuclear Agreement: The International Atomic Energy Agency's Authorities, Resources, and Challenges." And it is a full accounting of the GAO's findings with respect to the IAEA's capacity for meeting the tremendous obligations that we have thrust upon it by the JCPOA.

First and foremost, the GAO report highlights the IAEA's challenge in detecting undeclared nuclear materials and activities. It raises the issue of whether the IAEA will ever be able to verify that Iran has no undeclared nuclear materials and activities as international inspectors are supposed to verify this before reaching the so-called broader conclusion on Iran's nuclear program.

If the IAEA reaches a broader conclusion on Iran's nuclear program before October 18th of 2023, that then triggers the nuclear deal's transition day, which is supposed to eliminate even more international sanctions against Iran.

Yet in what critics of the deal have described as a major flaw, including myself, transition day still happens on October 18th, 2023, no matter what, and even if Iran does not get a clean bill of nuclear health from the IAEA.

That is pretty amazing. That is pretty amazing. The report goes on to list a whole other series of challenges that the IAEA has moving forward.

Now, this is an entity which I have a great deal of respect for and have supported and have sought to improve its budget, but that we have placed a good part of the national security of the United States in, in terms of the Iranian nuclear program.

So I would commend the report to my colleagues, and I hope that it raises some serious concerns from my colleagues about what we need to do.

I would like to turn to Mr. Dubowitz for a moment. First of all, congratulations on joining us as a United States citizen. We appreciate that.

Mr. DUBOWITZ. Thank you, sir.

Senator MENENDEZ. Secondly, I want to ask you a series of questions.

Has Iran ultimately not continued to pursue acts of terrorism in pursuit of entities that pursue terrorism?

Mr. DUBOWITZ. They continue to support terrorism.

Senator MENENDEZ. Has Iran not continued to pursue missile development and the firing of missiles, at least against what used to be the U.N. Security Council's resolution, but as most recently Ban Ki-moon said against the spirit of the U.N. Security Council?

Mr. DUBOWITZ. They continue their missile activities.

Senator MENENDEZ. Has Iran not continued to engage in destabilizing the region?

Mr. DUBOWITZ. They have actually probably accelerated their efforts to destabilize the region.

Senator MENENDEZ. Has Iran not continued to commit human rights violations against its people?

Mr. DUBOWITZ. According to the U.N. special rapporteur, things are getting worse, not better.

Senator MENENDEZ. Has Iran not engaged in cyberattack abilities?

Mr. DUBOWITZ. Again, according to authorities, their cyber capabilities are getting more aggressive.

Senator MENENDEZ. So, Mr. Chairman, regardless of whether you supported or opposed the JCPOA, the reality is that there is a wide universe of nefarious acts by Iran that are against the national interests and, I would argue, the national security of the United States. And I cannot understand this view that we cannot act on those nefarious activities independent of the JCPOA.

And the failure to do so, I think, runs the risk of our national interests and our national security and of our allies in the region.

I think I may have caught the tail end of it, but I think you may have been asked about the German intelligence report that says that Iran is still pursuing, even in the midst of the JCPOA, still pursuing the purchases of dual-use technology, which can also pursue their interests in missile and other technology. Is that a fair statement?

Mr. DUBOWITZ. That is correct.

Senator MENENDEZ. So it is in that context, Mr. Chairman, that I am pleased to join with you, and I hope others will as well, in a legislative effort that seeks to pursue these different nefarious ac-

tivities of Iran, to pursue their terrorist actions, to pursue their destabilization of the region in Yemen and Syria, to pursue their missile technology.

I pressed very hard when the administration here was testifying. I said there is a difference between "Iran shall not deploy missile technology" and "Iran is called upon." Now we see that, and the results of that are consequential.

I pressed very hard about the question of shouldn't we have the ability and shouldn't we pursue the reauthorization of the Iran Sanctions Act that I authored along with others on this committee that I think was a critical element of bringing Iran to the table. And every time, all we heard was, well, we do not need to deal with that now.

Had we dealt with it then, then maybe it would have sent a very clear message that, no matter what, we are going to have a continuing set of sanctions to be called upon to snap back to.

I know the suggestion is that if you, in fact, go ahead and see Iran violating anything, that we can always pass sanctions. The problem is that those sanctions take time to implement. We have to give the world morning again that, in fact, these sanctions are in effect.

We did that in the first round. We had to give countries and companies across the globe notice that, in fact, there were going to be sanctionable activities. That took 6 to 8 months. Then your enforcement mechanism after that took time.

So the time frame that would be necessary to get a sanctions regime back in place ultimately drives the time in which you have bought for being notified of the potential to cross the nuclear threshold toward a weapon.

So that is why, as part of our legislation, the Iran Sanctions Act is reauthorized as well.

So I hope that, regardless of the views of colleagues on the question of the JCPOA, that there is a universe of real consequential actions by Iran that are largely going to unresponded. For so long as they go unresponded, I think we have a consequence.

It is in that spirit that I joined you, Mr. Chairman, in the legislation. It is in that spirit I hope we can join others.

For me, this is not about politics. This is about policy. It is about the national interests and security of the United States. It is something I have been following for 20 years since I was in the House of Representatives, and I think it is very important. And I commend it to the rest of our colleagues.

The CHAIRMAN. Thank you.

I am going to make my first interjection, if I could.

I think the concern that we have, and it is bipartisan, is that the JCPOA is by default becoming our Middle East policy, and we are not pushing back against nefarious activities that Iran has underway, and I think that is the purpose of the legislation that has been introduced. It is to continue to push back against those activities that are counter to the benefit of our friends and allies in the region.

I do think that our friends in Europe and other places are so concerned about the JCPOA, they are unwilling to do those things that need to be done to push back.

That is why, by the way, the snapback sanctions are worthless. They are worthless. They are worthless because we know that Russia and China are going to prevent any action from taking place at the U.N. Security Council, meaning that, yes, there may in place be snapback, but they are not going to cooperate with that. So that means that they are, in essence, no longer universal like they were in the past.

So I appreciate what you just mentioned. I thank our witnesses for being here.

And with that, Senator Perdue?

Senator PERDUE. Thank you, Mr. Chairman.

Thank you, Mr. Nephew and Mr. Dubowitz. It is good to see you both again. Thank you for your testimony and your hard work in this endeavor.

A year later, here we are.

I just want to highlight a couple things. I have a question on the German intelligence report. We will start with you, Mr. Dubowitz.

But I want to highlight my concern about where we are with Iran. I thought we were naive last year. I was criticized for using that word, and yet the attempt here, it seemed to me, was to accommodate Iran in this nuclear deal, thereby encouraging them to join the spirit of the community of nations. That seemed to be the overall strategy.

Yet here we are. In the first 12 months, we know about the ballistic missile launches, seven illicit launches. Harassment of U.S. forces, not only the Navy sailors who were illegally detained, but also some 10 percent of U.S. crossings of the Strait of Hormuz are characterized as unsafe by the Navy because involvement of Iranian interactions.

We know that there are still U.S. hostages, some with dual nationalities, but several U.S. hostages still being detained. Four confirmed reports of interdicted arms shipments from Iran to Yemen to the Houthis.

We see violations of travel sanctions. The general in control of the IRGC has made four illicit trips to the Soviet Union.

We know the procurement attempts in Germany now coming out from their intelligence report but also from the Institute of Science and International Security.

I could go on but these are really concerning. It does not seem to me that the evidence is that Iran is trying to join the spirit of the community of nations at all.

So they have an agenda. In fact, what we know right now from the $1.7 billion that was released to them under this agreement, that their own budget this year says that all that money goes to the military.

As a matter of fact, I think it is true that they have increased spending on their military by 90 percent, I think. That is not the sign of a country that has been in economic woes for 10 years or more and are now trying to help build their economy and moving away from this nuclear effort and their attempts at supporting terrorism in the region and Bashar Assad.

So my question, and I want to go to the German specifics, Mr. Dubowitz. Can you talk to me about the intelligence reports, the

report from Institute of Science and International Security, about the carbon acquisition attempts?

It seems like it is not just one report. It is something like seven of the nine states or whatever that have looked at it have come back with evidence that these, indeed, have been endeavors that Iran has been undertaking.

Can you address that for us?

Mr. DUBOWITZ. Correct, Senator Perdue. There is a federal report. There are 16 German states that issue their own intelligence reports, of which eight have been made public.

My colleague in Berlin, Benny Weinthal, has been pouring through them in German, looking for the details. The details are quite striking: Iran was engaged in significant illicit procurement of nuclear, ballistic, chemical, and biological weapons-related technology.

What I find most troubling about the reports is the response to the reports. The administration, instead of blasting the Iranians and saying that we absolutely oppose this kind of malign activity, we will aggressively enforce U.S. sanctions on this kind of behavior up to the negotiations of the JCPOA and after the negotiations of the JCPOA, this is completely unacceptable and is a violation of the JCPOA, which has a specific procurement channel through which the Iranians are supposed to be going. Instead, from the administration we got excuses.

From the German Foreign Ministry, a remarkable response. The German Foreign Ministry said, well, we are not concerned because these are clearly Iranian hardliners trying to undermine the moderates. Of course, they are Iranian hardliners. There are Iranian hardliners in charge of the nuclear program, the missile program. They are in charge of Iran's terrorist activities. They are in charge of Iran's vast system of human rights abuses. They are in charge of all the destabilizing activities that Iran is engaged in.

So the fact that the hardliners are engaged in illicit procurement is not a reason to be reassured. It is a reason to be even more concerned.

So what I would hope and expect from this administration is aggressive enforcement. As David Albright, has said, there are significant concerns that the Obama administration is actually blocking prosecutions and investigations of Iranian illicit procurement.

It is not a posture that we want to take. I agree with Senator Corker. I mean, I think our economic sanctions snapback is delusional, but I think their nuclear snapback is actually incredibly powerful. And we have seen a year of this. It has deterred this administration and the Europeans from vigorously enforcing nonnuclear sanctions, at a minimum.

So the Iranians are constantly going to invoke this threat to walk away from the deal anytime we try to push back, even in ways that are allowed by the JCPOA. The longer we allow that dynamic to continue, the worse it is for American national security.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman.

One of the arguments that Iranian opponents of the nuclear deal have raised is that the United States has failed to provide Iran with the sanctions relief we promised under the agreement.

For example, in an April speech, Ayatollah Khomeini said the reason big banks are not ready to work with Iran is Iran phobia, which the Americans created and continue.

However, this statement failed to acknowledge Iranian policies that reduce the willingness of foreign firms and banks to do business with Iran. Although the IAEA has reported that Iran is in compliance with the nuclear deal, Iran continues to engage in other provocative actions, including providing funding and weapons to Hezbollah and conducting ballistic missile tests.

One of those ballistic missiles reportedly had the words "Israel must be wiped out" written on it in Hebrew.

These activities produce investment risks that companies cannot ignore.

Furthermore, Iran's economy continues to lack transparency. Who actually owns many of its businesses is difficult to determine, and foreign firms cannot be sure that they are not doing deals with front companies for individuals and entities that are designed and designated under sanctions aimed at Iran's support for terrorism or its human rights violations.

Mr. Nephew, do you agree that at least some of Iran's difficulties in reaping the economic rewards of sanctions relief has been a result of its own domestic and foreign policies? And what can we do to ensure that the U.S. is not inaccurately blamed if Iran does not experience the economic growth that many Iranians hoped for when they supported the nuclear agreement?

Mr. NEPHEW. Senator, thank you very much for the question.

I 100 percent agree that the Iranians are dealing with the consequences of their own internal issues, in addition to issues associated with low oil prices and the presence of residual U.S. sanctions. In fact, I think in this point I would like to disagree very strongly with Mr. Dubowitz about the likelihood and effect of potential U.S. sanctions snapback.

Frankly, I have spent a lot of time talking to international businesses and banks throughout Europe and Asia. They believe in snapback so strongly, and they believe residual sanctions are so impactful, especially CISADA, that that is part of the reason why we have not seen them start to facilitate the big sorts of deals that the Iranians were expecting.

So I think, quite to the contrary, the idea that snapback and residual sanctions have no impact, I think the Iranians are experiencing some of that building on top of the economic mismanagement that they have been engaged in for so many years.

I think, frankly speaking, our sanctions were effective in the first place because we took advantage of Iranian economic mismanagement. We took advantage of the fact that they squandered $650 billion of oil revenue over the course of 10 years.

But they were effective then just as they are now by taking advantage of the fact that Iranians still do not have their heads on straight.

Senator MARKEY. So let me ask you this then. One of the questions about the long-term impact of the nuclear deal is how it will affect Iranian domestic politics.

On the one hand, following the agreement, reformist and moderate forces allied with President Rouhani were elected to a majority in parliament. On the other hand, the deal has also produced the backlash by hardline forces allied with the Islamic Revolutionary Guard Corps and the supreme leader.

That backlash included the election of Ahmad Jannati, a hardliner to head the assembly of experts, which is the group that will decide Iran's next supreme leader. It also has consisted of a crackdown against opposition groups resistant to economic reforms and vocal opposition to a broader involvement of relations with the U.S.

A poll released last week showed that Rouhani's lead is narrowing over his possible challenger in next year's presidential election, former President Mahmoud Ahmadinejad.

Mr. Nephew, how do you assess the overall impact of the agreement on Iran's domestic politics? What are the prospects for peaceful reform in Iran over the next few years? And how will U.S. policies influence this process? And are there suggestions that you have for congressional action?

Mr. NEPHEW. Senator, thank you. I would say a couple things.

First off, I think that the nuclear deal, to some degree, undermines the argument that all of Iran's woes are to be held at the feet of the United States and our international partners. In fact, Iran's leaders now have to contend with the fact that they have done a pretty bad job delivering for their citizens. In fact, they have done quite worse with the treatment of their citizens.

I think ultimately what is happening in Iran now is a manifestation of these tensions that have been under the surface in Iran for a number of years, ever since the revolution. I think we are seeing the contest now becoming very public over issues of economic reform, political placement of who is going to be in charge of what bodies.

In terms of what kinds of policies we can engage in, I think, first and foremost, we need to be able to demonstrate to the Iranian people as well as to the international community that we have upheld our end of the bargain on the nuclear deal. I think this goes to the issue of not undermining it with actions we might take, but also ensuring that our sanctions are very clear, they are very transparent, people understand what they can and cannot do. This goes to some of the ideas that I put forward in my testimony earlier.

Senator MARKEY. Just in the last couple weeks, and you can see the politics worsening, like in the United States, in Iran right now where 2 weeks ago, the deputy head of the Revolutionary Guard threatened that 100,000 missiles were ready to fly at Israel. So we can already see the sides dividing up here, in terms of the politics of Iran.

Unfortunately, sometimes the most radical voices get the most attention, notwithstanding the underlying reality that a country does not want to have a war, does not want have economic instability and would rather find a peaceful route.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

Thank you to both of you for being here today.

Mr. Dubowitz, I would like to start with you. You have heard some talk about procurement in Iran under the JCPOA, the agreement that was taking effect January 16, 2016, initially, and procurement under that date.

If you look at the recent study by the Institute for Science and International Security, and I will quote from that report, "The Institute for Science and International Security has learned that many previously sanctioned Iranian entities are now very active in procuring goods in China. These entities experienced sanctions relief on Implementation Day, or January 16, 2016, of the Joint Comprehensive Plan of Action. Those now active in China include Iranian entities that conducted at least some procurements for Iran's nuclear programs. They include, for example, companies involved in making or procuring aluminum, steel, or other raw materials. It is unknown which goods these entities are procuring or buying in China. Nonetheless, many of these formerly sanctioned entities are well-versed in making illicit procurements and their resurgence in China warrants special scrutiny and concern."

That is the report from ISIS.

Can you describe the extent of the Iranian proliferation activities in China, and how the Obama administration is responding and reacting to these developments that you are aware of? We can go from there.

Mr. DUBOWITZ. Senator, I have seen no indication that the administration is doing anything to push back against Iran's illicit procurement activities.

I would also think this brings out a very important point. These are entities that were listed, have now been delisted, and they are back to their old malign activities.

So if we are going to take the posture that we are not going to relist entities or relist sectors that are engaged in Iran in malign activities because somehow that is a violation of the JCPOA, what are we doing? We are granting a blanket immunity to any individual, any entity, or any sector to actually get back to business. When I say business, I mean malign business.

So this is all the more reason why, when we find these entities and individuals and sectors that are engaged in these malign activities, particularly nonnuclear malign activities, but also violating the JCPOA through illicit procurement, the administration has to enforce the law. And the administration has not done so.

Again, there have been only 20 designations in the past year against missile procurement networks and Mahan Air supporters, all of which have been highly ineffectual and highly weak.

Senator GARDNER. Now the United States is not the only party to this agreement. Obviously, China is as well.

What steps, if any, has China undertaken to stop these illicit activities? I am assuming they have not exactly done—perhaps they have taken the same role or course as United States.

Mr. DUBOWITZ. Certainly according to Mr. Albright's reports, they have done nothing. If anything, middlemen in China are helping facilitate and enable that illicit procurement.

Senator GARDNER. What do you believe Congress ought to be doing about these allegations?

Mr. DUBOWITZ. I think Congress needs to pass—I think Congress first needs to get the administration up here and ask the administration what they are doing about it. Second, Congress needs to, through its statutory authority, pass new sanctions that, again, the sole purpose of which I believe is to reestablish American deterrence.

I mean, if somebody spends their life looking at sanctions, I think these days it is actually less important very specifically from a technical point of view what those sanctions say, and that Congress reestablish American deterrence with respect to Iranian illicit behavior.

The Iranians believe they can literally get away with murder. And the past 12 months since the JCPOA, I think, confirms that impression.

Senator GARDNER. Keeping with the theme of listed then delisted, during last year's deliberations of the nuclear deal, you actually testified before this committee and you talked about the investigations that you have done and your organization has undertaken on Treasury's delisting of EIKO, which was the conglomerate controlled by the Ayatollah Khomeini worth about $100 billion, EIKO, in the reports.

Could you talk a little bit about an update about what impact relaxation of U.S. sanctions have had on an organization like EIKO, what they are doing? Are earnings being diverted to international terrorism, other finances?

Mr. DUBOWITZ. Subsidiaries owned and controlled by the supreme leader are doing business with European companies. It is quite a remarkable phenomenon that these European companies, Italian companies and others, are doing business with the supreme leader's holding company and, in doing so, enriching the supreme leader.

Again, if you think the supreme leader is going to use all of that money for the betterment of the Iranian people, so be it. But I think there is evidence, a decades-long rap sheet of financial crimes, that would suggest the supreme leader will be using that money, or at least some of that money, for illicit activities.

Senator GARDNER. EIKO itself, as far as they are concerned, are they again participating in activities that ought to be worthy of sanctioning again?

Mr. DUBOWITZ. They certainly are. I think this actually brings up a great example, to divert this briefly, but Iran Air.

Boeing is about to do a $26 billion deal with Iran Air. Just last month, Iran Air flew three resupply routes from Abadan, Iran, which is the IRGC resupply base, to Damascus. It is a great example, like EIKO, like Iran Air.

They get delisted and they are back conducting malign activities. And yet we are going to be permitting Boeing to do major deals with Iran Air, which is essentially supporting the IRGC. And we

are going to be allowing Italian companies and others to do business with the supreme leader's holding company.

I mean, these are the consequences that I warned about last year, and I am afraid that this is only going to continue. And the snap back itself becomes increasingly ineffectual to the point that it becomes delusional as these businesses go back, as the money goes back. And as the Europeans are in a position where they have their business interests to protect, they are not going to join us in a major snapback of U.S. sanctions if and when we all decide that there actually has been a violation.

Senator GARDNER. Thank you, Mr. Chairman. I know we are in a vote, so thank you very much.

The CHAIRMAN. I know Mr. Nephew wants to respond. We do have four votes that have gone off, but go ahead.

Mr. NEPHEW. It will not take but a second, Senator.

So the only point I would like to make, sir, is that Mr. Dubowitz, in his comments, he made a very important, logical leap that may be true but may not be true. And that is that all the activities that you were citing, procurement activities in China, air flights between Iran and Syria, are malign, that there are Iranian companies in China now who are buying things that they should not be buying, that there are, in fact, IRGC resupply routes being run by Iran Air right now.

To my knowledge, there is no public evidence about this. In fact, sir, the quote that you read from ISIS even says we do not know, in fact, what these companies are procuring.

So the question of whether or not the administration is responding goes to an issue of evidence. As Mr. Dubowitz knows well, our European friends are having a lot of trouble enforcing their sanctions because they made a lot of decisions absent evidence.

In my view, we should absolutely enforce remaining U.S. sanctions, including snapback of sanctions on companies that engage in activities inconsistent with the JCPOA. But we have to know what they are doing before we can take those actions, sir.

Mr. DUBOWITZ. The German intelligence report I think was pretty clear in blasting the Iranians about procuring equipment and technology that can be used for nuclear, missile, chemical, and biological purposes. That was confirmed by eight other German state intelligence agencies. Mr. Albright actually goes into a lot of detail talking about the procurement of carbon fiber and why that is such a concern with respect to Iran's advanced centrifuge program.

And if Mr. Nephew would like to convince his State Department former colleagues to come up here and present the evidence that Iran Air flight patterns that have taken place all through 2016 from Abadan, Iran, where there is an IRGC resupply base, to Damascus are actually Iranian civilians going on vacation to Damascus and are not Iran's malign activities, I am sure Congress would be very interested in hearing that explanation.

But as far as I can see, and we follow these flight patterns on a daily basis, they are flying false transponders. I mean, their information is sending out false transponder information showing that the flight is actually from Najaf to Iran, and not from Abadan, Iran, to Damascus.

Why are you using false transponder information, if you are actually doing something that is not malign? It is highly suggestive of some illicit activity, I would think.

The CHAIRMAN. Senator Cardin I think may have a closing statement. We have about 5.5 minutes, by the way, left on the vote.

Senator CARDIN. I just really want to draw a distinction.

I do not think there is any disagreement here about enforcing our sanctions for non-JCPOA activities. I do not think there is any disagreement about strengthening our sanctions regime in regards to non-JCPOA activities.

The question is where do we draw the line, and what are our priorities?

What I have raised is that there are executive authorities that are not backed by legislation. Would it be helpful to have legislative backup for those executive authorities?

There are new sanctionable activities that there is no authority today. Do we want to give additional authorities we do not have today? That is something we should consider.

Then we have to consider the mandatory nature of the sanctions by Congress, the ability of the President to waive those for different reasons, what standards should be used there. These are all issues that we are going to have to deal with.

But I think the real challenge is, how do we have a new sanctions regime that is not in violation of the JCPOA, because you will be subject to the concern that we are reimposing sanctions that have been released? And we can do that through new activities that are non-JCPOA related, but that line is not always easy to draw.

So there have been a lot of statements made today about having stronger sanctions. I am for that. It is in my legislation. It is in the Corker-Menendez legislation. We are for that. But the question is, where do we set the priorities, and how do we draw those lines, and under what conditions?

We did not really get into much of the discussion today on that, but I would welcome your help and expertise as we to try to draw those lines.

We have a 7-week period, starting this afternoon, and I hope we use that time to really drill down on a lot of the specifics here because the details are going to become important.

Some of this is disagreement between the legislative and executive branches of government. We know that. We know how to deal with those problems. Believe me, we do. But the substantive issues are the areas where we are going to need help.

The CHAIRMAN. I want to thank you for coming. We have tremendous access to you, so I am not going to take any more time, especially with what is happening on the floor right now.

I do want to say that, let's be honest, we would have already passed legislation here, but the fact is the administration is pushing back against any legislation, even if it meets the description that Senator Cardin just so aptly laid out. That is what is happening.

The reason the bill was introduced today as it is, which does not in any way touch the JCPOA—does not; it aptly fits the description that our ranking member just laid out—is to move that along.

I do agree that, over the next 7 weeks, I hope that we will be able to come together and pass something prior to this administration leaving and certainly us leaving office this year, because there is no question that Iran is pushing the limits, no question that our European friends are pushing back against us doing anything.

And let's face it, a lot of that are their business interests. There is no question that Russia and China are tamping that down. And the fact is, it is time for us to take action.

So I thank you both for being here. And the fact that both of you agree that we should be taking those actions that, again, do not cross the line of the JCPOA, but push back against the nefarious activities that are underway, to me is uplifting.

So thank you both for being here.

Senator CARDIN. Mr. Chairman, just 30 seconds.

There is no administration, whether the Obama administration or the Bush administration, that wouldn't like to see Congress go away, so I agree with you on that. There is unity there.

So I can assure you that when I introduced my bill on behalf of my colleagues, it did not get a Rose Garden reception at the White House.

So I think we do have that challenge. We have to do what is right and the independent Congress can be very helpful in dealing with these issues.

I look forward to working with you on this.

The CHAIRMAN. The record will remain open until the close of business Monday. If you could fairly promptly respond, we would appreciate it again.

I want to thank the folks who are here in support of Camp Liberty. You have been here day in and day out. We passed something out of our business meeting today that supports your efforts. We thank you for your continued patience but also strong, strong support of family members, allies, friends, that you know have been persecuted in the way that they have. Thank you for being here.

With that, the meeting is adjourned.

[Whereupon, at 11:47 a.m., the hearing was adjourned.]

Additional Material Submitted for the Record

Prepared Statement of Mark Dubowitz—Unabridged

Chairman Corker, Ranking Member Cardin, members of the Committee, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, thank you for the opportunity to testify.

As we mark the one-year anniversary of the announcement of the Joint Comprehensive Plan of Action (JCPOA), it is worth recalling why this deal is fatally flawed. The JCPOA provides Iran with a patient pathway to nuclear weapons capability by placing limited, temporary, and reversible constraints on Iran's nuclear activities. These nuclear "sunset provisions," which begin to expire in eight years and mostly disappear over a period of ten to fifteen years, leave Iran as a threshold nuclear power with an industrial-size, uranium enrichment and plutonium program; near-zero nuclear breakout capacity; an advanced centrifuge-powered clandestine sneakout capability; advanced ballistic missile and ICBM programs; access to advanced heavy weaponry; greater regional hegemony; and a more powerful economy that could be immune to Western sanctions. Even as Iran temporarily scaled back some of its nuclear activities under the JCPOA, the regime's illicit effort to obtain proliferation-related technology continues while its other non-nuclear malign activities are expanding.

A summary of this testimony was also submitted to the Senate Committee on Foreign Relations as a separate document.

Iran's Nuclear Snapback

In previous testimonies, I warned that Iran will threaten to restart its nuclear program in order to neutralize the use of both nuclear and non-nuclear sanctions. I call this Iran's "nuclear snapback."

This is one of the fatal flaws of the JCPOA.

Throughout the negotiations, the Obama administration assured the public and Congress that if Iran violated its nuclear commitments under the final deal, sanctions could be "snapped back" into place. Under a final deal, these officials explained, the United States and its allies would be able to re-impose sanctions quickly in order to punish Iranian non-compliance and bring Iran back into compliance with its nuclear commitments.[1]

United Nations Resolution 2231 states, however, that the sanctions snapback mechanism is for issues of "significant non-performance," implying that it would not likely be used for incidents of incremental cheating.[2] The Iranian regime is cheating incrementally, not egregiously, although the sum total of these infractions may ultimately be egregious (see the following section). The snapback provision incentivizes Iran to continue this behavior because there is no enforcement mechanism to punish incremental cheating. In short, because any re-imposition of sanctions is likely to scuttle the entire agreement, Iran could force the United States and Europe to choose

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[1] For more detail on the challenges of the "snapback" sanction, see "The 'Snapback' Sanction as a Response to Iranian Non-Compliance," *Iran Task Force*, January 2015. (http://taskforceoniran.org/pdf/Snapback_Memo.pdf)
[2] United Nations Security Council, "Resolution 2231 (2015)," July 20, 2015, page 4, paragraph 11. (http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2231(2015))

between not strictly enforcing the agreement against its cheating and abrogating the whole agreement.

According to statements from the Obama administration, the snapback will also not be used to address Iranian violations of the "non-nuclear" provisions of UN Security Council resolutions, namely the arms embargo and the ballistic missile restrictions.[3] To date, the United Nations has not taken action to address IRGC-Quds Force Commander Qassem Soleimani's visits to Russia and Iraq (where he is leading designated Iraqi Shiite militias, the IRGC, and Hezbollah militants in support of the Assad regime) in violation of international sanctions.[4] The UN also has not punished Iran for its violation of the ballistic missile restrictions. Last December, the UN Panel of Experts concluded that Iran's missile tests violate UN resolutions,[5] and just last week, according to news reports, UN Secretary General Ban Ki-moon said the missile launches were "not consistent" with the spirit of the JCPOA.[6]

One of the reasons for the international community's hesitancy to punish Iran's misbehavior is that the JCPOA makes it clear that re-imposing sanctions in response to an Iranian violation may lead to a cancellation of the agreement, with Iran walking away from its commitments and resuming its nuclear program. Under the JCPOA, both the EU and U.S. "will refrain from re-introducing or re-imposing" the sanctions specified by the JCPOA and "from imposing new nuclear-related sanctions" except in cases of egregious Iranian violations of the deal.[7] Nor will there be any "new nuclear-related UN Security Council sanctions … [or] new EU nuclear-related sanctions or restrictive measures."[8] The text repeatedly states that if the U.S. or EU re-impose sanctions, even in the case of an Iranian violation, Tehran will treat this "as grounds to cease performing its commitments under this JCPOA in whole or in part."[9]

The JCPOA's language also provides Iran with an opening to diminish the ability of the United States to apply any sanctions, including non-nuclear sanctions, against any of Iran's illicit conduct. The JPCOA contains an explicit requirement for the EU and the United States to do

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[3] Louis Charbonneau and Michelle Nichols, "No automatic return of sanctions if Iran breaks arms embargo: Kerry," *Reuters*, August 11, 2015. (http://www.reuters.com/article/2015/08/11/us-iran-nuclear-kerry-sanctions-idUSKCN0QG22M20150811)

[4] Jennifer Griffin and Lucas Tomlinson, "Exclusive: Quds Force commander Soleimani visited Moscow, met Russian leaders in defiance of sanctions," *Fox News*, August 6, 2015. (http://www.foxnews.com/politics/2015/08/06/exclusive-quds-force-commander-soleimani-visited-moscow-met-russian-leaders-in/); Caleb Weiss, "Qods Force commander photographed with Iraqi militia in Aleppo," *The Long War Journal*, October 18, 2015. (http://www.longwarjournal.org/archives/2015/10/qods-force-commander-photographed-with-iraqi-militia-in-aleppo.php); Caleb Weiss, "Iranian Qods Force leader reportedly in Fallujah," *The Long War Journal*, May 23, 2016. (http://www.longwarjournal.org/archives/2016/05/iranian-quds-force-leader-reportedly-in-fallujah.php); Amir Toumaj and Max Peck, "The IRGC's involvement in the battle for Aleppo," *The Long War Journal*, February 13, 2016. (http://www.longwarjournal.org/archives/2016/02/the-irgcs-involvement-in-the-battle-for-aleppo.php)

[5] Louis Charbonneau, "Iran's October missile test violated U.N. ban: expert panel," *Reuters*, December 16, 2015. (http://www.reuters.com/article/us-iran-missiles-un-exclusive-idUSKBN0TY1T920151216)

[6] Michelle Nichols, "Iran missile tests 'not consistent' with nuclear deal spirit: U.N. report," *Reuters*, July 7, 2016. (http://www.reuters.com/article/us-iran-missiles-un-idUSKCN0ZN2JV)

[7] Joint Comprehensive Plan of Action, Vienna, July 14, 2015, paragraph 26. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf)

[8] Ibid.

[9] Ibid, paragraphs 26 and 37.

nothing to "directly and adversely affect the normalisation of trade and economic relations with Iran,"[10] which Iran can use to argue against any sanctions, nuclear or non-nuclear, that will have an adverse impact on Iran's economy.

Iran has already threaten to walk away from the deal and expand its nuclear program if the United States and its allies attempt to impose non-nuclear sanctions in response to Iranian ballistic missile tests, terrorism, or other nefarious activities. Immediately after the UN endorsed the JCPOA last July, Iran reminded the international community that it would "reconsider its commitments" under the JCPOA if "new sanctions [are imposed] … irrespective of whether such new sanctions are introduced on nuclear related or other grounds."[11] Supreme Leader Ali Khamenei reiterated this threat in his October 21 letter on Iran's implementation of the JCPOA:

> Imposition of any sanctions at any level and under any pretexts (including the repeated and fabricated pretexts of terrorism and human rights) by any of the negotiating countries will be considered a violation of the JCPOA.[12]

Again in March, following one of Iran's illegal ballistic missile tests, the Iranian deputy foreign minister warned – in an apparent threat to deter the international community from imposing sanctions in response to the test – that if Iran's "interests are not met under the nuclear deal," it would walk away from its commitments.[13]

Iran will also use the threat of a nuclear snapback to divide the United States and Europe. There are likely to be significant disagreements between the United States, Europe, and members of the UN Security Council concerning the evidence, the seriousness of infractions, the appropriate level of response, and likely Iranian retaliation. Moreover, as international companies reengage in the Iranian market, European countries are likely to experience domestic economic pressure not to re-impose sanctions, and any Iranian violations of the deal are likely to provoke disagreements between Washington and its European allies. Indeed, why would the Europeans agree to new sanctions when they have big money on the line? Mere days after the JCPOA was announced, Foreign Minister Mohammad Zarif noted that the "swarming of businesses to Iran" is a barrier to the re-imposition of sanctions, and once the sanctions architecture is dismantled, "it will be impossible to reconstruct it." Zarif boasted that Iran can restart its nuclear activities faster than the United States can re-impose sanctions.[14]

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[10] Ibid, paragraph 29.
[11] Column Lynch, "Iran to United Nations; New Sanctions Could Kill Nuclear Deal," *Foreign Policy*, July 28, 2015. (https://foreignpolicy.com/2015/07/28/john-kerry-obama-administration-terrorism-human-rights-iran-to-united-nations-new-sanctions-could-kill-nuclear-deal/)
[12] "Iran Press Review," *Foundation for Defense of Democracies*, October 21, 2015. (http://fdd.cmail20.com/t/ViewEmail/r/941B907BD0F8D6F62540EF23F30FEDED/18EF3159F08F673EDDA3541AF197FE1F)
[13] Adam Kredo, "Iran Threatens to Walk Away from Nuke Deal After New Missile Test," *The Washington Free Beacon*, March 8, 2016. (http://freebeacon.com/national-security/iran-threatens-walk-away-nuclear-deal-missile-test/)
[14] "Foreign Investments in Iran to Serve as Barrier for Sanctions Snapback – FM," *Voice of the Islamic Republic of Iran, Radio Farhang* (in Persian), July 21, 2015. (Accessed via BBC Worldwide Monitoring)

The recently announced $25 billion preliminary deal between Boeing and Iran Air further undermines the Obama administration's much-touted economic snapback. Iran had targeted the Europeans to block any transatlantic re-imposition of sanctions by signing a similar deal with Boeing's competitor Airbus and with ATR, a joint venture between Airbus and Italy's Finmeccanica. French and Italian financial institutions and export credit agencies will finance these purchases, with a combined value of close to 30 billion dollars.[15] Now, with a major American company and banks also invested in Iran, Tehran will not even need the transatlantic divide. These companies may have invested billions of dollars back into Iran and may be unwilling to walk away from those investments despite Iranian nuclear non-compliance. Business lobbies on both sides of the Atlantic will oppose any return to sanctions.

From Iran's perspective, this is a smart strategy: Snapping back sanctions would cause American and European aviation companies and banks to lose billions of dollars in unpaid contracts. These companies and banks would surely lobby the White House and European capitals against restoring sanctions against Tehran, or at least seek reassurances that the aviation and financial sectors would be spared. In other words, with these deals, Iran can further exploit the tension between national security and Western commercial interests.

Iranian Violations and Western Acquiescence

With America's coercive statecraft tools sufficiently neutralized, Iran has stepped up its illicit activities across a range of fields.

Since the announcement of the JCPOA, Iran has seven times tested ballistic missiles capable of carrying nuclear warheads in violation of UN Security Council resolutions.[16] In December, the UN Panel of Experts concluded that Iran's missile tests violated UN Security Council Resolution 1929,[17] and just last week UN Secretary General Ban Ki-moon said the Iran's repeated missile launches were "not consistent" with the spirit of the JCPOA.[18]

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[15] Robert Wall, "Iran to Buy up to 40 ATR Turboprop Planes," *The Wall Street Journal*, February 1, 2016. (http://www.wsj.com/articles/iran-to-buy-up-to-40-atr-turboprop-planes-1454330448)

[16] News outlets reported tests in October and November 2015 and in March and May 2016. Military expert Michael Elleman testified before Congress that Iran conducted three tests in 2015 and five tests in 2016. One of the tests in 2015 took place prior to the announcement of the JCPOA. Michael Elleman, "Iran's Ballistic Missile Program," *Testimony before the Senate Banking, Housing, and Urban Affairs Committee*, May 24, 2016. (http://www.banking.senate.gov/public/_cache/files/f64d023a-d6fc-4dc4-84a7-ea10ba8192cf/90DC029490361D182584B92FCAD76111.052416-elleman-testimony.pdf); Sam Wilkins, "Iran tests new precision-guided ballistic missile," *Reuters*, October 11, 2015. (http://www.reuters.com/article/2015/10/11/us-iran-military-missiles-idUSKCN0S505L20151011); Bradley Klapper, "US official says Iran tested ballistic missile last month, at least 2nd time since nuke deal," *Associated Press*, December 8, 2015. (http://www.usnews.com/news/politics/articles/2015/12/08/us-official-iran-tested-ballistic-missile-last-month); Nasser Karimi, "Iran test-fires ballistic missile, latest after nuclear deal," *Associated Press*, May 9, 2016. (http://www.bigstory.ap.org/article/5cb0901c025a4cfb93c4fb08558d68c0/iran-test-fires-ballistic-missile-latest-after-nuclear-deal)

[17] Louis Charbonneau, "Iran's October missile test violated U.N. ban: expert panel," *Reuters*, December 16, 2015. (http://www.reuters.com/article/us-iran-missiles-un-exclusive-idUSKBN0TY1T920151216)

[18] Michelle Nichols, "Iran missile tests 'not consistent' with nuclear deal spirit: U.N. report," *Reuters*, July 7, 2016. (http://www.reuters.com/article/us-iran-missiles-un-idUSKCN0ZN2JV)

In response, the administration has only issued sanctions against missile procurement networks that Tehran can easily reconstitute,[19] as the regime has done time and again. Unlike the economic sanctions imposed on Iran for its military-nuclear program, these sanctions have minimal, if any, economic impact on Iran and on the strategic calculus of Iran's leaders. Meanwhile, discussions at the UN Security Council are unlikely to lead to any meaningful response,[20] and the administration has backed away from language of "violations," instead arguing that missile activities are "inconsistent" with UN Security Council Resolution 2231.[21] Indeed, as part of the JCPOA, the P5+1 accepted an apparent weakening of the UN restrictions,[22] and even these remaining restrictions will be lifted in eight years.

The administration has also failed to vigorously enforced human rights sanctions against Iran. Since the JCPOA was concluded last summer, the administration has not designated any individuals or entities for human rights abuses. Indeed, only one individual and two entities have been sanctioned for human rights violations since Rouhani came to power in the summer of 2013.[23] This is a sharp drop from the 34 individuals and entities designated between 2009 and 2013,[24] itself a relatively dismal record compared to the European Union, which designated 84 individuals and one entity between 2009 and 2015.[25]

The lack of human rights designations is not the result of an improved situation on the ground in Iran. In fact, the Islamic Republic continues to commit serious human rights abuses, including limiting freedom of expression and the press; engaging in arbitrary detention and torture; and discriminating against women, ethnic, and religious minorities, and other vulnerable populations.[26] The regime reigns over its citizens using repression and violence to rule through fear.

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[19] U.S. Department of the Treasury, Press Release, "Treasury Sanctions Those Involved in Ballistic Missile Procurement for Iran," January 17, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0322.aspx); U.S. Department of the Treasury, Press Release, "Treasury Sanctions Supporters of Iran's Ballistic Missile Program and Terrorism-Designated Mahan Air," March 24, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0395.aspx)

[20] Julian Pecquet, "U.S. Looks to Sidestep U.N. on New Iran Sanctions," *Al Monitor*, March 29, 2016. (http://www.usnews.com/news/articles/2016-03-29/us-looks-to-sidestep-united-nations-on-iran-missiles-sanctions)

[21] Louis Charbonneau, "Exclusive: Iran missile tests were 'in defiance of' U.N. resolution - U.S., allies," *Reuters*, March 30, 2016. (http://www.reuters.com/article/us-iran-missiles-idUSKCN0WV2HE)

[22] Colum Lynch, "Washington Made it Easy for Iran to Fire Its Ballistic Missiles," *Foreign Policy*, March 16, 2016. (http://foreignpolicy.com/2016/03/16/washington-made-it-easy-for-iran-to-fire-its-ballistic-missiles/)

[23] U.S. Department of the Treasury, Press Release, "Treasury Sanctions Iranian Official for Human Rights Abuses," May 23, 2014. (https://www.treasury.gov/press-center/press-releases/Pages/jl2411.aspx); U.S. Department of the Treasury, Press Release, "Treasury Designates Additional Individuals and Entities Under Iran-related Authorities," December 30, 2014. (https://www.treasury.gov/press-center/press-releases/Pages/jl9731.aspx)

[24] Information available via the U.S. Department of the Treasury's "Sanctions List Search" database, accessed May 4, 2016 at https://sanctionssearch.ofac.treas.gov/.

[25] The Council of the European Union, "Council Regulation No 359/2011 of 12 April 2011," *Official Journal of the European Union*, as amended April 7, 2015. (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02011R0359-20150409)

[26] United Nations Human Rights Council, "Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran," March 10, 2016. (http://shaheedoniran.org/wp-content/uploads/2016/03/SR-Report-HRC2016FF.pdf); United Nations General Assembly, "Situation of human rights in the Islamic Republic of Iran," October 6, 2015. (http://shaheedoniran.org/wp-content/uploads/2015/10/SR-Report-Iran-Oct2015.pdf)

When President Rouhani was elected in June 2013, there was a widespread, but incorrect, assumption that he would shepherd in an era of greater freedoms in Iran. Instead, the human rights situation in Iran has deteriorated even further, even in the wake of the nuclear deal.[27] The regime is suppressing internal dissent, and the IRGC has arrested hundreds of activists, journalists, and regular citizens in what human rights experts call the "largest crackdown since the violent state suppression" in 2009.[28] 2015 saw a record number of executions, including 16 juveniles.[29] As United Nations Special Rapporteur on the situation of human rights in the Islamic Republic of Iran Dr. Ahmed Shaheed reports, there has been no "meaningful change on the ground."[30]

Iran is also the world's leading state sponsor of terrorism, according to the U.S. State Department.[31] In its annual terrorism report, the department noted that Iran "arms Hezbollah with advanced long-range Iranian-manufactured missiles, in violation of UN Security Council Resolutions 1701 and 1747."[32]

Meanwhile, Iran continues to engage in destabilizing activities across Syria, Iraq, Yemen, Lebanon, and other countries across the Middle East.[33] According to Director of National Intelligence James Clapper, Iran's involvement in conflicts throughout the region "deepened" throughout 2015,[34] and CENTCOM Commander Gen. Joseph L. Votel testified before Congress that Iran has "grown more aggressive in the days since the agreement."[35] He further testified that

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[27] United Nations Human Rights Council, "Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran," March 10, 2016. (http://shaheedoniran.org/wp-content/uploads/2016/03/SR-Report-HRC2016FF.pdf)

[28] "Largest Wave of Arrests by Iran's Revolutionary Guards Since 2009," *International Campaign for Human Rights in Iran*, November 19, 2015. (https://www.iranhumanrights.org/2015/11/irgc-intelligence-arrests/)

[29] UN Special Rapporteur on the situation of human rights in the Islamic Republic of Iran, Press Release, "Zeid calls for an end to executions for drug offences in Iran," April 14, 2016. (http://shaheedoniran.org/english/human-rights-at-the-united-nations/human-rights-monitoring-mechanisms/high-commissioner-office/zeid-calls-for-an-end-to-executions-for-drug-offences-in-iran/); "Growing Up on Death Row: The Death Penalty and Juvenile Offenders in Iran," *Amnesty International*, January 25, 2016. (http://www.amnestyusa.org/research/reports/growing-up-on-death-row-the-death-penalty-and-juvenile-offenders-in-iran)

[30] UN Special Rapporteur on the Situation of Human Rights in the Islamic Republic of Iran, "Press Conference Statement," March 10, 2016. (http://shaheedoniran.org/english/dr-shaheeds-work/press-releases/press-conference-statement-on-10-march-2016/)

[31] Justin Siberell, "Special Briefing: Country Reports on Terrorism," *U.S. Department of State*, June 2, 2016. (http://www.state.gov/r/pa/prs/ps/2016/06/258013.htm); U.S. Department of State, "Country Reports on Terrorism 2015," June 2016. (http://www.state.gov/documents/organization/258249.pdf)

[32] U.S. Department of State, "Country Reports on Terrorism 2015," Chapter 3: State Sponsors of Terrorism Overview, June 2016. (http://www.state.gov/j/ct/rls/crt/2015/257520.htm)

[33] For additional information on how Iran destabilizes the region, see Matthew Levitt, "Under cover of nuclear deal, Iran foments regional instability," *The Hill*, July 12, 2016. (http://thehill.com/blogs/pundits-blog/international/287342-under-cover-of-nuclear-deal-iran-foments-regional)

[34] James Clapper, "Worldwide Threat Assessment of the US Intelligence Community," *Testimony before the Senate Armed Services Committee*, February 9, 2016, page 24. (http://www.armed-services.senate.gov/imo/media/doc/Clapper_02-09-16.pdf)

[35] Spencer Ackerman, "US Central Command nominee has 'concerns' about progress against Isis," *The Guardian* (UK), March 9, 2016. (https://www.theguardian.com/world/2016/mar/09/us-isis-syria-strategy-central-command-nomination-joseph-votel)

even with the JCPOA, "Iran's malign activities to expand its influence continues, thorough the provision of support to terrorist groups and allied militias."[36]

Iranian Illicit Procurement

At the end of June, Berlin's domestic intelligence agency issued a damning report about Iran's illicit procurement efforts in Germany. News reports began covering the revelations just last week. The German report noted that Iran's "illegal proliferation-sensitive procurement activities" reached a "quantitatively high level … particular[ly] with regard to items which can be used in the field of nuclear technology … [and] Iran's ambitious missile technology program." While the report covered 2015, the intelligence agency concluded, "It is safe to expect that Iran will continue its intensive procurement activities in Germany using clandestine methods to achieve its objectives."[37]

Alongside the federal report, German states also released their own intelligence reports. The German state of Saarland revealed that Iran and North Korea sought technology for "atomic, biological, or chemical weapons." The state of Rhineland-Palatinate reported that Iran targeted German companies seeking equipment for "atomic, biological, and chemical weapons" and goods which are relevant to "nuclear and missile delivery programs."[38] Notably, the report from North-Rhine-Westphalia stated that in 2015, Iran made more than 125 attempts to acquire proliferation sensitive goods for its nuclear and missile program, an increase of at least 50 percent over the previous year.[39] This increase should not come as a surprise. Iranian officials – including President Rouhani – have pledged to continue acquiring goods for Iran's missile program and have stated that Iran will not abide by UN restrictions on its missile program.[40]

Simultaneously, the Institute for Science and International Security released two reports about Iran's ongoing illegal procurement activities.[41] The Atomic Energy Organization of Iran (AEOI)

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[36] Joseph Votel, "Advance Questions," *Testimony before the Senate Armed Services Committee*, March 9, 2016. (http://www.armed-services.senate.gov/imo/media/doc/Votel_03-09-16.pdf)

[37] "2015 Annual Report on the Protection of the Constitution Facts and Trends," *Federal Ministry of the Interior* (Germany), English Summary, June 28, 2016, page 30. (https://www.verfassungsschutz.de/embed/annual-report-2015-summary.pdf); "Verfassungsschutzbericht 2015 vorgestellt (The Federal Office for the Protection of the Constitution's 2015 report)," *Bundesamt für Verfassungsschutz* (Germany), June 28, 2016. (https://www.verfassungsschutz.de/de/aktuelles/meldungen/me-20160628-vorstellung-vsb-2015)

[38] Benjamin Weinthal, "Exclusive: Iran sought chemical and biological weapons technology in Germany," *The Jerusalem Post* (Israel), July 9, 2016. (http://www.jpost.com/Diaspora/Exclusive-Iran-sought-chemical-and-biological-weapons-technology-in-Germany-459905)

[39] Benjamin Weinthal, "Post-JCPOA, Iran Revs Up Nuclear, Missile Procurement in Germany," *Foundation for Defense of Democracies*, July 8, 2016. (http://www.defenddemocracy.org/media-hit/benjamin-weinthal-post-jcpoa-iran-revs-up-nuclear-missile-procurement-in-germany/)

[40] For example, "Iran unveils new missile, says seeks peace through strength," *Reuters*, August 22, 2015. (http://www.reuters.com/article/us-iran-military-missile-idUSKCN0QR07C20150822); Tzvi Kahn, "Iran's Ballistic Missile Program Continues," *Foreign Policy Initiative*, August 31, 2015. (http://www.foreignpolicyi.org/content/fpi-bulletin-iran%E2%80%99s-ballistic-missile-program-continues)

[41] David Albright and Andrea Stricker, "Iranian Atomic Energy Organization Attempted Carbon Fiber Procurement," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/AEOI_Attempted_Carbon_Fiber_Procurement_7Jul2016.pdf); David Albright and Andrea Stricker, "Previously Sanctioned Iranian Entities Doing Business in China," *Institute for Science and International*

– an organization previously sanctioned by the U.S., EU, and UN but removed from sanctions lists on the JCPOA's Implementation Day (January 16, 2016) – attempted to procure tons of carbon fiber, which is used in the production of centrifuges. The incident occurred after the implementation of the JCPOA, indicating that AEOI is still engaged in illegal activities. Moreover, authors David Albright and Andrea Stricker explain that untreated carbon fiber has a lifespan of only one to five years, meaning that AEOI could not have been trying to acquire the materials for later use after restrictions on the number and type of centrifuges begin to expire in eight to ten years. Finally, the authors warn:

> AEOI had enough carbon fiber to replace existing advanced centrifuge rotors and had no need for additional quantities over the next several years, let alone for tons of carbon fiber. This attempt thus raises concerns over whether Iran intends to abide by its JCPOA commitments. … [The] procurement of tons of this carbon fiber would have allowed Iran to surge in the construction of advanced centrifuges in case of a breakdown of the JCPOA in the near term. Iran thus may have been seeking to hedge against any near-term breakdown of the JCPOA.[42]

In its second report, the Institute reveals that "many previously sanctioned Iranian entities" – entities that were involved in illicit procurement in the past but were removed from U.S. and EU sanctions lists as a result of the JCPOA – "are now very active in procuring goods in China."[43]

Iran's illicit procurement efforts violate UN Security Council Resolution 2231 (and UNSCR 1929 that was in place before it) and the spirit, if not the letter, of the JCPOA. UNSCR 2231 prohibits Iran from undertaking any activity related to the development of ballistic missiles capable of delivering nuclear weapons, and any exception would need to be approved by the Security Council.[44] Indeed, when speaking about the German intelligence report, Chancellor Angela Merkel noted that Iran's continued efforts to develop its ballistic missile program are "in conflict with the relevant provisions of the UN Security Council."[45]

Meanwhile, the JCPOA also prohibits Iran from acquiring or seeking to procure nuclear and nuclear dual-use goods outside of the Procurement Channel.[46] But technically, it is the supplying country's responsibility to report the potential sale to the Procurement Working Group. As the JCPOA is structured, Iran could continue its attempts to procure goods illegally, but until it

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Security, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/Previously_Sanctioned_Iranian_Entities_Doing_Business_in_China_7Jul2016_Final.pdf)

[42] David Albright and Andrea Stricker, "Iranian Atomic Energy Organization Attempted Carbon Fiber Procurement," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/AEOI_Attempted_Carbon_Fiber_Procurement_7Jul2016.pdf)

[43] David Albright and Andrea Stricker, "Previously Sanctioned Iranian Entities Doing Business in China," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/Previously_Sanctioned_Iranian_Entities_Doing_Business_in_China_7Jul2016_Final.pdf)

[44] United Nations Security Council, "Resolution 2231 (2015)," July 20, 2015, page 4, paragraph 11. (http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2231(2015))

[45] Benjamin Weinthal, "German intel report charges Iran seeking illegal nuke, missile tech," *Fox News*, July 7, 2016. (http://www.foxnews.com/world/2016/07/07/german-intel-report-charges-iran-seeking-illegal-nuke-missile-tech.html)

[46] Joint Comprehensive Plan of Action, Annex IV – Joint Commission, Vienna, July 14, 2015, paragraph 6.5. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_4_joint_commission_en.pdf)

succeeds in acquiring a good and then is caught with the illegal item, the P5+1 are unlikely to count the incident as a violation. This is a fatal flaw of the JCPOA. In normal law enforcement situations, if someone is caught attempting to commit a crime, that action is punishable. Not succeeding in committing an illegal act does not exonerate the criminal.

And yet, after the German report came out, Berlin's Foreign Minister rushed to claim that Iran was still in compliance with the nuclear agreement, blaming hardline elements of the regime for trying to tank the JCPOA – as if to claim that none of the procurement attempts were approved by the Iranian government.[47] The U.S. State Department similarly denied that recent reports show that Iran is in violation. "We have absolutely no indication that Iran has procured any materials in violation of the JCPOA," State Department Spokesman John Kirby said emphatically.[48] He also dismissed the significance of the German report noting that it only covered the period of time before Implementation Day – as if to say, anything that occurred between July 14, 2015 and January 16, 2016 is excused.

Illicit procurement should never be excused, even if it occurred prior to the JCPOA's implementation. And *The Wall Street Journal* also spoke with two German intelligence officers who stated that Iran's illegal procurement efforts continued in 2016 – well after Implementation Day.[49]

Iran's continued illicit procurement activities underscore the startling revelation by the Institute for Science and International Security that "the Obama administration has inhibited federal investigations and prosecutions of alleged Iranian illegal procurement efforts."[50] They also note that the P5+1 are trying "to keep secret problematic Iranian actions."[51]

Verification and Parchin

In the year since the JCPOA, we have also learned more about the Parchin military base where the International Atomic Energy Agency (IAEA) believes that Iran conducted weaponization activities. And so the December 2015 IAEA decision to "close" the file on outstanding concerns about the possible military dimensions of Iran's program[52] is troubling: Without ever admitting to weaponization activities, Iran has convinced the international community to wipe its slate

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[47] Frank Jordans, "Germany wary of Iran's nuclear, missile procurement efforts," *Associated Press*, July 8, 2016. (http://bigstory.ap.org/1c45e42b0a8340d8b5c62df327aaa817)

[48] John Kirby, "Daily Press Briefing," *U.S. Department of State*, July 8, 2016. (http://www.state.gov/r/pa/prs/dpb/2016/07/259479.htm)

[49] Anton Troianovski and Jay Solomon, "Germany Says Iran Kept Trying to Get Nuclear Equipment After Deal," *The Wall Street Journal*, July 8, 2016. (http://www.wsj.com/articles/germany-says-iran-kept-trying-to-get-nuclear-equipment-after-deal-1468006075)

[50] David Albright and Andrea Stricker, "Previously Sanctioned Iranian Entities Doing Business in China," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/Previously_Sanctioned_Iranian_Entities_Doing_Business_in_China_7Jul2016_Final.pdf)

[51] David Albright and Andrea Stricker, "Iranian Atomic Energy Organization Attempted Carbon Fiber Procurement," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/AEOI_Attempted_Carbon_Fiber_Procurement_7Jul2016.pdf)

[52] Laurence Norman, "IAEA Board Agrees to Close File on Iran's Past Nuclear Activities," *The Wall Street Journal*, December 15, 2015. (http://www.wsj.com/articles/iaea-board-agrees-to-close-iran-past-nuclear-activities-file-1450195869)

clean. The IAEA's report on the possible military dimensions of Iran's nuclear program[53] left many questions unanswered.[54] Among them, what were man-made uranium particles doing at the Parchin military base?

William Tobey, former deputy administrator for defense nuclear nonproliferation at the National Nuclear Security Administration, explains these particles are "prima facie evidence" of undeclared nuclear material in Iran. "A larger quantity of uranium left them behind," he notes.[55] For years, Iran has denied that it engaged in nuclear weaponization activities at the site and has vigorously engaged in clean-up efforts, which have compromised the IAEA's ability to investigate.[56] These efforts, Tobey explains, have created an ambiguous situation that is beneficial to the Iranians. The IAEA's findings are inconclusive, and this uncertainty means that the international community will not be united in any response.

Last month, *The Wall Street Journal* reported that U.S. officials believe those particles likely relate to previous nuclear weapons activities. "The existence of two particles of uranium there would be consistent with our understanding of the involvement of Parchin in a past weapons program, but by themselves don't definitively prove anything," the article quoted a senior administration official as saying.[57] Indeed, that is all the more reason why the IAEA should continue to investigate and attempt to verify Iran's declarations about its nuclear activities. As former IAEA Deputy Director General Olli Heinonen explained, the IAEA "has an obligation to carry out its safeguards verification mission under the comprehensive safeguards agreement. The possible existence of undeclared uranium at Parchin gets to the heart of those provisions."[58] Yet, to date, the IAEA has not specified its follow-up investigation efforts, and its recent reports have lacked important, technical details about Iran's compliance with its JCPOA obligations, according to the nuclear experts at the Institute for Science and International Security.[59]

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[53] International Atomic Energy Agency, "Final Assessment on Past and Present Outstanding Issues regarding Iran's Nuclear Programme," December 2, 2015, page 11. (https://www.iaea.org/sites/default/files/gov-2015-68.pdf)

[54] "The Possible Military Dimensions of Iran's Nuclear Program," *Iran Task Force*, December 2015. (http://taskforceoniran.org/pdf/The_PMDs_of_Iran%E2%80%99s_Nuclear_Program.pdf); Olli Heinonen, "Next Steps in the Implementation of the JCPOA," *Foundation for Defense of Democracies*, December 8, 2016. (http://www.defenddemocracy.org/media-hit/next-steps-in-the-implementation-of-the-jcpoa/)

[55] William Tobey, "Iran's Parchin Particles: Why Should Two Mites of Uranium Matter?" *Foreign Policy*, July 7, 2016. (http://foreignpolicy.com/2016/07/07/irans-parchin-particles-why-should-two-mites-of-uranium-matter/)

[56] David Albright, Serena Kelleher-Vergantini, and Andrea Stricker, "Parchin: Will the IAEA Verify the Absence of Nuclear Weapons Activities in Iran?" *Institute for Science and International Security*, June 20, 2016. (http://isis-online.org/uploads/isis-reports/documents/Parchin_Post_Implementation_Day_June_20_2016_Final.pdf); David Albright and Serena Kelleher-Vergantini, "Parchin in the IAEA's Final Assessment on the Possible Military Dimensions to Iran's Nuclear Program," *Institute for Science and International Security*, December 3, 2015. (http://isis-online.org/uploads/isis-reports/documents/Parchin_Final_Assessment_on_PMD_Issues_3Dec2015-Final.pdf)

[57] Jay Solomon, "Uranium Provides New Clue on Iran's Past Nuclear Arms Work," *The Wall Street Journal*, June 19, 2016. (http://www.wsj.com/articles/uranium-provides-new-clue-on-irans-past-nuclear-arms-work-1466380760)

[58] Olli Heinonen, "Uranium Particles at Parchin Indicate Possible Undeclared Iranian Nuclear Activities," *Foundation for Defense of Democracies*, July 1, 2016. (http://www.defenddemocracy.org/media-hit/olli-heinonen1-uranium-particles-at-parchin-indicate-possible-undeclared-iranian-nuclear-a/)

[59] David Albright, Serena Kelleher-Vergantini, and Andrea Stricker, "IAEA's Second JCPOA Report: Key Information Still Missing," *Institute for Science and International Security*, May 31, 2016. (http://isis-online.org/uploads/isis-reports/documents/Second_JCPOA_Post-Implementation_Day_Report_May_31_2016_Final.pdf)

This is a dangerous precedent. The IAEA did not insist on physical inspections of Parchin, instead agreeing to an Iranian demand that its own scientists do the sampling. Then, when the IAEA discovered highly suspicious uranium particles, it did not insist on a follow-up inspection, physical or otherwise, which is required under the comprehensive safeguards agreement to which Iran is party. Tehran is establishing the precedent for future inspections of military sites; it will not permit the IAEA physical access to the facilities, and then may invoke the example of Parchin to deny access (physical or otherwise) for follow-up inspections if suspicious materials or activities are discovered. If this transpires, it will vitiate the verification regime that the administration has touted as an achievement of the JCPOA.

Iranian Airlifts to Syria

Iran's human rights abuses have gotten worse, not better, since the JCPOA. They also are not contained within the country's borders. A report by Syrian and Lebanese researchers found that there is sufficient evidence to charge the Iranian leadership with complicity in war crimes and crimes against humanity in Syria, but the international community has refused to act.[60] In the meantime, the Syrian regime itself has become "little more than a puppet" of the Iranian regime and the IRGC.[61]

Iran has enabled Syrian President Bashar al-Assad to remain in power, bombing civilians with impunity, leading to more than 470,000 deaths. Others have fled to neighboring states and Europe, causing millions of displaced refugees, an ensuing humanitarian crisis, and a surge in jihadist groups operating in Syria and abroad. The Syria crisis, in turn, fueled the rise of ISIS, which is threatening multiple countries, including the United States and Europe. Iran's support for Assad reached new levels in the last year, including the provision of IRGC ground forces, weaponry, intelligence, telecommunications, and financial support.[62]

Since the start of the Syrian civil war, Mahan Air has become the Revolutionary Guard's primary conduit for transporting weapons and military personnel to Assad and Hezbollah operations in Syria.[63] At the same time, Iran Air has repeatedly flown routes known to be used to resupply Assad.[64] As recently as June 9, an Iran Air jet landed in Abadan, Iran, the logistical hub of the Revolutionary Guard's airlifts to Assad and Hezbollah.[65] After a little over an hour on the tarmac, it continued to Syria. Iran Air regularly flies to Damascus with its planes' transponders broadcasting an outdated Najaf-Tehran flight number, making it appear that the flights were

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[60] Shiar Youssef, "Iran in Syria: From an Ally of the Regime to Occupying Force," *Naame Shaame*, 2nd Edition, April 2016. (http://www.naameshaam.org/naame-shaam-releases-updated-report-on-irans-role-in-syria/)
[61] Ibid, page 10.
[62] Max Peck, "Doubling Down on Damascus: Iran's Military Surge to Save the Assad Regime," *Foundation for Defense of Democracies*, January 11, 2016. (http://www.defenddemocracy.org/content/uploads/documents/Doubling_Down_on_Damascus.pdf)
[63] U.S. Department of the Treasury, Press Release, "Treasury Designates Iranian Commercial Airline Linked to Iran's Support for Terrorism," October 12, 2011. (https://www.treasury.gov/press-center/press-releases/Pages/tg1322.aspx)
[64] Emanuele Ottolenghi, "The risks of the Iran-Boeing deal," *The Hill*, June 21, 2016. (http://thehill.com/blogs/pundits-blog/international/284269-the-risks-of-the-iran-boeing-deal)
[65] @eottolenghi, "Iran Air flying Abadan to Damascus. Less than 6 months after JCPOA implementation, Iran Air running #SyriaExpress," *Twitter*, June 9, 2016. (https://twitter.com/eottolenghi/status/741034437341786112)

between Iran and Iraq.[66] This is a familiar technique that Iran used in hiding the illicit behavior of the Islamic Republic of Iran Shipping Lines (IRISL) and National Iranian Tanker Company (NITC) when they, too, used to turn off transponders or change their naming and registration markings to avoid detection.[67]

Despite this record of illicit behavior, the Obama administration is pushing Boeing's $25 billion deal with Iran Air, which has a long rap sheet of illegal activities. In June 2010, the United Nations Security Council cautioned that Iran Air's cargo division may be involved in sanctions evasion.[68] Washington designated the airline a year later for providing material support and services to the IRGC and Ministry of Defense.[69] At the time, Treasury noted, "Rockets or missiles have been transported via Iran Air passenger aircraft, and IRGC officers occasionally take control over Iran Air flights carrying special IRGC-related cargo ... carried aboard a commercial Iran Air aircraft, including to Syria."[70] Iran Air not only flaunted the UN global arms embargo, it violated civil aviation rules by allowing the Guard to "disguise and manifest such shipments as medicine and generic spare parts."[71]

As a result of the nuclear deal, the U.S. lifted sanctions against Iran Air, despite the fact that the original designations were not related to Iran's nuclear program and despite the administration's commitment to retain non-nuclear sanctions. But when asked why sanctions were lifted, State Department Spokesman John Kirby did not argue that Iran Air's behavior had changed. He also did not reassure Americans that the IRGC is no longer using the airline to ship weapons to Syria.[72] Instead, he said merely that the administration was comfortable with its decision, though he was "not at liberty to go into the reasons behind" the de-listing.[73]

Boeing, Airbus, and the banks that are considering financing the $50 billion in deals with Iran Air face a due diligence nightmare in trying to ascertain whether Iran Air will be using their planes for nefarious purposes or transferring them to Mahan Air and the three other sanctioned

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[66] "Flight IR-3486 from Al Najaf to Tehran," *EasyFly Club*, accessed July 5, 2016. (http://easyfly.club/flights/iran-air/1ad6/ir-3486)

[67] For example, U.S. Department of the Treasury, Office of Foreign Assets Control, "Global Advisory to the Maritime Industry Regarding the Islamic Republic of Iran Shipping Lines," July 19, 2012. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/ofac_irisl_advisory_07192012.pdf); U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Designates Iranian Entities Tied to the IRGC and IRISL," December 21, 2010. (https://www.treasury.gov/press-center/press-releases/Pages/tg1010.aspx); David Cohen, "Iran Sanctions: Ensuring Robust Enforcement, and Assessing Next Steps," *Testimony before the Senate Committee on Banking, Housing, and Urban Affairs*, June 4, 2013. (http://www.banking.senate.gov/public/_cache/files/c6ae9124-e150-4bce-8f9d-b36d5359722f/23C6AE00CC53D93492511CC744028B5E.cohentestimony6413.pdf)

[68] United Nations Security Council, Resolution 1929, June 9, 2010, page 7. (https://www.iaea.org/sites/default/files/unsc_res1929-2010.pdf)

[69] U.S. Department of the Treasury, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011. (https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx)

[70] Ibid.

[71] Ibid.

[72] "Boeing's historic deal with Iran rests on shaky foundations," *Associated Press*, June 23, 2016. (http://www.foxnews.com/us/2016/06/23/boeing-historic-deal-with-iran-rests-on-shaky-foundations.html)

[73] John Kirby, "Daily Press Briefing," *U.S. Department of State*, June 23, 2016. (http://www.state.gov/r/pa/prs/dpb/2016/06/259015.htm)

Iranian airlines (Caspian, Meraj, and Pouya aka Yas Air).[74] The IRGC's deep penetration in the Iranian aviation industry, and its use of Iranian airlines for illicit and dangerous activities pose significant risks for these Western companies.

Iran's Financial Legitimization Campaign

Even as Iran is violating the spirit, and perhaps the letter, of the JCPOA as well as UN Security Council Resolution 2231, Tehran is demanding ever-greater sanctions relief. While U.S. and European diplomats celebrated the conclusion of the Iran nuclear deal last summer, Iran's Supreme Leader Ali Khamenei and his government saw that deal not as the end of the negotiations, but as the beginning. This has become increasingly clear in their criticism of sanctions relief and demand for more.[75]

Some of this additional sanctions relief will flow to the coffers of terrorist groups and rogue actors. While President Obama claimed that the JCPOA's sanctions relief would not be a "game-changer" for Iran,[76] Supreme Leader Khamenei stated in a speech less than one week after the JCPOA announcement, "We shall not stop supporting our friends in the region: The meek nation of Palestine, the nation and government of Syria … and the sincere holy warriors of the resistance in Lebanon and Palestine."[77] The infusion of cash and other assets as a result of the JCPOA is relieving budgetary challenges for a country that had only an estimated $20 billion in fully accessible foreign exchange reserves prior to November 2013[78] but was spending at least $6 billion annually to support Assad.[79]

In January 2016, Secretary of State John Kerry admitted that Iran would use some of the funds from sanctions relief to aid its nefarious activities and support terrorism. Referring to the previously frozen assets to which Iran now has access, he noted, "Some of it will end up in the hands of the IRGC or other entities, some of which are labeled terrorists."[80] Just last month, Hezbollah's Secretary General Hassan Nasrallah reminded the public that "Hezbollah's budget,

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[74] U.S. Department of the Treasury, Press Release, "Treasury Targets Networks Linked to Iran," August 29, 2014. (https://www.treasury.gov/press-center/press-releases/Pages/jl2618.aspx)

[75] For example, Guy Faulconbridge, "Iran calls on U.S. to reassure European banks over trade with Tehran," *Reuters*, February 4, 2016. (http://www.reuters.com/article/us-iran-britain-trade-idUSKCN0VD2K2); Jay Solomon, Asa Fitch, and Benoit Faucon, "Iran's Central Bank Chief Warns Banking-Access Issues Jeopardize Nuclear Deal," *The Wall Street Journal*, April 15, 2016. (http://www.wsj.com/articles/irans-central-bank-chief-warns-banking-access-issues-jeopardize-nuclear-deal-1460745930#:ZHcJ-_dQfzyZaA)

[76] Barack Obama, Press Briefing, "Press Conference by the President," *The White House*, July 15, 2015. (https://www.whitehouse.gov/the-press-office/2015/07/15/press-conference-president)

[77] "Iran Press Review 20 July," *Foundation for Defense of Democracies*, July 20, 2015. (http://www.defenddemocracy.org/iran-press-review-20-july)

[78] Mark Dubowitz and Rachel Ziemba, "When Will Iran Run Out of Money?" *Foundation for Defense of Democracies and Roubini Global Economics*, October 2, 2013. (http://www.defenddemocracy.org/content/uploads/documents/Iran_Report_Final_2.pdf)

[79] Eli Lake, "Iran Spends Billions to Prop Up Assad," *Bloomberg*, June 9, 2015. (http://www.bloombergview.com/articles/2015-06-09/iran-spends-billions-to-prop-up-assad)

[80] Elise Labott, "John Kerry: Some sanctions relief money for Iran will go to terrorism," *CNN*, January 21, 2016. (http://www.cnn.com/2016/01/21/politics/john-kerry-money-iran-sanctions-terrorism/)

its income, its expenses, everything it eats and drinks, its weapons and rockets, come from the Islamic Republic of Iran."[81]

Even with considerably more money at its disposal to spend on supporting its proxies, Iran is pushing for additional concessions. The Iranian regime has mounted a full-court press to persuade the global financial community to overlook its long rap sheet of financial crimes[82] and to persuade the United States to provide additional sanctions relief[83] that go beyond anything promised by the nuclear agreement.

Supreme Leader Khamenei has argued that the United States has "removed the sanctions in paper only" and blames the U.S. for the fact that global banks are keeping Iran at arm's length.[84] Iranian Central Bank Governor Valiollah Seif has publicly criticized the U.S. for "not honor[ing its] obligations" and explicitly called for the U.S. to change its laws to allow Iran to access the U.S. financial system.[85] Meanwhile, he and Foreign Minister Javad Zarif regularly dismiss concerns about Iran's support for terrorism and provocative ballistic missile launches, deliberately sidestepping Iran's record of illicit financial activities.[86]

Tehran's record of illicit financial activities and the central role of the Central Bank of Iran (CBI) in these efforts require scrutiny. Between 2006 and 2011, as the U.S. sanctioned Iranian banks, the CBI facilitated transactions for designated banks involved in proliferation and terror financing and, according to Treasury, helped them evade sanctions.[87] As a result, Treasury took the necessary step in November 2011 of designating Iran and its entire financial sector – including its central bank – a "jurisdiction of primary money laundering concern."[88] The following year, Congress statutorily designated the CBI for its support of nuclear and missile proliferation, terrorism, and money laundering, and banned all transactions with it beyond

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[81] Majid Rafizadeh, "In first, Hezbollah confirms all financial support comes from Iran," *Al Arabiya* (Saudi Arabia), June 25, 2016. (http://english.alarabiya.net/en/perspective/features/2016/06/25/In-first-Hezbollah-s-Nasrallah-confirms-all-financial-support-comes-from-Iran.html)

[82] U.S. Department of the Treasury, Press Release, "Fact Sheet: New Sanctions on Iran," November 21, 2011. (https://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx)

[83] "New U.S. sanctions concession to Iran may be in works: AP," *Associated Press*, March 31, 2016. (http://www.cbsnews.com/news/new-us-sanctions-concession-to-iran-may-be-in-works-ap/)

[84] Aresu Eqbali and Margherita Stancati, "Iran's Supreme Leader Says Sanctions Still Affecting Country's Economy," *The Wall Street Journal*, March 20, 2016. (http://www.wsj.com/articles/irans-supreme-leader-says-sanctions-still-affecting-countrys-economy-1458502695)

[85] Valiollah Seif, "A Conversation with Valiollah Seif on the Future of the Iranian Economy," *Council on Foreign Relations*, April 15, 2016. (http://www.cfr.org/global/conversation-valiollah-seif/p37733)

[86] Eli Lake, "Show Iran a Little Disrespect," *Bloomberg*, April 26, 2016. (http://www.bloombergview.com/articles/2016-04-26/show-iran-a-little-disrespect); Robin Wright, "Iran's Javad Zarif on the Fraying Nuclear Deal, U.S. Relations, and Holocaust Cartoons," *The New Yorker*, April 25, 2016. (http://www.newyorker.com/news/news-desk/irans-javad-zarif-on-the-fraying-nuclear-deal-u-s-relations-and-holocaust-cartoons)

[87] U.S. Department of the Treasury, Financial Crimes Enforcement Network, Advisory, "Update on the Continuing Illicit Finance Threat Emanating from Iran," June 22, 2010. (https://www.fincen.gov/statutes_regs/guidance/html/fin-2010-a008.html)

[88] U.S. Department of the Treasury, Press Release, "Finding That the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern," November 18, 2011. (http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf)

limited crude oil sales and humanitarian trade.[89] Despite these multiple grounds for sanctions against the CBI, the Obama administration lifted or suspended all executive branch and congressional sanctions against the Iranian central bank despite presenting no evidence that it had stopped the full range of its illicit financial activities.

While the CBI continues to deny its role as Iran's central bank for illicit finance, including terrorism, Tehran owes victims of Iranian terrorism more than $50 billion in outstanding judgments.[90] The central bank had appealed to the U.S. Supreme Court to overturn the seizure of nearly $2 billion of its assets to settle outstanding judgments won by these victims of terrorism.[91] When the Supreme Court issued its ruling in April affirming the lower court's decision to award the funds to victims,[92] Iran denounced it as a theft of Iranian property[93] and sued the U.S. in the International Court of Justice.[94]

Iran remains recalcitrant in admitting these past wrongs. Just as the JCPOA turned Iran from a nuclear pariah to nuclear partner without requiring Iran to come clean on its decades-long track record of nuclear mendacity, Iran is using a similar scheme to legitimize its financial sector. On the nuclear front, Iran denied its weaponization efforts, deceived the international community about its illicit nuclear activities, and escalated its demands for fewer nuclear constraints. On the financial track, Tehran is following the same strategy. Iranian leaders are denying their illicit financial conduct, they are attempting to deceive the international community about this ongoing illicit conduct, and now they are demanding new sanctions relief and concessions to legitimize their financial sector.

The Financial Action Task Force (FATF), the global anti-money laundering and anti-terror finance standards body, has been a major barrier to Iran's legitimization effort. The body regularly warns members that they should "apply effective counter-measures to protect their financial sectors" from illicit finance risks emanating from Iran.[95] To counter these warnings and their impact on the global financial community's reluctance to re-engage with Iran's financial sector, Iran engaged in a robust campaign to get itself off FATF's blacklist.[96] Tehran also

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[89] National Defense Authorization Act for Fiscal Year 2012, Pub. L. 112-81, 125 Stat. 1298, codified as amended at 112 U.S.C. §1245. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/ndaa_publaw.pdf)
[90] Orde Kittrie, "After Supreme Court Decision, Iran Still Owes $53 Billion in Unpaid U.S. Court Judgments to American Victims of Iranian Terrorism," *Foundation for Defense of Democracies*, May 2016. (http://www.defenddemocracy.org/content/uploads/documents/Kittrie_After_SCOTUS_Iran_Owes.pdf)
[91] Lawrence Hurley, "Iran central bank takes Beirut bombing case to U.S. Supreme Court," *Reuters*, January 13, 2016. (http://www.reuters.com/article/us-usa-court-iran-idUSKCN0UR0IT20160113)
[92] *Bank Markazi aka Central Bank of Iran v. Peterson et al.*, Decision, No. 14-770, (Supreme Court of the United States, April 20, 2016). (http://www.supremecourt.gov/opinions/15pdf/14-770_9o6b.pdf)
[93] Rick Gladstone, "Iran Accuses U.S. of Theft in $2 Billion Court Ruling for Terror Victims," *The New York Times*, April 21, 2016. (http://www.nytimes.com/2016/04/22/world/middleeast/iran-accuses-us-of-theft-in-2-billion-court-ruling-for-terror-victims.html?_r=1)
[94] Asa Fitch and Aresu Eqbali, "Iran Sues U.S. in International Court Over Frozen Assets," *The Wall Street Journal*, June 16, 2016. (http://www.wsj.com/articles/iran-sues-u-s-in-international-court-over-frozen-assets-1466027629)
[95] The Financial Action Task Force, Public Statement, "FATF Public Statement – 19 February 2016," February19, 2016. (http://www.fatf-gafi.org/countries/d-i/iran/documents/public-statement-february-2016.html)
[96] Michelle Caruso-Cabrera, "Iran pushes for acceptance in global banking system," *CNBC*, April 30, 2016. (http://www.cnbc.com/2016/04/30/iran-pushes-for-acceptance-in-global-banking-system.html)

expressed its intention to join the FATF-style regional body, the Eurasian Group,[97] which is dominated by Russia.

In June, at its meeting in South Korea, FATF declined to remove Iran from its high-risk blacklist but suspended for one year its call for mandatory counter-measures to be imposed by global banks. On one hand, FATF's directive was a clear rejection of the Islamic Republic's lobbying campaign to legitimize itself as a responsible financial actor: "Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system." Even as FATF temporarily suspended its call for countries to apply counter-measures, the body warned its members and all jurisdictions to "advise their financial institutions to apply enhanced due diligence to business relationships and transactions" with Iran.[98] The message from FATF was clear: Iran may say it is open for business, but it is not yet safe to do so.

On the other hand, the temporary suspension of mandatory counter-measures could signal a shift in FATF's position and increase the likelihood that, under pressure from European and Asian countries eager to get back to business with Tehran, Iran gets taken off the blacklist next year without a fundamental change in its financial criminal behavior.

In order to get off of FATF's blacklist, Iran will need to make substantial changes to its anti-money laundering regulation and fulfill a FATF action plan. But Iran is in flagrant violation of FATF requirements to comply with UN Security Council Resolutions to target proliferation financing. Tehran's partnership with North Korea in both missile, and potentially nuclear, development is in clear violation of UN sanctions on Pyongyang.[99]

And make no mistake: Tehran's efforts to pass laws that purport to address international counter-terrorism financing standards are hollow and do not conform to FATF standards. As the world's leading state sponsor of terrorism,[100] Iran's definitions of terrorism and terrorism financing exclude groups "attempting to end foreign occupation, colonialism and racism," and have other language to justify terrorism against America and its allies. Iran's leaders are telling the world, "We will arm and bankroll whomever we want but won't call them terrorists."

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[97] Irene Madongo, "Iran to Gain Observer Status in Eurasian Group by Summer, Says FIU Chief," *MoneyLaundering.com*, April 27, 2016. (http://www.moneylaundering.com/News/Pages/138005.aspx); Irene Madongo, "Eurasian Group Grants Iran Observer Status," *MoneyLaundering.com*, June 14, 2016. (http://www.moneylaundering.com/News/Pages/138665.aspx)

[98] The Financial Action Task Force, Public Statement, "Public Statement – 24 June 2016," June 24, 2016. (http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2016.html)

[99] Ali Alfoneh and Scott Modell, "The Iran-North Korea Nuclear Nexus: Unanswered Questions," *Foundation for Defense of Democracies*, January 2016. (http://www.defenddemocracy.org/content/uploads/documents/Iran_DPRK.pdf)

[100] Justin Siberell, "Special Briefing: Country Reports on Terrorism," *U.S. Department of State*, June 2, 2016. (http://www.state.gov/r/pa/prs/ps/2016/06/258013.htm); U.S. Department of State, "Country Reports on Terrorism 2015," June 2016. (http://www.state.gov/documents/organization/258249.pdf)

Iran also stated that it is ready to join the World Trade Organization (WTO),[101] and the Swiss President and the European Parliament Committee on International Trade have already expressed support.[102] Accession would require significant economic reforms, intellectual property protections, and other significant restructuring to liberalize Iran's economy.[103] Such reforms are likely to be opposed by the supreme leader, the IRGC, and other vested interests as they will undermine their ability to censor content and dominate the Iranian economy; however, the process is more important to Iran's legitimization campaign than whether or not the regime intends to implement any reforms.

From an American national and economic security perspective, Iran should not be permitted to become a member of the WTO until it ceases to support terrorism and engage in missile proliferation. If Iran becomes a member of the WTO, it will be much more difficult for the U.S. and its allies to impose sanctions. While sanctions are permissible under a national security exception in WTO rules, "these actions would clearly violate the spirit of the WTO and have therefore been rarely used," according to Columbia University Professor Allison Carnegie.[104] The United States would lose its powerful coercive sanctions tools – tools that have been the centerpiece of the administration's nuclear and non-nuclear strategy against Iran.

Iran will attempt to use the FATF and WTO processes as part of its narrative and efforts to normalize its place in the international community. Step-by-step, Iran will try to legitimize itself in the global financial and business community without fundamentally changing its financial practices. Just as it went from nuclear pariah to nuclear partner under the JCPOA without admitting to its nuclear weaponization work, Tehran will use this same strategy of coupling a denial of wrongdoing with demands for more and more concessions.

Illicit Financial Risks Remain

For now, most large banks have not been fooled by the Islamic Republic's game.[105] After a decade of Treasury warnings, which were backed by sanctions on Iran for its nuclear and weapons proliferation, terror financing, regional aggression, and money laundering, the private

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[101] Tom Miles, "Iran, biggest economy outside WTO, says it's ready to join," *Reuters*, December 17, 2015. (http://www.reuters.com/article/us-iran-wto-idUSKBN0U02NZ20151217)

[102] Trade Practitioner, "EP Committee on International Trade Proposes New Position on Iran," *Squire Patton Boggs*, May 26, 2016. (http://www.tradepractitioner.com/2016/05/ep-committee-on-international-trade-proposes-new-position-on-iran/); "Switzerland to help Iran join WTO," *Mehr News Agency* (Iran), February 27, 2016. (http://en.mehrnews.com/news/114811/Switzerland-to-help-Iran-join-WTO)

[103] Allison Carnegie, "Here's what will happen if Iran joins the WTO," *The Washington Post*, October 24, 2015. (https://www.washingtonpost.com/news/monkey-cage/wp/2015/10/24/heres-what-will-happen-if-iran-joins-the-wto/); Tom Miles, "Iran, biggest economy outside WTO, says it's ready to join," *Reuters*, December 17, 2015. (http://www.reuters.com/article/us-iran-wto-idUSKBN0U02NZ20151217); Zahra Alipour, "Is it time to tame Iran's lawless publishing sector?" *Al Monitor*, May 24, 2016. (http://www.al-monitor.com/pulse/originals/2016/05/iran-copyright-infringement-berne-convention.html#ixzz49csRxEO5)

[104] Allison Carnegie, "Here's what will happen if Iran joins the WTO," *The Washington Post*, October 24, 2015. (https://www.washingtonpost.com/news/monkey-cage/wp/2015/10/24/heres-what-will-happen-if-iran-joins-the-wto/)

[105] Martin Arnold, Geoff Dyer, and Najmeh Bozorgmehr, "European banks resist calls to increase business ties with Iran," *Financial Times* (UK), May 12, 2016. (http://www.ft.com/cms/s/0/acae21f2-1796-11e6-bb7d-ee563a5a1cc1.html?siteedition=intl#axzz4Dq4m1bCq)

sector has a clear view of the risks of doing business in Iran. Banks are "driven by the financial-crime risks and the underlying conduct," HSBC Chief Legal Officer Stuart Levey, who was once Obama's Treasury undersecretary for terrorism and financial intelligence, reminded the U.S. government in a *Wall Street Journal* op-ed recently. "No one has claimed that Iran has ceased to engage in much of the same conduct for which it was sanctioned."[106]

Indeed, the International Monetary Fund (IMF)'s David Lipton noted on a visit to Tehran, "The best thing the government can do, and the banks can do, is to bring those standards up to international levels and try to reassure foreign partners, banks and otherwise that Iran's banks are safe to deal with."[107] Former Treasury spokesperson Hagar Hajjar Chemali noted, "The only move that could help bring on the business is for Tehran to change its foreign policy and improve its financial transparency measures."[108]

Economic forecasters argue that Iran's ability to take advantage of sanctions relief depends not primarily on additional American concessions but on Iran's own economic policies. Specifically, according to the IMF, Iran needs to implement policies to attract foreign investment and to address systemic illicit finance risks.[109]

Until Iran alleviates money laundering and terror finance concerns by committing to end its support for terrorism, missile development, and destabilizing regional activities, and to reduce the economic power of the Revolutionary Guard and the supreme leader's business empire, banks will keep Iran at arm's length. The enhanced due diligence companies will need to apply to any transaction with Iran will prove a nightmare because many Iranian companies – especially including companies controlled by the IRGC – use nontransparent corporate structures and shadow companies to hide their true ownership interests.

In addition to implementing the regime's policies to support terrorism and destabilize its neighbors, the IRGC has become a dominant force in the Iranian economy, and Iran's "most powerful economic actor," according to the U.S. Treasury.[110] The IRGC's control over strategic sectors of the Iranian economy means that any foreign firms interested in doing business with Iran will have to do business with the Guard.[111] Businesses are rightfully concerned that they

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[106] Stuart Levey, "Kerry's Peculiar Message About Iran for European Banks," *The Wall Street Journal*, May 12, 2016. (http://www.wsj.com/articles/kerrys-peculiar-message-about-iran-for-european-banks-1463093348)

[107] Golnar Motevalli, "Iran Must Fix Own Banks to Win Overseas Business, IMF Says," *Bloomberg*, May 17, 2016. (http://www.bloomberg.com/news/articles/2016-05-17/iran-must-fix-own-banks-to-win-business-from-overseas-imf-says)

[108] Hagar Hajjar Chemali, "If Iran Wants Business, It's Up to Iran to Change," *The Huffington Post*, May 15, 2016. (http://www.huffingtonpost.com/entry/if-iran-wants-business-its-up-to-iran-to-change_us_57392bbfe4b06dede18b941e)

[109] International Monetary Fund, "IMF Country Report No. 15/349: Islamic Republic of Iran," December 2015. (http://www.imf.org/external/pubs/ft/scr/2015/cr15349.pdf)

[110] U.S. Department of the Treasury, Press Release, "Treasury Submits Report to Congress on NIOC and NITC," September 24, 2012. (http://www.treasury.gov/press-center/press-releases/Pages/tg1718.aspx)

[111] For an extensive analysis of the role of the IRGC in strategic sectors of the Iranian economy and how it will benefit from sanctions relief under the JCPOA, I recommend the testimony of my FDD colleague Emanuele Ottolenghi before the House Foreign Affairs Middle East and North Africa Subcommittee. Emanuele Ottolenghi, "The Iran Nuclear Deal and its Impact on Iran's Islamic Revolutionary Guards Corps," *Testimony before the House Foreign Affairs Middle East and North Africa Subcommittee*, September 17, 2015.

may be inadvertently dealing with companies owned or controlled by sanctioned entities or those that may become sanctioned when their ties to the IRGC become apparent.

Those multinational companies and global banks who care about long-term protection of their assets are not rushing back into Iran because they understand the risks of getting entangled in massive money-laundering, corruption, and terror finance schemes that pose unmanageable risks to their stakeholders. Tehran ranked 150 out of 189 countries on the World Bank's 2016 "Ease of Doing Business" Index on "protecting minority investors."[112] Foreign companies know that the pervasiveness of corruption presents significant challenges since evidence of bribes triggers the U.S. Foreign Corrupt Practices Act and the UK Bribery Act, which involve severe civil and criminal penalties. Transparency International ranks Iran 130 out of 168 counties on its corruption perception index, and the Basel Institute on Governance ranked Iran as the worst country in the world with regard to risks from money laundering and terrorism financing in its annual Anti-Money Laundering Index report.[113]

The private sector knows that now is not the right time to rush back into a country that still remains designated by the U.S. government as a "jurisdiction of primary money-laundering concern."[114] When Treasury issued this designation in November 2011, the department cited Iran's "support for terrorism," "pursuit of weapons of mass destruction" – including its financing of nuclear and ballistic missile programs – and the use of "deceptive financial practices to facilitate illicit conduct and evade sanctions."[115] Iran's entire financial system posed illicit finance risks to the global system.

The nuclear deal has not changed the Iranian regime's malign foreign and economic policies, which have had a remarkable consistency over the years. As Foreign Minister Mohammad-Javad Zarif wrote in his memoir, tending to the country's economic welfare was not enough for Iran's leaders: "We have also defined a global vocation … we do not exist without our revolutionary goals."[116]

(http://docs.house.gov/meetings/FA/FA13/20150917/103958/HHRG-114-FA13-Wstate-OttolenghiE-20150917.pdf); In the coming weeks, FDD will also be publishing a comprehensive study building on this testimony and providing innovative policy ideas for Congress on ways to use economic pressure against the Revolutionary Guards.

[112] "Doing Business 2016: Ease of Doing Business in Iran, Islamic Republic," *World Bank Group*, accessed July 8, 2016. (http://www.doingbusiness.org/data/exploreeconomies/iran/)

[113] "Corruption by Country/Territory: Iran," *Transparency International*, accessed February 12, 2016. (https://www.transparency.org/country/#IRN); "Basel AML Index 2015 Report," *Basel Institute on Governance*, August 18, 2015. (https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2015.pdf)

[114] U.S. Department of the Treasury, Press Release, "Fact Sheet: New Sanctions on Iran," November 21, 2011. (http://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx)

[115] U.S. Department of the Treasury, Press Release, "Finding That the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern," November 18, 2011. (http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf)

[116] Ali Alfoneh and Reuel Marc Gerecht, "An Iranian Moderate Exposed," *The New Republic*, January 23, 2014. (https://newrepublic.com/article/116167/mohammad-javad-zarif-irans-foreign-minister-religious-zealot)

Europe is at Risk

Europe in particular is vulnerable to the illicit finance risks posed by a legitimized Iranian banking system. For now, Iran remains cut off from the U.S. financial system, but the JCPOA terminated financial sanctions against most Iranian financial institutions. The nuclear deal lifted U.S. sanctions on 21 out of the 23 Iranian banks designated for proliferation financing – including both nuclear and ballistic missile activities – and 26 other financial institutions blacklisted for providing financial services to previously-designated entities or for being owned by the government of Iran.[117]

Meanwhile, the European Union lifted sanctions against most Iranian banks that it sanctioned over the past decade and removed restrictions on financial messaging services, allowing these Iranian banks back into the SWIFT financial messaging system from where they were expelled in March 2012.[118] With the lifting of EU sanctions under the JCPOA, Europe will increasingly become an economic free zone for Iran's most dangerous people and entities.

In addition to the SWIFT system, Iranian banks are also using the Trans-European Automated Real-Time Gross Settlement Express Transfer (Target2) system. Target2 is the European Central Bank's proprietary electronic interbank payment system, equivalent to the U.S. Fedwire, and the system that settles transactions in euros through the SWIFT gateway. Iranian banks, however, regularly violate the European Central Bank's guidelines and terms of use. Participants in the Target2 system are required to comply with all obligations related to "prevention of money laundering, the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems."[119] Instead, Iranian banks are complicit in this type of illicit finance.

Target2 could be used unwittingly to aid Iranian sanctions-busting schemes. If an Iranian trader, for example, wants to convert euros from his Chinese bank account into yuan and then transfer those yuan to an account held by a Chinese producer of maraging steel (which is used to build advanced centrifuges), the Iranian trader's bank will likely use the Target2 system. This hypothetical scenario is very plausible, especially as many previously sanctioned entities are actively procuring raw materials relevant to Iran's nuclear program, according to the Institute for Science and International Security.[120] Iran's use of the euro for illicit financial activities poses

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[117] Over the past decade, the U.S. Treasury Department has designated 51 banks and their subsidiaries inclusive of the 23 banks designated as proliferators, Bank Saderat which was designated for financing terrorism, and the Central Bank of Iran. Joint Comprehensive Plan of Action, Annex II, Vienna, July 14, 2015, Attachment 3. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_1_attachements_en.pdf)

[118] Joint Comprehensive Plan of Action, Annex II – Sanctions-related commitments, Vienna, July 14, 2015. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_2_sanctions_related_commitments_en.pdf); SWIFT, Press Release, "SWIFT instructed to disconnect sanctioned Iranian banks following EU Council decision," March 15, 2012. (https://www.swift.com/insights/press-releases/swift-instructed-to-disconnect-sanctioned-iranian-banks-following-eu-council-decision)

[119] "Decision of the European Central Bank of 24 July 2007 concerning the terms and conditions of TARGET2-ECB," as amended, May 16, 2016. (http://www.ecb.europa.eu/ecb/legal/pdf/celex_02007d0007-20160516_en_txt.pdf)

[120] David Albright and Andrea Stricker, "Previously Sanctioned Iranian Entities Doing Business in China," *Institute for Science and International Security*, July 7, 2016. (http://isis-online.org/uploads/isis-reports/documents/Previously_Sanctioned_Iranian_Entities_Doing_Business_in_China_7Jul2016_Final.pdf)

significant risks for European banking regulators and the financial institutions they oversee. It is also barred by the specific guidelines of Target2.

Meanwhile, previously sanctioned banks with illicit finance records are freely operating in Europe. For example, the United States sanctioned Europaeisch-Iranische Handelsbank (EIH Bank) in September 2010 for providing financial services to sanctioned Iranian banks.[121] Then-Treasury Undersecretary Stuart Levey called the bank a "key financial lifeline for Iran," noting that it "facilitated billions of dollars' worth of transactions on behalf of Iranian banks previously designated for proliferation-related activities."[122] Among other crimes, Treasury noted that the bank facilitated multiple transactions between weapons exporters and WMD proliferators.[123] According to a *Wall Street Journal* report, the bank was "involved in a broad sanctions-evasion scheme, conducting euro-denominated transactions" on behalf of the sanctioned Bank Sepah.[124] After significant U.S. pressure, including the intervention of President Obama with Chancellor Angela Merkel,[125] the EU followed suit and designated EIH Bank in May 2011.[126]

Current and former senior members of EIH Bank's supervisory board also have served in senior leadership positions at other banks, including First East Export Bank, Bank Mellat, Future Bank (a Bank Melli subsidiary), and the Bank of Industry and Mine, all of whom were previously designated by the U.S. and EU for involvement in illicit finance in support of Iran's nuclear and ballistic missile programs.[127] Notably, First East Export Bank was one of only three banks that the UN designated for facilitating financial transactions for Iran's illicit nuclear program.

Under the JCPOA, however, the U.S. and EU lifted sanctions on the bank without providing evidence that the bank ceased its illicit financial practices. EIH Bank is back in business. French energy company Total is reportedly using the bank to arrange payments to ship exports of

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[121] U.S. Department of the Treasury Press Release, "Treasury Department Targets Iranian-Owned Bank in Germany Facilitating Iran's Proliferation Activities," September 7, 2010. (https://www.treasury.gov/press-center/press-releases/Pages/tg847.aspx)

[122] Stuart Levey, "Written Testimony," *Hearing before the House Committee on Foreign Affairs*, December 1, 2010. (https://www.treasury.gov/press-center/press-releases/Pages/TG985.aspx)

[123] U.S. Department of the Treasury, Press Release, "Treasury Department Targets Iranian-Owned Bank in Germany Facilitating Iran's Proliferation Activities," September 7, 2010. (https://www.treasury.gov/press-center/press-releases/Pages/tg847.aspx)

[124] Peter Fritsch and David Crawford, "Small Bank in Germany Tied to Iran Nuclear Effort," *The Wall Street Journal*, July 18, 2010. (http://www.wsj.com/articles/SB10001424052748704229004575371341662207242)

[125] John Vinocur, "Loopholes Let Iran Off the Hook," *The New York Times*, August 10, 2010. (http://www.nytimes.com/2010/08/03/world/middleeast/03iht-politicus.html?_r=0); David Crawford, "Germany Rebuffs U.S. Calls to Shut Iran Bank," *The Wall Street Journal*, April 12, 2011. (http://www.wsj.com/articles/SB10001424052748703841904576256711528931504)

[126] "EU blacklists German-Iran bank for sanctions evasion," *Reuters,* May 24, 2011. (http://www.reuters.com/article/germany-iran-bank-idUSLDE74N0XT20110524)

[127] "Europaisch-Iranische Handelsbank AG," *Iran Watch*, January 16, 2016. (http://www.iranwatch.org/iranian-entities/europaisch-iranische-handelsbank-ag); "Annual Report 2013," *Europaeisch-Iranische Handelsbank*, 2013. (http://eihbank.com/eihbank_GB2013.pdf); "Ali Divandari," *Iran Watch*, January 16, 2016. (http://www.iranwatch.org/iranian-entities/ali-divandari); Mohammadreza Saroukhani, *LinkedIn*, accessed July 8, 2016. (https://www.linkedin.com/in/mohammadreza-saroukhani-742339102); "Board of Directors," *Bank of Industry and Mines* (Iran), accessed June 24, 2016. (http://en.bim.ir/board-of-directors/default.bim); "Board of Directors," *Future Bank* (Iran), accessed June 24, 2016. (http://www.futurebank.com.bh/brdOfDirectors.asp); Additional data available upon request.

Iranian crude to Europe,[128] and starting in June 2016, Indian refineries are using EIH Bank to settle billions of dollars in outstanding debts owed to Iran for previous crude oil purchases.[129] According to conversations I've had with industry experts, EIH acting as a hub that mediates on behalf of European banks looking to transact with Iranian banks. These European banks are outsourcing their due diligence, "know-your-customer," and other compliance responsibilities to an Iranian bank operating in Germany with a long rap sheet of financial crimes. With EIH managing risks for these European banks, there is a threat to the integrity of the European banking sector, their regulators and auditors, as well as a significant spillover threat to U.S. financial markets.

Washington's Actions Go Beyond its JCPOA Commitments

Last summer's Joint Comprehensive Plan of Action was objectively a very good deal for Tehran: It preserved essential elements of the country's nuclear infrastructure and placed only temporary, limited restrictions on its nuclear ambitions, which start expiring in eight years. In exchange, Iran got the complete dismantlement of many of the most impactful U.S. and international economic sanctions.

In January, the accord proceeded as scheduled. Iran mothballed some of its nuclear infrastructure and got the coveted stamp of approval from the International Atomic Energy Agency. Following that, Washington and the Europeans terminated or suspended a slew of punishing economic sanctions and even agreed to hand over access to a $100 billion in blocked Iranian assets.[130]

But then the Obama administration went even further. After committing to "actively encourage" state and local government to lift their own sanctions,[131] the administration sent letters to all 50 governors urging them to reconsider all Iran-sanctions measures.[132] Starting about a decade ago,

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[128] Benoit Faucon, "Iran's Oil Deals Hit Banking Snag," *The Wall Street Journal*, May 26, 2016. (http://www.wsj.com/articles/irans-oil-deals-hit-banking-snag-1464255004)

[129] Nidhi Verma, "India begins settling Iran oil dues via Germany's EIH bank – sources," *Reuters*, June 8, 2016. (http://in.reuters.com/article/india-iran-payment-idINKCN0YU1HE); "Indian Oil, MRPL Make $330 Million Iran Payment Via Germany-Based EIH Bank," *NDTV* (India), June 8, 2016. (http://profit.ndtv.com/news/corporates/article-indian-oil-mrpl-make-330-million-iran-payment-via-germany-based-eih-bank-1416958)

[130] Adam Szubin, "Written Testimony," *Hearing before the Senate Committee on Banking, Housing, and Urban Affairs*, August 5, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0144.aspx); Brian Murphy, "Iran claims $100 billion now freed in major step as sanctions roll back," *The Washington Post*, February 1, 2016. (https://www.washingtonpost.com/world/iran-claims-100-billion-now-freed-in-major-step-as-sanctions-roll-back/2016/02/01/edfc23ca-c8e5-11e5-a7b2-5a2f824b02c9_story.html); Mark Dubowitz, Annie Fixler, and Rachel Ziemba, "Iran's Mysteriously Shrinking Reserves: Estimating the Value of Tehran's Foreign Assets," *Foundation for Defense of Democracies and Roubini Global Economics*, September 2015. (http://www.defenddemocracy.org/content/uploads/publications/FDDRoubini_Report_Irans_mysterious_shrinking_reserves.pdf); Arshad Mohammed, "Iran to have access to over $100 billion when deal implemented: U.S. officials," *Reuters*, July 14, 2015. (http://www.reuters.com/article/us-iran-nuclear-usa-details-idUSKCN0PO14D20150714)

[131] Joint Comprehensive Plan of Action, Vienna, July 14, 2015, paragraph 25. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf)

[132] Eli Lake, "Obama Administration Urges States to Lift Sanctions on Iran," *Bloomberg*, April 19, 2016. (https://www.bloomberg.com/view/articles/2016-04-18/obama-administration-urges-states-to-lift-sanctions-on-iran); "State Legislation," *United Against Nuclear Iran*, accessed July 6, 2015. (http://www.unitedagainstnucleariran.com/state-legislation)

individual states began passing legislation requiring state pension funds to divest from companies that engaged in specific sanctionable activities and made investments in the Iranian energy sector. Many state laws tied the imposition of sanctions to both Iran's pursuit of weapons of mass destruction and its support for terrorism.[133] Many of these measures contain termination clauses linked to Iran's removal from the state sponsors of terrorism list or similar certifications that Iran is no longer engaged in the support of international terrorism.

The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) includes provisions affirming the authority of states to impose sanctions or divest from Iran if they wish to do so.[134] While the JCPOA does not impact these provisions, the administration's actions to-date raise serious questions. Will the White House try to force individual states to lift their divestment measures, even as the termination criteria for the legislation have not been met? Congress should pay particular attention to any actions by the federal government that go beyond simply informing states and local authorities about the nuclear deal.

The Obama administration opened the door to Iran's financial legitimization strategy when it agreed to the nuclear deal: Under the terms of the accord, as discussed, the United States and the European Union committed to "refrain from any policy specifically intended to directly and adversely affect the normalisation of trade and economic relations." [135] Iran has interpreted this to mean that the United States or EU cannot implement terrorism or other non-nuclear sanctions – even if they are entirely justified – or Iran will walk away from the JCPOA and "snapback" its nuclear program. Iranian officials also argue that the United States must go further, pushing skittish multilateral companies and global banks back into Iran.

And so, in recent months, Secretary of State John Kerry has been on an international invest-in-Tehran "road show"[136] to encourage large European banks to return to business with Iran. Banks simply need to "do their normal due diligence and know who they're dealing with," Kerry told reporters.[137] But the banks know that there is no "normal due diligence" in a country as corrupt as the Islamic Republic.

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[133] For example, see Protecting Florida's Investments Act, Committee Substitute for Senate Bill No. 2142, Florida State Legislature, 2007. (http://laws.flrules.org/files/Ch_2007-088.pdf); Assembly Bill 221, California Legislature, January 29, 2007. (http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0201-0250/ab_221_bill_20071014_chaptered.html); Public Act 095-0616, Illinois General Assembly, September 2007. (http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=095-0616); Protecting Pennsylvania's Investments Act, Senate Bill 928, General Assembly of Pennsylvania, 2009. (https://legiscan.com/PA/text/SB928/2009)

[134] U.S. Department of State, "Fact Sheet: Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA)," May 23, 2011. (http://www.state.gov/e/eb/esc/iransanctions/docs/160710.htm); Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, Pub. L. 111-195, 124 Stat. 1332-1333, codified as amended at 111 U.S.C. §202. (https://www.congress.gov/111/plaws/publ195/PLAW-111publ195.pdf)

[135] Joint Comprehensive Plan of Action, Vienna, July 14, 2015, paragraph 29. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf)

[136] David Brunnstrom, "Kerry seeks to soothe European bank nerves over Iran trade," *Reuters*, May 12, 2016. (http://www.reuters.com/article/us-iran-banks-kerry-idUSKCN0Y30OJ); Felicia Schwartz, "Kerry Tries to Drum Up Some Business in Europe for Iran," *The Wall Street Journal*, May 10, 2016. (http://www.wsj.com/articles/kerry-tries-to-drum-up-some-business-in-europe-for-iran-1462902185)

[137] Josh Lederman, "US says Iran open for business, but Europe's banks disagree," *Associated Press*, May 12, 2016. (http://bigstory.ap.org/article/73fd6c11e9b6474896cf59a4fc3ba108/us-says-banks-wont-be-punished-lawful-business-iran)

A tough-minded American administration would argue that there is a big difference between not interfering with commercial relations and actively advocating for banks and companies to enter the Iranian market. And by buying into Iran's arguments, Washington is becoming the trade-promotion agent for a rogue state.

In an attempt to assuage their concerns further, Secretary Kerry's staff briefed State Department reporters on a plan to issue a license to permit foreign banks to use dollars when processing transactions with their Iranian counterparts[138] – a concession never explicitly negotiated as part of the nuclear deal. This prompted a backlash in Congress that had Treasury Department officials scrambling to issue guidance that Washington is not permitting Iranian access to the U.S. financial system, even as they left open the possibility of offshore dollar clearing.[139]

Iran wants direct – or, at a minimum, indirect – access to the U.S. dollar because the dollar is the preferred currency for global trade. In 2008, Treasury banned Iran's last access point to the U.S. financial system by prohibiting what are referred to as "U-turn" transactions, which are transactions between a foreign bank and an Iranian bank that briefly transit the U.S. financial system in order to dollarize the transaction.[140] At the time, Treasury's Office of Foreign Assets Control noted that the purpose of the action was "to further protect the U.S. financial system from the threat of illicit finance posed by Iran and its banks."[141]

Permitting Iran access to the U.S. dollar would contradict repeated administration promises to Congress, and goes beyond any commitments made to Iran under the JCPOA.[142] During the weeks of intense congressional debate about the nuclear agreement and in the months following, administration officials repeatedly pledged that Iran would not be granted access to the U.S. financial system. Treasury Secretary Jack Lew was adamant during a congressional grilling last July. "Iranian banks will not be able to clear U.S. dollars through New York," he told both the Senate Foreign Relations Committee and House Foreign Affairs Committee, or "hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks."[143]

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[138] "New U.S. sanctions concession to Iran may be in works: AP," *Associated Press*, March 31, 2016. (http://www.cbsnews.com/news/new-us-sanctions-concession-to-iran-may-be-in-works-ap/); Bradley Klapper and Matthew Lee, "Officials: US considers easing ban on dollars to help Iran," *Associated Press*, March 31, 2016. (http://bigstory.ap.org/article/d527c4f64b464801a2ed4573a13b4627/officials-us-mulls-new-rules-dollars-help-iran)

[139] Karoun Demirjian, "Treasury sanctions chief warns even tightest U.S. policy can't keep every dollar out of Iran," *The Washington Post*, May 26, 2016. (https://www.washingtonpost.com/news/powerpost/wp/2016/05/26/treasury-sanctions-chief-warns-even-tightest-u-s-policy-cant-keep-every-dollar-out-of-iran/)

[140] U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Strengthens Preventive Measures Against Iran," November 6, 2008. (https://www.treasury.gov/press-center/press-releases/Pages/hp1258.aspx)

[141] U.S. Department of the Treasury, Office of Foreign Assets Control, "Iranian Transactions Regulations," *Federal Register*, November 10, 2008. (https://www.gpo.gov/fdsys/pkg/FR-2008-11-10/pdf/E8-26642.pdf)

[142] U.S. Department of the Treasury, "Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day," issued January 16, 2016, updated March 24, 2016. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_faqs.pdf)

[143] Jacob Lew, "Written Testimony of the Secretary of the Treasury," *Hearing before the Senate Foreign Relations Committee*, July 23, 2015. (http://www.foreign.senate.gov/imo/media/doc/07-23-15%20Lew%20Testimony.pdf); Jacob Lew, "Written Testimony of the Secretary of the Treasury," *Hearing before House Foreign Affairs Committee*, July 28, 2016. (http://docs.house.gov/meetings/FA/FA00/20150728/103823/HHRG-114-FA00-Wstate-LewJ-20150728.pdf)

In August, before the Senate Banking Committee, Treasury's Acting Under Secretary for Terrorism and Financial Intelligence Adam Szubin similarly testified that Iran will not "be able to clear U.S. dollars through New York" or have correspondent accounts or financing arrangements with U.S. banks.[144] Most explicitly, Szubin publicly committed:

> Iran will not be able to open bank accounts with U.S. banks, nor will Iran be able to access the U.S. banking sector, even for that momentary transaction to, what we call, dollarize a foreign payment. It was once referred to as a U-turn license, and Iran was allowed to make such offshore-to-offshore payments that cross U.S. banking sector thresholds for just a second. That is not in the cards.[145]

On Implementation Day (January 16, 2016), even as the administration suspended many of the most impactful secondary sanctions on Iran under the terms of the JCPOA, it vowed that the Islamic Republic would never get the ultimate prize: access to the U.S. financial system or dollar transactions. Treasury's guidance about sanctions relief stated that U-turn transactions remain banned. It explained that, despite the suspension of sanctions, "foreign financial institutions need to continue to ensure they do not clear U.S. dollar-denominated transactions involving Iran through U.S. financial institutions." Treasury emphasized: "The clearing of U.S. dollar- or other currency-denominated transactions through the U.S. financial system or involving a U.S. person remain prohibited." Treasury noted that the JCPOA "does not impact the November 2011 finding by the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) that Iran is a Jurisdiction of Primary Money Laundering Concern."[146]

If the United States provides dollarized access now, and in the future Iran conducts another ballistic missile test or executes more dissidents or provides more weapons to the Assad regime in Syria, the next administration will not be able to revoke Iran's access to dollarized transactions. Tehran will argue, convincingly, that Washington provided this sanctions relief under the JCPOA, so it cannot re-impose this sanction for non-nuclear reasons later.[147] Iran will threaten to walk away from the deal and deploy its own "nuclear snapback." This will effectively paralyze America's Iran policy as even the minimalist instrument of coercion, the non-nuclear sanction, will be increasingly neutralized.

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[144] Adam Szubin, "Written Testimony," *Hearing before the Senate Banking, Housing, and Urban Affairs Committee*, August 5, 2015. (https://www.treasury.gov/press-center/press-releases/Pages/jl0144.aspx)

[145] Adam Szubin, "Beyond the Vote: Implications for the Sanctions Regime on Iran," *Keynote Address before The Washington Institute for Near East Policy*, September 16, 2015. (http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf)

[146] U.S. Department of the Treasury, "Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day," issued January 16, 2016, updated March 24, 2016. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_faqs.pdf)

[147] Example derived from analysis of FDD's Center on Sanctions and Illicit Finance senior advisor Eric Lorber. Eric Lorber, "FPI Conference Call on Implications of Granting Iran Access to U.S. Financial Market," *Foreign Policy Initiative*, April 7, 2016. (http://www.foreignpolicyi.org/content/transcript-fpi-conference-call-implications-granting-iran-access-us-financial-market)

How the Administration Might "Dollarize" Iran's Transactions

News reports indicate that the administration is contemplating ways to dollarized transactions as long as: 1) no Iranian banks are involved in the transactions; 2) no Iranian rials enter into the transaction at the dollar clearing facility; and 3) the payment does not start or end with U.S. dollars.[148] The transaction would be temporarily converted into dollars allowing European (or other foreign) banks to conduct at least part of the exchange in dollars, which banks prefer because the dollar is a stable currency with less fluctuations and therefore less risk.

Any authorization of dollarized transactions would likely need to make it clear that U.S banks would be shielded from liability for providing dollars to the offshore transaction facility (otherwise potential liability could exist for U.S. persons indirectly providing services to a prohibited Iranian person). Further, it would also need to make clear that foreign banks are only permitted to engage in transactions in dollars received via the facility so long as those transactions are consistent with the relief provided under the JCPOA.

There appears to be no regulation expressly permitting foreign financial institutions to use offshore dollars to transact with Iran. Treasury's guidance notes that it is prohibited for foreign financial institutions to "clear U.S. dollar-denominated transactions involving Iran *through U.S. financial institutions*"[149] (emphasis added), but it is not clear if the transactions are permitted if they do not transit a U.S. bank.

In a House Foreign Affairs Committee hearing in May, Szubin testified that foreign banks are currently permitted to use the dollars already in their possession to clear transactions with Iran. "Every foreign bank in the world has U.S. dollars in their possession. Our sanctions do not extend to those dollar bills, and foreign actors aren't under our jurisdiction if they choose to give those to any actor, including an Iranian actor."[150]

This argument, however, does not address the fact that dollars circulating overseas do eventually return to the United States, thereby establishing a jurisdictional link. Foreign financial institutions do not know how long dollars tainted by an Iranian transaction must remain outside the U.S. before they can be moved through the U.S. financial system without fear of U.S. sanctions.[151] Moreover, European banks have received substantial fines from the U.S. government as well as from New York regulators.[152] This is giving those with a global presence

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[148] "New U.S. sanctions concession to Iran may be in works: AP," *Associated Press*, March 31, 2016. (http://www.cbsnews.com/news/new-us-sanctions-concession-to-iran-may-be-in-works-ap/)

[149] U.S. Department of the Treasury, "Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day," issued January 16, 2016, updated March 24, 2016. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_faqs.pdf)

[150] Adam Szubin, "Iran Nuclear Deal Oversight: Implementation and Its Consequences (Part II)," *Hearing before the House Committee on Foreign Affairs*, May 25, 2016. (http://foreignaffairs.house.gov/hearing/hearing-iran-nuclear-deal-oversight-implementation-and-its-consequences-part-ii)

[151] For a more detailed analysis of Under Secretary Szubin's remarks and remaining ambiguities and risks, see Eric Lorber, "How Iran Taints the Dollar," *Foundation for Defense of Democracies,* May 26, 2016. (http://www.defenddemocracy.org/media-hit/eric-b-lorber-how-iran-taints-the-dollar/)

[152] David Enrich, Noémie Bisserbe, and Madeleine Nissen, "Potential BNP Penalty Worries European Banks," *The Wall Street Journal*, June 24, 2014. (http://www.wsj.com/articles/potential-bnp-penalty-worries-european-banks-1403638199)

and with substantial U.S. operations pause until they are certain that they will not be on the wrong side of a future enforcement action. Additional guidance, letters of comfort, or licenses are likely necessary before foreign financial institutions with a large global and U.S. presence will process dollarized transitions for Iran.

Foreign financial institutions would still face significant due diligence challenges to ensure that none of the parties to the transaction remain under U.S. sanctions or are owned or controlled by a sanctioned entity. Reportedly, banks are drafting their own blacklists of companies with connections to the Iranian government – beyond those designations Treasury has imposed – to protect themselves from transacting with an agent of Iranian financial institutions or the government of Iran.[153]

Congress is rightly concerned about how the administration could provide such access. In addition to simply reinstating the U-turn general license that was in place prior to November 2008, there are a number of different mechanisms the United States could employ.

First, the United States could allow Iran to use what are known as offshore "large-value payment systems."[154] Currently, offshore clearing houses and individual banks themselves have dollars within their holdings. Alternatively, the United States may permit dollar clearance through the Asian Clearing Union (which Iran had been using in 2009 to evade sanctions[155]) or allow banks to conduct what are known as "book transfers."[156]

If the U.S. government wants to allow dollarized transactions, Treasury could issue a general license permitting – or a statement of guidance allowing – U.S. banks to provide dollars for an offshore clearing facility overseen by a foreign government or foreign bank.[157] When transmitting payments between Iranian companies and European companies, for example, the foreign financial institution would use this offshore clearing facility to convert the transaction into dollars. Treasury would issue similar licenses or guidance to permit dollarization through the Asian Clearing Union or through book transfers.

Alternatively, rather than move ahead with a blanket license, the administration could use a class-of-transactions approach. Specific classes of dollarized transactions are already permitted. In general, U.S. banks are permitted "to process transfers of funds to or from Iran … [if the]

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[153] Colby Adams, "Banks Draft 'Shadow' Blacklists of Iranian Firms No Longer Cited by OFAC," *MoneyLaundering.com*, May 3, 2016. (http://www.moneylaundering.com/News/Pages/138074.aspx)

[154] For an in-depth look at large-value payment systems, see Morten Bech, Christine Preisig, and Kimmo Soramäki, "Global Trends in Large-Value Payments," *Federal Reserve Bank of New York Economic Policy Review*, September 2008. (https://www.newyorkfed.org/medialibrary/media/research/epr/08v14n2/0809prei.pdf)

[155] Avi Jorisch, "How Iran Skirts Sanctions," *The Wall Street Journal*, November 4, 2009. (http://www.wsj.com/articles/SB10001424052748703298004574457322960633830)

[156] Katherine Bauer, "Potential U.S. Clarification of Financial Sanctions Regulations," *The Washington Institute for Near East Policy*, April 5, 2016. (http://www.washingtoninstitute.org/policy-analysis/view/potential-u.s.-clarification-of-financial-sanctions-regulations)

[157] Eric Lorber, "Treasury Prepares to Take Dollarized Transactions with Iran Offshore," *Foundation for Defense of Democracies*, March 31, 2016. (http://www.defenddemocracy.org/media-hit/eric-b-lorber-treasury-prepares-to-take-dollarized-transactions-with-iran-offshore/)

underlying transaction … has been authorized by a specific or general license," according to Treasury's Iranian Transactions and Sanctions Regulations.[158]

During the interim agreement, the U.S. government worked directly with foreign financial institutions to facilitate the repatriation of $11.9 billion in Iranian assets held abroad.[159] It is not clear how much of those assets – if any – were released or returned as dollar-denominated funds or dollarized through related conversions out of or into other currencies at some point in the transaction. Now, the administration may be poised to permit the dollarization of Iran's previously frozen assets, worth approximately $100 billion, in response to Iranian complaints that they are not able to use these funds.[160] Additionally, the administration may route the $8.6 million payment for 32 metric tons of Iranian heavy water through a foreign financial institution, although administration officials have not provided specific details about whether this payment will use dollars.[161]

Iran also wants the U.S. government to specifically authorize the use of dollars in other classes of transactions, including payments for aircraft sales. That is the significance of the $25 billion preliminary deal between Boeing and Iran Air. In addition to implicating a major U.S. company in the Islamic Republic's support for terrorism and regional adventurism, it is the financing of the deal that is central to Iran's demands for economic legitimacy. Tehran wants U.S. banks to finance the Boeing deal and for the administration to permit the transaction to transit the U.S. financial system or take place through offshore dollar clearing facilities. Iran wants to get the planes now, pay later, borrow the money from Western lenders, and secure its access to dollarized transactions – a benefit never authorized under the terms of the nuclear deal. With each class of transactions that are dollarized, Iran is slowly undermining the ban on Iranian access to the U.S. financial system.

Congress should reject all of these attempts to give Iran direct or indirect access to the U.S. dollar. Iran did not explicitly negotiate this concession as part of the JCPOA and should not now be given a unilateral concession of this magnitude – particularly given its continued record of illicit behavior. Congress recently underscored these concerns in a bipartisan Senate letter sent to President Obama and in multiple pieces of legislation introduced in the House and Senate.[162]

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[158] "Title 31: Money and Finance: Treasury, Part 560—Iranian Transactions and Sanctions Regulations," §560.516 Transfers of funds involving Iran, *Electronic Code of Federal Regulations*, May 5, 2016. (http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=116314f3fa7cc31c414670ca6ab97006&mc=true&n=pt31.3.560&r=PART&ty=HTML)

[159] U.S. Department of the Treasury, "Frequently Asked Questions Relating to the Extension of Temporary Sanctions Relief through June 30, 2015, to Implement the Joint Plan of Action between the P5 + 1 and the Islamic Republic of Iran," November 25, 2014. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jpoa_ext_faq_11252014.pdf)

[160] Barbara Slavin, "Central Bank governor: Iran expects access to US financial system," *Al Monitor*, April 15, 2016. (http://www.al-monitor.com/pulse/originals/2016/04/iran-expects-limited-access-us-financial-system.html)

[161] Adam Kredo, "Obama Admin Withholding Details of 'Potentially Illegal' Deal to Buy Iranian Nuke Materials," *The Washington Free Beacon*, April 27, 2016. (http://freebeacon.com/national-security/obama-admin-withholding-deal-iran-nuclear/)

[162] Office of Senator Susan Collins, Press Release, "Senators Collins, Nelson Lead Bipartisan Letter Urging Administration to Preserve Maximum Strength of Sanctions Until Iran Abandons Its Illicit, Non-Nuclear Activities," July 11, 2016. (https://www.collins.senate.gov/newsroom/senators-collins-nelson-lead-bipartisan-letter-urging-administration-preserve-maximum); United States Financial System Protection Act of 2016, H.R. 4992, 114th

Assess to the Dollar and Dollarized Transactions: Arguments and Counterarguments

Ahead of any action by Treasury to allow dollarized transactions, it is important for Congress to understand the counterpoints to arguments that the administration is likely to put forward.[163]

Better Intelligence

The White House may argue that allowing dollar transactions could yield better intelligence. In 2008, when Treasury banned U-turn transactions, it determined that the risks simply outweighed the intelligence benefits. Four years later, Treasury pushed to ban several Iranian banks, including the central bank, from the SWIFT financial messaging system. The threat to the integrity of the global financial system from Iranian banks, it again determined, was too grave, despite the intelligence that could be gathered.

Assets Vulnerable to Future Sanctions

The administration might claim that Treasury could capture dollar-denominated assets when Iran violates the nuclear agreement or uses the greenback to finance terrorism or ballistic missiles. This would not be realistic. Iran knows the U.S. can freeze transactions that are even temporarily converted to dollars, making it unlikely that the regime would hold registered dollar accounts in sufficient quantities in banks where U.S. authorities have reach. If anything, Iran is likely to keep its dollar holdings in offshore accounts or in pallets of cash out of the reach of U.S. authorities. Indeed, after the Supreme Court issued its decision affirming the ability of victims of Iranian terrorism to seize certain assets of the Central Bank of Iran, Iranian officials stated that allowing assets to remain in dollar accounts was "poor planning" and "clear negligence."[164] Having learned this lesson, if the regime contemplates a nuclear violation or gets wind of new sanctions, it is likely to quickly dump whatever traceable dollar assets it holds.

Undermining Confidence in the Dollar

Administration may also argue, as they did during the JCPOA debate,[165] that not providing Iran with sanctions relief – in this case access to the U.S. dollar – will undermine the dollar's position

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Congress (2016). (https://www.govtrack.us/congress/bills/114/hr4992); Preventing Iran's Access to United States Dollars Act of 2016, S. 2752, 114th Congress (2016). (https://www.congress.gov/bill/114th-congress/senate-bill/2752); Office of Representative Leonard Lance, Press Release, "House Passes Lance Amendment Blocking Iran's Access to U.S. Dollar," July 7, 2016. (http://lance.house.gov/newsroom/press-releases/house-passes-lance-amendment-blocking-iran-s-access-to-us-dollar); House Committee on Foreign Affairs, Press Release, "Chairman Royce Introduces Bill to Deny Iran Access to U.S. Dollar," April 19, 2016. (https://foreignaffairs.house.gov/press-release/chairman-royce-introduces-bill-to-deny-iran-access-to-u-s-dollar/)

[163] The following counterarguments are outlined in Mark Dubowitz and Jonathan Schanzer, "Dollarizing the Ayatollah," *The Wall Street Journal*, March 27, 2016. (http://www.wsj.com/articles/dollarizing-the-ayatollahs-1459115248)

[164] Arash Karami, "Who's to blame for US seizure of $2 billion in Iranian assets?" *Al Monitor*, April 28, 2016. (http://www.al-monitor.com/pulse/originals/2016/04/ahmadinejad-us-supreme-court-iran-terror-2-billion.html)

[165] Warren Stobel, "Dollar could suffer if U.S. walks away from Iran deal - John Kerry," *Reuters*, August 11, 2015. (http://uk.reuters.com/article/uk-iran-nuclear-kerry-idUKKCN0QG1UW20150811)

as the preferred currency for global trade.[166] The overwhelming majority, 87 percent,[167] of international trade is conducted in U.S. dollars; 43 percent of international financial transactions are denominated in dollars;[168] and more than 60 percent of total allocated global foreign exchange reserves are denominated in U.S. dollars.[169]

Despite analysts' predictions over the past decade and especially after the 2008 financial crisis that the dollar would lose its preeminence, the dollar remains dominant because it is most liquid currency, and U.S. Treasury bills are seen as the safest investment, even during financial crises. There are legitimate long-term concerns about challenges to the U.S.-led international financial order and the dollar's position within that system, but whether or not Iran gets access to dollarized transactions has little to no bearing on this issue. Indeed, with a concern over the euro because of the Brexit and European debt crises and the yuan due to the sustainability of Chinese economic growth and the fragility of the Chinese banking sector, there continues to be a flight to the dollar.

Iranian Economic Recovery

The administration may also argue that providing dollarized transactions is necessary in order to ensure that Iran's economy grows, and Tehran sees the economic benefits of the deal. And yet, this also contradicts the evidence: Tehran has already received substantial sanctions relief, which has provided a major "stimulus package."

In 2012 and 2013, Iran's economy was crashing. It had been hit with an asymmetric shock from sanctions, including those targeting its central bank, oil exports, and access to the SWIFT financial messaging system. The economy shrank by six percent in the 2012-13 fiscal year, and bottomed out the following year, dropping another two percent.[170] Accessible foreign exchange reserves were estimated to be down to only $20 billion.[171]

This changed during the nuclear negotiations. During the 18-month period starting in late 2013, interim sanctions relief[172] and the lack of new shocks enabled Iran to move from a severe

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[166] For an example of this argument, see Elizabeth Rosenberg and Richard Nephew, "Iran's broken financial system," *Politico*, June 6, 2016. (http://www.politico.com/agenda/story/2016/06/iran-broken-financial-system-000139)

[167] John Mauldin, "China's Renminbi Is Well on Its Way to Becoming a Global Reserve Currency," *Business Insider*, September 29, 2013. (http://www.businessinsider.com/renminbi-soon-to-be-a-reserve-currency-2013-9)

[168] Greg Ip, "U.S. Influence Hinges on Future of Dollar, Yuan," *The Wall Street Journal*, April 15, 2015. (http://www.wsj.com/articles/u-s-influence-hinges-on-future-of-dollar-yuan-1429120648)

[169] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," March 31, 2016. (http://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4)

[170] Mark Dubowitz, Annie Fixler, and Rachel Ziemba, "Iran's Economic Resilience Against Snapback Sanctions Will Grow Over Time," *Foundation for Defense of Democracies and Roubini Global Economics*, June 2015. (http://www.defenddemocracy.org/content/uploads/publications/Iran_economy_resilience_against_snapback_sanctions.pdf)

[171] Mark Dubowitz and Rachel Ziemba, "When Will Iran Run Out of Money?" *Foundation for Defense of Democracies and Roubini Global Economics*, October 2, 2013. (http://www.defenddemocracy.org/content/uploads/documents/Iran_Report_Final_2.pdf)

[172] U.S. Department of the Treasury, "Frequently Asked Questions Relating to the Extension of Temporary Sanctions Relief through June 30, 2015, to Implement the Joint Plan of Action between the P5 + 1 and the Islamic

recession to a modest recovery.[173] During that time, the Islamic Republic received $11.9 billion through the release of restricted assets, while sanctions on major sectors of its economy were suspended. This facilitated strong imports that supported domestic investment, especially from China. The Obama administration also de-escalated the sanctions pressure by blocking new congressional legislation.[174] Jointly, these forces rescued the Iranian economy and its leaders, including the Revolutionary Guard, from an imminent and severe balance of payments crisis. In the 2014-15 fiscal year, the Iranian economy rebounded and grew at a rate of at least three percent.[175]

Now, under the JCPOA, Iran has received a sanctions windfall and its economy is beginning to recover. In the fiscal year that ended in March, Iran's economy grew only slightly, and may have even experienced a modest contraction because of with declining oil prices and a tight monetary policy to rein in inflation.[176] But in the current fiscal year, Iran's economy is projected to grow at a rate of nearly four percent.[177] Assuming that Iran continues to make modest economic reforms to attract investment, the country's economic growth is projected to stabilize around 4 to 4.5 percent annually over the next five years.[178]

Empowering the "Moderates"

The administration may argue that additional sanctions relief is necessary to empower moderate forces is Iran so that they can push back against hardline elements who want to pursue policies antithetical to U.S. interests. Former CIA Director Leon Panetta, however, explained that the intelligence community's assessment is the Iranian regime is not meaningfully divided into

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Republic of Iran," November 25, 2014. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jpoa_ext_faq_11252014.pdf)

[173] Mark Dubowitz and Rachel Ziemba, "Early Signs of an Iranian Economic Recovery," *Foundation for Defense of Democracies*, January 9, 2016. (http://www.defenddemocracy.org/media-hit/early-signs-of-an-iranian-economic-recovery/); Jennifer Hsieh, Rachel Ziemba, and Mark Dubowitz, "Iran's Economy: Out of the Red, Slowly Growing," *Foundation for Defense of Democracies and Roubini Global Economics*, October 2014. (http://www.defenddemocracy.org/content/uploads/publications/RoubiniFDDReport_Oct14.pdf); Jennifer Hsieh, Rachel Ziemba, and Mark Dubowitz, "Iran's Economy Will Slow but Continue to Grow Under Cheaper Oil and Current Sanctions," *Foundation for Defense of Democracies and Roubini Global Economics*, February 2015. (http://www.defenddemocracy.org/content/uploads/publications/RoubiniFDDReport_FEB15.pdf)

[174] Mark Landler, "Senate Bill to Impose New Sanctions on Iran Spurs Veto Threat From White House," *The New York Times*, December 19, 2013. (http://www.nytimes.com/2013/12/20/world/middleeast/senate-bill-to-impose-new-sanctions-on-iran-spurs-veto-threat-from-white-house.html?_r=1)

[175] International Monetary Fund, "Iran Faces Multiple Challenges as Growth Prospects Brighten," *IMF Survey*, January 20, 2016. (http://www.imf.org/external/pubs/ft/survey/so/2016/new012016a.htm); Mark Dubowitz, Annie Fixler, and Rachel Ziemba, "Don't Buy the Spin: Iran is Getting Economic Relief," *Foundation for Defense of Democracies and Roubini Global Economics*, June 2016. (http://www.defenddemocracy.org/content/uploads/documents/Dont_Buy_The_Spin.pdf)

[176] Saeed Ghasseminejad, "Rouhani's abysmal economic record and the West's dilemma," *Business Insider*, March 30, 2016. (http://www.businessinsider.com/rouhanis-abysmal-economic-record-and-the-wests-dilemma-2016-3); International Monetary Fund, "Iran Faces Multiple Challenges as Growth Prospects Brighten," *IMF Survey*, January 20, 2016. (http://www.imf.org/external/pubs/ft/survey/so/2016/new012016a.htm)

[177] Mark Dubowitz, Annie Fixler, and Rachel Ziemba, "Don't Buy the Spin: Iran is Getting Economic Relief," *Foundation for Defense of Democracies and Roubini Global Economics*, June 2016. (http://www.defenddemocracy.org/content/uploads/documents/Dont_Buy_The_Spin.pdf)

[178] International Monetary Fund, "IMF Country Report No. 15/349: Islamic Republic of Iran," December 2015. (http://www.imf.org/external/pubs/ft/scr/2015/cr15349.pdf)

"moderate" and "hardline" camps.[179] Or, as former Under Secretary of State and U.S. negotiator in the Iran talks Wendy Sherman noted, "There are hardliners in Iran, and then there are hard-hardliners in Iran. Rouhani is not a moderate, he is a hardliner."[180]

Analysis that President Rouhani represents a moderate wing fails to appreciate the Iranian political system and atmosphere. When he was elected, he was hailed as a man of the system who nevertheless wanted to make fundamental changes that would gradually bring greater freedom to Iranian society and politics. This assessment ignores the evidence. In 1999, he supported crushing student protests and called for the execution of those agitating for greater freedom.[181] Last year, my colleagues at the Foundation for Defense of Democracies conducted an in-depth study of his writings, speeches, and autobiography. Their research revealed that his "politics aren't reformist"; his priority is to "ensure the regime's continuing dominion." He is "a founding father of Iran's theocracy and its nuclear-weapons program" and has "arduously and vengefully worked to see the revolution succeed."[182]

Some argued that sanctions relief would benefit Iranian society, but early reporting revealed that "the only deals being struck have been with state-backed conglomerates."[183] One of the major flaws of the JCPOA is its enrichment of the most dangerous elements of the Iranian regime, Iran's Islamic Revolutionary Guard Corps.

Encouraging Good Behavior

The administration might also argue that the West needs to provide economic incentives for Tehran to comply with the nuclear deal and that providing additional sanctions relief will encourage Iran to moderate its behavior on a host of other, non-nuclear issues. President Obama explicitly acknowledged that Iran is not keeping to the spirit of the agreement,[184] and yet administration officials have stated that it is America's responsibility to go beyond its commitments under the agreement to ensure that Iran "get[s] the benefits that they are supposed

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[179] David Samuels, "The Aspiring Novelist Who Became Obama's Foreign-Policy Guru," *The New York Times Magazine*, May 5, 2016. (http://www.nytimes.com/2016/05/08/magazine/the-aspiring-novelist-who-became-obamas-foreign-policy-guru.html?_r=2)

[180] Matthew Riley, "Lead U.S. negotiator of Iran deal Sherman analyzes the agreement," *The Duke Chronicle*, February 5, 2016. (http://www.dukechronicle.com/article/2016/02/lead-u-s-negotiator-of-iran-deal-sherman-analyzes-the-agreement)

[181] Sohrab Ahmari, "Behind Iran's 'Moderate' New Leader," *The Wall Street Journal*, June 16, 2013. (http://www.wsj.com/articles/SB10001424127887323566804578549262039104552); Hassan Rouhani, "Remarks before the Iranian Majlis," *Translation provided by BBC World Media Watch*, July 14, 1999. (http://news.bbc.co.uk/2/hi/world/monitoring/394731.stm)

[182] Reuel Marc Gerecht and Ali Alfoneh, "Persian Truths and American Self-Deception: Hassan Rouhani, Muhammad-Javad Zarif, and Ali Khamenei in Their Own Words," *Foundation for Defense of Democracies*, March 24, 2015. (http://www.defenddemocracy.org/content/uploads/publications/Truths-and-American-Self-Deception.pdf)

[183] Thomas Erdbrink, "In Iran, State-Backed Companies Win from Lifted Sanctions," *The New York Times*, February 5, 2016. (http://www.nytimes.com/2016/02/06/world/middleeast/in-iran-state-backed-companies-win-from-lifted-sanctions.html)

[184] Julian Hattem, "Obama: Iran not following 'spirit' of deal," *The Hill*, April 1, 2016. (http://thehill.com/policy/national-security/274954-obama-iran-has-followed-letter-but-not-spirit-of-nuke-deal)

to get," according to Secretary Kerry.[185] Given its post-deal record of hostage taking, terrorism, regional aggression, and illegal arms deals, as well as a financial sector that remains rotten to the core, Tehran is hardly in a position to complain that the "spirit" of the deal now requires more American generosity.

If the Obama administration grants Iran access to the world's most important currency, U.S. sanctions will be severely undermined without any reciprocity. Tehran will receive yet another significant and unilateral concession. And Washington will have lost critical leverage to target Iran's terror finance, missile activities, destabilizing regional aggression, systemic human rights abuses, and the financial and military backing of the Assad regime. The next president's ability to target Iran's malign activities with non-nuclear sanctions will be much more difficult if billions of dollarized transactions are green-lighted. The next administration will not be able to easily to reverse this once it is in motion, made even more difficult by inevitable European and Asian pushback.

Instead of granting such a significant unilateral concession of Iranian access to dollarized transactions, the United States should require major reciprocal steps by Tehran. Iran must start to address all of its non-nuclear malign activities – indeed, the very concerns that administration officials promised that they were going to address using the remaining non-nuclear sanctions. The onus should be on Iran to address its pattern of illicit conduct and terror financing and to convince the global financial system that it has turned a corner. Washington should not let Iran's leaders off the hook on the essential decision of whether to change their foreign and economic policies to encourage investment or sacrifice their economy and the welfare of their people in the name of the Islamic revolution.

Recommendations

1. **Protect the integrity of the U.S. dollar from Iranian illicit finance.**

After Treasury designated Iran as a jurisdiction of primary money laundering concern, Congress included a prohibition in Section 1245(c) of the National Defense Authorization Act of 2012 stipulating, "The President shall, pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), block and prohibit all transactions in all property and interests in property of an Iranian financial institution if such property and interests in property are in the United States, come within the United States, or are or come within the possession or control of a United States person."[186] Section 1245(b) also codified the Section 311 finding that Iran is a jurisdiction of primary money laundering concern.

Congress can strengthen and clarify this provision by stating that it is prohibited for any U.S. financial institution to process any transactions for Iranian entities, even when such a "transfer was by order of a non-Iranian foreign bank from its own account in a domestic bank to an

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[185] John Kerry, "Remarks After Meeting Iranian Foreign Minister Zarif," *United Nations*, April 19, 2016. (http://www.state.gov/secretary/remarks/2016/04/255977.htm)

[186] National Defense Authorization Act for Fiscal Year 2012, Pub. L. 112-81, 125 Stat. 1298, codified as amended at 112 U.S.C. §1245, page 351. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/ndaa_publaw.pdf)

account held by a domestic bank for a non-Iranian foreign bank."[187] Congress should also state that it is prohibited for a U.S. financial institution to provide dollars for offshore clearing facilities if any party to the transaction anywhere in the financial chain is an Iranian entity.

Congress should require the Treasury Department to report on all financial institutions involved in giving Iran direct or indirect access to the U.S. dollar, with details on institutions, transactions, counterparties, and mechanisms. Congress furthermore should authorize mandatory sanctions on any offshore large value payment system that provides dollar-clearing services in any transactions involving an Iranian party. The termination of these prohibitions should be linked to a certification from the president that Iran is no longer involved in supporting terrorism and illicit missile development and that the Iranian regime has addressed its outstanding obligations to compensate victims of Iranian terrorism.

2. Reauthorize the Iran Sanctions Act, an important foundation of the sanctions architecture.

While the Obama administration has suspended sanctions on key segments of the Iranian economy according to the JCPOA, only Congress can formally lift many of these sanctions. The administration has also pledged to "snap" sanctions back into place if Tehran violates the terms of the agreement. At the end of this year, however, the Iran Sanctions Act is set to expire unless lawmakers act to reauthorize it. The Iran Sanctions Act is a critical foundation of the Iran sanctions architecture and should be reauthorized. As Senator Robert Menendez (D-NJ) has noted, if the Iran Sanctions Act is not reauthorized, there will be nothing "to snapback to."[188]

Reauthorizing the Iran Sanctions Act would not violate the JCPOA, as no new sanctions would be imposed. Iran may voice objection to the reauthorization, perhaps even threatening to walk away from the agreement, but Congress should call Iran's bluff and not allow the regime to have veto power over American laws. Furthermore, the justification for the Iran Sanctions Act is not only Iran's nuclear program, but also its support for international terrorism. Indeed, when the bill (which at the time also authorized sanctions against Libya) was signed into law in 1996, President Bill Clinton stated that it would "help to deny those countries the money they need to finance international terrorism … [and] limit the flow of resources necessary to obtain weapons of mass destruction."[189]

3. Counter the narrative that Iran is a responsible financial actor.

As Iran engages with the global financial community and seeks to gain legitimacy, Tehran will attempt to further the narrative that it is a responsible global actor. Congress should counter the Iranian narrative and explain to markets the ongoing compliance and business risks involved in

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[187] U.S. Department of the Treasury, Office of Foreign Assets Control, "Iranian Transactions Regulations," *Federal Register*, November 10, 2008. (https://www.gpo.gov/fdsys/pkg/FR-2008-11-10/pdf/E8-26642.pdf)

[188] Robert Menendez, Press Release, "Menendez Delivers Remarks on Iran Nuclear Deal at Seton Hall University's School of Diplomacy and International Relations," August 18, 2015. (https://www.menendez.senate.gov/news-and-events/press/menendez-delivers-remarks-on-iran-nuclear-deal-at-seton-hall-universitys-school-of-diplomacy-and-international-relations)

[189] Bill Clinton, "Remarks on Signing the Iran and Libya Sanctions Act of 1996 and an Exchange With Reporters," *The White House*, August 5, 1996. (http://www.presidency.ucsb.edu/ws/index.php?pid=53160&st=iran&st1)

transactions with Iran. Congress should expose Iran's ongoing deceptive conduct and illicit activities through both open source data and declassified evidence to build on the already-existing market concerns of doing business with Iran. Congress also should require the administration to provide detailed reporting on Iran's deceptive conduct and illicit activities. These reports should focus on exposing Iran's shadow networks, the corruption of top Iranian officials, and the role of the IRGC and other designated Iranian actors in "legitimate" businesses. This will underscore that responsible actors have an obligation to keep Iran at arm's length unless and until Iran's behavior becomes conducive to effective risk management.

Finally, the notion that Iran can threaten to snap-back its nuclear program and therefore deter Washington from using non-nuclear sanctions contradicts the commitments by the president and numerous administration officials to Congress and the American people. The administration pledged to use the full power of American economic and non-military might to deter Iran from destabilizing and dangerous activities. Congress should amplify the message not only to the Iranians but to the international community that Iran is engaged in dangerous, maligned, and illicit conduct, and that the U.S. government will not hesitate to use all instruments of coercive power, including sanctions, to stop that activity.

4. **Strengthen sanctions against the IRGC by targeting its support for terrorism and expanding non-proliferation sanctions and designations.**

To date, the administration has refused to impose terrorism sanctions against the Islamic Revolutionary Guard Corps by either designating it under Executive Order 13224 or by declaring the entity to be a Foreign Terrorist Organization. If the administration refuses to designate the IRGC for terrorism, Congress should impose the same penalties provided under the Foreign Terrorist Organization designation or Executive Order 13224 through other means. Such sanctions would reinforce existing secondary sanctions against companies engaged in business with IRGC companies. They would also provide another warning to foreign companies contemplating illicit business in Iran.

In the missile arena, numerous companies owned or controlled by the IRGC and the Iranian Ministry of Defense and Armed Forces Logistics (MODAFL) and high-ranking Iranian officials involved in the program have not been sanctioned. Congress should require the administration to provide a list of all of the individuals and entities involved in Tehran's ballistic missile development. The U.S. Government Accountability Office or a similar governmental or quasi-government body should verify this list and add any additional persons or entities not identified by Treasury. Congress should require Treasury to add all of those identified on this list to the Specially Designated Nationals list under its counter-proliferation authorities. These should also include any entities owned or controlled by designated entities.

5. **Require updated reporting on IRGC penetration in sectors of the Iranian economy, along with reporting and sanctions on the sectors involved in Iran's ballistic missile development.**

The Iran Freedom and Counter-Proliferation Act of 2012 requires the president to provide a report to Congress every 180 days on "which sectors of the economy of Iran are controlled

directly or indirectly by Iran's Revolutionary Guard Corps."[190] Congress can update this reporting requirement so that the president must provide not only an assessment of which sectors are controlled by the IRGC, but also a determination of the nature and extent of the IRGC's penetration into key sectors of Iran's economy. This report should include an analysis of the contribution of the most significant sectors to Iran's GDP, a list of the largest companies in that sector, and their links to the Revolutionary Guard (whether or not they meet the ownership or IRGC Watch List thresholds that are discussed below). The report should also provide a qualitative and quantitative assessment of the IRGC's involvement in each sector. Congress should then create sector-based sanctions targeting any sector of the Iranian economy with a significant IRGC presence.

Congress also should require a similar report on the sectors of Iran's economy that are contributing directly or indirectly to the development of the country's ballistic missile program. The report should list all foreign investors in the sectors and all foreign persons engaging in business with these sectors. Much of this is available through open source information. Indeed, FDD's research has revealed that metallurgy and mining; chemicals, petrochemicals, and energy; construction; automotive; and electronic, telecommunication, and computer science sectors are involved in Iran's ballistic missile program.[191] These sectors are a good starting point. From there, Congress should authorize sanctions on sectors identified in the study. These sanctions could build on the precedent that Congress and Treasury have set of targeting sectors connected to Iran's nuclear program.

6. Require the U.S. Treasury to designate companies with IRGC or MODAFL beneficial ownership.

Currently, Treasury uses the 50-percent threshold to determine IRGC ownership (or ownership by any other designated entity); however a 25-percent threshold would better reflect global standards and Treasury's own recommendations.[192] In May, Treasury announced the final rule on customer due diligence and proposed beneficial ownership legislation requiring financial institutions in the United States to "identify and verify the identity of any individual who owns 25 percent or more of a legal entity, and an individual who controls the legal entity."[193] Congress should require the Treasury Department to lower the threshold for designation to the 25-percent

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[190] National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, 126 Stat. 1632, codified as amended at 112 U.S.C. §1245. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/pl112_239.pdf)

[191] Saeed Ghasseminejad, "Iran's Ballistic Missile Program and Economic Sanctions," *Foundation for Defense of Democracies*, March 17, 2016. (http://www.defenddemocracy.org/content/uploads/documents/Ballistic_Missile_Sanctions.pdf)

[192] The Financial Action Task Force, "International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation," February 2012, page 60. (http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf); U.S. Department of the Treasury, "Treasury Issues Proposed Rules to Enhance Financial Transparency," July 30, 2014. (http://www.treasury.gov/press-center/press-releases/Pages/jl2595.aspx); Samuel Rubenfeld, "Proposed Rule to Force Banks to Identify Beneficial Owners," *The Wall Street Journal*, July 30, 2014. (http://blogs.wsj.com/riskandcompliance/2014/07/30/u-s-treasury-proposes-rule-forcing-banks-to-identify-beneficial-owners/)

[193] U.S. Department of the Treasury, Press Release, "Treasury Announces Key Regulations and Legislation to Counter Money Laundering and Corruption, Combat Tax Evasion," May 5, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0451.aspx)

beneficial ownership threshold rather than majority ownership and also include "board of directors' criteria." The latter criteria takes into account not only equity shares but also seats on the board of directors or an ability "to otherwise control the actions, policies, or personnel decisions" used to determine ownership.[194] Under new criteria, many additional IRGC- and MODAFL-controlled entities would likely be eligible for sanctions. Lowering the threshold would likely also generate greater public scrutiny and enhanced due diligence procedures by the private sector.

7. Require the U.S. Treasury to create an IRGC Watch List.

Congress should consider a legislative requirement that Treasury create an "IRGC Watch List" of entities that do not meet the threshold for designation but have demonstrable connections to the IRGC. Treasury, or another government agency such as the Government Accountability Office, should maintain the list and evaluate both public and classified information on companies that may be used as fronts for the IRGC. As the IRGC continues to evolve, and as its influence and control in the Iranian economy becomes increasingly sophisticated and hidden, enforcement of IRGC-related sanctions must also evolve. The criteria for inclusion on the IRGC Watch List should be flexible to account for the IRGC's evolving use of deceptive business practices.

Even in the post-JCPOA environment, the exposure of the links between Iranian companies and the Revolutionary Guard can still discourage business ties and protect the unwitting complicity of foreign companies in the IRGC's illicit behavior. Exposing the links between the IRGC and seemingly legitimate Iranian enterprises can go a long way to reducing the IRGC's ability to fund terrorism, human rights violations, and other malign activities. This Watch List would also be a critical resource for risk compliance officers at financial institutions who want to limit their company's exposure to bad actors. Again, this information can be gleaned through open sources. My colleagues Emanuele Ottolenghi and Saeed Ghasseminejad have already identified about 230 companies over which the IRGC exercises significant influence either through equity shares or positions on the board of directors.[195]

8. Require reporting to the Securities and Exchange Commission regarding any transactions with IRGC Watch List companies or in sectors connected to Iran's ballistic missile program.

The Iran Threat Reduction and Syria Human Rights Act of 2012 requires companies publicly traded in the U.S. to file reports with the Securities and Exchange Commission (SEC) that include any transactions or dealings with sanctioned entities or the government of Iran unless the

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[194] For example, see Legal Information Institute, "U.S. Code § 8725 - Liability of Parent Companies for Violations of Sanctions by Foreign Subsidiaries," *Cornell University Law School*, accessed October 29, 2015. (https://www.law.cornell.edu/uscode/text/22/8725)

[195] Data available upon request; Emanuele Ottolenghi, "The Iran Nuclear Deal and its Impact on Iran's Islamic Revolutionary Guards Corps, Appendix I and II," *Testimony before the House Foreign Affairs Middle East and North Africa Subcommittee*, September 17, 2015. (http://docs.house.gov/meetings/FA/FA13/20150917/103958/HHRG-114-FA13-Wstate-OttolenghiE-20150917-SD001.pdf)

company received specific authorization from the U.S. government.[196] To address the IRGC's role in Iran's economy, Congress can amend this report to require companies to include: 1) any business in sectors with significant IRGC penetration; 2) any joint ventures with public or private Iranian companies (as even so-called private companies are often heavily influenced or controlled by the IRGC); 3) any transactions with companies on the IRGC Watch List; and 4) any transactions with the sectors connected to Iran's ballistic missile program.

Congress should mandate that any company that does not provide timely and accurate reports – and does not amend previous reports when new information comes to light about potential IRGC-linked partners – would be penalized.

9. Insist on robust investigation into Iran's ongoing illicit procurement efforts and outstanding concerns about the possible military dimensions of Iran's nuclear program.

The recent report from German intelligence, as well as independent reporting by the nuclear experts at the Institute for Science and International Security, raises serious concerns about Iran's ongoing illicit procurement and the U.S. and international community's failure to hold Iran accountable for its illegal activities. Congress should insist on detailed briefings from the administration on its intelligence and law enforcement efforts to combat these ongoing violations of Iran's obligations under UN Security Council Resolution 2231 and the JCPOA. Congress should also require the administration to report on, and sanction, those Iranian entities involved in these procurement efforts – even if those same entities were de-listed under the JCPOA.

Additionally, Congress should insist on a detailed briefing from the administration and from International Atomic Energy Agency officials about follow-up investigations to clarify ongoing questions about nuclear-related activities at the Parchin military base and man-made uranium particles found at the site. As former IAEA Deputy Director General Olli Heinonen noted, when the evidence on the ground does not match a country's declarations about its nuclear activities, follow-up investigations are standard procedure, but the IAEA has not indicated what follow up it is doing.[197] Even if U.S. officials try to dismiss the issue by acknowledging that the particles are related to previous weaponization activities about which the U.S. was already aware, the IAEA needs to know, for example, what the source is of the particles and where that nuclear material is now in order for the Agency to verify the completeness and correctness of Iran's declarations. Congress should hold the administration accountable for its promise that the nuclear deal would provide unprecedented transparency. So far, the administration and the IAEA have fallen short. Failure to follow through on this will establish Parchin as a precedent that Iran will use to deny physical access to future military sites as well as any type of follow-up inspections if suspicious materials or activities are discovered.

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[196] Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1095, 112th Congress (2015), §219. (https://www.treasury.gov/resource-center/sanctions/Documents/hr_1905_pl_112_158.pdf)

[197] Olli Heinonen, "Uranium Particles at Parchin Indicate Possible Undeclared Iranian Nuclear Activities," *Foundation for Defense of Democracies*, July 1, 2016. (http://www.defenddemocracy.org/media-hit/olli-heinonen1-uranium-particles-at-parchin-indicate-possible-undeclared-iranian-nuclear-a/)

10. Expand human rights sanctions by imposing sanctions on Iranian state organs responsible for institutionalized human rights abuses and by linking sanctions concessions to improvements in human rights conditions.

The administration's record of human rights sanctions since the JCPOA and, indeed, since Rouhani took power in 2013, has been abysmal. There is ample evidence of continued and escalating human rights crimes. Congress needs to hold the president accountable for his commitment to defend the Iranian people using the ample executive and statutory authority he has to crack down on the regime's domestic repression.

With a few exceptions, U.S. sanctions against Iranian human rights abusers have primarily targeted individuals. Congress also should impose human rights sanctions on state organs responsible for institutionalized human rights abuses, as well as individuals who work for these state organs. This will help Washington target the people, companies, and sources of revenue that facilitate and embolden Iran's vast system of domestic repression and single out the institutions, such as prisons or military bases, at which abuses like torture and arbitrary detention occur and the Iranians responsible for those abuses. Many of these institutions, including the notorious Evin prison's Ward 2A for political prisoners,[198] are controlled by the Revolutionary Guard.

Congress should also consider the creation of a new authority to designate an entity, or even an entire country, as a "jurisdiction of human rights concern." Using the model of Section 311 of the USA PATRIOT Act, the finding would carry regulatory implications in the United States but would also send a strong signal to foreign companies, even if they are not directly affected by the finding. The goal of this policy would be to encourage the private sector to sever ties with institutions that perpetrate human rights abuses. It could also prompt the private sector to end trade relations with other entities in Iran that have been publicly accused of committing abuses but have not yet been sanctioned.

The United States should also build on its global human rights leadership by linking any further sanctions relief concessions to Iran with an improvement in Tehran's atrocious human rights record. During the Cold War, Western negotiators linked certain arms control agreements with the Soviet Union to demands for Moscow's adherence to the civil rights portion of the 1975 Helsinki Accords. By contrast, the JCPOA did not require Tehran to make any improvements in its human rights record. This is a mistake: It would be much easier to monitor Iran's nuclear program in a relatively freer and more transparent Iran.

11. Target corruption and kleptocracy for reasons related to terrorism and human rights issues.

Corruption and kleptocracy are not just financial transparency issues, but are also human rights issues. Corruption is the reason many authoritarian leaders seize and cling to power. It is the glue that holds their regimes together, giving dictators spoils to distribute. As U.S. Assistant Secretary of the Treasury Daniel Glaser noted, corruption "stifles economic development, impairs

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[198] "A Tour of Ward 2A of Evin Prison," *Iran Human Rights Documentation Center*, accessed February 17, 2016. (http://www.iranhrdc.org/english/news/features/1000000578-a-tour-of-ward-2a-of-evin-prison.html)

democratic institutions, erodes public trust, and impairs international cooperation … [and] creates space for criminals to flourish."[199] In Iran, these criminals are not only traditional thugs, but are also state-sponsored human rights violators.

The Revolutionary Guard and the ruling elite (including the supreme leader) have enriched themselves at the expense of the Iranian people. The United States can lead efforts to develop new policy tools, including financial sanctions tools, to combat corruption in Iran as well as in other authoritarian governments. Congress can help develop a mechanism to facilitate the sharing of intelligence between international partners on illicit or suspicious financial activities to protect the integrity of the global financial system and prevent corrupt officials from using the world's banking systems.

Focusing on corruption is crucial because authoritarian leaders paint civil society groups as foreign agents, pass laws to regulate these groups, and cast themselves as defenders of traditional values against a decadent and deviant West. They have a more difficult time, however, using ideological, cultural, or nationalist arguments to justify thievery. Most ordinary people believe that international action against "crooks and thieves" in their countries is legitimate. Targeting corrupt individuals and institutions will not only impose economic costs, but it will also demonstrate to the Iranian people that the United States and the international community oppose the enrichment of oligarchs at the expense of ordinary people.

Congress should consider legislation targeting corruption in all state sponsors of terrorism. The link between the funds generated from corruption and the sponsorship of terrorism by these regimes is well documented. The pending Global Magnitsky Human Rights Accountability Act is one mechanism that could be used to target corruption in Iran. That legislation authorizes sanctions not only against human rights violators but also against government officials and their associates responsible for or complicit in significant corruption.[200]

12. Require reporting on U.S. citizens and other dual-nationals held hostage in Iran.

Even as Iran released in January Jason Rezaian, Saeed Abedini, Amir Hekmati, and Nosratollah Khosravi – four American citizens the regime was unjustly holding hostage – the Islamic Republic continued to arrest, imprison, and harass American citizens in Iran. Today, Iran is holding hostage U.S., Canadian, and British dual nationals Bagher and Siamak Namazi, Homa Hoodfar, and Nazanin Ratcliffe, as well as Nizar Zakka, a Lebanese citizen and U.S. permanent resident as well as many other individuals. The regime also refuses to give information on missing American citizen Robert Levinson, who vanished after traveling to Iran more eight years ago.

This is unacceptable and inexcusable. Congress should require the administration to report to Congress on U.S. citizens and other dual-nationals detained in Iran or harassed by agents of the

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[199] Daniel Glaser, "The Role of Transparency in Fighting Corruption in Financial Systems," *Remarks at the Atlantic Council and Thomson Reuters "Power Of Transparency" Speaker Series*, April 21, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0437.aspx)

[200] Global Magnitsky Human Rights Accountability Act, S. 284, 114th Congress (2015). (https://www.congress.gov/bill/114th-congress/senate-bill/284)

regime. The release of these innocent individuals must be a priority for the United States, and Iran should receive no additional sanctions relief until all who are unjustly held are released.

13. Require reporting on and expand sanctions against Iran's support for the Assad regime and IRGC activities in Syria.

Congress should require regular reporting from the administration on Iran's activities in Syria. This report should detail which IRGC units are actively participating in the Syrian war and what assistance they provide to the Assad regime. It should also explain what types of support (provision of arms, financial support, intelligence sharing, and military strategy) Iran provides, including support that comes in the form of energy supplies, loans, lines of credit, and cash.[201]

Congress can also authorize sanctions against entities that are aiding the IRGC's efforts in Syria. Congress should expand sanctions against Iranian airlines and front companies that carry weapons, equipment, and personnel to aid Iran's efforts in Syria. These include front companies for Iran Air, Mahan, Meraj, Caspian Airlines, and Pouya aka Yas Air (the last four remain under U.S. sanctions and none of the five have been similarly sanctioned by Europe). Administration officials have testified before Congress that the United States is "actively engaged to try to prevent Mahan Air from being able to fly."[202] The U.S. should further consider sanctions against any foreign company providing replacement parts or dual-use items to these airlines. In addition to authorizing secondary sanctions against companies that provide services (financial services and ground services including fueling) to Mahan Air and the other sanctioned airlines, Congress can require the administration to report on who provides financial services when its aircraft land at international destinations. Moreover, airlines pay for ground services locally, usually transacting through a local bank. Congress could require other airlines to receive certification from their own banks that they do not also provide financial services to sanctioned airlines.

14. Require presidential certification that commercial planes are only being used for civil aviation end-use.

Iran must be prevented from misusing U.S.-made aircraft and those containing American parts given Iran's history of sanctions evasion, support for terrorism, and aid to the Assad regime in Syria. Sales of new aircraft to Iran by Boeing, Airbus, or other companies should only move forward once Iran has demonstrated that it will no longer use civilian aircraft for malign purposes and that none of the aircraft will end up in the hands of sanctioned entities. Before any sales are licensed, Congress should require the president to certify that none of Iran's commercial planes are being used for purposes other than exclusively civil aviation end-use. The certification should then include at least a five-year waiting period after which new planes should be sold only on a trial basis, with only a small number of planes delivered per year with full payment made by Iran in cash at the time of delivery. This is perfectly consistent with the

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[201] Max Peck, "Doubling Down on Damascus: Iran's Military Surge to Save the Assad Regime," *Foundation for Defense of Democracies*, January 2016. (http://www.defenddemocracy.org/content/uploads/documents/Doubling_Down_on_Damascus.pdf)

[202] Julian Pecquet, "US seeks to block sanctioned Iranian airline's flights into Europe," *Al Monitor*, February 11, 2016. (http://www.al-monitor.com/pulse/originals/2016/02/us-treasury-block-iran-airline-mahan-sanctions.html#)

provisions of the JCPOA requiring the U.S. government to set up a licensing regime to permit these sales.[203]

If any evidence surfaces that Iran Air has resold, leased, or transferred these planes to designated entities or that any Iranian airline is using commercial planes to support the war in Syria or for any other malign purposes, all licenses should be revoked and all deals automatically cancelled. In the interim, Turkish and Gulf airlines have significantly increased their domestic and international routes for Iranian citizens.[204] European airlines are also re-opening routes between Europe and Tehran.[205] All of these carriers remain better alternatives than Iranian airlines that are plagued with corruption and implicated in a range of malign activities – as long as the presidential certification cannot be made.

15. Prohibit any U.S. financial institution, including the Export-Import Bank, from financing any trade with Tehran while Iran remains a state sponsor of terrorism.

Iran remains the leading state sponsor of terrorism, according to the State Department's annual report, released last month.[206] Iran's terrorism financing poses a threat to the integrity of the U.S. and global financial system. Therefore, in addition to the certifications that Iran is not misusing its commercial aircraft, Congress should prohibit Treasury from licensing U.S. or foreign financial institutions to facilitate any trade (including the Boeing deal) with Iran while it remains a state sponsor of terrorism. No banks should be permitted to finance the Boeing or Airbus deals, amongst others, given the risks discussed above that any financing arrangement exposes Western companies and banks to billions of dollars of unpaid contracts and makes them accomplices in a lobbying effort against snapback sanctions.

Additionally, the Export-Import bank should not provide any financing for trade with Iran while the country remains a state sponsor of terrorism. The U.S. government should not be using U.S. taxpayer funds to guarantee trade with the leading state sponsor of terrorism. Congress should emphasize that it is prohibited for Ex-Im to provide any guarantees or credit for any trade with the government of Iran or any Iranian entity. The Foreign Assistance Act of 1961 prohibits Ex-Im bank from providing such financing, but the legislation contains a national security interest waiver.[207] Congress should limit the president's ability to use this waiver.

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[203] Joint Comprehensive Plan of Action, Annex II – Sanctions-related commitments, Vienna, July 14, 2015, paragraph 5.1.1, footnote 12. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/annex_2_sanctions_related_commitments_en.pdf)

[204] "Window on Iran's aviation market," *OAG*, 2016. (http://www.oag.com/window-on-irans-aviation-market-0)

[205] "Iran: European airlines set to resume flights to Tehran," *Associated Press*, January 28, 2016. (http://www.foxnews.com/travel/2016/01/28/iran-european-airlines-set-to-resume-flights-to-tehran.html); Lizzie Porter, "British Airways to relaunch direct London to Iran flights in July," *The Telegraph* (UK), February 3, 2016. (http://www.telegraph.co.uk/travel/destinations/middle-east/iran/articles/British-Airways-to-relaunch-direct-London-to-Iran-flights-in-July/); Gary Raynaldo, "European airlines fly back into competitive Iran market," *LinkedIn*, April 19, 2016. (https://www.linkedin.com/pulse/european-airlines-fly-back-competitive-iran-market-gary-raynaldo)

[206] Justin Siberell, "Special Briefing: Country Reports on Terrorism," *U.S. Department of State*, June 2, 2016. (http://www.state.gov/r/pa/prs/ps/2016/06/258013.htm)

[207] Foreign Assistance Act of 1961, Pub. L. 87-195, codified as amended at U.S.C. §620A. (https://www.usaid.gov/sites/default/files/documents/1868/faa.pdf)

16. Require reporting on the use of foreign airports and seaports by sanctioned Iranian entities.

Treasury officials have publicly stated that they are working with their partners to "prevent Mahan Air from acquiring aircraft and aircraft parts and software, preventing the opening of new routes and working to get existing routes canceled."[208] And yet, despite U.S. sanctions, the airline continues to fly to major European and Asian destinations. At these locations, the airline receives services from local companies including baggage handling, ticketing, and a variety of other ground services.[209] Moreover, Mahan pays for these ground services locally, and likely uses local banks to conduct the transactions.

The Iran Freedom and Counter-Proliferation Act of 2012 (which is part of the National Defense Authorization Act for Fiscal Year 2013) requires the administration to report on foreign vessels calling at ports that are controlled by the IRGC-owned company Tidewater.[210] The bill also requires the administration to report to Congress on all airports at which sanctioned Iranian airlines have landed. This report is crucial for Congress to understand how Mahan Air and other designated Iranian airlines are evading U.S. sanctions. This report must be unclassified but may contain a classified annex. Congress should use this report to pressure U.S. allies to cease allowing Mahan Air and other sanctioned airlines to land at their airports.

This provision, however, is set to expire at the end of the year. Tidewater, Mahan Air, and other IRGC-linked entities remain sanctioned because of their ongoing illicit activities. The reporting requirement should therefore be extended.

Conclusion

In March, Secretary Lew gave a speech in which he warned, "Since the goal of sanctions is to pressure bad actors to change their policy, we must be prepared to provide relief from sanctions when we succeed. If we fail to follow through, we undermine our own credibility and damage our ability to use sanctions to drive policy change."[211]

This is an important principle; but while Iran has agreed to a nuclear deal, it has not addressed the full range of illicit activities that prompted U.S. and international sanctions. The United States has spent the last decade building a powerful sanctions architecture to address not only

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[208] Julian Pequet, "U.S. seeks to block sanctioned Iranian airline's flights to Europe" *Al Monitor*, February 11, 2016. (http://www.al-monitor.com/pulse/originals/2016/02/us-treasury-block-iran-airline-mahan-sanctions.html)

[209] Plane tracking data available upon request. Based on public information, FDD has identified the following companies who are providing services to Mahan Air: Aerotech FMS Pvt. Ltd. (New Delhi, India), Air China Cargo (China), AHS Group (Munich and Köln, Germany), Airport Handling (Milan, Italy), Aviator (London Gatwick, United Kingdom), DUS Airport Cargo (Dusseldorf, Germany), Havaş (Istanbul Ataturk and Ankara, Turkey), SAS Ground Services UK Ltd. (Manchester, United Kingdom), and Swissport International Ltd. (Moscow, Russia).

[210] National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, 126 Stat. 1632, codified as amended at 112 U.S.C. §1252. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/pl112_239.pdf); U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011. (https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx)

[211] Jacob Lew, "The Evolution of Sanctions and Lessons for the Future," *Remarks before the Carnegie Endowment for International Peace*, March 30, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0398.aspx)

Iran's nuclear program, but also its ballistic missile development, vast support for terrorist groups, backing of other rogue states like Bashar al-Assad's Syria, human rights abuses, and the financial crimes that sustain these illicit activities. More broadly, a primary goal of the sanctions on Iran, as explained by senior Treasury Department officials over the past decade, was to "protect the integrity of the U.S. and international financial systems" from Iranian illicit financial activities.[212] As FATF's June 2016 statement makes clear, Iran's illicit finance continues; therefore efforts to isolate this activity from the international financial system must also continue.

De-coupling the lifting of sanctions from a change in the behavior that prompted sanctions in the first place risks undermining the very arguments that make sanctions an effective tool of national security policy. Sanctions work not when the U.S. merely imposes them on Iranian companies, but when foreign businesses stop doing business with these Iranian entities because they believe that Treasury is using objective measures to determine which entities pose illicit finance risks. If companies see Treasury's actions as political rather than merit-based maneuvers, then sanctions as a credible instrument of coercive statecraft will be damaged beyond repair.

Instead of bending to Iranian demands, Washington and its partners should be pushing Tehran to end its many illicit activities. The world needs to hold Iran accountable. Legitimacy cannot be granted without a dramatic change in the Islamic Republic's respect for international norms, financial transparency, and the freedoms and human rights of its people. Congress can lead the charge, as it has done in the past, by increasing pressure on the regime to change its behavior.

Policymakers have to deal with one of the fatal flaws of the agreement: The JCPOA's nuclear "sunset provisions," begin to expire in eight years and mostly disappear over a period of ten to fifteen years. This will leave Iran as a major nuclear power with expanded and multiple pathways to a nuclear weapon, an ICBM program, regional power, and possible economic immunity to future sanctions. Even as Iran has temporarily scaled back some of its nuclear activities, the regime's illicit effort to obtain proliferation-related technology continues – and its other non-nuclear malign activities are expanding.

To confront this reality, the United States needs a comprehensive strategy to sharpen its tools of coercion. It is my hope that these recommendations will assist Congress in that endeavor.

Thank you for the opportunity to testify today. I look forward to your questions.

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[212] David Cohen, "The Law and Policy of Iran Sanctions," *Remarks before the New York University School of Law*, September 12, 2012. (http://www.treasury.gov/press-center/press-releases/Pages/tg1706.aspx)

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SIX MONTHS LATER:

ASSESSING THE IMPLEMENTATION OF THE IRAN NUCLEAR DEAL

By Richard Nephew*

JULY 2016

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EXECUTIVE SUMMARY

The Iran nuclear deal remains controversial, primarily because of lingering questions around whether it is delivering the benefits promised to all sides and, secondarily, because of residual complaints about how it was negotiated and advertised in Washington and in Tehran. Despite this, it has already achieved much, having lengthened the timetable that would be required for Iran to turn its nuclear program toward the production of material for nuclear weapons; established the mechanisms through which the world would have greater transparency into the nuclear program for the next twenty to twenty-five years; and relieved sanctions on most of Iran's economic activity. Though nuclear implementation has gone largely according to plan, the same cannot be said of sanctions relief. Though legally everything the P5+1 and UNSC are required to do under the deal has taken place, practical fulfillment of the sanctions relief has been halting. There are various reasons for this, but they lie in three general areas: low oil prices; Iran's own internal regulatory and bureaucratic problems; and residual effects from the remaining US financial sanctions against Iran and its banks. Not all of these issues are tied directly to the implementation of the JCPOA, but inadequate attention to these issues will undermine the deal just as surely as if they were a core provision of the agreement.

With respect to low oil prices, there is little that the United States or its partners can do that would address Iran's difficulties. However, with respect to Iran's internal problems and the residual effects of sanctions, more can be done in Iran and in the United States.

For Iran, these steps include

1. domestic reform to sustain banking operations that conform to international standards for anti–money laundering, tax compliance, financial disclosure, capital adequacy, and, critically, stopping the financing of terrorism;
2. reform of the bureaucratic process that makes it difficult for foreign companies and domestic entrepreneurs to operate in the country; and
3. pursuit of more constructive foreign and domestic policies that reduce tensions in the Middle East and give rise to concerns that the sanctions situation will once again get worse.

For the United States, there are limits as to how far the Obama administration (and its successors) should go, given the continued problems that exist both in how the Iranian economy operates and what the Iranian government does with the proceeds, particularly in the financing of terrorism. Some steps that have been suggested—such as the elimination of most residual sanctions or the establishment of clear US-focused banking channels—would either meet impossible political headwinds or exacerbate the problems they seek to solve.

That said, reasonable additional steps that can be taken, largely by the Treasury Department, such as

1. promulgation of additional guidance and information on the standards the United States intends to use in judging foreign due diligence to prevent Iranian bad actors from receiving direct benefits from business and how best to undertake the recusal of US persons from foreign business decisions involving Iran;
2. further licensing to ease the compliance burden imposed on foreign companies to permit the limited use of standard US business software and other services that do not enhance the ability of companies to do business with Iran, but make it logistically and financially possible; and
3. other similar nonmaterial, and—ultimately—modest steps to aid in the implementation of remaining US sanctions in this different, JCPOA-informed environment, such as permitting technical compliance support by US lawyers and experts to foreign companies engaged in Iran trade.

Ultimately, and as unsatisfying as it may be, time may be the most important element of Iran's return to a more normal relationship with the international economy. Time will permit Iran's compliance with its nuclear obligations to continue to be established and international companies and banks to regain their confidence in doing business in the country. Time will also enable Iran to make the kind of regulatory and bureaucratic reforms necessary for the Iranians to have the kind of economy that they appear to desire, at least at the level of government technocrats, and to develop the political will to make the necessary changes at home. And time will permit the international community to form a complete picture of the future of US policy toward Iran and the JCPOA after the upcoming presidential election. Unfortunately, time may also not be on the side of these Iranian leaders, facing as they do claims that they were suckered in their negotiations with the United States and the rest of the P5+1. The trick, therefore, will be to ensure that Iran is able to make more progress, even if halting, in its reintegration into the global economy and the rigorous monitoring of its progress.

INTRODUCTION

Though a year has passed since negotiations concluded over the Iran nuclear deal—officially known as the Joint Comprehensive Plan of Action (JCPOA)—and six months have passed since it was implemented fully, the JCPOA remains a subject of intense controversy. Skeptics in the United States and in Iran continue to share remarkably similar perspectives on the deal, each side believing that their governments sacrificed too much in its achievement. Governments, banks, and companies around the world remain confused about the parameters of the deal and worried that one false move will damn their economic and political futures. Analysts around the world continue to debate whether all sides have done enough to ensure the JCPOA is a success.

All of this is as I predicted in July 2015, particularly as relates to the slow start that Iran is experiencing in its enjoyment of JCPOA sanctions relief.[1] Certainly, there have been some surprises along the way. Like many analysts, I did not believe that Iran would be able to complete its required nuclear steps until six months at the earliest after Adoption Day in October 2015. Instead, Iran finished its work in three months, and Implementation Day was observed on January 16, 2016. But with respect to Iran's use of the sanctions relief it purchased with nuclear restrictions and intrusive transparency, there is little in the delay that Iran has experienced that is shocking. Iran remains a difficult place in which to do business, with a complicated bureaucratic, regulatory, and constitutional system that prevents foreign businesses from having easy access to the country. Moreover, the threat of international sanctions—either from the reimposition of those suspended pursuant to the JCPOA or those remaining in place notwithstanding the JCPOA—continues to chill foreign business interest in the country. Volatile politics in the United States and in Iran probably have contributed as well to a sense of unease when foreign companies look to Iran.

This paper will review the major elements of the JCPOA sanctions relief and provide an update on the results Iran has achieved thus far in its use of the relief. The paper will delve deeper into some of the reasons for the delay in Iran's ability to take advantage of sanctions relief along the way. It will then offer views on how the United States and Iran (primarily) can ameliorate these problems. The paper concludes with thoughts on the JCPOA's implementation thus far and what the future may bring.

It is important to note from the outset that the perspective taken in this paper is that the JCPOA is a valuable contribution to international security and therefore merits preservation. However, this position does not imply—and should not be taken as implying—a readiness to preserve the JCPOA at all costs and, particularly, if its fundamental objectives are no longer being satisfied. The JCPOA is a means to an end—ironically, the same end as the sanctions measures that it replaced: the imposition of restraints on Iran's nuclear capabilities that create confidence that Iran is neither pursuing nor intends to pursue nuclear weapons. So long as the JCPOA is able to fulfill this objective, it remains the most economical tool in the US arsenal for doing so; it is on this basis that the deal merits being sustained.

Moreover, this paper does not argue against the continued use of US sanctions tools to address nonnuclear Iranian illicit conduct nor does it argue against maintaining the US extensive embargo, aside from those exceptions cut into the JCPOA already. These tools exist for a reason, and Iran should experience consequences for its support of terrorism, violations of human rights, and destabilizing regional activities. However, it is my view that though sanctions may contribute to solutions of these problems, sanctions are not as useful in addressing these problems as they were in the nuclear context, in large part because of the differing global opinions on the appropriateness of Iran's activities and of sanctions to correct them. The nuclear issue was one that many countries saw as a national priority, which—regrettably—is not the case for human rights or the support of terrorism. Even then, the United States had to engage in significant arm twisting to make the nuclear issue sufficiently relevant to some countries to make it worthwhile to engage in sanctions. Given this difference in views, other efforts—such as regional security cooperation and different forms of pressure on Iran, especially international political pressure—should be the focus of government policy targeting such conduct.

Iran is not a reformed state and US-Iranian relations are not (and will not anytime soon) return to anything approximating normal. There is simply too much bad blood on both sides and disagreement on fundamental issues to suggest that rapprochement is in the offing. However, this simple reality should also not preclude efforts intended to improve the environment such that normalization and stabilization of the relationship can be achieved in the future. Ensuring that the JCPOA is successful is a key element of this effort.

IMPLEMENTATION OF THE JCPOA TO DATE

The JCPOA has two essential components: the establishment of restrictions and transparency over the Iranian nuclear program; and the provision of sanctions relief by the UN Security Council (UNSC), the European Union, and the United States.

Nuclear Matters

The International Atomic Energy Agency (IAEA) has released three reports on Iranian compliance with the JCPOA since the beginning of 2016. The first report, released on January 16, outlined the various steps that Iran has taken to fulfill its major initial JCPOA commitments.[2] It was on the basis of this report that the United States, European Union, and UNSC acted to bring the JCPOA fully into force by executing the required sanctions relief.

On February 26, the IAEA released its second report.[3] This report was controversial less because of its contents and more because of the absence of some of the data that nongovernmental observers and organizations had become used to seeing in IAEA reports. In particular, the IAEA was criticized for not publishing data on Iran's exact low-enriched uranium stockpile, which had become a normal attribute of IAEA reporting since Iran restarted uranium enrichment in 2007.[4] The nature of this concern focused less on the degree to which Iran was fulfilling its commitments and more on the degree of transparency that the IAEA (and, by extension, the United States, Iran, and the JCPOA parties) was showing into Iran's nuclear program so as to permit "independent determination of Iran's compliance" with the JCPOA.[5] Though reasonable people may disagree on the importance of the public dissemination of such data (as the IAEA has expressed confidence that Iran's enriched uranium stockpile is within the 300 kilogram limit established in the JCPOA), the flap over the content of the IAEA's report extended to a discussion at the IAEA's quarterly Board of Governors meeting in which the United States and its European partners called for greater transparency in IAEA reporting going forward.

This issue notwithstanding, the February IAEA report did provide information on one JCPOA compliance issue. The IAEA reported that Iran produced and then possessed slightly more than its JCPOA-allotted 130 metric tonnes of heavy water. Iran's overage—which the IAEA measured at 0.9 metric tonnes—was then resolved by the export of 20 metric tonnes of heavy water seven days after the overage was identified.

On May 27, the IAEA released its third report, essentially repeating its conclusions from February, minus the indications that Iran had exceeded the threshold of allowable possession of heavy water. It too, however, generated controversy for its sparse technical detail.

Among these three reports, the IAEA has reported that there was one technical breach of the JCPOA that the Iranians remedied within a week of being discovered. This breach was not only modest in its import—as heavy water is not a nuclear weapons–usable commodity itself but rather a component in the production of plutonium for use in nuclear weapons—but also something that is entirely expected in the implementation of a deal of this sort. Iran will likely violate the terms of this provision again and perhaps similarly the provision dealing with low-enriched uranium (LEU) stocks because they are products of an ongoing process line that must be exported shortly after production. Any problem with shipping these commodities out of the country would lead to the potential for a temporary excess in Iranian stocks of these materials. The real sensitivity in this regard is the degree to which Iran believes that it can engage in these activities and not be caught. If nothing else, the heavy water incident suggests the opposite: the IAEA's identification of the excess heavy water occurred quickly—Iran's production of the 0.9 metric tonnes of excess heavy water occurred between January 16 and its identification on February 17—and Iran had to take swift remedial action to address the problem.

The IAEA reports do not address another element of the deal, which is continued, permitted Iranian nuclear procurement via a dedicated mechanism. When negotiations on the JCPOA commenced in January 2014, an interesting—if little recognized—quandary emerged for negotiators on both sides: how to handle permitted Iranian nuclear procurements while its nuclear program remained, in effect, on probation.

The easiest option from Iran's perspective was for the United States and its partners to remove any controls on its nuclear procurement, essentially eliminating the nuclear program's pariah status in response to the nuclear deal. However, for P5+1 negotiators, this was unacceptable because it would be tantamount to an early declaration that Iran's nuclear program was now entirely aboveboard. This, at the end of the day, is what the JCPOA is intended to demonstrate, and both time and confidence-building measures were required by P5+1 countries in order to prove exactly this point. Moreover, the risk here was not merely rhetorical: unrestricted Iranian nuclear-related procurement could contribute to the creation of a covert nuclear program, something that most nonproliferation experts in the six countries believed was the most likely vector for any future Iranian nuclear weapons program.

At the same time, P5+1 negotiators recognized that Iran would require procurements to support its legitimizing nuclear program, especially those projects that were enshrined in the text, such as the modification of the Arak Reactor and former uranium enrichment facility at Fordow. Additionally, it was recognized that Iran would require some goods for its other industrial processes that are dual use (meaning that they could be utilized in both nuclear and nonnuclear applications). These goods included specialty metals and process equipment (like valves and pressure sensors). Adding a further complication, many of these goods also have applications in Iran's ballistic missile program, which would remain under restrictions under the nuclear deal and unilateral sanctions by the United States.

The result of these negotiations was the creation of a mechanism for Iran's procurement of nuclear goods, based at the UN but effectively run by the members of the P5+1, which approves or disapproves procurement requests made by Iran.*

The mechanism has been praised by some, including me, as being an artful way to untie an otherwise troublesome knot of policy, technical, and economic issues. Others have underscored that the complexity of the system will present several implementation challenges,[6] which could prompt complaints from Iran if they led to significant delays in business activity. Still others have suggested that it could be effectively gamed by a determined Iranian proliferation network, skilled at sanctions and export control evasion after decades at the job.[7] However, even an interim grade for the channel is difficult to give because, insofar as public reporting is concerned, there have been no requests made via the procurement channel nor indications given as to how requests are being evaluated.

In all likelihood, the delay in utilization of the procurement channel is explained by continued and deserved hesitation in exporting to Iran goods that could contribute to its nuclear program, even if their use in legitimate purpose is verifiable. A close second, however, is the difficulty that remains in conducting all manner of business with Iran.

Sanctions Relief

The United States, the European Union, and the UNSC have undertaken all of the sanctions relief steps required pursuant to the JCPOA.† However, as noted with respect to nuclear procurement, the practical implementation of the economic benefits of the relief has been slower than Iranian government expectations (at least those they stirred in public) due to a combination of economic, political, and physical factors.

Oil-Related Measures

As a result of the JCPOA, Iran is now permitted to export as much oil as its customers wish to buy. However, therein lies the rub: Iran's reemergence into the international oil market has occurred at a time in which the oil market is oversupplied and prices are low. This has impeded Iran's ability to take full advantage of its JCPOA-provided relief thus far, particularly in combination with other economic factors (such as Iran's access to international financial services, which will be discussed in the next section). There are two distinct areas of oil-related sanctions that merit consideration: Iran's ability to sell oil; and Iran's ability to garner investment in its oil and gas sector.

* More information on the operation of the channel was provided by the UN at its website, http://www.un.org/en/sc/2231/restrictions-nuclear.shtml.

With respect to oil sales, Iran could not have picked a worse time to come back onto the scene, especially in comparison to when its ability to sell oil freely was restricted in 2012. In 2012, oil fetched on average $111 per barrel (Brent). In 2016, oil could cost as little as $42.30 per barrel on average (Brent), according to some traders.[8] With oil priced at less than 40 percent of what it was four years prior, Iran would require oil production levels not seen since the end of the 1970s in order to even match the revenue stream that it had in 2012 when sanctions were applied. Put another way, the impact of oil reduction sanctions against Iran has now effectively been outstripped by the impact of low oil prices, as the below table demonstrates, and this problem has nothing to do with US or European sanctions.

Yet Iran has proclaimed its intention to average 2 mbpd in oil exports throughout 2016 and has sought to project an image of this as a serious objective, both at home and abroad. It has ramped up production, reporting to OPEC a 7 percent increase in oil production in the first quarter of 2016 as compared against 2015.[9] OPEC's secondary sources suggest that this production increase may be understated, though largely because these sources peg Iranian production in 2015 at 300,000 barrels per day less than Iran had claimed[10] Either way, both OPEC and the International Energy Agency have reported that Iranian production reached 3.6 mbpd as of the end of May 2016.[10,11] If we limited our vantage point to solely current Iranian production and consumption patterns, however, it is difficult to see how Iran will be able to sustain 2 mbpd in exports. Iranian consumption was estimated to be approximately 1.9 mbpd on average in 2013, meaning that even at 3.6 mbpd in production as Iran currently claims, Iran would only be in a position to export approximately 1.7 mbpd on average.[13] With gas condensates, the amount may be higher, reaching 2.2 mbpd on average. Iranian Oil Minister Zanganeh may have been confirming this interpretation when he said on April 3, 2016, that Iranian production of crude oil and condensates "jumped" by more than 250,000 barrels in March, permitting 2 mbpd to be put on the market.[14]

Table 1: Comparison of Iranian oil sales in 2012 and projected sales in 2016

	2012	2016
Average annual exports	1.5 million barrels per day (mbpd)	2.0 mbpd
Average annual oil price	$111.63 per barrel (Brent)	$42.3 per barrel
Total per year	$61.1 billion	$30.9 billion

Source: Energy Information Administration (EIA), Reuters, author's calculations.

[1] As a reminder, this does not include removal of the comprehensive US embargo against Iran (also known as US "primary" sanctions). This embargo remains in effect. The provisions described above should be construed, unless explicitly stated otherwise, to only capture the effects of US "secondary" sanctions on Iran, secondary sanctions being those that affect foreign business activities with other foreigners

Iran is also likely tapping into its oil inventories. In fact, as negotiations with the P5+1 were concluding, press stories emerged suggesting that Iran might have as much as 40 million barrels stored in cargo ships sitting off the coast of the country, waiting for sanctions to be lifted. With Implementation Day behind Iran, it began to dispatch some of these vessels, eager to profit from what oil it could sell and, further, to attempt to reestablish market share lost starting in 2012. However, according to data gathered and reported by Windward, Iran's floating storage of oil has remained both high and largely static since mid-February at over 50 million barrels.[15] One ship in particular, the Distya Akula, has been in transit to Europe for three months with 1 million barrels to off-load and apparently no buyer to receive it (though there may also be concerns with the quality of the product, according to one reviewer of this paper).[16] In the context of Iran's total annual production (which one can extrapolate to 1.2 billion barrels, using Iran's March 2016 reported figures), an inability to sell 50 million barrels may seem fairly marginal. However, even at depressed prices, this oil is worth over $2 billion and nearly 5 percent of Iran's total annual production. Iran would probably prefer to get this oil off of its hands as soon as possible and, as Zanganeh noted, "After lifting sanctions, Iran will take back the market share of more than 1 million barrels a day that it lost…We should sell our oil whether the price falls or goes to $100 (a barrel)"[17‡]

Seen in this context, the political wrangling that is taking place within OPEC and between OPEC and Russia over global oil production takes on significantly new meaning. Though some analysts discount the degree to which the Saudis are motivated to keep prices relatively low as a cudgel against its geopolitical rivals or impediments (like Iran), there is at least an incentive for the Saudis to do so insofar as limiting the overall benefit that Iran can receive from the JCPOA and its new oil position. Press reporting from April 2016 suggests that the Saudis were also taking other steps to complicate the activities of companies and entities that seek to do business in Iran.[18] Moreover, Iran's refusal to accept a production freeze—even if it could contribute to slightly higher prices—makes sense in this context. Even if the price were to increase by just over $10 per barrel, Iran still earns more by bringing more oil to market than 1.5 mbpd. Table 2 demonstrates this point.

Table 2: Comparison of Iranian oil sales in 2012 and project sales in 2016

	2016: More Oil	2016: Higher Price
Average annual exports	2 mbpd	1.5 mbpd
Average annual oil price	$42.30 per barrel (Brent)	$55 per barrel
Total per year	$30.9 billion	$30.1 billion

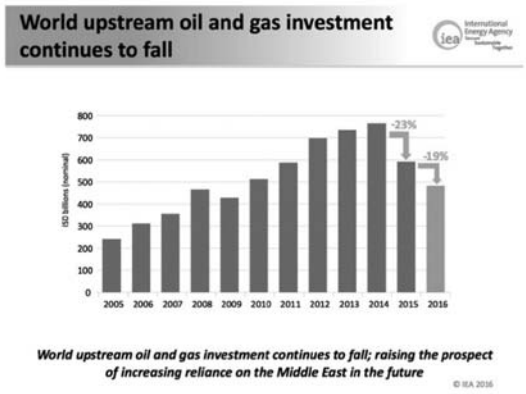
Source: Energy Information Administration (EIA), Reuters, author's calculations.

‡ There is an alternative argument, namely that Iran may wish to hold onto this inventoried oil until the price rises. This is sensible from the perspective of Iran's long-term interest. However, if one assumes that Rouhani's short-term focus is on generating momentum behind the JCPOA and his foreign policy approach, then this economically sensible approach is less attractive. Either way, the drop in oil prices is continuing to delay Iran's ability—and perhaps its willingness—to sell oil now and generate the revenue that would come.

Nevertheless, Iran is still constrained with respect to how much additional oil it can bring to market over time, even assuming Iran can find a market for its floating storage oil. Iran's leaders have made this point, noting that they will require $50 billion in external investment annually to jump-start the oil industry and improve extraction beyond what was possible by, in essence, turning on the taps from existing fields.[19] Unfortunately for Iran, it is here that two intersecting problems exist: first, with oil prices as low as they are, international investment in new oil production is declining in general, particularly in areas seen as risky; second, Iran's reintegration with the global financial sector remains halting (more on this in the next section).

On the first point, it is no surprise that perceptions of a global oil glut combined with a lack of revenue are prompting a reduction in investment among the world's leading oil companies. The International Energy Agency (IEA) reported to the G7 Energy Ministers on May 1–2, 2016, that upstream investment has fallen by nearly $300 billion since 2014 (Figure 1).

Figure 1: World upstream oil and gas investment



Source: IEA.[20]

Investment instead will naturally focus on sources that are midstream or those easiest and cheapest to extract, which—in theory—ought to privilege Iran as compared with artic or unconventional oil drilling (in fact, as one reviewer pointed out, most of the drop in investment has been in these more complicated parts of the industry). However, Iran has its own risks and complications that undermine its otherwise attractive, relatively low-cost production potential. The first is that Iran continues to require different investment arrangements than other countries due to its constitutional prohibition on the ownership of its oil reserves by foreigners. This provision is a historical legacy of a country that has felt preyed upon by international oil companies in the past and betrayed by its political leaders who granted inappropriate concessions to oil companies. But Iran would also like to be able to get the oil it possesses out of the ground, particularly given that—even with changes to the Iranian economy—oil remains the major export commodity. Since the Iranian revolution, Iran has sought to find workarounds to its constitutional predicament, offering complicated buyback and lease options in the 1990s that most oil companies found cumbersome, difficult, and less profitable.

Even now Iran is working on a revised Iran Petroleum Contract (IPC) that would try once more to bridge the gap between its desired approach and that of oil companies. But herein lies the second problem: Iranian internal politics. Iran's leadership remains divided on a variety of issues, especially the degree to which involvement with the outside world is a necessary component of economic development (and, under the surface, perhaps a more fundamental question of just how much development Iran should seek in any event). For this reason, the new IPC has yet to be fully finished, and in fact, former Iranian oil minister Rostam Ghasemi, who himself is a former IRGC officer, was fired from his advisory position in the Iranian government, reportedly in response to Ghasemi's obstructionism over the new IPC.[21] As late as April 26, 2016, Iran's oil minister noted that the revised IPC remains under development and that though the general terms are known, no draft contract has yet been concluded.[22] Deputy Oil Minister Javadi indicated on May 5, 2016, that the IPC would be finalized by "June, July…" implying a desire rather than a concrete rollout plan.[23] The shake-up in mid-June 2016 at NIOC (in which its managing director was replaced along with several board members) is indicative of further turmoil but may point to a more imminent decision on the part of Iran to put out the new IPC. To this point, it is worth noting that Iran first started considering a revised approach to its investment contract in 2013 with the election of President Rouhani. Taken in combination with the prevailing risk of sanctions reimposition, if Iranian violations of the JCPOA were to be detected and the bureaucratic environment in Iran complicated, many oil companies would remain in the tentative, exploratory stages of investment decisions.

Financial-Related Measures

Certainly, there were those who believed that Iran would be able to take complete advantage of its reconnection with the international financial system at the outset of implementation of the JCPOA. One noted critic of the JCPOA termed Iran's resumption of financial ties as "precipitous"[24] and argued that the JCPOA "dismantles much of the international sanctions architecture"[25] in service of insufficient nuclear concessions on Iran's part. Other criticisms suggested that, particularly as a result of Iran's resumed access to financial system services—such as the Society of Worldwide International Financial Transactions (SWIFT)—"the relaxed banking standards will grant the Iranian regime the ability to move its money anywhere in the world. With EU sanctions also set to be lifted on Iran's Islamic Revolutionary Guard Corps, major IRGC companies[§] and banks, and the Quds Force, the IRGC's extraterritorial terrorist arm, Europe will become an economic free zone for Iran's terrorist activity."[26] The ultimate conclusion of these arguments was that, "with the Central Bank no longer in the vise-like grip of the US Treasury, and with SWIFT messages flowing, Iran's financial sector will soon be operating at pre-sanctions levels."[27]

Soon, of course, is a relative term, but for its part, Iran has seen nothing near a resumption of its presanctions integration with international banking. In fact, Iran's reintegration with international banking has been sufficiently slow and vexing that the Supreme Leader of Iran used his annual Nowruz" speech to sharply criticize the United States of using informal means of imposing pressure on businesses and banks to avoid doing business with Iran.[28] There are three likely reasons for the slow restart of normal interactions with Iran:

1. Residual effects of nonnuclear-related US financial sanctions, such as the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), which the JCPOA did not dismantle, and the possibility of reimposition of sanctions;
2. Continued indications of Iranian financial misconduct; and
3. Continued negative risk/reward calculations in the financial sector.

Residual Effects of Nonnuclear Sanctions

Though underestimated in the days that immediately followed the JCPOA, the impact of the residual nonnuclear sanctions against Iran is real. One of the harshest critics of the JCPOA, who suggested that the residual nonnuclear sanctions would have limited impact in slowing Iran's rapid rise to economic resilience, noted in April, "I think the Iranians completely misjudged how the nonnuclear sanctions were going to deter international financial institutions."[29] But for those who were involved in the application of those penalties against foreign banks, the likelihood of these sanctions slowing reintegration was both recognized and real.[30] Simply put, banks have been scared away from doing business with Iran because US sanctions that could have consequences for their access to the US financial sector still exist and are being enforced. This fear has been heightened by the degree to which sanctioned entities continue to play a major role in the Iranian economy, particularly the Iranian Revolutionary Guard Corps. Banks may have no clear way of knowing for certain who is involved on the other side of the various transactions that must take place but know, based on experience and watching others get caught, that sanctioned entities can intersperse themselves throughout the value chain in Iran. Consequently, banks face a real choice: avoid Iran altogether, or trust that their due diligence and compliance protocols (which Iran has shown a proclivity to attempt to defeat) are effective in weeding out the bad actors in the Iranian system or—at a minimum—demonstrating their good will in a future sanctions case.

Unfortunately for Iran, banks have not seen enough time pass to have a clear sense of how the US Treasury will proceed to enforce sanctions under the JCPOA. They also retain some lingering fears that, even if the federal government were to uphold the JCPOA, state and local government officials (such as the financial regulator for the State of New York) could act differently. Their default view, reinforced by years of tough sanctions enforcement, is to expect the worst. The possibility of swift sanctions reimposition via the snap-back clause of the JCPOA (or, as has been suggested by several US Republican presidential candidates, via US unilateral action) amplifies these concerns.

Continued Indications of Iranian Financial Misconduct

Iran is not helping allay fears through its continued support of terrorism via financial (as well as other) means. Though there is scant public reporting to the effect that Iran is transferring large sums of cash to terrorist proxies and allies, the default assumption in the international community is that these behaviors persist, even if there remains debate as to how much support is being provided and to what degree the JCPOA enabled it to increase.

For this reason, the Financial Action Task Force (FATF) issued a statement on February 19, 2016, that reaffirmed that it "remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system."[31] The FATF sets anti–money laundering and counterterrorist financing standards for financial institutions worldwide. Its recommendations and guidance are taken seriously in part because it is a rigorously technical body and no doubt in part because it is also composed of a diverse group of key members of the international financial community (the United States, members of the European Union, Japan, Korea, China, Russia, and India, among others).

On June 24, FATF amended its position on Iran by suspending the financial "countermeasures" that had

§ Which, as a point of fact, will not take place until Transition Day in 2023.

** Nowruz is an annual spring holiday celebrated throughout South-Southwest Asia, especially in Iran. Nowruz marks the beginning of the Persian New Year.

been called for to prevent Iranian money-laundering and financing of terrorism. (These countermeasures are essentially prohibitive due diligence and screening protocols that would have the effect of stymieing financial transactions with the jurisdiction subject to the countermeasures.) However, this suspension is for one year, renewable only if Iran has made progress in implementing an agreed Action Plan with FATF that is intended to clean up the Iranian financial system. FATF noted, "Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran…"[32]

Iran now has a window of opportunity to improve its financial conduct. But in the face of such a recommendation and absent improvement, it is understandable why international financial institutions are keeping their distance from Iran and will continue to do so.

Continued Negative Risk/Reward Calculations in the Financial Sector

Banker caution aside, there is probably a financial incentive level at which it would be possible to convince some major banks to go back into Iran. Financial institutions operate on the basis of fees and financial reward, just like any economic actor. Against the expected earnings for doing business with Iran must be arrayed the potential costs, ranging from the simple economic (will our business venture succeed or fail?) to the compliance burden (can we afford all of these lawyers and consultants?) to the regulatory risk of a compliance problem still slipping through the security nets. Given the absence of what one banker described as a need for "certainty" about the longevity of the JCPOA and its embedded sanctions relief, it is likely that finding a mutually acceptable financing structure remains elusive for many financial institutions, especially those with larger reputational risk and greater financial exposure to the US financial system.[33] In such a scenario, a potential solution could be found in Iranian banks providing the necessary financing arrangements. However, Iran's own banking system remains fragile, undermined due to years of bad loans and sanctions.[34]

Other Economic Measures

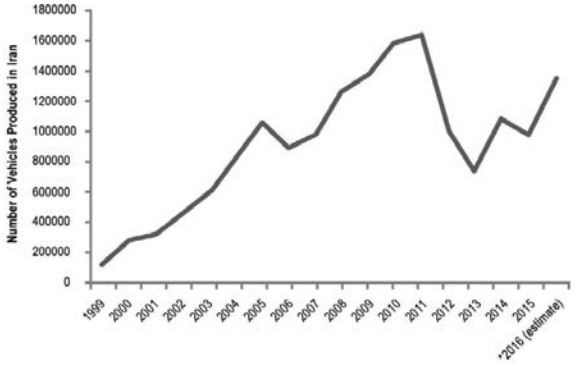
The JCPOA's main sanctions relief focuses on Iran's oil and gas sector, and its access to financial markets, in recognition of the fact that these are key economic interests of Iran. However, these are not the only areas affected by the JCPOA, and many other industries in Iran stand to benefit if the sanctions relief promised is delivered. There are indications that, even if forward momentum on oil, gas, and financing has stalled, there has been progress in these other areas.

Two sectors in particular stand out: the auto industry and the commercial aviation industry.

Auto Industry

Iran's auto industry was an emerging export driver throughout much of the 2000s. But this industry was far from homegrown. Instead, Iran depended on the import of complete or nearly complete automotive kits from foreign manufacturers, which were then assembled and marketed as Iranian vehicles. Iran has been trying to limit use of such kits and further its own domestic manufacturing, but even then Iran had a major dependency on foreign supply of components. This dependency on foreign partners was also a vulnerability to outside pressure, first exposed in 2011–2012 when oil and financial sanctions deprived Iran of the hard currency required to contract outside support. Production took a further hit after June 2013, when the United States announced that it would impose sanctions on any foreign entity that provided technical support or services in support of Iran's auto sector. Taken in combination with Iran's overall economic downturn and loss of hard currency from oil sales, Iran's automobile production dropped to its lowest level since 2004. (See Figure 2.)

Figure 2: Iranian total vehicle production (automobile and commercial), 1999–2016



Source: International Organization of Motor Vehicle Manufacturers,[35] Tehran Times. [36]

The Joint Plan of Action (JPOA) relaxed those sanctions in November 2013, and Iran's auto manufacturing industry has recovered to some degree. Iran now estimates that it will produce 1.35 million automobiles during the Iranian fiscal year (March 2016 to March 2017).[37] Foreign partners remain integral to these operations. Renault, one of Iran's most significant automotive manufacturing partners, remained in Iran throughout this period and has stated publicly its commitment to continuing its relationship with the country along with its Japanese partner, Nissan.[38,39] Peugeot, which quit Iran in 2012, has finalized talks with Iran on the compensation necessary to reenter the market.[40] Other manufacturers may soon follow suit.

More interesting for the purposes of this paper is why the auto sector has apparently rebounded much faster than the potentially more lucrative oil and gas sector. Three points seem salient:

1. **The time period between sanctions imposition and sanctions relief was relatively short.** Though it is true that the auto sector took a hit in 2011–2012, it was not explicitly targeted at least by the United States, and therefore the decision for companies—like Peugeot—to withdraw was political or economic in nature rather than compelled by force of sanctions. This sector was explicitly targeted by sanctions for only five months. As such, when JPOA relief was announced, reversing course for those companies still engaged in Iran was comparatively simple to orchestrate. The limiting factor became Iran's ability to pay for the necessary imports.

   In contrast, most oil and gas companies had been out of Iran for three or more years when the JPOA was announced, and five or more years when the JCPOA was finalized. New markets had been explored, with attendant resources shifted to take advantage of them. The same sort of logic applies with respect to banks, many of which withdrew from business with Iran in 2008–2010.

2. **Long-term exposure risk is smaller than in oil and gas.** Investing in Iran's auto industry does require some risk exposure and capital expenditure. As Peugeot's case demonstrates, a decision to withdraw from business in Iran due to sanctions imposition

can cost a company dearly, in Peugeot's case over $425 million (though indications are that this cost will not be in the form of a cash payout).[41, 42] That said, Peugeot's total review in the first quarter of 2016 was $14.7 billion[43] and its investment in Iran is reported to be $435 million *over five years*.[44] So, from Peugeot's perspective, the cost of getting back in and having to face getting back out due to sanctions reimposition or some other political risk is probably manageable.

Contrast this position with, for example, Shell. Shell's annual revenue was reported to be over $400 billion in 2015. However, Shell's total investment budget for 2016 is only $33 billion, reflecting cuts made due to collapsing oil prices.[45] To even consider making a sizable investment in Iran's oil and gas sector (much less to contribute substantially to Iran's goal of $50 billion annually), Shell would need to risk potentially billions on an annual basis. As such, the long-term exposure of risk is both larger in absolute terms as well as in relative terms on an annual basis for oil and gas companies.

3. **The politics around the Iranian auto industry—in Iran and abroad—are nowhere near as toxic.** Starting with the Iranian domestic situation, though the auto industry is important, it is not yet central to the Iranian economy as is the oil and gas sector. Moreover, the auto sector does not carry with it the historical and constitutional complexity that surrounds oil and gas. It is therefore both easier to navigate for international actors and lower in visibility, allowing its investors to fly—to some extent—under the radar.

For much the same reason, the external view of Iran's auto sector is simply different. It was lower profile for those seeking to do damage to Iran's economy during the sanctions regime, known really only to experts as a potentially important source of leverage. And for similar reasons, it could potentially fly under the radar in a future sanctions campaign against Iran. In contrast, oil and gas refineries are big, noticeable, and symbolically significant parts of Iran's economy; consequently, they are major targets for sanctioners and therefore potentially more vulnerable than auto manufacturers in future sanctions scenarios.

Aviation Industry

Iran's aviation industry was the other major target of sanctions relief in the JPOA and JCPOA. In the JPOA, the United States agreed to take a more positive approach with respect to Iranian attempts to procure spare parts required for safety of flight. In the JCPOA, the United States agreed to expand this approach to entire airframes and associated services used for commercial purposes. Given the way that Western aviation companies operate (with supply chains that involve US components that exceed export controls' de minimis content levels), this decision effectively reopened Iran to receiving exports from US as well as European, Canadian, and other non-US companies.

Thus far, it appears as if this relief is also starting to bear fruit. Although there are no public reports of completed, authorized transfers of new aircraft to Iran, Airbus has already reached an agreement to sell Iran 118 jetliners, valued at $27 billion.[46] Airbus has also been reportedly discussing domestic Iranian production of Airbus components.[47] Boeing has also concluded a memorandum of understanding with Iran for the sale of 80 planes, valued at $17.6 billion.[48] In the meantime, other aviation-related services are likely being planned in Iran, such as the creation of a repair and maintenance hub by Lufthansa.[49]

However, the financing issue noted above apparently remains a problem for Airbus as well as Boeing, and could affect other companies' business with Iran, even in this sector. In February, press reports emerged that Airbus, as well as US and French government officials, were seeking to assuage concerns on the part of banks that the associated transactions with Iran are authorized and consistent with the JCPOA.[50] There are few public indications that this problem has been alleviated.

Part of the issue may lie in the fact that, notwithstanding the approach taken by the Obama administration in advocating use of the aviation component of the JCPOA, this line of business is not—as in the case of the auto sector—completely permissible. Instead, in similar fashion to overall financial-related activities, Iran is now eligible to receive aviation-related services, but the exact terms of how Iran will utilize the planes and technical support it receives are unclear (including whether this trade could end up facilitating Iranian bad acts in Syria, Yemen, and so forth). In the case of bank-related activity, this is because

of the lingering linkages of US-sanctioned persons, like the IRGC, to Iranian banks. For aviation services, the problem is the fact that any transfer of US export-controlled goods must receive a specific license before transfers can take place, even if the goods in question are incorporated into Airbus or any other non-US airplane. Until an export license is provided, any transaction in furtherance of US-controlled goods could be considered a violation of US law. It is in part because of this problem that the US Department of the Treasury released a new general license in March, generally authorizing US persons to enter into negotiations over the provision of aviation services to Iran.[51]

Other Aspects of Sanctions Relief

The core economic and political elements of the initial phases of JCPOA sanctions relief have already been discussed. However, there are additional elements of JCPOA relief that at least bear mentioning.

First, Iran has also received relief from the various transportation-related provisions of the former sanctions regime, though it remains possible for inspections of Iranian-bound cargo to be conducted to ensure that proscribed items are not being smuggled. As a result, Islamic Republic of Iran Shipping Line (IRISL) vessels are now being welcomed back into foreign ports[52] as are Iranian Air Cargo flights. Some of Iran's airlines are also off of the sanctions list and able to legally travel to Europe and other destinations, though access to the United States remains strictly prohibited.

Second, Iran is also now able to take advantage of other services incidental to and supportive of international trade. This includes export credit insurance for Iran-related trade (subject to the decision-making of the local export credit agency, as—for example—the US Ex-Im Bank has no intention of providing such support for Iran trade nor is it required to do so[53]) as well as more normal insurance protection. Importantly, US financial firms remain generally prohibited from engaging in such business, as it remains sanctionable under the comprehensive US embargo to offer financial services to Iran or in furtherance of Iran-related trade.[54] This may complicate Iran's practical ability to gain access to services such as reinsurance, which is dependent due to its very nature on the sharing of risk among a variety of insurance companies, many of which are in the United States or have US links. That said, US sanctions governing foreign reinsurance companies without US exposure have been suspended pursuant to the JCPOA, at least opening the possibility for such business.

Third, Iran remains under sanctions for its conventional arms and ballistic missile–related trade. Though some ambiguity surrounds the degree to which Iranian missile tests are themselves a violation of UN Security Council resolution 2231 (which, upon close examination, calls upon Iran not to undertake such tests but does not outright prohibit them), there is no ambiguity surrounding the legality of transferring to or from Iran either arms on the UN Register of Conventional Arms or the Missile Technology Control Regime Annex. For this reason, though the United States has objected to the sale of the S-300 surface-to-air missile system that Russia has apparently begun to transfer to Iran (after years of delays), its transfer is not proscribed by UN sanctions, as air defense systems are not on the UN Register of Conventional Arms.[55] On the other hand, purported plans to transfer tanks or fighter jets to Iran would be without question a violation of the UN arms embargo. These prohibitions will remain in effect until 2020 and 2023, respectively.

IMPROVING JCPOA IMPLEMENTATION

The JCPOA has yet to lead to an economic renaissance in Iran, as was both entirely predictable and predicted by many observers. It may yet be part of a major economic revitalization in the country, provided that its implementation challenges can be overcome. But how this issue plays out will be critical for how Iran will perceive the nuclear deal and any follow-on attempts on the part of the United States to negotiate with Iran on other issues.

The assessments offered thus far on the individual elements of JCPOA sanctions relief hint at the first fundamental challenge that Iran must overcome: Iran itself. Through a combination of its difficult bureaucratic and regulatory environment, its uncertain political and security situation, and its bellicose role in the Middle East and beyond, Iran has made itself—and remains—a complicated place to do business. Were it not for its unrivaled position in the physical center of global trade routes, its natural resource endowments, and its well-educated, globally oriented population, Iran would probably be relegated to the lowest tier of emerging markets as a major political and economic risk.

Iran can address this problem, but it requires serious and sustained changes to how the country operates internally and externally that will ensure both Iran's future economic development as well as the implementation of the JCPOA. Internally, domestic reform to sustain banking operations that conform to international standards is essential. Reducing the kind of red tape that makes it difficult for foreign companies and domestic entrepreneurs to operate in the country would also be a significant step forward. Iran is ranked 118th on the World Bank's "ease of doing business" 2016 index,[56] sandwiched between Ecuador and Barbados.[57] In some ways, it is ahead of other countries in the Middle East and North Africa, including in offering the legal framework to set up a business and enforce contracts. But many of those countries—Oman and Israel, for starters—do not also have to operate under the burden of Iranian domestic and foreign policy and the reputational—if not actual—risks that come from doing business there.

President Rouhani appears to understand the difficulty that Iran has created for itself. In his campaign, he stressed his desire to improve relations with the West and to pursue a foreign policy that was seen as more constructive.[58] However, his ability to set Iranian foreign policy and the broader agenda is limited both constitutionally and politically. The Iranian system as a whole needs to decide whether it wishes to change how Iran behaves and is perceived to behave, conscious of the fact that—in doing so—Iran could make itself far more competitive economically and thus provide better for its population.

Beyond the level of high politics in Iran, other steps can and should be considered to improve the degree to which sanctions relief is felt in Iran. Some of these are fairly easy for the United States in particular to take. Most of the work will fall on the US Treasury Department, including the promulgation of additional guidance and information on the standards the United States intends to use in judging foreign due diligence and how companies can best undertake the recusal of US persons from foreign business decisions involving Iran (which could prompt the imposition of US penalties). This guidance will be inherently legal but should avoid being legalistic so as to avoid the appearance of creating too much gray space.

In fact, these existing due diligence and recusal standards are often fairly straightforward to implement. In regard to due diligence, for example, companies and banks should thoroughly investigate their potential customer before conducting business, using all manner of available tools, from conversations with the customer to Internet searches to private business intelligence services. And if they find that there are no indications of illegitimate actors, including and especially those named on US and EU sanctions lists, they should proceed with their business, keeping clear documentation on their ongoing attempts to find out more about their business partner and continuing to learn whatever they can about their business partner. If they discover that a customer is engaged in illicit conduct, they should stop doing business with that customer and disclose this information to regulatory or

law enforcement authorities, as appropriate. If they're advised by their government or the United States of illicit conduct, they should stop doing business with that customer. These are commonsense steps, but all too often sanctions violators fail to undertake them or decide against doing so. Certainly, such steps come with costs, but just as banks and companies have had to bear new costs to avoid being complicit in corruption, organized crime, narcotics trafficking, and the like, these costs are simply part of doing business.

Similar steps could be taken to ease the compliance burden imposed on foreign companies in sensible, prudent ways. For example, companies have noted that the use of US business software by foreign-incorporated subsidiaries of US companies in their conduct of Iran business is acceptable in order to avoid companies having to set up entirely different mechanisms for the running of their foreign and US activities. General License H, which established this reasonable standard, only applies to those foreign-incorporated subsidiaries of US parent companies, however. Consequently, the use of US business software by solely foreign entities who have no US connection is potentially sanctionable. This creates the perverse circumstance that foreign-incorporated subsidiaries of US companies are privileged as compared with actual US companies and actual foreign companies. This is the sort of sanctions problem that frequently happens when sanctioners are designing layers of exemptions onto a broad comprehensive embargo, but understanding why it happens is no relief to those companies harmed by it. This issue both can be and should be remedied by further amendment to US general licenses by the Treasury Department. Other similar, nonmaterial, and—ultimately—modest steps to adjust the implementation of US sanctions to accommodate the commitments made with respect to economic relief in the JCPOA could also be undertaken with minimal consequence to the integrity of the sanctions regime. Barbara Slavin and Elizabeth Rosenberg have also suggested similar steps, such as permitting US persons to operate in the compliance departments of foreign entities doing business with Iran, that ought to be considered both because they offer a measure of comfort and reassurance to foreign businesses, and because they would help to prevent sanctions evasion, even if unintentional.[59,60]

That said, these steps would not be without controversy. In April 2016, a similar proposal to cover the short-term conversion of foreign currencies in conducting Iran trade via the US dollar met furious resistance. Some of this stemmed from a simple misunderstanding that such a step was the equivalent of granting access to the US dollar for trade (a claim that even skeptics of the JCPOA had to correct). But a good portion of this concern stemmed from the fact that Iran would be able to utilize such a modification for its economic benefit. In my view, denying such modifications out of concern that Iran could receive a benefit is the equivalent of refighting a battle already lost: the JCPOA is in place and survived US congressional scrutiny. The more appropriate test ought to be whether the benefit Iran would receive transcends what was intended in the JCPOA, something that is reasonably discernable based on the JCPOA text.

One such example of an overreach in accommodating Iranian banking concerns would be the establishment of a clear banking channel between the United States and Iran. The concept behind such a channel is straightforward: it would involve one or two US banks that are expressly permitted to do legitimate transactions with Iran, subject to either direct scrutiny of those transactions by the US Treasury Department or under an agreed regulatory construct.

It may be that such a channel was needed during the imposition of sanctions in order to permit humanitarian trade to continue to flow unimpeded. However, now, the problem with Iranian banking lies less in the absence of clean channels and more in the resistance of banks to take advantage of the banking relationships they are now permitted to establish. It is not apparent that a clean banking channel would solve this problem so much as it would create a dependency on one or two banks chosen for the task. Such a channel would raise immediate concerns of favoritism for banks not selected to participate (particularly if the channel involved only US banks, to the exclusion of foreign banks that would remain vulnerable to potential US sanctions actions), and it would also create major logjams in the facilitation of Iran trade, as banks would likely assume that only the authorized channel would be appropriate to use.

There is likewise a false hope in the idea of establishing an integrated global licensing regime that would permit individual transactions with Iran to receive scrutiny and approval. But such a scheme—which could involve either the sharing of export control information between states or an agreed set of procedures for managing such trade—would be immensely complex in what is intended to be a more "normal" business operating environment for Iran. Moreover, if the channel were to be corrupted—which, given Iran's long history of sanctions evasion and financial crimes, cannot be excluded—then there would be an even harsher response from international financial institutions with respect to the risk of doing business in the country.

As unsatisfying as it may be, time may be the most important element of Iran's return to a more normal relationship with the international economy. Time will permit Iran's compliance with its nuclear obligations to continue to be established and international companies and banks to regain their confidence in doing business in the country. Time will also enable Iran to make the kind of regulatory and bureaucratic reforms necessary for the Iranians to have the kind of economy that they appear to desire, at least at the level of government technocrats. Unfortunately, time may also not be on the side of these Iranian leaders, facing as they do claims that they were suckered in their negotiations with the United States and the rest of the P5+1. The trick, therefore, will be to ensure that Iran is able to make some progress, even if halting, in its reintegration into the global economy and the rigorous monitoring of its progress.

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IRAN AGREEMENT: THE INTERNATIONAL ATOMIC ENERGY AGENCY'S AUTHORITIES, RESOURCES, AND CHALLENGES

A REPORT PREPARED BY THE UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

GAO Highlights

Highlights of GAO-16-565, a report to congressional requesters

Why GAO Did This Study

In July 2015, multilateral talks with Iran culminated in an agreement called the JCPOA, through which Iran committed to limits on its nuclear program in exchange for relief from sanctions put in place by the United States and other nations. IAEA, an independent international organization that administers safeguards designed to detect and deter the diversion of nuclear material for nonpeaceful purposes, was requested to verify and monitor Iran's implementation of these commitments. The U.S. Department of State coordinates the United States' financial and policy relationship with IAEA.

GAO was asked to review the authorities and resources IAEA has to carry out its activities regarding the JCPOA. This report, which updates the preliminary findings from an interim report released in February 2016 (GAO-16-417), examines (1) the JCPOA commitments that IAEA has been asked to verify and monitor and its authorities to do so, (2) the resources IAEA has identified as necessary to verify and monitor those JCPOA commitments, and (3) potential challenges and mitigating actions IAEA and others have identified with regard to verifying and monitoring the JCPOA. GAO analyzed the JCPOA and key IAEA documents and interviewed current and former IAEA officials, U.S. government officials, national laboratory representatives, and experts from research institutions.

What GAO Recommends

GAO is not making any recommendations.

View GAO-16-565. For more information, contact David C. Trimble at (202) 512-3841 or trimbled@gao.gov.

June 2016

IRAN NUCLEAR AGREEMENT

The International Atomic Energy Agency's Authorities, Resources, and Challenges

What GAO Found

As outlined in the Joint Comprehensive Plan of Action (JCPOA), the International Atomic Energy Agency (IAEA) was asked to verify and monitor Iran's implementation of a range of nuclear-related commitments. IAEA is using its safeguards authorities and conducting additional activities agreed to by Iran under the JCPOA to do so. Iran's commitments include limits on uranium enrichment levels and on enriched uranium inventories. IAEA is verifying and monitoring Iran's implementation of these commitments through a range of activities conducted by its Safeguards Department, such as inspecting Iran's nuclear facilities, analyzing environmental samples, and monitoring Iran's uranium mines and mills. Under the JCPOA, Iran agreed to provisionally apply the Additional Protocol, an agreement that will give IAEA's inspectors access to an expanded range of locations, including where the agency seeks assurance regarding the absence of undeclared nuclear material and activities. The JCPOA also includes a mechanism in which participants to the agreement commit to resolve an access request from the agency within 24 days after the request is made.

IAEA has identified the financial, human, and technical resources necessary to verify and monitor Iran's nuclear-related commitments in the JCPOA. IAEA has estimated that it needs approximately $10 million per year for 15 years in additional funding above its current safeguards budget for JCPOA verification. According to IAEA documents, this $10 million will be entirely funded through extra-budgetary contributions through 2016. IAEA officials said that the agency intends to propose that of the $10 million approximately $5.7 million for all Additional Protocol activities and inspector costs attributable to the JCPOA be funded through IAEA's regular budget after 2016; approximately $4.4 million will be supported through extra-budgetary contributions from member states, such as the United States. IAEA also plans to transfer 18 experienced inspectors to its Office of Safeguards Verification in Iran from other safeguards divisions and to hire and train additional inspectors. According to IAEA officials, existing safeguards technical resources are sufficient to implement the JCPOA.

IAEA may face potential challenges in verifying and monitoring Iran's implementation of certain nuclear-related commitments in the JCPOA. According to current and former IAEA and U.S. officials and expert organizations, these potential challenges include (1) integrating JCPOA-related funding into IAEA's regular budget and managing human resources in the safeguards program, (2) access challenges depending on Iran's cooperation and the untested JCPOA mechanism to resolve access issues, and (3) the inherent challenge of detecting undeclared nuclear materials and activities. IAEA has identified mitigating actions, such as utilizing remote monitoring and cost-free experts to address potential understaffing of IAEA safeguards activities in other countries as additional experienced inspectors are transferred to work on Iran-related safeguards. In addition, according to IAEA and U.S. officials as well as a former IAEA official GAO interviewed, IAEA has improved its capabilities in detecting undeclared activity. For example, according to U.S. officials, IAEA has adapted its inspector training program to focus on potential indicators of undeclared activities.

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Abbreviations

CSA	comprehensive safeguards agreement
DOE	U.S. Department of Energy
IAEA	International Atomic Energy Agency
INFCIRC	information circular
JCPOA	Joint Comprehensive Plan of Action
LG-SIMS	Large Geometry Secondary Ionization Mass Spectrometer
NNSA	National Nuclear Security Administration
NPT	Treaty on the Nonproliferation of Nuclear Weapons
OLEM	online enrichment monitor
PMD	possible military dimensions

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

June 9, 2016

The Honorable Mark Kirk
Chairman
Subcommittee on National Security and International Trade and Finance
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Nita Lowey
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

The Honorable Robert Menendez
United States Senate

Iran's past efforts to develop a nuclear weapons program threatened regional and global security and presented significant challenges to the United States. The United States and other nations imposed sanctions on Iran that adversely affected the Iranian economy.[1] In July 2015, multilateral talks with Iran culminated in an agreement—the Joint Comprehensive Plan of Action (JCPOA)—in which the United States, France, Germany, the United Kingdom, Russia, and China, with the High Representative of the European Union for Foreign Affairs and Security Policy, agreed to reciprocal commitments with Iran.[2] These commitments include providing sanctions relief if Iran implements its nuclear commitments as laid out in the JCPOA.

[1]For a description of the effects of sanctions on Iran, see GAO, *Iran: U.S. and International Sanctions Have Adversely Affected the Iranian Economy*, GAO-13-326 (Washington, D.C.: Feb. 25, 2013).

[2]In November 2013, these multilateral talks resulted in the Joint Plan of Action, an initial understanding with Iran to explicitly block near-term Iranian pathways to a nuclear weapon and allow further talks to reach a long-term comprehensive solution. The participants in the talks in addition to Iran are collectively referred to as the E3/EU+3 (i.e., France, Germany, and the United Kingdom, plus China, Russia, and the United States, coordinated by the European Union High Representative).

The JCPOA details Iran's commitments related to its nuclear facilities, equipment, materials, and activities, among other things. On July 20, 2015, the United Nations Security Council endorsed the JCPOA and requested that the International Atomic Energy Agency (IAEA) verify and monitor these commitments.[3] IAEA—an independent international organization based in Vienna, Austria, and affiliated with the United Nations—has the dual mission of promoting the peaceful uses of nuclear energy and verifying that nuclear technologies and materials are used for peaceful purposes and not diverted to nuclear weapons. Specified U.S., European Union, and United Nations nuclear-related sanctions on Iran were lifted on January 16, 2016—the JCPOA's "Implementation Day"—when IAEA verified and reported that Iran had fully implemented its commitments defined in Annex V, paragraph 15, of the JCPOA.[4] The JCPOA also provides for a "Transition Day," when the United States and European Union will take further steps to eliminate nuclear-related sanctions on Iran, either on October 18, 2023, or earlier if IAEA reaches what it calls a "broader conclusion" regarding the peaceful nature of Iran's nuclear program.[5]

The Treaty on the Nonproliferation of Nuclear Weapons (NPT), which came into force in 1970, requires non-nuclear weapon states that are party to the treaty—countries that had not manufactured and detonated a nuclear device before January 1, 1967, such as Iran—not to acquire nuclear weapons and to subject all nuclear material used in peaceful

[3]S.C. Res. 2231, U.N. Doc. S/RES/2231 (July 20, 2015).

[4]These commitments are specified in Sections 15.1-15.11 of Annex V of the JCPOA. The JCPOA also contains provisions describing the circumstances under which a participant may cease performance of its commitments. These commitments include the provision of sanctions relief. Furthermore, United Nations Security Council Resolution 2231 (2015), which endorses the JCPOA, provides a mechanism for United Nations Security Council sanctions to be re-imposed in certain circumstances.

[5]A broader conclusion refers to IAEA's determination for a country that for a given year all nuclear material remained in peaceful activities. This conclusion is based on IAEA's findings that for that year there were no indications of diversion of declared nuclear material or of undeclared nuclear material or activities in the country.

activities to IAEA safeguards.[6] IAEA has previously found Iran to be in noncompliance with its safeguards obligations.

You asked us to review the authorities and resources IAEA has to carry out its activities to monitor and verify certain nuclear-related commitments under the JCPOA. In February 2016, we issued an interim report on our preliminary findings.[7] This report, which updates the preliminary findings in the interim report, examines (1) the JCPOA commitments that IAEA has been asked to verify and monitor, and its authorities to do so; (2) the resources IAEA has identified as necessary to verify and monitor Iran's nuclear-related commitments under the JCPOA; and (3) potential challenges and mitigating actions, if any, IAEA and others have identified with regard to verifying and monitoring Iran's nuclear-related commitments under the JCPOA.

To identify the nuclear-related commitments in the JCPOA that IAEA has been asked to verify and monitor and IAEA's authorities for verifying and monitoring these commitments, we analyzed the JCPOA, and IAEA documentation concerning the safeguards legal framework, including the Statute of the IAEA (the Statute),[8] information circular (INFCIRC)/153, which provides the basis for a comprehensive safeguards agreement (CSA), Iran's CSA, and INFCIRC/540,which provides the basis for an Additional Protocol. To examine the resources IAEA has identified as necessary to verify and monitor Iran's nuclear-related commitments under the JCPOA, we reviewed IAEA planning and budget documents and statements by the IAEA Director General. In addition, to further understand IAEA authorities and resource needs, and to examine

[6]Under Article II of the NPT, each non-nuclear weapon state party agrees, among other things, not to receive any transfer of nuclear weapons or other nuclear explosive devices, not to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices, and not to seek or receive any assistance in the manufacture of nuclear weapons or other nuclear explosive devices. Under Article III of the NPT, each non-nuclear weapon state party agrees, among other things, to accept IAEA safeguards on all source or special fissionable material in all peaceful nuclear activities within the territory of such state, under its jurisdiction, or carried out under its control anywhere.

[7]GAO, *Nuclear Nonproliferation: Preliminary Observations on IAEA's Role in Verifying the Iran Agreement*, GAO-16-417 (Washington, D.C.: Feb. 12, 2016).

[8]The Statute of the International Atomic Energy Agency, done Oct. 26, 1956, 8 U.S.T. 1093, 276 U.N.T.S. 3 (entered into force July 29, 1957).

potential challenges and mitigating actions IAEA and others have identified with regard to verifying and monitoring Iran's nuclear-related commitments under JCPOA, we interviewed officials of IAEA, the Department of State (State Department), and the Department of Energy's (DOE) National Nuclear Security Administration (NNSA);[9] as well as representatives of Oak Ridge National Laboratory, Los Alamos National Laboratory, Sandia National Laboratories, Lawrence Livermore National Laboratory, and Brookhaven National Laboratory. We also interviewed 9 former IAEA officials, 10 former U.S. government and national laboratory officials, and officials from 10 expert organizations—research institutions and nongovernmental organizations with knowledge in the areas of nuclear verification, monitoring, and safeguards.[10] Appendix I provides a more detailed discussion of our objectives, scope, and methodology.

We conducted this performance audit from July 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

This section describes (1) IAEA's structure and budget, (2) IAEA safeguards, (3) the nuclear fuel cycle, and (4) Iran's nuclear program.

[9]NNSA is a separately-organized agency within DOE, with responsibility for the nuclear weapons and nonproliferation programs, among other things. NNSA conducts its activities at headquarters and at research and development laboratories, production plants, and other facilities. NNSA also provides technical assistance to IAEA's safeguards and nuclear security programs.

[10]We selected these experts by first identifying organizations that had previously served as sources of IAEA subject matter experts for GAO. To ensure a wide range of viewpoints, we supplemented our initial selection with individuals and organizations identified through a literature search and by recommendations from our initial set of expert organizations. We requested interviews from all the identified experts and suggested contacts and interviewed all who agreed to participate (two experts provided written responses in lieu of in-person interviews). When referring to former U.S. and IAEA officials and expert organizations throughout the report, we use "some" to refer to three of a group, "several" to refer to four or five members of a group, and "many" to refer to more than five members of a group.

IAEA's Structure and Budget

IAEA is structured into six major programs, including Nuclear Verification, which carries out the agency's safeguards activities. Other IAEA programs are generally intended to help promote safe and secure uses and applications of nuclear energy for civilian purposes. For example, IAEA's Technical Cooperation program helps member states achieve their sustainable development priorities by providing relevant nuclear technologies and expertise. IAEA funds its programs primarily through (1) its regular budget, for which all member countries are assessed,[11] and (2) voluntary extra-budgetary contributions from certain member countries and other donors to meet critical needs.[12] IAEA's operational budget requirements for 2016 totaled to $436.6 million, including $155.3 million for the nuclear verification program (i.e., safeguards).[13] See table 1 for IAEA projected budget requirements for 2016 by program.

[11]Assessed contributions are payments made as part of the obligations that countries undertake as members of IAEA. The current payment structure for assessed contributions to IAEA is based on the United Nations scale of assessment, adjusted for membership, with a maximum base rate (25 percent) and a minimum base rate (.001 percent). The scale for IAEA also includes a slight premium to cover the costs of the nuclear safeguards program.

[12]In addition, financing of Technical Cooperation projects is generally supported through the annual voluntary contributions of member states to IAEA's Technical Cooperation Fund.

[13]International Atomic Energy Agency, "The Agency's Programme and Budget 2016-2017," GC (59)/2, July 2015. These figures were calculated based on the average exchange rate used by the Department of the Treasury of €0.919 to $1 and do not include capital expenditures, unfunded requirements, or the Technical Cooperation Fund. Requirements unfunded in the regular budget are for core activities which should, if funding permitted, be part of the Agency's regular budget programme. They comprise activities (a) which are financed from expected extra-budgetary funds, and (b) activities for which no funding is currently available. Unless the latter are financed by contributions from Member States or from savings, they will not be implemented.

Table 1: International Atomic Energy Agency's (IAEA) Projected Operational Budget Requirements for Major Programs for 2016

Dollars in millions

Program[a]	Regular budget requirements	Extra-budgetary requirements	Total
Nuclear Power, Fuel Cycle, and Nuclear Science	$42.3	6.4	**$48.7**
Nuclear Techniques for Development and Environmental Protection	43.0	4.1	**$47.1**
Nuclear Safety and Security	37.8	31.0	**$68.8**
Nuclear Verification	146.9	8.4	**$155.3**
Policy, Management and Administration Services	85.5	3.3	**$88.8**
Management of Technical Cooperation for Development	26.7	1.2	**$27.9**
Total	**$382.3**	**$54.4**	**$436.6**

Source: GAO analysis of IAEA data. | GAO-16-565

Note: IAEA denominates its budget requirements in euros (€). GAO re-calculated these requirements in dollars using the average exchange rate used by the Department of the Treasury on December 31, 2015, of $1 to €0.919. IAEA budgets by calendar year. Numbers may not add to totals because of rounding.

[a]The Nuclear Power, Fuel Cycle, and Nuclear Science program helps interested IAEA member states develop the capacity and infrastructure to manage nuclear programs, among other things. The Nuclear Techniques for Development and Environmental Protection program provides member states with advice and various technical documents, among other things. The Nuclear Safety and Security program promotes the worldwide achievement and maintenance of high levels of nuclear safety and security. The Nuclear Verification program establishes and administers safeguards. The Policy, Management and Administration Services program coordinates the agency's functions. The Management of Technical Cooperation for Development program develops, implements, and manages technical cooperation projects.

IAEA has a Board of Governors, which provides overall policy direction and oversight for the agency. A Secretariat, headed by the Director General, is responsible for implementing the policies and programs of the IAEA General Conference and the Board of Governors.[14] The State Department coordinates the United States' financial and policy relationship with IAEA.

[14]The General Conference is composed of representatives of all member states (167 countries at the end of 2015) that contribute to IAEA's budget.

IAEA Safeguards

IAEA safeguards are a set of technical measures and activities by which IAEA seeks to verify that nuclear material subject to safeguards is not diverted to nuclear weapons or other proscribed purposes. To carry out its safeguards activities, inspectors and analysts in IAEA's Safeguards Department collaborate to verify that the quantities of nuclear material that non-nuclear weapon states have formally declared to the agency are correct and complete.

Most countries have concluded a CSA with IAEA that covers all nuclear material in all peaceful nuclear activities and serves as the basis for the agency's safeguards activities. Most countries with a CSA have also brought into force an Additional Protocol to their CSAs, which requires that country to provide IAEA with a broader range of information on the country's nuclear and nuclear-related activities. IAEA developed the Additional Protocol to obtain additional information about and access to countries' nuclear and nuclear-related activities as part of its response to the discovery in 1991 of a clandestine nuclear weapons program in Iraq. The Additional Protocol gives the agency's inspectors access to an expanded range of locations, including those where the agency seeks to assure the absence of undeclared nuclear material and activities. Undeclared nuclear material and activities are those a state has not declared and placed under safeguards but is required to do so pursuant to its CSA or Additional Protocol. Iran's CSA entered into force in May 1974.[15] According to IAEA officials, Iran applied the Additional Protocol beginning in December 2003, ceased to do so in February 2006, and has been provisionally applying it since January 16, 2016. IAEA regards Iran's provisional application as if the Additional Protocol were in force.[16]

IAEA implements safeguards through a range of activities and techniques to help ensure that all nuclear material is where it was declared to be and to verify that there was no misuse of the facility, no diversion of declared nuclear material, and no undeclared nuclear material or activities. Safeguards activities include on-site inspections, environmental sampling,

[15]International Atomic Energy Agency, "The Text of the Agreement between Iran and the Agency for the Application of Safeguards in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons." (INFCIRC/214) December 13, 1974.

[16]According to IAEA and the State Department, when an Additional Protocol enters into force, it becomes legally binding for the State.

and remote monitoring. For example, to verify nondiversion of nuclear material, IAEA inspectors count items (e.g., containers of uranium or plutonium), measure attributes of these items (e.g., isotopic composition), and compare their findings with records and declared amounts. Inspectors typically verify the nuclear material inventory by reviewing a facility's nuclear material accounting documentation (e.g., reports and records) and through, for example, visual observation, radiation detection and measurement, and application of seals and other identifying and tamper-indicating devices, according to IAEA documents.[17] Visual observation allows inspectors to observe the processes within a location and the equipment it contains, and to check the consistency of observations with declarations. Inspection activities are supported by off-site safeguards activities, such as analysis of the environmental samples collected during inspections,[18] remote monitoring through the equipment installed, analysis of commercial satellite imagery, and analysis of open source documents, such as technical journals.

IAEA may conduct three types of inspections pursuant to comprehensive safeguards agreements: ad hoc, routine, and special inspections. For example, IAEA may conduct ad hoc inspections to verify a state's initial declaration under the CSA and any changes to these declarations. Routine inspections give IAEA access to strategic points at a location to verify, among other things, the location, identity, quantity, and composition of all nuclear material subject to safeguards under the CSA. Notification of inspections can be transmitted from 1 week to 24 hours in advance or less.[19] Routine inspections may also be unannounced. IAEA may also conduct special inspections in certain circumstances, either in addition to the routine or ad hoc inspection effort or involving access to

[17]IAEA containment and surveillance equipment, such as seals, is designed to make tampering more difficult or reduce the probability that tampering could take place without detectable physical evidence. Tampering is interference to defeat the integrity of safeguards equipment.

[18]IAEA inspectors collect environmental samples from nuclear facilities and other locations, and IAEA's Network of Analytical Laboratories analyzes these samples to verify that their isotopic signatures match the declared activities of the location and to detect traces, if any, of undeclared nuclear material.

[19]Inspections conducted with less than 48 hours' notice are considered to be "short notice" inspections.

locations or information beyond those subject to a routine or ad hoc inspection.[20]

The Additional Protocol also authorizes "complementary access" for IAEA, which is access to nuclear sites and other locations related to a state's nuclear fuel cycle—beyond declared nuclear facilities that are routinely subject to inspections under the CSA— including locations at which nuclear fuel-cycle research and development not involving nuclear material is carried out; manufacturing and import locations; and all buildings on a nuclear site, including undeclared locations.

IAEA may also negotiate "managed access" with a state to prevent the dissemination of proliferation-sensitive information, meet safety or physical protection requirements, or protect proprietary or commercially sensitive information.[21] According to an IAEA document, an example of managed access is the designation by the operator, based on arrangements made with IAEA, of the routes to be followed on a site to prevent the exposure of inspectors to high levels of radiation or to protect proprietary sensitive information associated with certain equipment. Furthermore, managed access should not hinder IAEA inspectors or prevent them from fulfilling the purposes of the complementary access—that is, the arrangements shall not preclude the agency from conducting activities necessary to provide credible assurance of the absence of undeclared nuclear material and activities at the location in question.

IAEA plans inspections according to its reporting requirements and its goals for timely detection. The safeguards agreements with a given country, its nuclear materials, and the nature of its fuel cycle and facilities to be safeguarded inform the frequency of inspections and other in-field

[20]Special inspections allow for access to information or locations beyond those specified in the provisions of the CSA on ad hoc and routine inspections. For example, IAEA may make special inspections if it considers the information the state makes available—including the state's explanations and information obtained from routine inspections—to be inadequate for fulfilling its responsibilities under the CSA.

[21]An Additional Protocol has explicit provisions under which a state may invoke "managed access." A CSA has no explicit provisions for "managed access" but, according to State Department officials, sets forth similar principles for safeguards implementation.

activities.[22] For example, according to IAEA documents, in countries without an Additional Protocol in force or where IAEA has not drawn a broader conclusion, IAEA's inspections would be timed to detect the diversion of unirradiated direct use material—nuclear material that can be used for the manufacture of nuclear explosive devices in its present form—within 1 month. The goal for irradiated direct use material, such as spent fuel, which would require more time and effort to be converted to components of nuclear explosive devices, would be to detect any diversion in 3 months. The goal for all other nuclear material, such as depleted, natural, and low-enriched uranium, as well as thorium, would be to detect any diversion in a year. IAEA plans its supporting safeguards activities—such as analysis of satellite imagery before inspections, of Additional Protocol declarations, and of information obtained during inspections (such as environmental samples)—in proportion to the frequency of inspections.

The Nuclear Fuel Cycle

A nuclear weapon requires fuel in the form of special nuclear material—either plutonium or highly enriched uranium—as well as the development of the nuclear explosive device itself. Natural uranium consists primarily of 2 isotopes: uranium-238 (99.3 percent) and uranium-235 (0.7 percent). Most commercial nuclear power reactors are fueled by uranium that contains 3 to 5 percent uranium-235; nuclear weapons require a higher concentration. Uranium enrichment, which is most commonly conducted by gas centrifuge technology, is the process of separating uranium-235—the form, or isotope, that can sustain a chain fission reaction to release enormous amounts of energy in nuclear reactors and weapons—from uranium-238 to increase the concentration of uranium-235.[23] As a nuclear reactor operates, some of the uranium is converted to plutonium, which can also be used as a weapons material. Heavy water reactors can be

[22]According to IAEA officials, the chemical form of the material, as well as the isotopic composition, informs the frequency of safeguards activities in the field. For example, in a country that has 20 metric tons of depleted uranium, IAEA's standard for timely detection of diversion would be 1 year, but for highly enriched uranium in a certain form—for example, for uranium hexafluouride (UF_6)—timeliness would be several months for tens of kilograms of material.

[23]Gas centrifuge technology employs rapidly spinning cylinders to separate uranium-235 from uranium-238. There are other enrichment technologies available, including gaseous diffusion and laser enrichment.

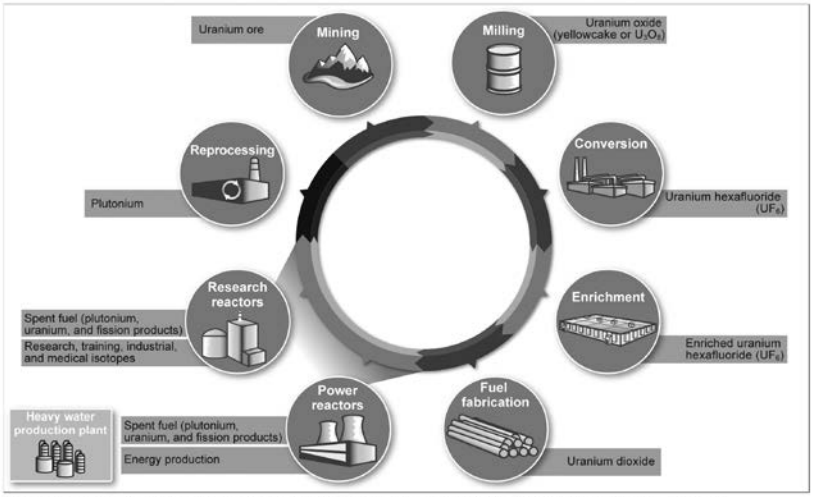
efficient at producing plutonium under certain circumstances; the operating power, among other things, influences how much plutonium is produced.[24]

The fuel cycle—the series of processes used to make fuel for and manage spent fuel from nuclear reactors—may also be used to produce special nuclear material for weapons. The uranium nuclear fuel cycle consists of three stages: (1) the front end, in which uranium is mined, milled, enriched, and fabricated into fuel; (2) reactor operation; and (3) the back end, in which spent fuel is either disposed of (open fuel cycles) or processed to produce new fuel (closed or partially closed fuel cycles). IAEA verifies that nuclear material subject to safeguards is not diverted. Under a CSA, the starting point of safeguards is when nuclear material reaches the stage in the nuclear fuel cycle where it is suitable, by composition and purity, for enrichment or fuel fabrication and leaves the plant or the process stage by which it has been produced,[25] or when material that has not yet reached such a stage is imported into the state or exported to a non-nuclear weapon state. See figure 1 for an illustration of the nuclear fuel cycle.

[24]Heavy water, which contains deuterium (heavy hydrogen), is used in heavy water reactors as a moderator.

[25]Material in the earlier stages must be further processed before it can be used for the manufacture of nuclear explosive devices.

Figure 1: The Nuclear Fuel Cycle



Sources: GAO analysis of International Atomic Energy Agency, Nuclear Regulatory Commission, Congressional Research Service, and Department of Energy documents. | GAO-16-565

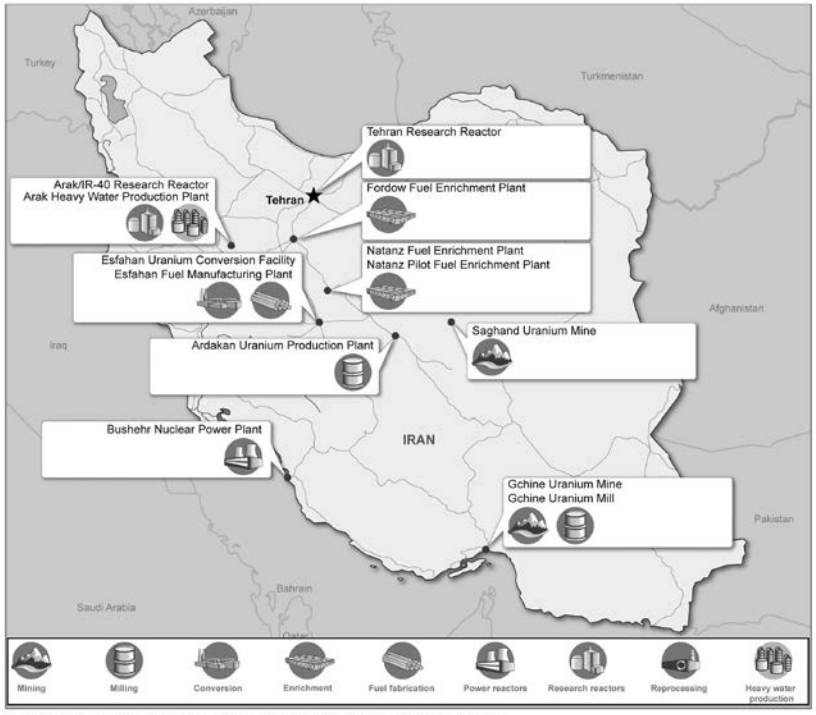
Iran's Nuclear Program

Iran's nuclear program includes two uranium mines and mills—the Gchine uranium mine and mill, the Saghand mine, and the Ardakan mill. Iran operates a conversion facility and fuel fabrication plant in Esfahan, the Tehran Research Reactor, and the Bushehr Nuclear Power Plant. Iran's

nuclear program also includes the Arak/IR-40 heavy water reactor, enrichment facilities at Natanz and Fordow, and a heavy water production plant in Arak.[26] See figure 2 for a map of major facilities in Iran's nuclear program.

[26]Pursuant to the JCPOA, the Arak/IR-40 heavy water reactor has had its core filled with concrete and is to be reconstructed and redesigned. According to State Department officials, the Fordow enrichment facility has been repurposed and is no longer used for uranium enrichment, in accordance with commitments made in the JCPOA.

Figure 2: Major Facilities in Iran's Nuclear Program



Source: GAO analysis of International Atomic Energy Agency and Congressional Research Service information. | GAO-16-565

Iran had previously failed to declare some of these facilities to IAEA. For example, in 2002, IAEA was informed by member states of previously undeclared nuclear facilities—a uranium enrichment plant in Natanz and a heavy water production plant in Arak. In the same year, IAEA started to become increasingly concerned about the possible existence of undisclosed nuclear-related activities in Iran involving military-related organizations and, in 2011, reported to the Board of Governors on outstanding issues related to possible military dimensions (PMD) to Iran's nuclear program.[27] The information indicated that Iran had carried out activities relevant to the development of a nuclear explosive device, such as studies in high explosives and exploding bridgewire detonators, and work to manufacture neutron initiators.[28]

IAEA has also previously found instances where Iran was in non-compliance with its obligations under its CSA. For example, in June 2003, IAEA's Director General reported that Iran had failed to meet its obligations under its CSA with respect to the reporting of nuclear material imported into Iran, among other things. In November 2003, the Director General concluded that Iran had failed to report uranium conversion experiments and the separation of plutonium from material irradiated in its Tehran Research Reactor, and had failed to provide IAEA design information for various nuclear facilities. In 2009, the Board of Governors noted that Iran's failure to notify the agency of the construction of the Fordow uranium enrichment plant until September of that year was inconsistent with its obligations under the subsidiary arrangements to its CSA.

In July 2015, Iran made commitments under the JCPOA related to its nuclear facilities, equipment, materials, and activities, among other things,

[27]International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran," GOV/2011/65 (Nov. 8, 2011).

[28]According to this report, the development of safe, fast-acting detonators (such as exploding bridgewire detonators), and equipment suitable for firing the detonators, is an integral part of a program to develop an implosion-type nuclear device. According to the report, neutron initiators, if placed in the center of a nuclear core of an implosion-type nuclear device and compressed, could produce a burst of neutrons suitable for initiating a fission chain reaction.

and the United Nations Security Council endorsed the JCPOA and requested that IAEA verify and monitor these commitments.

IAEA Uses Its Safeguards Authorities to Carry Out Verification and Monitoring Activities under the JCPOA

IAEA has been requested by the United Nations Security Council, and authorized by the Board of Governors, to verify and monitor Iran's implementation of a range of nuclear-related commitments. To do so, IAEA is using its safeguards authorities and conducting additional verification and monitoring activities agreed to by Iran.

IAEA Has Been Asked to Verify and Monitor Iran's Implementation of a Range of Nuclear-Related Commitments under the JCPOA

The JCPOA commitments IAEA has been asked to verify include limits on Iran's nuclear program, including those on

- numbers of centrifuges (for example, no more than 5,060 of specified centrifuges at Natanz for 10 years);
- uranium enrichment levels (no more than 3.67 percent for 15 years);
- stocks of enriched uranium (no more than 300 kilograms for 15 years);[29]
- heavy water inventories; and
- centrifuge manufacturing.

Iran also agreed to conditions on uranium ore concentrate,[30] and agreed not to engage in spent fuel reprocessing, uranium or plutonium

[29]The JCPOA specifies that Iran will maintain a total enriched uranium stockpile of no more than 300 kilograms of up to 3.67 percent enriched uranium hexafluoride (UF_6) (or the equivalent in different chemical forms) for 15 years. However, the agreement also details cases when certain enriched uranium will not count against the limit. For example, Russian-designed, fabricated, and licensed fuel assemblies for use in Russian-supplied reactors in Iran do not count against the 300-kilogram UF_6 stockpile limit.

metallurgy, or activities that could contribute to the design and development of a nuclear explosive device. The duration of certain commitments ranges from 8 years for certain centrifuge restrictions to 25 years for monitoring of uranium ore concentrate. The JCPOA does not contain any provisions relating specifically to Iran's Bushehr Nuclear Power Plant, so according to IAEA, the agency will not carry out verification or monitoring activities in relation to the JCPOA at Bushehr beyond its standard safeguards under Iran's CSA and Additional Protocol.

Iran also agreed to fully implement the "Roadmap for Clarification of Past and Present Outstanding Issues." The roadmap sets out a process for IAEA to address issues relating to the possible military dimensions of Iran's nuclear program.[31] IAEA issued a report on the results of its PMD investigation in December 2015,[32] and the Board of Governors subsequently adopted a resolution closing its consideration of the "past and present outstanding issues." The resolution noted the board's decision to transition IAEA's work in Iran from under previous Board of Governors and United Nations Security Council resolutions to JCPOA implementation and verification, in light of United Nations Security Council Resolution 2231.[33] State Department officials noted that the board, in its resolution, stated that it will be watching closely to verify that Iran fully

[30]The JCPOA states that Iran will permit IAEA to monitor all uranium ore concentrate produced in Iran or obtained from any other source to ensure that it is transferred to a uranium conversion facility in Iran for 25 years through agreed measures that will include containment and surveillance measures. Uranium ore is the product of uranium mining, and uranium ore concentrate is the product of uranium milling. The two steps in the uranium nuclear fuel cycle prior to conversion are mining and milling. IAEA discusses its activities related to uranium ore concentrate as monitoring mines and mills.

[31]In 2002, IAEA became increasingly concerned about the possible existence in Iran of undisclosed nuclear-related activities involving military-related organizations. Information indicated that Iran had carried out activities relevant to the development of a nuclear explosive device.

[32]International Atomic Energy Agency, "Final Assessment on Past and Present Outstanding Issues regarding Iran's Nuclear Programme," GOV/2015/68 (Dec. 2, 2015).

[33]This transition would occur upon the Board of Governors' receipt of the Director General's report that IAEA has verified that Iran has taken actions required to reach Implementation Day. These actions are specified in paragraphs 15.1-15.11 of Annex V of the JCPOA. The Director General submitted this report to the board on Implementation Day. See International Atomic Energy Agency, "Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)," a report by the Director General to the Board of Governors, GOV/INF/2016/1 (Jan. 16, 2016).

implements its commitments under the JCPOA and will remain focused going forward on the full implementation of the JCPOA to ensure the exclusively peaceful nature of Iran's nuclear program.

IAEA Is Using Its Safeguards Authorities and Conducting Additional Activities to Verify and Monitor Iran's Commitments

According to officials in IAEA's Office of Legal Affairs, the agency draws on its safeguards authorities to verify and monitor Iran's implementation of its nuclear-related commitments. For example, using its safeguards authorities, including the CSA, IAEA will verify and monitor Iran's implementation of most of its nuclear-related commitments largely through a range of traditional safeguards approaches and techniques that it has used in the past, such as inspecting nuclear facilities and conducting nuclear material accountancy to verify quantities of nuclear material declared to the agency and any changes in the quantities over time. Under the JCPOA, Iran agreed to provisionally apply, and seek ratification of the Additional Protocol,[34] which gives the agency's inspectors access to an expanded range of locations, including those where the agency seeks assurance regarding the absence of undeclared nuclear materials and activities. According to IAEA officials, Iran previously applied the Additional Protocol beginning in December 2003 but ceased to do so in February 2006, and has been provisionally applying it since Implementation Day (January 16, 2016). IAEA regards this as if the Additional Protocol were in force.

Under the JCPOA, IAEA is also conducting certain additional verification and monitoring activities agreed to by Iran, such as containment and surveillance measures for monitoring Iran's uranium mines and mills, according to IAEA officials. Containment and surveillance measures include the use of video cameras to detect any movement of nuclear material and any tampering with agency equipment as well as seals that indicate whether the state has tampered with installed IAEA safeguards systems. Material in mining or ore processing activities (e.g., uranium at mines and mills) is not yet suitable for enrichment and so is not subject to the agency's safeguards under a CSA, though the Additional Protocol

[34]In general, ratification refers to a state's domestic procedures for approving an international agreement and indicating its consent to other parties to be bound by the obligations in the agreement.

does require states to declare the location and status, among other things, of uranium mines and uranium and thorium mills.[35]

Iran also committed under the JCPOA to cooperate with IAEA and facilitate its safeguards activities. For example, Iran agreed to make arrangements to allow for the long-term presence of IAEA inspectors by issuing long-term visas, among other things. Iran also agreed to permit the use of modern technologies, such as online enrichment monitors, to increase the efficiency of monitoring activities. The JCPOA includes a mechanism in which its participants commit to resolve access issues with the agency regarding an undeclared location within 24 days after the request is made. The JCPOA also describes a dispute resolution mechanism through which a participant in the agreement can bring a complaint if it believes that commitments are not being met and which allows the participant to cease performance of its commitments in certain cases if dispute resolution fails to resolve the participant's concerns.

Iran also agreed, under the JCPOA, to fully implement Modified Code 3.1 of the subsidiary arrangements to its CSA.[36] According to IAEA, the text of the Modified Code 3.1 in Iran's subsidiary arrangements is based on model language under which a country is required to provide preliminary design information for new nuclear facilities "as soon as the decision to

[35]Specifically, this provision of the Additional Protocol requires information specifying the location, operational status, and estimated annual production capacity of uranium mines and concentration plants, among other things. IAEA refers to concentration plants as uranium mills.

[36]According to reports from the IAEA Director General to the Board of Governors, Iran agreed to implement Modified Code 3.1 beginning in 2003 and ceased to implement it in 2007. In March 2007, Iran notified IAEA that it had suspended the implementation of Modified Code 3.1, and that it would revert to the previous version of the code, which only required submission of design information for a new facility 180 days before introducing nuclear material into it. The Director General disagreed and asserted that Iran remained bound by the revised Code 3.1. See International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran," GOV/2007/22 (May 23, 2007) and International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran," GOV/2009/74 (Nov. 16, 2009).

construct, or to authorize construction, of such a facility has been taken, whichever is earlier."[37]

Furthermore, Iran has agreed to import any enumerated nuclear-related and nuclear-related dual-use materials and equipment exclusively through a new "procurement channel" established under the JCPOA and United Nations Security Council Resolution 2231.[38] The JCPOA details the establishment of a Joint Commission comprising representatives of participants in the agreement, under which a procurement working group will review and make recommendations on proposed imports. Furthermore, pursuant to United Nations guidance, the exporting state will provide information to IAEA on these proposed imports.[39] Under the JCPOA, IAEA may access the locations of intended use of specified nuclear-related imports.[40] IAEA officials told us that they expect the information provided through the procurement channel to support the agency's efforts to detect undeclared activity.

[37]According to IAEA, the text of Iran's Modified Code 3.1 is based on language contained in the Model Subsidiary Arrangements General Part (Fifth Revision) dated July 3, 1992.

[38]The items to be imported through the procurement channel include certain nuclear material, equipment, and technology as well as certain nuclear-related dual-use equipment, materials, software, and related technology listed in two IAEA documents: INFCIRC/254/Rev.12/Part 1 and INFCIRC/254/Rev.9/Part 2.

[39]The JCPOA details the establishment of a Joint Commission comprising representatives of participants in the agreement (i.e., Iran and the E3/EU+3) and provides that the Joint Commission may establish working groups in particular areas, as appropriate. The JCPOA states that the Joint Commission is to establish a Procurement Working Group to review and decide on proposals by states seeking to supply, sell, or transfer certain nuclear-related or dual-use materials or technologies to Iran.

[40]The JCPOA states that, "Iran will provide to the IAEA access to the locations of intended use of all items, materials, equipment, goods and technology set out in INFCIRC/254/Rev.12/Part 1 (or the most recent version of these documents as updated by the Security Council)…"

IAEA Has Identified the Financial, Human, and Technical Resources Necessary to Verify and Monitor Iran's Nuclear-Related Commitments in the JCPOA

IAEA has estimated the financial, human, and technical resources necessary to verify and monitor Iran's implementation of its nuclear-related commitments in the JCPOA. IAEA's process for estimating resource needs is based on the frequency of its verification and monitoring activities, which, as previously noted, is driven by timely detection goals and reporting requirements. IAEA reports to the Board of Governors on its work under the JCPOA quarterly.[41]

Financial Needs

IAEA has estimated that it needs approximately $10 million per year for 15 years in additional funding above its current safeguards budget to fund additional inspections, among other things, under the JCPOA.[42] Of this amount, IAEA estimates that it will need about $3.3 million for costs associated with implementing the Additional Protocol; about $2.4 million for other inspector and direct staff costs; and about $4.4 million in other costs, such as travel, equipment, and support services beyond those associated with Additional Protocol implementation (see table 2).

IAEA officials said that consistent with its Statute, the Director General intends to propose to the Board of Governors that the approximately $5.7

[41]The Board of Governors requests the Director General to provide written reports before each regular quarterly Board meeting on Iran's implementation of its commitments under the JCPOA and on matters relating to the verification and monitoring of those commitments until the Board is no longer seized of the matter. International Atomic Energy Agency, "Joint Comprehensive Plan of Action implementation and verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)," GOV/2015/72 (Dec. 15, 2015).

[42]International Atomic Energy Agency, "Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)," a report by the Director General to the Board of Governors, GOV/2015/53, (Aug. 14, 2015). This report provides this estimate based on activities foreseen as being applicable for 15 years. IAEA officials told us that after 10 years, they will consider incoming information to refine the estimate going forward. The preliminary estimates for the safeguards budget for 2016 and 2017 are approximately $146.9 million per year, according to "The Agency's Programme and Budget 2016–2017."

million in costs associated with Additional Protocol activities and inspector and other direct staff costs attributable to the JCPOA be funded through IAEA's regular budget after 2016. These officials said that the remaining $4.4 million in estimated funding needs in each of the following 15 years will remain unfunded in the regular budget and therefore be supported through extra-budgetary funding. Under its Statute, IAEA is to apportion the costs of implementing safeguards, which would include inspector salaries and the cost of implementing the Additional Protocol, through assessments on member countries.[43] As previously noted, such assessments form IAEA's regular budget. IAEA's Statute also states that any voluntary contributions may be used as the Board of Governors, with the approval of the General Conference, may determine.[44] The JCPOA was not finalized in time for the agency to include these costs for 2016 in its assessments. Consequently, according to a 2015 IAEA report, all of IAEA's JCPOA work through 2016 will be funded through extra-budgetary contributions.[45] According to IAEA officials, how quickly the $5.7 million in JCPOA costs are incorporated into the regular budget depends on member state support. These officials told us that IAEA hopes to resolve the questions about funding the JCPOA through the regular budget by the June 2016 Board of Governors meeting.

[43]Article XIV B.1(b) and Article XIV.D of the Statute of the IAEA, respectively.

[44]Article XIV.F of the Statute of the IAEA.

[45]International Atomic Energy Agency, "Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)," a report by the Director General to the Board of Governors, GOV/2015/53 (Aug. 14, 2015).

Table 2: International Atomic Energy Agency's (IAEA) Estimates of Annual Funding Requirements for Joint Comprehensive Plan of Action (JCPOA) Activities for 15 Years

Dollars in millions

Funding requirements by category	Human Resources	Other Costs	Total
Additional Protocol: inspector and direct staff costs	$1.6	N/A	**$1.6**
Additional Protocol: travel, equipment, support staff from other safeguards divisions, and other	1.0	0.7	**$1.6**
Subtotal: Additional Protocol	**2.6**	**0.7**	**$3.3**
Other nuclear-related commitments: inspector and direct staff costs	2.4	N/A	**$2.4**
Other nuclear-related commitments: travel, equipment, support staff from other safeguards divisions, and other	2.5	1.8	**$4.4**
Subtotal: other nuclear-related commitments	**4.9**	**1.8**	**$6.7**
Total	**$7.5**	**$2.5**	**$10.0**

Source: GAO analysis of IAEA data. | GAO-16-565

Notes: IAEA denominates its budget requirements in euros (€). GAO re-calculated these requirements in dollars using the average exchange rate used by the Department of the Treasury on December 31, 2015, of $1 to €0.919. Numbers may not add to totals because of rounding.

IAEA's estimate of $10 million per year for funding requirements related to JCPOA activities is approximately 6 percent of the agency's $155.3 million operational safeguards requirements for 2016.[46] These requirements are consistent with historical operational safeguards expenditures from 2006 to 2014—the latest year for which expenditure data are available. During this timeframe, IAEA's operational safeguards expenditures ranged from $127.1 million to $202.6 million, with amounts from $10.8 million to $46.9 million coming from extra-budgetary contributions (see table 3).

[46]International Atomic Energy Agency, "The Agency's Programme and Budget 2016-2017," GC (59)/2, July 2015. This figure is based on a €0.919 to $1 exchange rate and does not include capital expenditures or unfunded safeguards requirements.

Table 3: International Atomic Energy Agency's (IAEA) Operational Safeguards Expenditures for 2006 to 2014

Dollars in millions

Year	Safeguards regular budget expenditures	Safeguards extra-budgetaryexpenditures	Total operational safeguards expenditures
2006	$116.3	$10.8	**$127.1**
2007	139.4	17.8	**$157.2**
2008	140.9	15.6	**$156.5**
2009	146.3	18.2	**$164.4**
2010	146.0	24.1	**$170.0**
2011	159.5	38.7	**$198.2**
2012	155.8	46.9	**$202.6**
2013	162.3	19.2	**$181.5**
2014	165.6	29.1	**$194.7**

Source: GAO analysis of IAEA data. | GAO-16-565

Notes: IAEA funds its programs primarily through (1) its regular budget, for which all member countries are assessed and (2) voluntary extra-budgetary cash contributions from certain member countries and other donors to meet critical needs. IAEA budgets by calendar year. The most recent year for which expenditure data are available is 2014. Values reflect the United Nations average rate of exchange for euros to U.S. dollars, as noted in the IAEA annual reports for each year. These values include reimbursable work for others and transfers to the major capital investment funds.

As we previously noted, funding for IAEA's safeguards activities—including those related to the JCPOA—comes from member state contributions to IAEA's regular budget and from member state extra-budgetary voluntary contributions to IAEA. According to State Department officials, the balance of JCPOA-related costs not covered by IAEA's 2017 regular budget will require extra-budgetary contributions from member states. The total level of voluntary contributions needed in fiscal year 2017 to cover JCPOA-related requirements remains unclear pending resolution of IAEA's 2017 budget process.

IAEA officials told us that many member states have pledged financial support for JCPOA implementation. Regarding funding from the United States, the State Department and DOE have requested approximately $190 million for fiscal year 2017 to support IAEA generally and JCPOA-related IAEA activities specifically, in the form of both regular contributions to the IAEA budget and extra-budgetary funding:

- The State Department has requested approximately $101.1 million for fiscal year 2017 to be contributed to IAEA's regular budget.[47] State Department officials told us that they expect some of the regular budget contribution to support IAEA safeguards, but that the budget request does not designate a specific amount within this total for IAEA's safeguards program or JCPOA verification and monitoring activities. According to IAEA officials, contributions to the agency's regular budget cannot be designated for specific IAEA programs or activities.
- The State Department has requested $89.8 million for fiscal year 2017 for its extra-budgetary contribution to IAEA. State Department officials told us that some of this funding may be used to support JCPOA verification and monitoring activities, but that none of this funding is specifically designated for these activities. State officials said the final amount of U.S. voluntary contributions to JCPOA-related funding requirements will depend on the amount of international donor support made available to IAEA, but that the United States plans to provide ongoing support to IAEA to meet these requirements. Furthermore, because the United States pays its assessed (regular budgetary) contribution on a largely deferred basis, the funds requested for fiscal year 2017 will be largely used to pay 2016 calendar year assessments, which include no JCPOA-related costs.
- The United States' extra-budgetary contribution to IAEA generally includes funding for the U.S. Support Program to IAEA Safeguards, which was established in 1977 to augment IAEA's regular budget for safeguards activities with U.S.-sponsored expertise, equipment, and techniques. The program supports IAEA's overall safeguards mission, and some of what it funds may benefit JCPOA implementation. The program may fund, among other things, equipment (for example, cameras or seals), research and development of safeguards technologies, subsidies for the analysis of environmental samples at IAEA's Network of Analytical Laboratories, and training for IAEA

[47]The State Department requested $111.6 million for fiscal year 2016; its actual expenditure was $98.1 million. According to State Department officials, the difference between the amount requested and expended resulted from the decline in the value of the euro relative to the dollar.

inspectors at DOE laboratories.[48] This training covers, among other things, the use and analysis of safeguards tools and equipment, as well as concealment scenarios—for example, where material being measured may have been altered to mislead the detectors.

- DOE has requested $1 million for fiscal year 2017 for IAEA verification and monitoring related to the JCPOA, as part of $13 million to support JCPOA implementation.[49] This $1 million includes funding for any DOE staff loaned to IAEA to assist with the agency's JCPOA-related activities or contractors who are made available on a short-term basis to IAEA.

Human Resource Needs

IAEA's annual $10 million funding estimate includes approximately $7.5 million in funding to cover estimated human resource costs associated with additional inspectors and support services under the JCPOA. IAEA officials told us that the agency identified the need for 18 experienced inspectors and nearly twice that number of other staff for its Iran Task Force—now the Office of Safeguards Verification in Iran. The agency plans to transfer these inspectors from divisions within its Safeguards Department that cover countries and regions beyond Iran.[50] According to IAEA officials, the other Safeguards divisions would backfill the vacancies created by the transfer of inspectors to verification and monitoring related to Iran by hiring and training new inspectors. State Department officials noted that IAEA may draw on U.S. and other member-state support to temporarily fill vacated positions until new staff can be permanently hired and brought into place.

[48]Oak Ridge National Laboratory, Lawrence Livermore National Laboratory, Pacific Northwest National Laboratories, and Los Alamos National Laboratory provide laboratory support for IAEA environmental sampling as part of this network.

[49]In addition to the $1 million that DOE requested for IAEA activities, DOE requested an additional $12 million for other JCPOA implementation costs, including $6 million for nuclear material removal, $4 million related to the conversion of the Arak heavy water reactor, and $2 million to support review of proposed transfers of export-controlled items to Iran submitted through the JCPOA procurement channel, including the development and use of an Information Technology system to manage the process.

[50]In March 2016, the new Office of Safeguards Verification in Iran replaced the Iran Task Force as the office in the Department of Safeguards that discharges IAEA's responsibilities related to verification and monitoring activities in Iran.

Technical Resource Needs

According to IAEA officials, IAEA's existing technical resources are sufficient to implement its verification and monitoring activities under the JCPOA. IAEA officials generally did not specify the technical measures that IAEA will use to verify and monitor each of Iran's nuclear-related commitments under the JCPOA. However, some technical measures that IAEA generally uses to supplement visual observations and examination of records include the following:

- Portable radiation detectors and gamma spectrometers to take measurements—for example, on pipework and equipment—to verify that nuclear material is as declared (for example, at the declared level of enrichment).
- Tamper-indicating seals and cameras for containment and surveillance over previously verified material and equipment. Such measures increase the efficiency of safeguards by reducing inspection costs and allowing IAEA to focus inspection efforts where most needed.[51] See figure 3 for an image of an inspector replacing a seal.

[51]Because it is prohibitively expensive to provide continuous human surveillance, IAEA uses surveillance systems to provide ongoing surveillance when no inspector is physically present on-site. IAEA widely uses unattended optical surveillance techniques to support and complement nuclear material accountancy and to provide continuity of knowledge about nuclear materials and other items of safeguards significance between on-site inspection visits.

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Figure 3: An Inspector Replaces a Seal

Source: IAEA Imagebank (03210500); Author: Petr Pavlicek. IAEA; license: https://creativecommons.org/licenses/by-sa/2.0/legalcode. | GAO-16-565

- Mass spectrometers to analyze environmental samples for traces of undeclared material and activity.[52] IAEA conducts bulk and particle analysis of environmental samples. Particle analysis provides information on the history of a facility's operation—for example, whether enrichment had occurred beyond the level declared. Bulk analysis provides information on the average enrichment level in a facility and the presence of trace elements that may provide information about where material is from or what processes it had been subject to.

[52]Enrichment facilities, for example, tend to have some sort of environmental discharge of the UF_6 gas that is contained in the cascades—especially around key withdrawal or transfer points. The UF_6 reacts immediately with the water in the air to form uranyl fluoride (UO_2F_2), which is an aerosol and coalesces on dust particles. These particles fall from the air and accumulate on equipment and surfaces inside buildings and occasionally outside buildings on the ground or vegetation.

Under the JCPOA, Iran agreed to allow IAEA to use online enrichment measurement. IAEA's online enrichment monitor (OLEM) continuously monitors enrichment levels, allowing for more efficient enrichment monitoring. IAEA is using the OLEM in the Natanz Fuel Enrichment Plant to confirm that enrichment levels are at or below 3.67 percent, as per Iran's commitment under the agreement.[53] IAEA has previously used continuous enrichment monitors, but the OLEM is a newer technology that improves upon older monitoring systems.

IAEA May Face Challenges in Verifying and Monitoring Iran's Nuclear-Related Commitments and Has Identified Some Mitigating Actions

IAEA may face challenges in verifying and monitoring Iran's implementation of certain nuclear-related commitments in the JCPOA. These potential challenges include (1) detecting undeclared nuclear materials and activities, (2) accessing sites in Iran, and (3) managing safeguards budgetary, human, and technical resources. IAEA has identified mitigating actions for some of these challenges.

IAEA Faces an Inherent Challenge in Detecting Undeclared Nuclear Materials and Activities and Has Taken Steps to Mitigate This Challenge

Detection of undeclared nuclear materials and activities is an inherent challenge for IAEA; IAEA and member states have taken some steps to improve the agency's ability to detect undeclared activities. According to IAEA, the agency can draw a broader conclusion that all nuclear material in Iran remains in peaceful activities only after the agency has completed its evaluations and found no indications of diversion of declared nuclear material from peaceful nuclear activities and no indications of undeclared nuclear material or activities in the state as a whole.

[53]The OLEM includes a gamma spectrometer that measures the uranium-235 flowing through the enrichment process at key points and measures the temperature and pressure of the UF_6 flowing through the processing pipes out of the cascades of centrifuges of the enrichment plant.

Challenges in Detecting Undeclared Nuclear Materials and Activities

According to current U.S. officials, a former U.S. official, some former IAEA officials, and officials from several expert organizations we interviewed, detection of undeclared nuclear material and activities is an inherent challenge for IAEA. Iran has previously failed to declare activity to IAEA. For example, according to IAEA documents and officials, prior to 2003, Iran failed to provide IAEA with information on a number of nuclear fuel cycle-related activities and nuclear material. In addition, according to IAEA documents, Iran also failed to notify the agency at the time of its decision to construct the Fordow enrichment facility, as required under Modified Code 3.1 of the subsidiary arrangements to Iran's CSA.

To detect undeclared material and activities,[54] IAEA looks for indicators of such activities, including equipment and infrastructure necessary for the activities, as well as nuclear and nonnuclear material or traces of such material in the environment, according to an IAEA document. According to current U.S. and IAEA officials, some former U.S. officials, some former IAEA officials, and officials from several expert organizations, IAEA faces inherent challenges and limitations in identifying indicators of undeclared activity. For instance:

- Some activities may not be visible to IAEA—for example, through satellite imagery—or do not involve nuclear material, and may not leave traces in the environment, such as centrifuge manufacturing and some weapons development activities. According to a former U.S. official, some former IAEA officials, and officials from several expert organizations, this poses a challenge for IAEA in detecting undeclared activity.
- The Board of Governors' decision to close its consideration of the PMD issue without a complete accounting of Iran's past nuclear program could reduce indicators of potential undeclared activity, according to one expert organization. Officials from this organization said that without a complete accounting, only part of Iran's nuclear program is visible to IAEA, and IAEA is missing information that could inform future safeguards planning.

[54]For all states with a CSA and an Additional Protocol in force, IAEA seeks to verify that there is no (1) diversion of declared nuclear material from peaceful activities or (2) undeclared nuclear material or activities.

- The procurement channel established under the JCPOA may serve as a source of indicators for IAEA on potential undeclared activities in Iran, according to current and two former U.S. officials as well as officials from two expert organizations. However, IAEA officials told us that there is additional work to be done in informing exporting countries of their obligations and standardizing the data that the countries would report to IAEA so that they are usable to the agency. These officials told us that ensuring that countries report the data as required is particularly challenging for countries that do not have a robust export control system.

Efforts to Mitigate Challenges in Detecting Undeclared Nuclear Material and Activities

Current IAEA and U.S. officials as well as a former IAEA official said that IAEA has taken steps to improve its ability to detect undeclared nuclear activities and materials and told us that there are other mitigating factors to the challenges IAEA faces in this area.

First, according to a current IAEA official, current U.S. officials, and a former IAEA official, IAEA has improved its capabilities in detecting undeclared activity. For example, according to U.S. officials, IAEA has adapted its inspector training program to focus on potential indicators of undeclared activity beyond the agency's traditional safeguards focus on nuclear materials accountancy. IAEA also has analytical tools at its disposal, some of which IAEA officials demonstrated to us, to detect undeclared activities worldwide. IAEA also receives member-state support in detecting undeclared activities. For example, member states provided some of the information that formed the basis of IAEA's PMD investigation.

In addition, State Department officials said that they have conducted outreach to exporters and exporting countries about the procurement channel so that the suppliers know their responsibilities and requirements. According to State Department officials, this outreach included sending cables to all posts with instructions to inform host countries and their industries of procurement channel requirements. The United Nations has provided information regarding the procurement channel on its website.

Further, according to IAEA and U.S. officials, Iran's application of the Additional Protocol improves IAEA's ability to investigate indicators of undeclared activities in Iran. For instance, on the PMD issue, DOE officials noted that under the JCPOA, IAEA will have the authorities of the Additional Protocol and enhanced transparency measures of the JCPOA with which to investigate any indication of undeclared activities, including

those activities suspected of having possible military dimensions or potential weaponization activities not involving nuclear materials. Furthermore, State Department officials noted that the JCPOA puts IAEA in a better position to detect such activities in Iran, as inspectors will have increased access to information and locations to clarify and resolve inconsistencies or other indicators of noncompliance and will have an increased scope of materials accountancy at various sites, such as mining and milling processes.

IAEA's Work toward a Broader Conclusion for Iran

IAEA officials told us that any uncertainties regarding the peaceful nature of Iran's nuclear program that may arise would have to be resolved for the agency to reach a broader conclusion that all nuclear material in Iran remains in peaceful activities. As noted above, broader conclusion refers to IAEA's determination for a country that, for a given year, all nuclear material remained in peaceful activities. The JCPOA states that the United States and European Union will take further steps to eliminate nuclear-related sanctions on Iran either on October 18, 2023, or before if IAEA reaches a broader conclusion. According to State Department officials, on October 18, 2023, under the JCPOA, the United States and European Union would take these steps to eliminate these sanctions on Iran regardless of whether IAEA has reached a broader conclusion.

IAEA officials told us that the agency does not draw a broader conclusion lightly, for any state, and that it has taken on average 3 to 5 years for states with CSAs and Additional Protocols.[55] The estimates for the amount of time needed for IAEA to reach a broader conclusion for Iran varied among the former IAEA and U.S. officials and the expert organization officials we interviewed. Some former U.S. officials, two former IAEA officials, and officials from two expert organizations stated that it is possible for IAEA to reach a broader conclusion before October 18, 2023. The former U.S. officials stated that this could be possible if Iran cooperates with IAEA and provides the access and information needed.

Others we interviewed did not believe IAEA would be able to reach a broader conclusion in that time frame, citing examples of countries in

[55]A broader conclusion is not a permanent designation. Instead, IAEA determines whether it can reach a broader conclusion annually, with new or updated information incorporated as needed.

which IAEA took considerable time to reach broader conclusions. For instance, a former U.S. official and an official from one expert organization told us that it took IAEA 10 years to reach a broader conclusion for Turkey even with the country's relatively basic fuel cycle. Both also stated that Turkey's former involvement in the illicit procurement network and black market contributed to the length of time to reach a broader conclusion in that country. The former U.S. official also said that the broader conclusion for Taiwan took from 6 to 8 years, noting that Taiwan, which had a weapons program, made a strategic decision to shut down the program and fully cooperate with IAEA. An official from one expert organization stated that the broader conclusion process is very technical and complex, and that even in compliant countries such as Australia and Canada, arriving at a broader conclusion is an "incredibly difficult feat" for IAEA.

State Department officials told us that in their view it would not be an impediment to the JCPOA if IAEA does not reach a broader conclusion regarding Iran's nuclear program by October 18, 2023. These officials said that they believed it is more important for IAEA to draw a broader conclusion in an appropriate manner and time frame, and less important that a broader conclusion be reached before the United States and European Union take further steps to eliminate sanctions in October 2023. These officials added that Iran's nuclear-related commitments under the JCPOA extend beyond this date, as well as IAEA's authorities and capabilities to continue to verify the peaceful nature of Iran's nuclear program.

IAEA May Face Access Challenges, but the Additional Protocol and the JCPOA's Access Mechanism May Mitigate These Challenges

IAEA may face challenges in gaining access to sites in Iran, according to officials and expert organizations we interviewed. IAEA officials stated that access depends on the cooperation of the member state and the operators of its facilities under safeguards. However, two former U.S. officials, a former IAEA official, and officials from one expert organization we interviewed told us that Iran has a history of denying access to IAEA inspectors. For example, IAEA requested access in February 2012 to the Iranian military complex at Parchin—where high explosive experiments were believed to have been conducted—and Iran did not allow access until the fall of 2015 as part of IAEA's PMD investigation. In addition, earlier IAEA reports stated that Iran did not cooperate with IAEA on access to the Heavy Water Production Plant, although Iran eventually granted the agency managed access in December 2013. Prior IAEA reports also stated that Iran had denied the agency's requests for access to locations related to the manufacturing of centrifuges, research and

development on uranium enrichment, and uranium mining and milling, among other things.

IAEA and U.S. officials said that IAEA is taking action to facilitate access and cooperation. For instance, IAEA officials stated that they plan to work to train operators in Iran who are less experienced in working with IAEA and who may be less experienced in keeping records that facilitate the agency's safeguards activities, such as the operators of the Heavy Water Production Plant, which IAEA officials stated was the only type of facility subject to verification and monitoring under the JCPOA that is new to the agency.

Iran's agreement to provisionally apply the Additional Protocol will facilitate the agency's access to sites in Iran, according to IAEA officials. Specifically, they told us that, under the Additional Protocol, the agency has authority to access any part of a site that it is inspecting within 2 hours' notice and any other location within 24 hours. Furthermore, IAEA officials disputed the view of one expert organization that Iran's limited cooperation during the PMD investigation may have set a precedent for limiting IAEA access going forward. IAEA officials told us that the closure of the PMD investigation would not preclude future IAEA access requests to the sites that were part of the investigation, should IAEA determine that such access is warranted. These officials added that IAEA's PMD investigation was conducted without the Additional Protocol, and that any future investigations into potential undeclared activity would be conducted under the expanded legal authority of the Additional Protocol.

In addition, as we noted earlier, the JCPOA includes a mechanism that limits the time for resolution of access issues between the participants to 24 days for matters related to JCPOA implementation. IAEA officials told us that the 24-day period under the mechanism would begin once the agency raises a given access issue. Appendix II discusses this mechanism in detail. Officials and expert organizations we interviewed discussed two potential challenges regarding the mechanism. First, they noted that the mechanism is untested and may not facilitate access. Second, they differed on whether the mechanism's 24-day limit would help IAEA gain timely access before Iran could hide certain activities.

First, a former IAEA official and an official from one expert organization told us that the mechanism is untested in that an access dispute has not yet arisen under the JCPOA; therefore, it is too soon to tell how it will work and whether it will improve access. Specifically, according to the official from the expert organization, the agreement is not clear about how

reinstatement of sanctions. Additionally, DOE officials said that the JCPOA's provisions for the reinstatement of sanctions will encourage Iranian cooperation with and access for IAEA.

IAEA May Face Resource Challenges and Is Taking Actions to Mitigate Them

IAEA faces potential resource management challenges stemming from the monitoring and verification workload in Iran, and is taking actions to mitigate them. These challenges include (1) integrating the additional JCPOA-related funding needs that IAEA has identified into the agency's regular budget, (2) managing human resources within the safeguards program, which could affect IAEA's safeguards efforts internationally, and (3) addressing potential challenges with technical resources.

The Reliability of Long-Term Funding for JCPOA Activities

State Department officials told us that they are confident that IAEA will obtain the funding it needs for JCPOA activities in the near term, but IAEA officials expressed concerns about the reliability of long-term funding. State Department officials told us that the United States and other member states would provide extra-budgetary contributions to support IAEA's JCPOA activities. However, IAEA officials expressed concerns, which State Department officials acknowledged, about possible donor fatigue with regard to extra-budgetary contributions in the long run, as IAEA will be conducting certain JCPOA verification activities for 10 or more years. We have previously concluded that IAEA cannot necessarily assume that donors will continue to make extra-budgetary contributions at the same levels as in the past.[57] IAEA and State Department officials, as well as a former IAEA official and an official from one expert organization, stated that funding the JCPOA from the IAEA regular budget—rather than through extra-budgetary contributions—would give the safeguards program a more stable and predictable funding base for its verification and monitoring activities.

As we previously noted, IAEA proposes to integrate approximately $5.7 million in JCPOA costs into IAEA's regular budget after 2016. However, IAEA may face challenges in integrating some JCPOA funding needs into its regular budget. IAEA officials, as well as a former IAEA official, two former U.S. officials, and an official from one expert organization stated

[57]GAO, *Nuclear Nonproliferation: IAEA Has Made Progress in Implementing Critical Programs but Continues to Face Challenges*, GAO-13-139 (Washington, D.C.: May 16, 2013).

that the proposal to move funding for verification and monitoring efforts under the JCPOA into IAEA's safeguards regular budget could face resistance from some member states without corresponding budget increases for other IAEA programs, such as the Technical Cooperation program, which supports nuclear power development and other civilian nuclear applications.

State Department officials said that delay or failure to incorporate costs into the regular budget would increase IAEA's reliance on extra-budgetary contributions but would not prevent IAEA from carrying out JCPOA-related activities as long as those contributions are forthcoming. State Department officials also told us that no member state has opposed integration of certain JCPOA costs into the regular budget or proposed corresponding increases for other programs. These officials added that they recognize that long-term reliance on extra-budgetary contributions risks donor fatigue, and that they will plan for providing support with a view toward filling any future funding gaps that arise.

Managing Human Resources in the Safeguards Program

IAEA also faces a potential human resource management challenge in its safeguards program as it implements actions to verify and monitor the JCPOA, which could affect its broader international safeguards mission. Specifically, IAEA's strategy of transferring inspectors to its Office of Safeguards Verification in Iran from other safeguards divisions may pose a challenge to IAEA and its safeguards work in other countries because of the extensive time it takes IAEA to hire and train new inspectors for those divisions.

According to current IAEA and U.S. officials as well as two former IAEA officials and officials from two expert organizations we interviewed, hiring and training qualified inspectors can take years. A former IAEA official and current officials said that recruiting inspectors is difficult because their skills are highly specialized—typically requiring a combination of nuclear engineering knowledge with analytical abilities. These officials also said that IAEA's hiring process requires multiple interviews and examinations. Furthermore, current IAEA officials and two former IAEA officials, as well as an official from one expert organization, said that training new inspectors to be proficient in executing their safeguards responsibilities can be a time-consuming process. As a result, IAEA faces a potential challenge as it prioritizes JCPOA activities in meeting the need for additional experienced inspectors to work on Iran-related safeguards, while ensuring that other safeguards efforts in other countries are not understaffed. IAEA officials have said that its work in Iran is its priority.

IAEA officials, as well as a former IAEA official, some former U.S. officials, and officials from several expert organizations told us that IAEA could mitigate human resources challenges in the short term through remote monitoring and the use of cost-free experts in its headquarters. According to State Department officials, the United States, as well as other IAEA member states, have provided a list of qualified candidates to IAEA to backfill positions of IAEA staff transferred within the agency for JCPOA work to avoid gaps while full-time staff are hired and trained. Many of these have previously worked as IAEA inspectors and are already trained.

Potential Technical Resource Challenges

As we previously noted, IAEA officials told us that the agency's existing technical resources are sufficient for JCPOA verification and monitoring. However, IAEA officials also noted that they expect an increase in environmental sampling as a result of the JCPOA. IAEA laboratories handle approximately 500 environmental samples a year at IAEA's Environmental Sample Laboratory in Seibersdorf, Austria, and other laboratories within the Network of Analytical Laboratories.[58] The IAEA laboratory at Seibersdorf handles about 20 percent of the overall environmental sample analysis, with the other network facilities processing the remainder.

According to IAEA officials, particle analysis is time-consuming and expensive. IAEA uses a spectrometer called the Large Geometry Secondary Ionization Mass Spectrometer (LG-SIMS) for particle analysis at its Seibersdorf Analytical Laboratory. IAEA officials at the laboratory told us that the LG-SIMS is expensive and is operating at capacity, raising concerns about IAEA's ability to meet any future environmental sampling demands at the Seibersdorf laboratory alone. These officials told us that a second LG-SIMS would cost approximately $5 million, plus additional personnel costs to operate and maintain the equipment. Other IAEA officials and some U.S. officials told us, however, that other laboratories in the network could accommodate increases in environmental sampling analysis workload, and that there was no need at this time for IAEA to procure a second LG-SIMS in light of other critical funding priorities for technical needs.

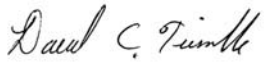
[58]Samples are sent to multiple laboratories for quality control.

Agency Comments

We are not making any recommendations in this report. We provided the Departments of State and Energy and the International Atomic Energy Agency a draft of this report to for their review and comment. State, DOE, and IAEA provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to appropriate congressional committees, the Secretaries of State and Energy, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or trimbled@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



David C. Trimble
Director, Natural Resources and Environment

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the Joint Comprehensive Plan of Action (JCPOA) commitments that the International Atomic Energy Agency (IAEA) has been asked to verify and monitor and its authorities to do so, (2) the resources IAEA has identified as necessary to verify and monitor Iran's nuclear-related commitments under the JCPOA, and (3) potential challenges and mitigating actions, if any, IAEA and others have identified with regard to verifying Iran's nuclear-related commitments under the JCPOA.

To identify the nuclear-related commitments in the JCPOA that IAEA has been asked to verify and monitor and IAEA's authorities for verifying and monitoring these commitments, we analyzed the JCPOA, in close coordination with IAEA and the Department of State. We also analyzed IAEA documentation concerning the safeguards legal framework, including the Statute of the IAEA,[1] which authorizes the agency to apply safeguards, at the request of parties, to any bilateral or multilateral arrangement; "The Structure and Content of Agreements Between the Agency and States Required in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons" (information circular (INFCIRC)/153), which provides the basis for the comprehensive safeguards agreement that most countries have concluded with IAEA and that covers all of the countries' nuclear material in peaceful activities; Iran's Comprehensive Safeguards Agreement (INFCIRC/214); the Model Additional Protocol (INFCIRC/540), which provides the basis for an Additional Protocol that most countries with a CSA have concluded with IAEA to provide additional information about countries' nuclear and nuclear-related activities; and the November 2011 IAEA Safeguards Report,[2] which details items concerning "possible military dimensions" of Iran's nuclear program; IAEA's report on its investigation of the possible military dimensions; and the related Board of Governors' resolution. We also analyzed the Treaty on the Non-Proliferation of Nuclear Weapons and United Nations Security Council Resolution 2231, which requests IAEA to

[1]The Statute of the International Atomic Energy Agency, done Oct. 26, 1956, 8 U.S.T. 1093, 276 U.N.T.S. 3 (entered into force July 29, 1957).

[2]International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran," GOV/2011/65 (Nov. 8, 2011).

undertake the necessary verification and monitoring of Iran's commitments.

To examine the resources IAEA has identified as necessary to verify and monitor Iran's nuclear-related commitments under the JCPOA, we reviewed IAEA planning and budget documents, such as "The Agency's Programme and Budget 2016 –2017," the Director General's report titled "Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)," and pertinent Director General's statements to the Board of Governors.

In addition, to further understand IAEA authorities and resource needs, and to examine potential challenges and mitigating actions IAEA and others have identified with regard to verifying and monitoring Iran's nuclear-related commitments under the JCPOA, we interviewed officials of IAEA, the Department of State, and the Department of Energy's (DOE) National Nuclear Security Administration (NNSA);[3] as well as representatives of Oak Ridge National Laboratory, Los Alamos National Laboratory, Sandia National Laboratories, and Brookhaven National Laboratory. We also held classified interviews with officials in the Office of the Director of National Intelligence and representatives of Lawrence Livermore National Laboratory. The information from these interviews is not reflected in this report.

We also interviewed 8 former IAEA officials,10 former U.S. government and national laboratory officials, and officials from 10 expert organizations—research institutions and nongovernmental organizations with knowledge in the areas of nuclear verification, monitoring, and safeguards. We selected these expert organizations by first identifying organizations that had previously served as sources of IAEA subject matter experts for GAO. To ensure a wide range of viewpoints, we supplemented our initial selection with individuals and organizations identified through a literature search and by recommendations from our initial set of expert organizations. We requested interviews from all the

[3]NNSA is a separately organized agency within DOE, with responsibility for nuclear weapons and nonproliferation programs, among other things. NNSA conducts its activities at headquarters and at research and development laboratories, production plants, and other facilities. NNSA also provides technical assistance to IAEA's safeguards and nuclear security programs.

identified officials from expert organizations and suggested contacts and interviewed all who agreed to participate (officials from 2 expert organizations provided written responses in lieu of in-person interviews). We analyzed their responses and grouped them into overall themes related to different elements of the objective. When referring to these categories of interviewees throughout the report, we use "some" to refer to three members of a group, "several" to refer to four or five members of a group, and "many" to refer to more than five members of a group.

We conducted this performance audit from July 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Procedures for Resolving International Atomic Energy Access Issues under the Joint Comprehensive Plan of Action

Section Q of Annex I of the Joint Comprehensive Plan of Action (JCPOA) details procedures for the International Atomic Energy Agency (IAEA) access to sites in Iran. These procedures together total no more than 24 days, as follows:

1. If IAEA has concerns about undeclared materials or activities—or activities otherwise inconsistent with the JCPOA—at locations that have not been declared under the comprehensive safeguards agreement or additional protocol, the agency may first seek clarification from Iran and if Iran's explanations do not resolve IAEA's concerns, then request access to the sites in question.

2. Iran may propose means other than access to the site for resolving IAEA's concerns, but if IAEA cannot verify the absence of undeclared nuclear materials and activities or activities inconsistent with the JCPOA after implementation of the alternative means or the two sides cannot come to an agreement on alternative means within 14 days of the agency's original request for access, Iran, in consultation with the Joint Commission, would resolve IAEA's concerns through necessary means agreed upon with IAEA.

3. If there is no agreement between Iran and IAEA, the Joint Commission would, by consensus or a vote of 5 or more of its 8 members, advise on the necessary means to resolve the IAEA's concerns. This process would not exceed 7 days. Iran would then have 3 days to carry implement the necessary means.

According to IAEA, these procedures are for the purpose of JCPOA implementation and are without prejudice to the Comprehensive Safeguards Agreement (CSA) and Additional Protocol. Generally, IAEA notifies the state of a request for access (e.g., inspections and complementary access), specifying the location, date and time, purpose, and activities to be carried out as required in the CSA and Additional Protocol. The state is to confirm the receipt of the notification and facilitate IAEA's access. If there were issues related to the implementation by the member state of its obligations under the CSA or the Additional Protocol, the Director General would inform the Board of Governors. In the case of Iran, if there were issues affecting the fulfilment

of JCPOA commitments, the Director General would inform the Board and in parallel the Security Council, as appropriate. Should IAEA's concerns regarding undeclared nuclear materials or activities, or activities inconsistent with the JCPOA continue to be unresolved after engaging with Iran, the access procedures set out above, from Section Q of Annex I of the JCPOA, may be used.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact	David C. Trimble, (202) 512-3841 or trimbled@gao.gov
Staff Acknowledgments	In addition to the contact named above, William Hoehn (Assistant Director), Alisa Beyninson, Antoinette Capaccio, R. Scott Fletcher, Bridget Grimes, Joseph Kirschbaum, Grace Lui, Thomas Melito, Alison O'Neill, Sophia Payind, Timothy M. Persons, Steven Putansu, Vasiliki Theodoropoulos, and Pierre Toureille made key contributions to this report.

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DEFEATING THE IRANIAN THREAT NETWORK: OPTIONS FOR COUNTERING IRANIAN PROXIES

TUESDAY, DECEMBER 6, 2016

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

The committee met, pursuant to notice, at 3:13 p.m., in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Rubio, Perdue, Cardin, Menendez, Shaheen, Coons, Murphy, Kaine, and Markey.

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

The CHAIRMAN. The hearing of the Foreign Relations Committee will come to order.

I want to thank our witnesses for being here today and for sitting through all of that. Both of you have outlined tangible policy options in your written testimony to help us address the threat of Iranian proxies. Apart from the efforts to prevent Iran from obtaining a nuclear weapon, Iranian proxies remain a direct threat to the United States and our allies.

Currently, Lebanese Hezbollah has at least 100,000 missiles and rockets threatening Israel. Militias in Iraq continue to pose a threat not only to our long-term interests in Iraq but also a threat to American forces currently deployed in the country.

Just this past October, Iranian-backed Houthi militia fired cruise missiles at U.S. Navy ships. Saudi Arabia continues to feel the effect of Iran proxies and partners as Houthis attack Saudi cities and launch extended range ballistic missiles across the border that can be only be deployed with outside help.

A recent report by an organization called Conflict Armament Research clearly outlines the destabilizing role Iran is playing, by highlighting three separate at-sea interdictions of Iranian-supplied weapons bound for Yemen and Somalia. At the same time, Lebanese Hezbollah continues to play a decisive role in Syria, while Iran has demonstrated an amazing capability to deploy Shia militias around the world.

There is no doubt that the next administration will face a range of threats from the more traditional areas like the Strait of Hormuz to newfound spheres of Iranian influence like Yemen.

One reason that I opposed the nuclear deal with Iran was that I feared it would end up being our de facto Middle East policy and that countering Iran's regional efforts would play second fiddle, if you will. The current administration has not pushed back, in a meaningful way, against the Islamic Republic's destabilizing actions in the region.

I hope that both of you can help us consider new ways to stem the spread of Iranian weapons, terrorism, and dangerous ideology.

I want to thank you both for being here, for sitting through our business meeting, and for sharing your intellect.

With that, I would like to turn to our distinguished member, and my friend, Ranking Member Ben Cardin.

STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND

Senator CARDIN. Mr. Chairman, thank you for calling this meeting on defeating Iran's threat network options for countering Iranian proxies.

As you know, Mr. Chairman, I did not support the JCPOA as it was negotiated. One of my greatest concerns was the universe of issues that the JCPOA did not address: Iran's sponsorship of terrorism, its continued ballistic missile testing, its work with Russia to shield Bashar Assad, and its deplorable human rights record. These are issues that I have long believed need to be given equal weight and consideration as we contemplate U.S. policy in the Middle East.

Iran's state sponsorship of terrorism and its cultivation of violent proxies across the Middle East is as important for our security and that of our allies and partners as the Iran nuclear program. Indeed, American citizens, uniformed and civilian, have been victims of Iranian terror.

Iran-sponsored, -directed, -trained, and -equipped proxy groups are a threat to U.S. forces and American citizens today. This is a problem that directly threatens U.S. security.

In my consultations with leaders in the region, it is crystal clear that Iranian terrorism is on equal ground with the nuclear threat in governments' prioritizations of threats to their security.

In Iraq, where we are partnering with the Iraqi Government to defeat ISIL, Iran is directing militias that have engaged in sectarian violence and cleansing, putting at risk the stability of Iraq.

In Syria, Iran is sending Shia militia to defend a dictator guilty of crimes against humanity in his violent suppression of millions of innocent Syrians.

In Yemen, Iran and Lebanese Hezbollah are working with the Houthi rebels to threaten Saudi Arabia and jeopardize broader gulf security.

In Lebanon, Hezbollah's intransience held hostage the process of forming a government for over 2 years.

And Iran continues to transfer sophisticated weapons that threaten Israel's security.

I will stop listing the examples, but it is clear that you do not have to work hard to identify the fingerprints of Iranian terror across the region. For Iran's leaders and the IRGC, investment in this type of unconventional warfare is just enough to keep the re-

gion off balance and more than enough to ensure a constant state of instability and unpredictability.

Iran's threat network is a shared challenge. In reviewing our options for countering Iran's proxies, I believe we must look at the shared solutions. The United States cannot go it alone and eliminate Iran's proxies. There is no unilateral solution.

So our approach must take into account the requirement of international cooperation and coordination. In the region, that means intelligence-sharing and security cooperation with our partners. Outside the region, that means ensuring the sanctions on Iran for its use of terrorism have meaningful impact.

To accomplish a coordinated, multilateral approach to countering Iran's proxies and dismantling the Iran threat network, our partners must trust us and want to work with us. There must be a baseline confidence and a fundamental commitment to their security. They cannot question that American leaders may one day get frustrated and walk away from bilateral security assurances on multilateral agreements.

This brings me back to the JCPOA. As I stated earlier, I did not support the JCPOA as it was negotiated. But now that we are in 2 years of the agreement's implementation, we cannot just walk away without risking the credibility of U.S. commitments, the U.S. leadership role in enforcing sanctions, and the security of our partners. I fear that walking away from the JCPOA now amplifies the prospects of war in Iran while leaving the United States isolated.

Iran could rush for the nuclear finish line. There would be no more intrusive inspections by the IAEA. And if the United States lapses in its JCPOA obligations, the rest of the world is not going to follow us with more sanctions.

So I hope to work with my colleagues on both sides of the aisle next year on comprehensive Iranian legislation that sets the foundation for the next chapter of the Iran policy. The signal we must send with this legislation is that we are committed to the JCPOA and Congress will rigorously conduct oversight on its enforcement while maintaining credible, deterrent snapback legislation.

Mr. Chairman, I was pleased to see the unanimous support in the United States Senate for the passage of the Iran Sanctions Act extension. That was an important step that we took.

On the nonnuclear issues, Congress must continue sanctions on Iranian entities and individuals engaged in ballistic or cruise missile proliferation, and terrorism or human rights violations, and ensure expedited considerations of new sanctions if Iran directs or conducts an act of terrorism against the United States, or substantially increases its operational or financial support for terrorist organizations that threaten U.S. interests or allies.

I have introduced legislation that I think would help move that along with many of our colleagues. I look forward to working with the chairman on how we can increase our responsibilities in Congress on oversight of Iran's compliance with the Iran nuclear agreement but also to deal with their other activities. I think this discussion today will help us in that work.

The CHAIRMAN. Thank you very much for those comments.

Since you brought up the extension of ISA, I think we all owe a huge debt of gratitude to Senator Menendez for his leadership on

that issue. I am glad they are extended. Thank you for that, very much.

Our first witness is Mr. Matthew McInnis, a resident fellow at the American Enterprise Institute. Mr. McInnis previously served as senior analyst for the U.S. Department of Defense.

Thank you so much for being here.

Our second witness is Ms. Melissa Dalton, senior fellow and chief of staff of the International Security Program at the Center for Strategic and International Studies. Previously, Ms. Dalton served at the Department of Defense.

Thank you both. I think you understand that we would appreciate it if you would summarize in about 5 minutes. Without objection, your written testimony will be entered into the record. If you would just begin in the order of your introduction, I would appreciate it. Thank you.

STATEMENT OF J. MATTHEW McINNIS, RESIDENT FELLOW, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Mr. MCINNIS. Thank you, Chairman Corker, Ranking Member Cardin, and the distinguished committee members.

Thank you for inviting me to testify at today's hearing on Iran's support for terrorism and proxies. I will focus my comments on how that support fits into Iran's strategic priorities and how U.S. policy can best counter it.

Please note that while this testimony constitutes my own research and analysis, it draws as well on discussions conducted as part of a working group at the Center for Strategic and International Studies with Ms. Dalton, which aims to identify potential opportunities to deter Iran after the nuclear deal.

I want to stress that, at the end of 2016, we are at an inflection point in Iran's strategy in the Middle East. The nuclear deal has given the Islamic Republic new resources and has freed Tehran to focus on building its conventional military capacity to compete with its regional rivals more directly.

Iran is also sensing, finally, some form of victory in the wars in Syria and Iraq. In the aftermath of these conflicts, the Iranian leadership will be left with an enormous degree of influence stretching from Beirut to Basra and beyond.

Led by its Islamic Revolutionary Guard Corps, or the IRGC, Tehran will also now have at its disposal a transnational proxy army of Shia militia units with at least a couple hundred thousand personnel, many with new hybrid warfare capabilities developed on the battlefields of Syria and Iraq. This will pose significant challenges to us and our friends in the region.

Our traditional approaches to combating Iran's proxies through financial sanctions, weapon shipment interdictions, and occasional counterterrorism operations are well-intended and still needed. These types of actions can mitigate, perhaps contain, or even roll-back their capabilities. But they will not likely defeat or eliminate the threat posed by these types of Iranian-backed groups, especially well-established ones like Lebanese Hezbollah.

How should we better tailor our approach to countering Iranian proxies, especially if defeating them is our ultimate goal? There are two keys.

The first is understanding how proxies fit into Iran's overall political and military strategy. Though Iran established its proxies first to execute unconventional warfare and then spread its ideological and political influence, these groups often become central parts of Iran's frontline deterrence strategy once established.

This deterrence exists via two layers. The first is retaliatory deterrence, the ability to instill fear of significant casualties, destruction of critical infrastructure, or economic destruction to dissuade Tehran's more powerful enemies, such as Israel and the U.S. This draws from what Supreme Leader Khamenei and others have described as "threat in response to threat" doctrines.

Proxies also give plausible deniability to help Iran manage escalation in retaliation. Since Iran, for example, cannot strike the U.S. homeland conventionally, it tries to threaten through terrorism to balance the deterrence equation.

The second layer is through passive deterrence, which is more latent, which involves its ability to build proxies in Iraq, Syria, and Lebanon that are already within Iran's sphere of influence. These are groups such as the Popular Mobilization Forces in Iraq and the National Defense Forces in Syria that we have seen in recent years.

These are built to basically solidify Iran's influence in these states and dissuade any future militaries such as ours or others or perhaps even Russia's from potentially trying to pull these states out of Iran's influence or sphere of influence. These are something that could potentially threaten the future U.S. military presence in the country.

The second key is being able to distinguish Iran's true proxies from those groups that are only partners or in process of becoming a proxy, such as Yemen's al Houthis. Disruption of this process should be a central component of our regional policy.

The main distinguisher is whether an organization adheres to Iran's revolutionary ideology of vileyat e faqih, or guardianship of the jurisprudence that recognizes Iran's supreme leader as its ultimate religious and political authority. Groups that do not acknowledge that authority, such as the followers of Iraqi Shia cleric Muqtada al Sadr, the al Houthis in Yemen, or even Sunni militant groups such as Hamas, still enjoy significant support from Iran and cooperate with Iran's foreign policies. However, Iran cannot reliably depend on these organizations to form the frontlines of its retaliatory deterrence against adversaries or even to consistently execute Iran's leadership directives.

So looking to U.S. policy recommendations, as long as Iran continues to ideologically oppose the United States and sees Washington as a threat to its existence, it will seek deterrence through its proxies, unconventional weapons, or whatever feasible means it can support. However, the United States can take steps to mitigate and disrupt the deterrent effect of its proxies.

Four or five principles in such an approach include, first, exposing and demystifying the psychological foundations of the proxies' deterrent strength. Greater efforts by the U.S. to name and shame Iranian-backed groups, front companies, and financial activities can erode the psychological foundation of Tehran's deterrent strength. Second, contain and pushback IRGC operations to sup-

port U.S. proxies. Third, divide and undermine local support to proxies. Iran's heavy-handed approach frequently stokes nationalist resentment that we can take advantage of. Fourth, stem proxy formation and help shape the governing environment where we can. This is particularly important in places like Yemen where the proxies are not yet quite there in fully supportive and fully adhered to Iranian ideology. We can prevent the Houthis from becoming fully part of Iran's operations. Fifth and finally, we should support full whole-of-government approaches such as is supported in Countering Iranian Threats Act of 2016. Legislation such as that recognizes that need.

The bottom line: The U.S. cannot alter the fundamental logic of Iran's creation of proxies to counter and deter the conventional power advantage of the U.S. and its allies without fundamental changes in Tehran's threat perceptions or real and ideological changes in leadership.

In the interim, we can, however, mitigate the growth of Iran's proxies, and undermine the real and effective psychological power that they have.

With that, I conclude my statement. Thank you.

[The prepared statement of Mr. McInnis follows:]

PREPARED STATEMENT OF J. MATTHEW MCINNIS

Chairman Corker, Ranking Member Cardin, and the distinguished committee members: Thank you for inviting me to testify at today's hearing on Iran's support for terrorism and proxies. I will focus my comments on how that support fits into Iran's strategic priorities and how U.S. policy can best counter it.

Please note that while this testimony constitutes my own research and analysis, it draws as well on discussions conducted as part of a working group at the Center for Strategic and International Studies. The working group aims to analyze potential opportunities to deter Iran in the post-JCPOA environment. The final results of its deliberations will be published in February 2017.

THE ROLE OF PROXIES IN IRANIAN DETERRENCE STRATEGY

Few states in the modern era, if any, have placed the development and sustainment of proxy forces more central in their defensive strategies as has the Islamic Republic of Iran (IRI). Assessing the role these groups play in Iran's deterrence strategy—and the direction IRI strategies will take in the future—requires understanding the reasons why Tehran placed such emphasis on building foreign forces to defend its security and project its influence in the years after 1979.

The executor of Iranian proxy policies, the Islamic Revolutionary Guard Corps (IRGC), was created by Supreme Leader Ayatollah Ruhollah Khomeini first to secure the revolution at home and then export the revolution abroad. As an amalgam of existing paramilitary groups and neophyte recruits consciously separate from Iran's traditional imperial armed forces (the Artesh), the IRGC had no distinct military traditions, doctrines, or strategic frameworks beyond ensuring Khomeini's new political order must survive and flourish. The organization's motto from the Quran "prepare against them what you can" captures both the pragmatic ethos that drove the IRGC's structure and missions and the fundamentally reactive nature of the force to the threats and opportunities faced in the early 1980s, namely the risk to the new regime from the United States and Iraq and the chance to confront Israel in Lebanon.

Proxies quickly became central in each of these confrontations.[1] The limitations of the IRGC and the Artesh's ability to project military power drove the IRGC's need for proxies to conduct unconventional warfare abroad. The IRGC worked with Iraqi Kurdish militants and formed the Badr Corps from opposition Shia Iraqi groups to help fight Saddam Hussein during the Iran-Iraq War. When Khomeini decided against a direct Iranian intervention in Lebanon to combat the invading Israelis and their Western allies, the IRGC crafted Lebanese Hezbollah (LH) from existing local Shia militias.[2] The corps' Quds Force (QF) branch oversaw the expanding foreign network, the so-called axis of resistance.

Tehran also found these groups to be well-suited as vehicles for the promulgation of IRI ideological and political influence. Direct coercion or forced revolutionary conversion of its neighbors, Soviet-style, is neither feasible nor politically palatable for the anti-imperialist-minded Iranian leadership. Instead, proxies in places such as Lebanon, Syria, and Iraq could slowly subvert and co-opt state institutions while attempting to create a more authentic appearing movement toward Iranian ideology and influence from below. In places like the Arab Gulf states, this process has been less successful, and true Iranian proxies do not yet exist. However, the fear Gulf Cooperation Council (GCC) states have of infiltration by IRGC agents or cells, and the prospect of IRGC-led terrorism campaigns, assassinations, or general unrest, does provide a significant psychological or even deterrent effect.

Iran does not initially create proxies with the intention of using them as a deterrent force. Rather, this mission is adopted as proxy capabilities strengthen and become existentially important to Iran. This deterrence via proxy exists in two layers. The first is retaliatory deterrence, the ability to instill fear of significant casualties, destruction of critical infrastructure, or economic disruption to dissuade Tehran's conventionally more powerful enemies from taking direct military action against Iran or its interests. This draws from what Khamenei and Iranian military leaders describe as the IRI's "threat in response to threat" doctrine.[3] Proxies also give the IRGC a degree of plausible deniability, which can help Iran manage potential escalation after any retaliatory actions. Since Iran cannot strike the U.S. homeland conventionally the way the United States can strike the Iranian homeland with near impunity, Tehran seeks ways to balance the deterrence equation by threatening U.S. interests worldwide through proxy terrorism and asymmetric operations.[4] The IRI similarly hopes to keep Israel at bay through the threat of terrorism and asymmetric war from Lebanese Hezbollah. While the IRGC is employing its existing proxies and building new ones to fight ISIS and Jabhat al Nusra on the front lines, the militias are also already playing a role in deterring these Sunni extremist groups from assaulting deeper into Shia or Alawite territories in Iraq or Syria.

The second layer of passive deterrence is more latent and designed to deter foreign involvement in states such as Iraq, Syria, and Lebanon that are already in Iran's sphere of influence. The IRGC has helped mobilize large paramilitary groups such as the National Defense Forces (NDF) in Syria and Popular Mobilization Forces (PMF) in Iraq, not only to conduct unconventional war against Damascus' and Baghdad's enemies but also to solidify its influence in each states' security apparatus and dissuade any military or political efforts by outside powers to pull these states out of Tehran's orbit. Iran's direction of Asa'ib Ahl al-Haq (AAH) and Kata'ib Hezbollah (KH) similarly threaten the counter-Islamic State coalition currently operating in Iraq and dissuade reestablishment of a long-term U.S. military presence in the country.

CURRENT CAPABILITIES AND FUTURE TRAJECTORY

The IRI has significantly expanded the size and complexity of its proxy force in the past five years, due primarily to the wars in Syria and Iraq. This includes not only the growth of the primary groups that form the axis of resistance such as Lebanese Hezbollah, Badr Corps, KH, and AAH, but also the establishment of new Shia militias from Iraq, Afghanistan, and Pakistan and the mobilization of Iraqi and Syrian civilians into the PMF and NDF respectively. The proliferation and permutation of smaller Iranian-backed proxies in Iraq and Syria can be extremely challenging to discern, although almost all can trace their formation and ultimate command back to one of those four principle groups, with the QF one echelon above.

The IRI continues to invest in training and arming its proxies and partners with increasingly advanced equipment, with its most trusted groups receiving the best weaponry. Lebanese Hezbollah has acquired unmanned aerial vehicles and an estimated 100,000 to 150,000 rockets and missiles through Iranian assistance, including advanced air-to-ground and ground-to-sea missiles.[5] The IRI's Iraqi proxies employed the QFs' signature improvised explosive device, the explosively formed projectiles against coalition forces in the last decade.[6] Yemen's al Houthis, in contrast, have received mostly small arms from Hezbollah or the IRGC, although there are indications the movement has gained some Iranian rocket technology.[7]

Perhaps more important than weapons are the tremendous strides the IRGC has made in the past five years advancing their proxies' deployability, interoperability, and capacity to conduct unconventional warfare. The corps has effectively moved its Iraqi, Afghan, and Pakistani proxies into and out of the Syrian theater as requirements demand. In addition to building the NDF and coordinating with Lebanese Hezbollah, Russian, and Syrian government operations, the IRGC, along with some

Artesh special forces units, has also begun rotating cadre of its brigade-level officers to Syria to train and lead the Shia militias in their counterinsurgency campaign.[8]

The IRI is in effect turning the axis of resistance into a region-wide resistance army.[9] Recent estimates indicate more than a quarter million personnel are potentially responsive to IRGC direction,[10] including:

- Lebanese Hezbollah: 45,000 fighters, of which 21,000 are full time, and 6,000 to 8,000 are currently deployed to Syria[11]
- Palestinian Islamic Jihad: at most 1,000 personnel focused on targeting Israel[12]
- Badr Corps Brigades: between 10,000 and 20,000 fighters[13]
- Kata'ib Hezbollah: likely a core group of around 1,000 fighters, with 10,000 or more mobilized through its main subsidiary Saraya al-Difaa al-Shaabi and 1,000 to 3,000 likely deployed to Syria[14]
- Asa'ib Ahl al-Haq: approximately 10,000 fighters, and 1,000 to 3,000 likely deployed to Syria[15]
- Afghan Fatemiyoun Brigade: 2,000 to 3,000 thousand fighters deployed to Syria, but total numbers for the group are unknown[16]
- Pakistani Zainabiyoun Brigade: up to 1,000 fighters deployed to Syria, but total numbers for the group are unknown[17]
- Syrian National Defense Force: approximately 100,000 mobilized Syrian fighters[18]
- Iraqi Popular Mobilization Forces: approximately 100,000 fighters, of which 80,000 are considered to be part of Iranian supported groups[19]

The challenges Iran faces from the Islamic State, other Sunni extremist groups, and allied state instability have driven the shift to larger scale mobilization of proxy and partner groups in the past three years, although notably there appears to be little parallel impetus to create cyber proxy groups.[20] A degree of success in the current wars in Syria and Iraq will likely lead the governments in Damascus and Baghdad to officially demobilize some of these militia forces, especially those deemed less proficient or which possess more tentative relationships with the IRGC. However, these forces will still represent a latent deterrent capability for Tehran. Those groups that profess vilayet e faqih, and are thus considered part of the Islamic Resistance, will largely remain a standing force under Iranian guidance. These groups will likely deepen their integration into their respective states' political and security infrastructure. The IRGC proxy "army" in Iraq and Syria will be in a strong position to threaten or deter Iran's adversaries if some form of victory is achieved in their civil and counterterrorism wars.

IRI proxy groups are considered part of the axis of resistance, which the Iranian leadership views as an ideological and security extension of the Islamic Republic. These organizations proclaim their ultimate religious and political allegiance to the supreme leader and owe most of their financial and material support to the QF. However, unlike other tools used for deterrence, Iran does not fully control this weapon. Working with partially autonomous actors can pose a liability at times for Iranian leaders, especially in times of crisis when rapid decisions are needed. Despite these operational weaknesses, there is political value for proxies to demonstrate their relative independence and make their support to IRI policy appear more grassroots and voluntary.

These dynamics are also reflected in the IRI's command and control over its proxies, which tend to be tailored based on the relative levels of trust and experience. The IRGC, through the QF, gives strategic guidance to most other proxies, under the supreme leader's broad orders. Lebanese Hezbollah is fairly self-directed. QF delegates much of the day-to-day operational command of its Iraqi proxies to the Badr Organization. In Syria, the relative infancy of most of the proxies requires direct control by the rotating cadre units of the IRGC. The campaigns in Iraq and Syria are now creating deep ties among QF, IRGC, and even some elements of Artesh.

As a revolutionary state facing stronger military opponents that threaten the very nature of the state, the IRI sees warfare in 360 degrees, where domestic and foreign battlefronts frequently blend. Many of the roles and missions proxies perform abroad to expand IRI ideology and influence while opposing Iran's enemies are also executed by the IRGC and Basij paramilitary forces to secure the IRI's internal stability. Training and doctrine development among the IRGC, Basij, LH, and other proxies, such as for counterinsurgency operations, are increasingly integrated, the latest example being the role the Basij is taking in shaping the Syrian NDF.

The ideological and religious mission of Iranian proxies brings them in close contact with Iran's clerical establishment, as the IRI proselytizes its version of Shia Islamic thought. Proxies also provide a means for Iran to seeks and funnel money for religious or political donations throughout the Shiite diaspora. Lebanese Hezbollah,

in particular, has developed its own financial system through Lebanese banking institutions and the black market, which the IRGC uses to bypass international sanctions and facilitate its worldwide operations. However, Iranian civilian political leaders have little to no influence over these groups.Implications for the Region and U.S. Interests

As long as the IRI lacks the conventional military power to match the United States or Israel, the IRGC will continue building and sustaining proxies to pressure Tel Aviv, threaten the U.S. homeland, and level the deterrence equation. The QF usually works in partnership with Lebanese Hezbollah to create new operational capacities in Africa, Asia, Europe, and Latin America. The wars in Syria and Iraq, though, have apparently dampened some of the IRI's ability to create new networks. However, if the current Middle East conflicts subside, anticipate a renewed emphasis on growing the IRI's global proxy reach.

Once a proxy's role in Iranian deterrence strategy is solidified, preserving that group becomes an existential matter for the state. Ensuring LH, the crown jewel in the axis of resistance, can still deter Israel is the most vital reason Tehran must protect the group, even more so than the role LH plays in shaping the Lebanese state and expanding Iranian influence. This is why the Iranian military has gone to, and will continue to go to, enormous lengths to maintain its access to Hezbollah through Syria.

It is crucial to differentiate between the IRI's true proxies and groups that are best described as Iranian partners. The key distinguisher is whether an organization adheres to the Iranian revolutionary governance ideology of vileyat e faqih, or guardianship of the jurisprudent, and recognizes the Iranian supreme leader as its ultimate religious and political authority. Groups that do not acknowledge that authority—such as the Promise Day Brigade and other forces that follow the nationalist Iraqi Shia cleric Muqtada al Sadr, the al Houthi rebels in Yemen, and even Sunni militant organizations such as Hamas—can still enjoy significant support from Iran and cooperate with Tehran's foreign policies. However, the IRI cannot depend on these organizations to form the front lines of retaliatory deterrence against its adversaries, or even to consistently execute the Iranian leadership's directives. Moreover, even the true proxies at times act more like partners, as local or national considerations may temporally trump Tehran's needs.

The IRGC's new resistance army poses a huge threat to internal stability in Iraq, Syria, Lebanon and potentially an external challenge to Israel, Jordan, and the GCC states. Additionally, the IRI will still use the threat of terrorism or domestic instability inside the GCC as a useful tool to restrain Riyadh and to hold U.S. regional military bases at some risk. The QF will continue to support organizations such as Yemen's al Houthis and some Bahraini Shia opposition groups to the degree that it can. However, it is doubtful that Iran can create true proxy forces in Yemen or Bahrain on the scale of those created in Iraq, Syria, or Lebanon. Keeping the Gulf Arab states off balance is likely the IRGC's primary objective on the Arabian Peninsula in the near term.

POLICY RECOMMENDATIONS

As long as the IRI sees the United States as a threat to its existence, it will seek deterrence through proxies, unconventional weapons, or whatever feasible means it can support. However, the United States can take steps to mitigate the deterrent effect of Iran's proxies. Four principles in such an approach include:

Expose and Demystify. Much of the deterrent effect of Iranian proxies stems from the impact of their fear-instilling and clandestine nature. The IRI bemoans the "Iranophobia" among the Gulf Arabs, but Iran benefits from the belief there is an Iranian element behind every internal and external threat the GCC states face. Greater efforts by the U.S. Treasury and State Department to name and shame Iranian backed groups, front companies, and their financial activities could erode the psychological foundation of Tehran's deterrence strength.

Contain and Push back. The United States can conduct relatively effective counterterrorism operations to trim QF and its proxies. Despite their sophistication, Iran's proxy organizations have a much more detectable signature than true nonstate actors such as the Islamic State or al Qaeda. The U.S. capacity to contain and push back on these organizations is limited not by a lack of operational and tactical options, but rather by a lack of political will to confront Iran.

Divide and Undermine. The IRGC and its proxies' heavy-handed behavior frequently stoke nationalist resentment in areas where they operate. These sentiments can be exploited through information operations and diplomatic activities to create a greater degree of separation between Tehran and its proxies. Reenergizing efforts

to strengthen national military and police forces can prevent Iranian proxies and militias from becoming a permanent third army in places such as Iraq.

Stem and Shape. Preventing the IRGC from turning groups it supports into full proxies, and therefore eventual tools of Iranian deterrence, is crucial. For example, U.S. and Saudi interdiction activities, in addition to difficult geography, hamper closer cooperation between the IRGC and the al Houthis. Reinforcing these efforts can prevent the opposition group from becoming an actual Iranian proxy. The United States should also focus where it can, such as in Yemen and Iraq, on supporting the development of national and local forces that can provide both legitimacy and security to minimize the space the IRGC can exploit within the state for building proxies under its control.

Efforts to counter proxies' deterrent effects need to account for the other reasons Iran supports these organizations: to conduct the IRI's unconventional warfare campaigns and to spread its political, ideological, and security influence. However, the United States will not be able to alter the IRI's logic for supporting such groups in general and the logic for using proxies for deterrence specifically, without fundamental changes in Tehran's threat perception from its more conventionally powerful foes, the United States and Israel, or real ideological change in the leadership.

Notes

[1] This approach is notable in that there is little historical precedence for the Iranian state's use of proxies. Paramilitary groups have existed historically in Iran, but they were typically formed in opposition to the state rather than as principle agents of Iran's foreign and security policies.

[2] Khomeini decision was largely driven by Syrian President Hafez al Assad's rejection of the offer for direct Iranian intervention. See Jubin M. Goodarzi, Syria and Iran: Diplomatic Alliance and Power Politics in the Middle East (London: I.B. Tauris, 2006), 63-67.

[3] Asghar Eftekhari, Fatallah Kalantari, "Evaluating and Defining the 'Threat in Response to Threat' Strategy in Iran's Defense Policy," Journal of Defense Policy 22, no. 88 (Fall 2014).

[4] The IRGC used Badr Corps and its descendent groups such as Kata'ib Hezbollah (KH) and Asa'ib Ahl al-Haq (AAH) to bleed coalition forces in Iraq after 2003 and deter any military actions against Iran.

[5] Avi Issacharoff, "Israel Raises Hezbollah Rocket Estimate to 150,000," Times of Israel, November 12, 2015.

[6] Marcus Weisgerber, "How Many U.S. Troops Were Killed By Iranian IEDs in Iraq?" DefenseOne, September 8, 2015.

[7] Katherine Zimmerman, "Signaling Saudi Arabia: Iranian Support to Yemen's al Houthis," AEI Critical Threats Project, April 15, 2016.

[8] Paul Bucala and Frederick W. Kagan, "Iran's Evolving Way of War: How the IRGC Fights in Syria," AEI Critical Threats Project, March 24, 2016.

[9] Retired IRGC Commander Mohammad Ali Al Falaki has coined the term "Shia liberation army" for the collection of partners and militias currently operating under IRGC command in Syria, Iraq, and Yemen. This term has received coverage in both the Persian-language and English-language press, although it does not appear to be in widespread use among Iran's political leadership at this time. See "Reports: Iran Forms 'Liberation Army' to Deploy Abroad," Al Jazeera, August 20, 2016, and Amir Toumaj, "IRGC Commander Discusses Afghan Militia, 'Shia Liberation Army,' and Syria," The Long War Journal, August 24, 2016,

[10] In total, the IRI has 13,000 to 15,000 of its proxy forces fighting in Syria in addition to the NDF. In Iraq, perhaps 30,000 or more of those 80,000 personnel can be considered direct Iranian proxies consisting of KH, AAH, and Badr Corps. The remaining 50,000 mostly include those who follow Muqtada al Sadr. Across all these groups, Iran could employ approximately 75,000 to 80,000 fighters for direct retaliatory deterrence purposes. The rest conduct secondary deterrence as a bulwark against foreign interference in Iran's sphere of influence.

[11] Nadav Pollak, "The Transformation of Hezbollah by Its Involvement in Syria," The Washington Institute for Near East Policy, August 2016.

[12] Bureau of Counterterrorism and Countering Violent Extremism, "Country Reports on Terrorism 2015," U.S. Department of State.

[13] Michael Knights, "Iraq's Popular Demobilisation," Al Jazeera, February 26, 2016, and Susannah George, "Breaking Badr," Foreign Policy, November 6, 2014.

[14] Loveday Morris and Mustafa Salim "Iran Backs Assad in Battle for Aleppo with Proxies, Ground Troops" Washington Post, October 19, 2015,

[15] Matthew Hilburn, "One-Time U.S. Prisoner Now Key in Battling IS," Voice of America, March 15, 2015,

[16] Farzin Nadimi, "Iran's Afghan and Pakistani Proxies: In Syria and Beyond?," The Washington Institute for Near East Policy, August 22, 2016, and Human Rights Watch, "Iran Sending Thousands of Afghans to Fight in Syria: Refugees, Migrants Report Deportation Threats," January 29, 2016.

[17] Babak Dehghanpisheh, "Iran Recruits Pakistani Shi'ites for Combat in Syria," Reuters, December 10, 2015,

[18] Christopher Kozak, "An Army In All Corners: Assad's Campaign Strategy in Syria," Institute for the Study of War, April 2015,

[19] Bret Baier, "U.S. Officials: Up to 100,000 Iran-Backed Fighters Now in Iraq," Fox News, August 16, 2016,

[20] The IRI uses its growing cyber capabilities in the same ways it uses proxies for retaliatory deterrence. The unique characteristics of the cyber realm allow Iran to execute its missions more directly. The IRI tends to use front organizations under direct IRGC control, although it will cooperate with non-Iranian cyber groups if that suits its needs. See J. Matthew McInnis, "How Much Should We Fear Iranian Cyber Proxies?," The Cipher Brief, July 21, 2016,

The CHAIRMAN. Thank you.

Ms. Dalton?

STATEMENT OF MELISSA G. DALTON, SENIOR FELLOW AND CHIEF OF STAFF, INTERNATIONAL SECURITY PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

Ms. DALTON. Chairman Corker, Ranking Member Cardin, and distinguished members of the committee, it is an honor to testify before you today with my excellent colleague, Matthew McInnis, on options for countering Iranian proxies. This testimony draws from our forthcoming CSIS report on deterring Iran.

I will focus my remarks on three topics today: Iran's strategic approach, building a U.S. deterrence strategy, and recommendations for the new Congress and next administration.

Iran is a revisionist power that seeks to fulfill a number of goals to change the status quo. These objectives include ensuring survival of the Islamic Republic, deterring adversaries, enhancing its regional power and influence, and securing a place of political and economic importance within the international community.

Iran is aware of its conventional military inferiority versus its adversaries. It leverages a range of unconventional and conventional capabilities and concepts of operation, including proxy forces, to achieve its objectives. This approach also encompasses other activities, including missile development, engaging in provocative maritime operations, exploiting cyber vulnerabilities, and employing information operations. It ensures that any escalations against the United States and its regional partners fall short of large-scale warfare.

Through this approach, Iran can pursue its goals while avoiding kinetic consequences, enjoy plausible deniability by using proxies, subvert regional rivals and deter them from taking actions that could trigger a potential backlash from the proxy groups, and infiltrate and influence state institutions incrementally in countries

with weak governance. Moreover, the wars in Syria and Iraq have provided fertile ground for the growth of Iranian proxies and supported groups.

This approach also disadvantages Iran. Through its destabilizing regional activities, Iran's image as an international pariah remains in many ways the same, impairing its economic development. Iran is also hindered by a principal-agent problem versus its proxies, which do not always act in accordance with Iranian interests.

The U.S. approach to Iran has deterred significant leaps forward Iranian activities in capability development, yet the United States has largely been unable to deter Iran's incremental extension of regional power and threshold testing across a range of military and paramilitary activities.

Indeed, in the last 5 years, Iran's threat network has grown. Regional partners doubt U.S. sincerity in pressing back against Iran's destabilizing activities.

The next Congress and administration have an opportunity to chart a pathway forward vis-a-vis Iran that protects U.S. interests, strengthens deterrence, and sets the conditions for changing Iran's behavior. The United States may choose to elevate its counterterrorism objectives in its approach to Iran, given the unique challenges that Iran's threat network presents.

This strategy will have its limits. Absent ideological changes in the Iranian Government, the United States will not be able to change Iran's reasoning for supporting proxy groups. It may prompt Iran to reassess its commitment to its JCPOA, especially if the United States imposes new terrorism-related sanctions that mimic prior nuclear ones. If U.S. action is not calibrated, Iran is likely to respond with kinetic attacks, information operations, and cyberattacks.

Working in close coordination with allies and partners, the United States can take a number of steps to limit the reach of Iranian proxy activities and stem further growth of proxies in the region.

These measures include: ratchet up direct and indirect operations to disrupt IRGC activity and interdict support for proxies, calibrated for U.S. and Iranian red lines; conduct cyber-disruption of Iranian proxy activities; avoid inflating Iranian capabilities and intentions; expose Iranian-backed groups' front companies and financial activities outside of its borders to discourage Iranian coercive interference; exploit nationalist sentiment in the region that bristles at Iranian interference through amplified information operations; sustain financial pressure on the IRGC and proxies; and minimize the space that the IRGC can exploit in the region by building the capabilities of regional partner security forces, and supporting governance and resiliency initiatives in countries vulnerable to Iranian penetration.

Even a U.S. strategy that seeks to amplify pressure on Iran cannot be purely punitive or it will prove escalatory and have its limits in changing Iran's behavior. The United States should link possible incentives to changes that Iran makes such that they are synchronized as one move.

Congress and the new U.S. administration have an opportunity to chart a pathway forward on Iran policy. I hope that today's hearing can inform that process.

Thank you, and I look forward to your questions.

[The prepared statement of Ms. Dalton follows:]

PREPARED STATEMENT OF MELISSA G. DALTON

Chairman Corker, Ranking Member Cardin, and distinguished Members of the Committee: it is an honor to testify before you today with my excellent colleague Matthew McInnis on options for countering Iranian proxies. This testimony draws from research and analysis informing a forthcoming report, "Deterring Iran After the Nuclear Deal," which will be published by the Center for Strategic and International Studies in February 2017.

9IRAN'S STRATEGIC APPROACH

Iran is a revisionist power that seeks to fulfill a number of goals to change the status quo. These objectives include: ensuring the domestic survival and primacy of the Islamic Republic; enhancing its regional power and influence in the Middle East; securing a place of political and economic importance within the international community; and preserving its ability to deter adversaries from posing an existential threat to Iran.

Iran is aware of its conventional military inferiority versus its adversaries, particularly the United States and Israel, and also to a lesser extent the Gulf Cooperation Council (GCC) states. Thus, Iran employs a hybrid strategic approach towards achieving its interests, leveraging a range of unconventional and conventional capabilities and concepts of operation, including proxy forces. It ensures that any escalations against the United States and its regional partners fall short of large-scale warfare. This approach encompasses a range of coercive activities, from developing missiles and engaging in provocative maritime activities, to supporting proxies and terrorist groups, and exploiting cyber vulnerabilities while employing psychological and information operations.

Operating in the "gray zone" between war and peace, Iran exercises threshold avoidance by incrementally antagonizing the United States and its regional partners in the maritime sphere and through the gradual progression of its missile development program. The use of non-military coercive tools - cyber, psychological, and information operations - also allows Iran operating space to target its adversaries without provoking significant retaliation. Additionally, Iran's exploitation of ambiguity, particularly through its use of proxy groups in the Middle East, enables the country to indirectly attack its adversaries and counter Sunni influence in the region. These activities, employed in the pursuit of Iran's interests, accrue gains as well as costs to Tehran, all the while exacerbating tensions with its adversaries.

The GCC countries have largely resisted Iranian penetration of their Shi'a populations through intelligence and security measures, but they remain highly concerned about the potential for Iran to deepen its influence in their territory. Iran's use of proxies is of particular concern to GCC countries in this regard. The Islamic Revolutionary Guard Corps (IRGC) oversees and directs proxy activities as an extension of Iran's power and influence. It has been particularly successful in Lebanon, Syria, and Iraq, cultivating and sponsoring groups such as Lebanese Hezbollah, the Badr Corps, Kata'ib Hezbollah, and Asa'ib ahl al-Haq. Not all of Iran's proxies are created equal or are even true proxies. Some groups possess more sophisticated paramilitary and intelligence capabilities and receive more training, funding, and equipment from Iran than others; these groups also tend to be more ideologically and politically connected to Iran and its agenda, such as Lebanese Hezbollah. Others, such as the followers of Iraqi Shi'a cleric Moqtada al-Sadr, have links to but receive less support from Iran.

Advantages of Iran's Strategic Approach

By operating below the threshold of large-scale warfare, Iran is able to act boldly and make significant gains towards its goals without provoking a conventional war against the United States or its regional partners. Supporting sub-state proxy groups such as Hezbollah in the Levant and the Houthis in Yemen in a variety of ways allows Iran to pursue its goals of increased influence in the Middle East, while avoiding kinetic consequences. Iran enjoys a significant measure of plausible deniability with this particular pillar in its strategic approach. As it is not directly implicated in any acts carried out by these proxy groups, Tehran benefits from its

ability to subvert its regional rivals, and deter them from taking anti-Iranian actions that could trigger a potential backlash from the proxy groups.[1] While the United States and its allies and partners must operate within international norms, Iran is able to leverage its capabilities and asymmetric activities without playing by international rules. Additionally, Iran's use of proxies constrains its adversaries' options, as the United States, Israel, and the GCC countries must calculate their responses to Iranian actions based on the potential for conflict escalation and the risks of causing civilian casualties, disrupting economic activity, and disabling critical infrastructure. For example, Lebanese Hezbollah's penetration of southern Lebanon serves as a deterrent against Israel, as it has embedded effectively in Lebanese localities and civilian structures.

Besides deterring adversaries' actions, Iran also leverages its proxy relationships to incrementally infiltrate and influence state institutions in countries with weak governance, such as Lebanon and Iraq, while promoting Iranian ideology among local recruits. Through its proxies, Iran provides services that would normally be dispensed by the state, taking advantage of local grievances, particularly among Shi'a populations. Over time, these groups gain popular support and legitimacy, providing a hedge against the state government, or, as seen in Lebanon, forming part of a governing coalition.

Moreover, the wars in Syria and Iraq have provided fertile ground for the growth of Iranian proxies and supported groups. Iran likely has made investments in these groups in part out of true concern for the instability and fragmentation of both countries, which does not serve its interests. Iran wants a pliable government but a functioning state in both Syria and Iraq. Yet, in this chaos, Iran may see opportunities for tactical advantages versus the United States and the GCC countries by shaping and supporting local actors and proxies. Iran has mobilized up to 115,000 fighters in Syria to bolster President Bashar alAssad's regime, comprised of Lebanese Hezbollah, Syrian, Iraqi, Afghan, and Pakistani recruits, and overseen by IRGC-Qods Force personnel. It is unclear whether some contingent of this expeditionary force will remain in Syria over the long-term to preserve Assad's hold on the strategic territory necessary for Iran to sustain its supply and command and control lines to Lebanese Hezbollah.

Disadvantages of Iran's Strategic Approach

Iranian activities in the pursuit of its strategic goals have, in some instances, backfired and imposed unintended costs on the regime. By testing the limits of the Joint Comprehensive Plan of Action (JCPOA) through its missile tests, continuing its naval provocations in the Gulf and the Strait of Hormuz, and its support for terrorist groups in the region, Iran's image as an international pariah remains in many ways the same. This is best exemplified by the unwillingness of international banks and businesses to invest in Iran despite the lifting of significant international sanctions against the country under the JCPOA.[2] Unilateral U.S. sanctions on Iran for its ballistic missile program remain intact, as do sanctions for Iranian human rights violations and its support for proxy terrorist groups.[3]

Iran is also disadvantaged by a principal-agent problem versus its proxies, which do not always act in accordance with Iranian interests. This dynamic is currently most visible in Iraq among some armed Shi'a groups that receive Iranian support and can secure territory but can also survive without an Iraqi government. This poses a challenge for Iran, as it does not desire the complete fragmentation of Iraqi state governance; it wants an Iraqi government in control that can be pliable to Iranian interests, while continuing to support Iraqi Shi'a militias that can keep the Iraqi government in check.

Additionally, Iran's strategic approach results in continued economic pressure on the country, limiting its ability to invest in its military and paramilitary capabilities. A weaker economy, further eroded by the persistence of low oil prices, undermines Iran's ability to modernize and improve its military at the rate that it ideally would like to; despite Russian and Chinese military assistance, sanctions continue to limit Iran on the conventional front.[4] From 2006 to 2016, Iranian military expenditure decreased by approximately $4.01 billion, and that number is unlikely to

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[1] J. Matthew McInnis, *Iran's Strategic Thinking: Origins and Evolution,* American Enterprise Institute, May 2015, p. 20.

[2] Laurence Norman, "U.S., EU Urge European Banks, Businesses to Invest in Iran," *The Wall Street Journal,* May 19, 2016.

[3] Carol Morello and Karen DeYoung, "International sanctions against Iran lifted," *The Washington Post,* January 16, 2016,

[4] Anthony H. Cordesman, "The Conventional Military," The Iran Primer, United States Institute of Peace, August 2015, Data for all countries from 1988-2015 in constant USD, SIPRI Military Expenditure Database,

change significantly in the near term given continued unilateral sanctions and international hesitance to invest in Iran.[5] Limited cash flow also inhibits Iranian ability to fund proxies in the Middle East. Acting Treasury Undersecretary for Terrorism and Financial Intelligence Adam Szubin asserted in a May 2016 Congressional testimony that as a result of U.S. sanctions on Iran for its support of Hezbollah, "the group is in its worst financial shape in decades." Although the IRGC largely is isolated from international pressure, it operates at the will of Iran's Supreme Leader, who does react to domestic demands. Constraints on Iran's economy and resulting pressures on the Iranian people can affect the Supreme Leader's calculus. The GCC states' backlash to Iran's coercive activities also hampers the latter's security interests. Reacting to Iranian proxy subversion and empowerment of Shi'a groups in the region, the GCC has empowered anti-Iranian Sunni proxies of its own, particularly in Syria, thus escalating the civil war. Reports of Saudi and Qatari funding that assists Jabhat Fateh al-Sham (formerly Jabhat al-Nusra) and other Salafist groups in Syria directly counter Iranian efforts to increase its influence in the region, and pose a security threat to Iranian interests.[6] The GCC is also bolstering its conventional capabilities, with Saudi Arabia looking to become the fifth largest buyer of arms in the next five years, with a budget upwards of $60 billion.[7] Despite its best efforts, Iran will be unable to keep up with that level of military spending.

Iranian behavior can have unintended consequences, backfiring on efforts to improve its standing within the international community and negatively impacting its economy and its security calculus. The regional reactions to Iranian coercive behavior has created unlikely avenues for dialogue and possible cooperation among traditional adversaries, notably between Israel and Saudi Arabia and Israel and the UAE. These countries share deep concerns about Iranian destabilizing activities and have discussed political and economic ways to curb them. On balance, Iran's strategic approach provides short-term deterrence benefits, but is to the detriment of the country's longer term objectives.

ASSESSMENT OF THE CURRENT U.S. APPROACH

The U.S. approach to Iran has deterred significant leaps forward in Iranian activities and capability development. Sustained U.S. leadership in mobilizing an international push for a dual-track policy of diplomacy and economic sanctions resulted in the achievement of the JCPOA. Despite some ambiguities in JCPOA implementation,[8] this approach has cut off all of Iran's overt routes to a nuclear weapon, put in place vigorous and intrusive transparency measures to verify Iran's compliance, and ensured sanctions can be snapped back into place if Iran violates the deal. The United States and its regional partners have also made sound investments and enhanced training and exercises to improve the regional military balance, particularly in their counterterrorism, intelligence, missile defense, air strike, and maritime operations. Yet, enduring military relationships and sustained investments have failed to instill the needed confidence among partners to assure them that the United States is committed to pressing back against Iranian destabilizing behavior and capability development. Israel and the GCC countries in particular do not believe that the United States has taken the Iran challenge seriously enough. They have also expressed concerns about whether U.S. leadership and commitment in the region will endure, following U.S. troop drawdowns in Afghanistan and Iraq, the announcement of the Asia-Pacific Rebalance, and the narrow U.S. approach to addressing the Syrian civil war.

The United States has largely been unable or unwilling to deter Iran's incremental extension of regional power and threshold testing across a range of military and paramilitary activities. Despite some key successes against and pressure on the

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[5] Ron Kampeas, "Hezbollah in 'worst financial shape in decades,' says top sanctions official," The Jerusalem Post, May 27, 2016.

[6] Kimberly Kagan, "The Smart and Right Thing in Syria," Strategika, Issue 01, Hoover Institution, April 1, 2013.

[7] Alia Chughtai, "GCC military spending spree," Al Jazeera, June 4, 2016,

[8] A number of ambiguities have troubled JCPOA implementation, including what happens to Iranian nuclear development as the JCPOA enters its latter years and whether a cap should be placed on Iranian missile development. In addition, it is unclear whether certain commercial transactions may take place and foreign banks can conduct dollar-denominated transactions with Iranian entities with tangential contact with the U.S. number of ambiguities have troubled JCPOA implementation, including what happens to Iranian nuclear development as the JCPOA enters its latter years and whether a cap should be placed on Iranian missile development. In addition, it is unclear whether certain commercial transactions may take place and foreign banks can conduct dollar-denominated transactions with Iranian entities with tangential contact with the U.S. financial system, restoring the "U-turn" transactions by which dollar transactions between Iran and foreign banks can be cleared by the New York Federal Reserve bank.

Iranian threat network, including enhanced financial pressures applied earlier this year, the United States has most notably failed to effectively curb the deepening reach of Iran's network of proxy actors and activities in Syria, Iraq, and Yemen. Indeed, in the last five years, the network has grown.

Beyond these proxy activities, regional cyber infrastructure is vulnerable to Iranian penetration, challenging economic, energy, and operational activities of key U.S. partners in the region. U.S. military presence in the Gulf deters large-scale Iranian incursions at sea but has failed to stem IRGC-Navy provocations. Regional missile defense capabilities have grown in the last five to ten years but remain vulnerable to accelerating Iranian missile capabilities. Finally, Iran's ability to wage "soft" or political warfare through information operations, projecting its regional activities and capability development to magnify and glorify its power and influence, remains largely unchecked by the United States and its allies and partners.

TOWARDS A DETERRENCE APPROACH

The next Congress and the new U.S. administration have an opportunity to chart a pathway forward vis-á-vis Iran that protects U.S. interests, strengthens deterrence, and sets the conditions for changing Iran's behavior. The United States should evaluate a range of policy choices to determine the most important security objectives in its Iran strategy and prioritize them accordingly. Inevitably, there will be tensions among these objectives that the United States will need to assess and address.

The United States may choose to elevate its counterterrorism objectives in its approach to Iran, given the unique challenges that Iran's expansive threat network poses to U.S., allied, and partner interests. Despite short-term U.S.-Iranian alignment of interests versus ISIS, Iran's support for terrorist proxy groups and growing IRGC activities and influence run counter to U.S. interests and objectives. Left unchecked, these conditions set a dangerous dynamic whereby Iran's deterrent value to direct action by the United States and regional partners is enhanced, but Sunni powers perceive that they must also support their own proxies to counter Iran's activities. IRGC-supported groups in Iraq and Syria will be in a strong position to threaten and/or deter states and actors that would seek to contain and press back against Iranian influence, once ISIS is degraded and attention turns toward stabilization efforts in Iraq and Syria. After Mosul is cleared, it is possible that some Shi'a militias could revert to "first principles" of resisting U.S. influence and presence, possibly even through kinetic means, against remaining U.S. personnel in Iraq. Although Iran has less incentive and influence to create true proxy forces in Yemen and Bahrain, it will continue to seek to keep GCC countries off-balance with its support to groups (e.g., arms flows and propaganda) in those countries.

To curb this trend, the United States should uphold its end of the JCPOA with Iran while simultaneously enhancing efforts to reduce or counter Iranian support of terrorist proxy groups, particularly as it threatens allies and partners' interests in the region. The United States should ratchet up direct and indirect targeted and calibrated operations to disrupt IRGC activity, interdict support for proxies, and undermine Iran's regional cyber activities. Through amplified information operations, the United States should publicly expose groups that receive Iranian support, and exploit national sentiment in the region that bristles at Iranian interference through information operations. The United States should build the capabilities of and regularly train and advise regional partner security forces, employing scenario-based exercises focused on Iran and its proxy groups. It also should patch known cyber vulnerabilities in the region's critical infrastructure to complicate Iranian efforts to compromise the confidentiality, integrity, and availability of critical systems and structures, through cooperative efforts with regional partners.

This strategy will have its limits. Absent ideological changes in the Iranian government, the United States will not be able to change Iran's reasoning for supporting proxy groups in general or its use of proxy groups to deter U.S. and regional actions specifically. A counterterrorism-heavy approach may prompt Iran to reassess its commitment to the JCPOA, due to backlash among Iranian hardliners toward policies of President Hassan Rouhani and Foreign Minister Mohammad Javad Zarif, especially if the United States imposes new terrorism-related sanctions that mimic prior nuclear ones. U.S. or allied action against Iranian proxies could be seen as a serious act of aggression if not calibrated to maximize effect while mitigating blowback. Iran is likely to respond with kinetic attacks, information operations, and cyberattacks on U.S., allied, and partner personnel and economic interests in the region via its proxies. In such cases, the United States should employ asymmetric responses and application of pressure.

To manage these limitations, the United States should calibrate its actions to prompt behavior changing results and send a message that certain groups, interests, and assets are off limits. The United States government will have to determine internally what its redlines are with respect to Iranian proxy activity, perhaps by tiering threats to U.S., allied and partner interests, and broadly destabilizing activities, and to take concrete action when the threshold is tested. It must determine when to make its counterterrorism actions known and when the action and message should be telegraphed privately (or to let it speak for itself).

RECOMMENDATIONS

Absent changes in Iran's strategic calculus and orientation, it will likely continue to rely on its network of proxies to shape the region, increase its influence, and constrain actions by the United States and its regional partners. However, there are steps that the United States, working in coordination with allies and partners, can take to limit the reach of Iranian proxy activities and stem further growth of proxies in the region. These measures include:

- Ratchet up direct and indirect targeted and calibrated operations to disrupt IRGC activity and interdict support for proxies, based on an intelligence and operational assessment of U.S. and Iranian red lines for action;
- Conduct cyber disruption of proxy activities;
- Avoid inflating Iranian capabilities and intentions, but at the same time, be prepared to respond strongly to Iranian provocations across the spectrum of its coercive activities;
- Expose Iranian-backed groups, front companies, and financial activities outside its borders to delegitimize and discourage Iranian coercive interference;
- Exploit national sentiment in the region that bristles at Iranian interference through amplified information operations. Leverage information operations to highlight inconsistencies and ulterior motives of the Iranian approach to reduce local support; debunk exaggerated Iranian claims to assure partners and deter further Iranian action by insinuating U.S. and regional partner activities;
- Sustain U.S. and international financial pressure on IRGC and proxy activities; and
- Minimize the space that the IRGC can exploit in the region by:
  - ♦ Building the capabilities of and regularly exercising with regional partner security forces, including through the employment of scenario-based exercises focused on Iran and its proxy groups to plan for risk mitigation strategies and determine how far to escalate with Iran; and
  - ♦ Providing training, advising, and funding for governance and resiliency initiatives in countries vulnerable to Iranian penetration.

Even a U.S. strategic approach that seeks to significantly amplify pressure on Iran cannot be purely punitive, or it will prove escalatory and feed the Iranian narrative that the United States' sole objective is to undermine Iran's stability. Iran has an ideological aversion to engagement with the United States. Thus, the United States should consider a range and combination of incentives to test for areas of constructive Iranian behavior linked to changes that Iran makes, such that they are synchronized as one move. These incentives could include:

- Exploring membership in multinational organizations to enhance Iran's voice in international political and economic issues, making Iran potentially more responsible for its actions by "buying into" the international system (e.g., moving forward with World Trade Organization accession);
- Continuing to include Iran in political negotiations on Syria, Iraq, and Yemen, in the context of a broader strategy created by the United States, Israel, and its Arab regional partners;
- Pursuing economic incentives through third party countries, particularly in Asia, while retaining pressure through U.S. and European sanctions;
- Attempting more commercial sales from the United States and Europe, if Iranian behavior improves and sanctions relief is possible (e.g., the Boeing/Airbus licenses);
- Negotiating payload caps on Iran's missile development; and
- Allowing conventional arms sales to Iran to resume when the JCPOA-ban on conventional weapons trading with Iran expires in 2020.
  - ♦ Conventional capability development could diversify Iran's military investments, perhaps with less emphasis on its unconventional capabilities that have proven among the most destabilizing to U.S. and regional interests in the past 37 years.

- Such conventional capability development must remain in the bounds of the regional military balance of power so as not undermine U.S. allies and partner's security.
- The United States should assure Israel and Gulf partners that this development is linked to additional capability development, arms sales, and financial incentives for them, in order to preserve their primacy.

The CHAIRMAN. Thank you. I am just going to ask one question and then defer to Senator Menendez, keeping my remaining time for interjections.

When the agreement was being negotiated, I know some of us were in Jordan, which was the Switzerland of this deal, where many of the meetings took place. One of the things that they would say is that the revolution is over. The revolution is over. Iran is a different place.

Obviously, the descriptions that you have just laid out run counter to that, since the reason Iran has proxies is to further the revolution.

But I wonder if the two of you, as distinguished witnesses could just very briefly answer the question, yes or no, do you believe the revolution is over?

Mr. MCINNIS. Certainly, for the current leadership, it is not. What I usually argue is that, for this particular leadership, the revolution is the political infrastructure that allows them to retain power. And they can change the ideology if they want to, but they have not figured out what that change would look like in order for them to maintain power.

I think everyone that follows the region in this town, in academia, and around the world, asked that question of, are they going to have the China in the 1970s movement, the Deng Xiaoping movement? Are they going to have a Gorbachev moment where they are going to change the ideology?

The Iranians actually worry a lot about that. They debate that internally. I think they are scared that it is going to happen. Some of them are scared that it is going to happen and they are all going to go through an early 1970s Gang of Four purges, everyone dies, kind of moment when that happens.

For right now, the revolution still matters, and it is what keeps them in power.

The CHAIRMAN. Ms. Dalton?

Ms. DALTON. I heartily agree with Mr. McInnis's characterization. I would only add that there has been historically tensions in Iranian policy, the pull of ideology, which is still quite strong today but also a dose of pragmatism in terms of economic development and a desire to have credible standing in the international community.

You see Iran over time trying to balance those two elements of their policy. There is a push and pull that occurs in the leadership in trying to strike that balance.

So I think the sweet spot that the United States and its international partners have to find is a way to constrain the behavior that is a manifestation of Iran's ideology and harnesses the potential of the pragmatism.

The CHAIRMAN. Thank you.

Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you to our witnesses.

Mr. Chairman, for a couple decades now, Iran has sought to extend its brand of governing through terror and intimidation throughout the region. I know that champions of the JCPOA insisted that with a hold on Iran's nuclear program, that we would be able to expend our resources to combat these more conventional threats from Iran, and I was looking forward to doing that.

However, in the past 2 years since the agreement, we have seen Iran test us in a variety of ways. Even the production of heavy water in violation of the agreement is in itself—the ability to produce that much heavy water is a precedent for a set of circumstances which gives them access to other developments of their program.

Yes, once we bought it and now they transfer it, in the second case. But the reality is that it is a violation of the agreement. Beyond that, in a more conventional way, their engagement in ballistic missile technology in violation of what was U.N. Security Council resolutions, their engagement on terrorism has not stopped, their engagement in Iraq and Syria and Yemen are tremendously challenging in terms of our national interests as well as partners in the region.

So it just seems to me that I hope that in the next Congress, colleagues who have been reticent to deal with the nonnuclear issues of Iran will be willing to be engaged in them in a way that I think can be incredibly important to our national security.

I think that the extension of the Iran Sanctions Act shows that despite all the ballyhooing that Iran might walk away from the agreement if the sanctions were extended, that is not quite the—to the contrary. I see them appealing to President-elect Trump to not walk away.

So it is very interesting that, notwithstanding all the blustering, the reality is that sanctions have, in fact, not had them move away, which then brings me to what is it that we do as it relates to all of these actions.

So I would like to get a sense of you, Mr. McInnis, you mentioned the Countering Iranian Threats Act that Senator Corker and I introduced in this Congress. What elements of that most particularly do you see as helpful toward this goal? And what can we do with our international partners to effectively enforce U.N. sanctions on conventional weapons and ballistic missiles?

I would like to hear from both of you on that.

Mr. MCINNIS. Thank you, Senator Menendez.

In particular, I always supported taking a very comprehensive look at what Iran is doing from their conventional efforts, the support for terrorism, of course the nuclear program itself, human rights, the entire field.

I think, in particular, in the 2016 updates to the bill, including something that I personally advocated for, including a comprehensive strategy for the U.S. Government to pursue the Defense, State, Treasury, DNI, producing a real coordinated strategy, which when I was in the government, it was very difficult, frankly, to have. We did not really have a sense of all the different elements of U.S. national power. Even if you could not necessarily have a fully coordinated effort, at least all sides were talking to each other, recog-

nizing what we are doing on terrorism, what we are doing on counterfinance, and what we are doing on our military posture in the region is working well with our diplomatic efforts.

We weren't necessarily always talking well to each other. So I think that, in particular, I thought would be a huge help.

And I think when it comes to recognizing the balance of what we did on the nuclear program, if I can be a little provocative here, what it took to effect the nuclear program, our efforts on sanctions and our pressure that we also brought to bear on the diplomatic front and, frankly, on the military front, to bring Iran to the table—and let's be honest, there were also incentives involved. We conceded on uranium enrichment.

All of that, when you look at that, to bring Iran to negotiate, that was on something that was fundamentally a program that was not existential to Iran. It was very important to Iran, extremely important to them. But they did not have a nuclear weapon yet. So therefore, the nuclear weapon was not part of their deterrence strategy yet. Therefore, it is something that could theoretically be traded away at the table. It was something that could be negotiated, the reason why I focus, try to condense in my testimony, about the importance of existential issues, whereas something like proxies have become existential to Iran.

Lebanese Hezbollah is absolutely existential to Iran to deter Israel, for example. Their ballistic missiles are something they already have, and, therefore, in order for us to pressure Iran to restrain themselves on their conventional missile program or on something like Lebanese Hezbollah is going to require an effort with us and our allies, frankly a much greater effort than it ever took for us to get them to the table to get to the JCPOA as much as we may not like that agreement.

Again, not to be such a pessimist about it, but it is something to remind—it is an enormous challenge for us.

That does not mean we do not need to do it. It is just that it is so important to remember that when you are faced with something like the missiles, like the proxies, it is essential for us to understand how important it is to Iran and that if we are going to do it, we have to bring a whole lot of force to bear or we have to bring incentives to bear, which is another question.

Senator MENENDEZ. I will just say, as my time has expired, I appreciate your naming and shaming, but I have to be honest with you, I do not get the sense that Iranians are going to stop if it is such an existential desire that they need, that naming and shaming is going to stop the flow.

When we talk about incentives, I read in Ms. Dalton's testimony that you suggest the possibility of including Iran in international organizations. I am just not sure that a country that violates just about every international norm should be invited into an international organization because that doesn't necessarily change attitudes. If you look at Russia, they violated international norms, invaded Ukraine and next Crimea, are in Syria supporting a dictatorship that chemical bombs its own people.

I am not sure that invitation to such entities, into international organizations, is the greatest inducement in the world. But I do

think that pursuing the course of money to proxies and other entities is incredibly important.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Rubio?

Senator RUBIO. Thank you.

I think we were all happy earlier this year to see American citizens that had been unjustly held by Iran returned, irrespective of the circumstances under which that happened, which were less than ideal. But one of them was not Robert Levinson, an American who has been missing now for a very long time.

Since that time, we have seen in February that Iran arrested Baquer Namazi, whose son was arrested in October 2015. They were both convicted in October and sentenced to 10 years in prison.

So my question is, and I would like to hear from both of you on this, is, in fact, Iran using unjust arrest and detention of American citizens as a tool of statecraft to ensure that it receives additional benefits from the United States in the future? And if so, was that incentivized by perhaps the circumstances surrounding the releases we saw earlier in the year?

Ms. DALTON. I think that Iran sees the persistent detention of U.S. citizens and its own citizens at times as a source of leverage to achieve a broad set of objectives. At the same time, there is, as I mentioned earlier, a dose of pragmatism in the regime such that there is the possibility to broker negotiations to secure the release of our citizens, but ensuring that those negotiations happen systematically and are synchronized in such a way that we are not rewarding the bad behavior but are justly seeking the release of our citizens in accordance with international law and rules of the road.

Mr. MCINNIS. I would certainly agree that Iran has a very, very long history of taking our citizens as well as citizens from a number of other countries as leverage points. And frankly, it has been part of their statecraft since the early 1980s.

And certainly, we have actually seen that increase since the nuclear deal, in my opinion. Dual nationals, in particular, have been the target.

That is actually something that I had written about and anticipated, that Iran after the nuclear deal is particularly worried that the opening up—because they are afraid of President Obama's, from their perspective, implicit strategy with the deal that including Iran into the international community is going to start a slow change inside the regime, and the supreme leader is very concerned that that may actually happen, and so, therefore, is clamping down even harder on human rights as well as threatening international Iranian dual-national businessmen, holding more Americans that visit as hostages as leverage chips.

They are trying to ensure that they have as much leverage as possible. It is something they want to ensure that the deal does not create positive change inside their society.

Senator RUBIO. Let me ask about one more thing. We all saw recently the Boeing sale of aircraft to Iran. I find that to be extremely troubling. It is important to remember that earlier this year, Iran Air was designated for providing material support and services to the IRGC and its Ministry of Defense.

When they were designated in 2011, the Treasury Department noted that rockets or missiles had been transported via Iran Air passenger aircraft and the Islamic Revolutionary Guard officers occasionally take control of Iran Air flights carrying special Islamic Revolutionary Guard Corps-related cargo.

In addition to that, we have seen other related airlines like Mahan Air, they are the same or worse.

So we have no indications that these airlines have changed their activities. We have no assurances that Iran is not going to use these Boeing planes in the same way that they have used other aircraft.

I understand that some will argue it would be a violation of the contract. Well, I do not know where they intend to enforce that. What court are they going to take that to?

But I guess given your background on Iran, when they receive this aircraft from Boeing, is it your view, and again, I would ask both of you, that we should expect to see the likelihood that this aircraft will be used in the exact same way aircraft have been used in the past by Iran Air and by others to assist the IRGC and other designated entities?

Mr. MCINNIS. I would expect, given Iran's history with such aircraft, there will be some that will be used in that manner, and there will be some that will be used for their commercial purposes.

Iran has very long use of dual use of all capabilities and technology that it requires. So I would be surprised if they do not. That would be my answer.

Ms. DALTON. I think that this is very illustrative of the need going forward in the new Congress and new administration to chart a holistic approach to Iran such that we can sequence the moves that we would like to make in shoring up our deterrence while at the same time incentivizing behavior changes.

In constructing a framework that way, you can evaluate the risks that you are highlighting if we are to consider certain incentives. Can certain commercial transactions lead to Iran using those products for dual use purposes in ways that are contrary to U.S. interests? Then perhaps in the greater context of our strategy, that does not make sense.

So I would encourage the next administration, and the next Congress, to evaluate programming that we already have underway, initiatives that we have already started, but in the context of a grander strategy that seeks to strengthen our deterrence, secure our interests, and protect our allies and partners.

The CHAIRMAN. Thank you.

Senator Cardin?

Senator CARDIN. Thank you both for your testimony.

One of the areas that concerned me in regard to the oversight by Congress of the nuclear agreement was expressed in legislation that I referred to earlier that was cosponsored by many of my colleagues, and that is for Congress to understand where the sanction relief resources are being used by the Iranians.

If they are used to enhance their economic fairness to its citizens, I think all of us would say that we should well support that type of effort. But if it is used to enhance their support for terrorism or

to use it to advance a ballistic missile program, then obviously, that is a different story.

So can you share with us how you believe the sanction relief resources have been used by the Iranians and whether you have seen any uptick or not in their other activities?

Mr. MCINNIS. I think still most analysts would agree that the majority of the sanctions relief in a broader sense, especially the incoming, say, for example, oil sales and FDI, foreign direct investment, that has gone in, in a broad sense, probably the majority of that is still going into more nonterrorism, nonproxy, non-IRGC-related activities.

But what we are seeing, for example, is that the IRGC is trying to ensure close to 10 percent of all the incoming foreign direct investment is going to be dedicated to their activities. That is something they are trying to get ensured as a regular percentage.

We have seen some of these direct transfers——

Senator CARDIN. What type of investments would these be?

Mr. MCINNIS. Just, for example, any type of incoming deals that Iran is striking with foreign companies to do investment, from any type of industry, auto, air, energy sector. Basically, IRGC is looking for its cut. It is going to get a certain cut of that.

Senator CARDIN. Would that come from the Iranians or would that come from the investor?

Mr. MCINNIS. That would come from, whatever the deal is signed, 10 percent of it would go into IRGC funding somewhere within the budgetary system. The IRGC has all sorts of gray budget capacity to funnel money within the system.

That is still being argued within—there is a lot of back-and-forth happening right now in the Iranian budget about who is going to get what from the largess coming out of the deal.

Senator CARDIN. But, in fact, have they gotten their cut on these projects?

Mr. MCINNIS. I do not know if they have actually finalized that. That is what they have been arguing for in the recent budget fights.

But we also know that some of the actual transfers of money that have been coming in since the deal was implemented have actually kind of doubled the military's budget for like a 1-year term because of the transfers that have come in from the one-time deals. Whether that is going to continue into subsequent years is undetermined.

So basically, the IRGC is getting like a 1-year bump this year that is quite significant. Whether that is going to continue into the out-years is uncertain.

So we are seeing a very significant influx. A lot of that, of course, is going into sustaining—what you would consider OCO funding that is going into sustaining operations in Syria and Iraq. How that is going to flow into building—for example, are they going to build a new air force, try to recapitalize their navy, try to build new proxies in the Arabian Peninsula or Africa or in South Asia? Those are questions that I am not quite sure yet.

Senator CARDIN. I think we all would acknowledge that prior to the nuclear agreement, Iran's economy was in pretty bad shape.

Mr. MCINNIS. Yes. A serious recession, yes.

Senator CARDIN. Sanctions were really having a major impact.

Mr. MCINNIS. Yes.

Senator CARDIN. We can certainly also acknowledge that Iran has been actively engaged in its proxy activities, and whether they could have done that with or without these resources, we do not know. But they are actively engaged in proxy campaigns.

How can we learn the lesson for how we impose sanctions for their nuclear activities and figure out a way that we can make our sanctions regime on ballistic missiles and on sponsoring terrorism and human rights violations more effective to be consequential to change behavior in Iran?

Ms. Dalton, do you want to try that one?

Ms. DALTON. Yes, thank you, Senator. Great question.

I think that we can certainly extract lessons learned from how Iran is leveraging the funding from the sanctions relief and apply it to future cases of sanctions, We could, perhaps build in off-ramps or learn from the snapback effects that were used in the nuclear negotiations and resulting sanctions to better understand, first, how money flows and operates in the Iranian system and then create trigger mechanisms, indicators that we can look for such that if sanctions relief or sanctions are put in place for future missile development, future proxy activities, that action can be taken to revoke any sort of relief if Iran goes down a certain pathway.

So I think building that into the system upfront as we design a holistic approach would be wise.

Senator CARDIN. Thank you.

The CHAIRMAN. Senator Perdue?

Senator PERDUE. Thank you, Mr. Chairman.

I want to follow the money. We had a hearing last week and we talked about that, but I also want to talk about the connection between IRGC and the money trail.

I am very concerned—by the way, we had a question earlier, is the revolution dead? Well, by definition, the IRGC, it is in their name. Their existence depends on this being a continued, exportable revolution, in my opinion.

But the IRGC, just like the PLA years ago used to have a significant portion of China's economy, the IRGC has up to 20 percent to 30 percent of Iran's economy, which means they have an ongoing source of revenue to export and support terrorism around the world. And we know from the Treasury Department's own report, weapons of mass destruction support, support for terrorism, Hezbollah, Bashar Assad, militia, the Shiite militia just in Iraq that we know since 2005 have actually killed more than 500 U.S. soldiers. The Houthi rebels, the list goes on and on across the entire region. We know the IRGC plays an important role.

The question is how can we, in a post-deal environment, use our economic sanction ability and our financial ability to get at the flow of money through the IRGC to these terrorists? The reason I am asking that is because the money flow, Mr. McInnis, I do not disagree with you, but there is still money to come. We are opening up economic sanctions, releasing sanctions. We know they have assets in other countries.

So this money flow is not just a one-time deal. With $33 billion in cash and gold, yes, they will get a bump this year, but they are

going to continue to get increased availability of cash or spendable money for their nefarious activities.

So my question to both of you is, how would you advise the next administration? With the IRGC and money flows and the releasing of sanctions and the opening up of business over there, what is our role? How can we hinder their ability to further support terrorism around the world?

Mr. MCINNIS. Well, I think what you get to—and you are absolutely right that this one-time bump is a one-time event but they will certainly continue on.

In thinking about the last question, I think what we are looking for is how you create an Iran that is certainly going to go through a degree of economic expansion over the next few years, at least according to most estimates. But how do you create a recession in the IRGC's economy? How do you separate that out?

Senator PERDUE. I am sorry to interrupt, but even before they have an economic renaissance, just releasing their assets with other countries means that there is a flow of cash coming to them immediately, independent of whether their economy grows. Is that correct?

Mr. MCINNIS. Yes. And you are right to also bring up the PLA because actually, prior to doing the Middle East for number of years, I actually worked on China's security issues and I am familiar with the whole PLA business model concerns and that process of getting the PLA out of business.

Iran at some point in time may go through the same process, because they are running into some of the same problems that China did in that.

But I think the Iranians, there is a recognition that over time it is going to become a problem for the IRGC, if it is going to actually have this type of dynamic economy that integrates with the rest of the world, the IRGC eventually is going to have to take probably a lesser role. But I think the key for that—the problem with the nuclear deal that many of us talk about—there are many problems with it—but one of the biggest problems is that it is frontloaded to Iran's favor in that they get most of the benefits upfront. We get the benefit that they actually do not build a bomb throughout the entire period.

But part of the reason—what you can change in that equation is if the frontloading doesn't actually happen in all the front where the business climate is not completely favorable at the beginning. That is where you change this dynamic that happened in the last 12 months or so where we go out there and we are encouraging the international community to invest in Iran, and we relax the issues of using dollars for business transactions for foreign companies.

We do all these things to make it easier to invest in Iran. We make it so it is not so problematic if a U.S. company with a foreign subsidiary does business with guys—that that company has IRGC guys in the back room or somewhere on their corporate board.

We have relaxed a lot of those rules recently. All those rules with the incoming administration or with rules coming from this body, some of that stuff can be reversed. You can change the frontloading. You can make it more conditional that that business climate and that money flow—and place the burden back on Ira-

nian business that the IRGC's role and the money—and businesses related to the IRGC, that they become a business burden.

That is something that you can change, that equation, I believe and focus on that and make those businesses recessionary.

So I think that that is something that could be looked at and focused on.

Senator PERDUE. I am sorry, Mr. Chairman. I am out of time, but could I ask your forbearance and ask Ms. Dalton to respond really quick?

The CHAIRMAN. Absolutely.

Senator PERDUE. I am sorry.

Ms. Dalton?

Ms. DALTON. Thank you very much.

I think that in addition to what Mr. McInnis laid out, harnessing the coalition that was used to broker the JCPOA on approach to Iran going forward is going to be of paramount importance.

The reality is that there are limits to what the United States can do directly vis-a-vis the IRGC. But leveraging the broader coalition of P5+1, perhaps even some Asian allies and partners, would be a broader and more holistic approach to addressing this problem set.

I think that another dimension of this, thinking of creative ways to offset the IRGC over the long term and put something a little bit provocative of the table that was in my written testimony and would welcome further discussion on it, but something my colleagues and I have been discussing is, over the long term, at the end of the JCPOA period in 2020, the sanctions on an international ban on conventional arms sales to Iran will be lifted. Is there a future scenario in which——

Senator PERDUE. That is 5 years, right?

Ms. DALTON. Yes, in 2020. Is there a future scenario in which Iran is able to divert funds to its conventional arms capability and away from the IRGC? As Matt has pointed out, the IRGC is front and center to the ideological ambitions of the regime. But in terms of Iran's pragmatic interest in the region, its power projection, its desire to have a political and strategic role in the region, that often can come from a conventional capability.

So it is an issue in which the United States perhaps doesn't want to be forward-leaning on. But is it possible for the United States to tacitly allow for, over time, the development of Iran's conventional capability to offset Iranian investments in the IRGC, which have historically run up against and threatened the interests of the United States and its allies and partners?

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

And thank you both for being here this afternoon.

You both talked about Iran's operations in Syria, but I do not think I heard you talk about how they view the Islamic State. I wonder if each of you could characterize how you believe Iran views the Islamic State?

Mr. MCINNIS. Overall, Iran views the Islamic State as certainly a very significant, dire, and theoretically, at least, existential threat.

I think they certainly do not view it right now as an imminent threat, given its current state of military weakness. But they certainly view it as an extension of efforts from Saudi Arabia and, frankly, from us. I mean, they blame both us and Saudi Arabia for creating ISIS, and they see ISIS as behind terrorist cells and activities inside their own country. They have a growing fear of ISIS growing inside Afghanistan. And they are trying to build up their own security forces and new proxy forces and capabilities inside Afghanistan to deal with ISIS there, which is an interesting kind of side theater that is developing.

In Syria, of course, it has been a slightly different story because similar to President Assad, they have cynically used ISIS as a good excuse to fight the rebel opposition and lumping all of those as terrorists. And ISIS was a convenient—and they frankly did not go up against ISIS much during the civil war over the last few years.

But they certainly look at ISIS as a real—in 2014, it was a very clear threat and they are the ones that, frankly, if it was not for the Iranian intervention on the ground in June 2014, it is likely that ISIS could have made it into the outskirts of Baghdad and the Iranian Government knows that.

Senator SHAHEEN. Excuse me for interrupting, but my time is running.

Ms. Dalton, do you agree with that?

And then can I ask you both, given that, how should the U.S. view our relationship with Iran with respect ISIS?

Ms. DALTON. I think that Iran definitely views ISIS as a significant threat to its interests in the region, a manifestation of Sunni extremism that is highly destabilizing.

I think Iran, ideally, enjoys a degree of instability in the region. It is through that level of instability and chaos that it is able to use its asymmetric influence and capabilities most effectively. But it is not in the long-term Iranian interests to have the level of instability and disorder that ISIS has been sowing.

I think the endgame for Iran in both Syria and Iraq is a pliable government that is sympathetic to Iranian interests that is going to push back against ISIS and like-minded groups. But its hedge in that is, of course, the development of Shia militias in both countries.

So while there is short-term convergence with the United States in countering ISIS, I think Iran and the United States are going to be at loggerheads over the long-term trajectory for both countries.

Senator SHAHEEN. So we should not view their efforts in Iraq, for example, to fight ISIS as beneficial to our efforts as well?

Ms. DALTON. I think that there may be short-term convergence of interests, but I do not think that it should be part of the long-term strategic planning for either Iraq or Syria.

Senator SHAHEEN. I think, Ms. Dalton, it was you who mentioned that we should have amplified information operations against Iran. I wonder if you could elaborate on what that means.

Ms. DALTON. There are a number of ways to take this. There is kind of the posture that seeks to unveil Iran's at times inflated capabilities and influence in the region, and really expose it for what it is. The Iranians are quite influential and powerful in some ways,

but they also use their own IO to project their power and influence and kind of knit together all of their capabilities, whether it is proxies, whether it is missile capabilities, to really project their influence.

So there is a counter-IO strategy that the United States could take to unmask what Iranian intentions and capabilities truly are, acknowledge where they are significant and push back against them, but at the same time diminish any sort of inflation that is occurring.

I think also there is more of a proactive approach that the United States could take to harness some of the nationalist Sunni Arab sentiment that are both at the government level and the popular level that are very concerned about the increasing reach of Iran in the region and to try to mobilize some of the support from the population, from the government, in support of a strategy that presses back against Iran.

So the IO is kind of connective tissue, if you will, for a deterrence approach that the United States might take going forward.

Senator SHAHEEN. Can I ask just a follow-up question on that?

The CHAIRMAN. Yes. Sure.

Senator SHAHEEN. So do you envision, and Mr. McInnis, I would ask you to jump in on this as well, do you envision a Radio Free Europe kind of operation or are you thinking more a social media campaign?

Clearly, getting information out to the people who you would want to influence is challenging.

Ms. DALTON. I think there are certainly overt and covert elements to this. There is, inevitably, the question of how credible some of the overt mechanisms can be if it is coming directly from the United States. So I think third parties in the region that share similar mindsets are probably the best overt forms.

Then, of course, there are the convert mechanisms as well, which I think we could bolster.

Mr. MCINNIS. I would agree with almost all of what Ms. Dalton is saying. I think the Iranians are voracious consumers of all sorts of media, and they have extremely creative ways to get around pretty much anything that the government throws up at them. So I think that there certainly are ways that we can get through to the Iranians. At the same time, the Iranians are becoming increasingly clever in ways of getting around that. It is a fascinating environment to work with.

But I do think the Iranians are very keen to hear from us. I think the Iranian people are. So I think it is still fertile, is my opinion.

Senator SHAHEEN. Thank you both very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Kaine?

Senator KAINE. Thank you, Mr. Chair. Great, great hearing and a lot of great questions have been asked that I will not repeat. I am going to get into two that I am interested in.

Ms. Dalton, you said a minute ago that you think we really need to think of a holistic approach to Tehran, the areas we challenge, areas we work together, how do you push and not push too far. I

am really grappling with the holistic approach to the region. I am struck that whether it is in this committee or the Armed Services Committee, we will often have a hearing on Iran, and we will have separate hearings on Sunni extremism or ISIS. I am trying to put these together a little bit.

When I am in the region and I talk to Lebanese or Syrians in southern Turkey or others, they often talk about their own feeling that they are being crushed in a proxy war. So the title of this is Iranian proxies, but they talk about being crushed in a proxy war between Iran and Saudi Arabia, and they feel that that war is playing out all over the place.

They view it somewhat as a war of two nations, and they view it somewhat as Sunni and Shia, and they view it somewhat as Arab and Persian, and they view it somewhat as economic competition, and they view it somewhat as monarchy versus Revolutionary Guard. But they kind of get personified in a proxy war between these two countries, neither of which are going anywhere, both of which are going to be there for a very long time.

You used the phrase a second ago, is there a way that we could use Sunni nationalist sentiment against Iran, but I would worry that that just might continue to escalate the possibility of this proxy war. We did not start the proxy war. We cannot solve the proxy war. There is a proxy war.

And the region is going to be very unstable as long as there is a proxy war between the Saudis and Iran.

What are the prospects of, if any, for using American influence to try to, if not make it warm and fuzzy, at least to ratchet down the proxy war as a way of promoting more stability in the region?

Ms. DALTON. I think that is the million-dollar question. I think that starting with the basics, and a new administration and new Congress have that political leverage and opportunity to do that, to engage allies and partners not just in the region but also in Europe and Asia in terms of what really matters and what it is that we want to accomplish, what are the outcomes that we want to achieve, and how best we can get there. Then working through, perhaps through some scenario-based planning and exercises, how we can all leverage our comparative advantages to achieve those outcomes.

The United States historically has been a great convener, a great mobilizer for those kinds of conversations, even if it is not at the end of the day primarily U.S. resources that are committed.

So I do think there is an opportunity there to have a fresh conversation despite all the multilayered challenges that you have laid out, and an opportunity for the U.S. to exert some leadership.

But I do think the stakes are stacked pretty high against us in terms of this cycle of escalation amongst partners in the region, the Sunni-Shia dimension, the Saudi- Iran regional balance. And I think it is trying to bring them to the table to look at primarily Iraq, Syria and Yemen, and how we can get to a sustainable, enduring outcome for those conflicts at the political level but also at the military level.

And it is going to involve tradeoffs, but I think that having that sort holistic approach, leveraging U.S. leadership to bring everyone to the table at the political and military level, is really important.

Senator KAINE. Let me ask a second question, and I will have Mr. McInnis tackle that first, but if you want to add something in about the proxy war between Iran and Saudi Arabia, I would appreciate it.

Iran let Russia use Iranian bases to help conduct bombing operations in support of the Syrian Government. Traditionally, there has been some wariness to suspicion to hostility between Iran and Russia.

Are you worried at all about Iran and Russia relationship growing into a more cooperative military partnership? Or do you think that would be an unlikely thing to have to worry about much?

Mr. MCINNIS. I will tackle that one first.

I think the Iranians and Russians obviously have an enormously difficult history, deeply suspicious of each other. At the same time, there is a certain marriage of convenience that is useful for them strategically right now. I think they are both very worried about the other selling each other out at the end, and Syria being the obvious case for that. I think the idea that the Russians may cut a deal with us or with some other power, that puts them at a disadvantage.

At the same time, as I was mentioning in my testimony, this latent deterrent capacity that—Iran has spent a lot of time inside Syria in the last few years Iranianizing the state, building this kind of Iran version of Syria with the national defense forces, recreating parts of the intelligence structures in Syria. It used to have only one guy in Syria and that was Assad. It did not have anything else.

Now it has a lot of the state, not all of it, but it has a large portion of the state that is really kind of under Iranian influence on the ground, which Russia really doesn't have. Russia has a lot of conventional power on top but Iran has built kind of a deep state, like it has been doing in Iraq for all these years.

I think Iran has its own version of a veto over whatever Russia wants to do inside Syria. So you have this very weird Russia-Iran veto over each other in Syria that is really kind of interesting.

So I think, at the same time, Russia doesn't necessarily want to manage all the Middle East. Iran has bigger plans for the Middle East than Russia does. So I think this is where you end up in a situation where I am very concerned about where Russia wants to go in the region. I do not know how Russia is now going to factor into Iran's deterrence strategy—i.e., does any type of confrontation we or the Saudis or the Israelis have with Iran in the future, does that implicitly mean that Russia is going to come in and back up Iran? Does that trigger a Russian intervention or Russian threat of force if we or the Saudis or the Israelis get into it with the Iranians? I do not know. That is a very big question.

Senator KAINE. My time has expired, so I think I should defer to Senator Markey at this point. But thank you.

The CHAIRMAN. Thank you.

Senator Markey?

Senator MARKEY. Thank you. I want to follow up on Senator Kaine.

The great fear, obviously, that Israel has is that there is going to be from Tehran through Baghdad, through Damascus into Leb-

anon and Hezbollah, this greater threat to Israel, which is going to be created. The Sunni, Saudi Arabia, they have a fear that through Baghdad, through Tehran, through Damascus, it is going to be a greater threat to them.

So we have this thing that is developing. It can be dealt with realistically or we can just step back and wait for the whole dynamic to unfold. So we have a choice here as Americans to kind of anticipate the inevitable and try to get into this underlying pathology with an intervention in a timely fashion.

So we know that going back to the early 1980s that the Iranians and the Russians were the partners of Assad's father because the naval base was up in their hometown, the Assad hometown. So we know that is going to be a driving force for the Russians and for the Syrians.

And we can see that until that is completed, the Russians and Iranians are going to partner with Hezbollah to help Assad finish the job, not just in Aleppo but in the other cities where the Sunni moderates remain, and that it is more likely than not that they will be successful in accomplishing that.

So I guess my question to you is, knowing that, or anticipating that, and knowing that it is highly unlikely that Assad is going to go to the International Criminal Court, and that we have to just deal with this realistically, what would you now say to American policymakers about what the United States should be specifically saying to the Russians at this point before the mission is completed for the Shia inside Syria? What would you say are the words that should be spoken to Russia the looks like an understanding that we can reach that kind of de-escalates before there is a rapid escalation that allows the Sunni-Shia rivalry to just spiral out of control?

Ms. DALTON. To first narrowly address the problem of the Iranian proxy influence in Syria and more broadly in the threats it presents to Israel and the United States and more broadly looking at the Syria problem set, when it comes to what specific steps the United States and its allies and partners can do, I think, at a military operational level, doing more to interdict and constrict supply lines to IRGC-backed groups in the region, the Israelis are obviously closely tracking this, but the more that we can do to work together with other partners in the region as well——

Senator MARKEY. To interdict?

Ms. DALTON. The supply lines to IRGC-backed groups that are operating in Syria and more broadly in the region. I think we can step up our efforts to do that such that it undermines the potential for there to be a long-standing IRGC——

Senator MARKEY. Do you think that can be successful?

Ms. DALTON. I think that there is——

Senator MARKEY. What do you think the probability of that being successful in the future is?

Ms. DALTON. I think that there is likely more that can be done.

Senator MARKEY. No, I am asking what do you think the likelihood is of it being successful at the end of the day?

Ms. DALTON. I think that there is likely to be some continuing presence as a hedge and protective force for Assad in the form of IRGC-backed groups in Syria but that we could mitigate the reach

and power of those groups by interdicting and cutting off some of the supply lines.

Senator MARKEY. Right. But do you see a negotiation that begins? When does that begin, in your mind?

Ms. DALTON. Yes. I mean——

Senator MARKEY. Or does it begin?

Ms. DALTON. So there is the military dimension operational things that we can do. I think at the political and diplomatic level that there are markers that the United States should set down very clearly in terms of the outcome and end state for Syria that limits the influence and long-term presence of IRGC-backed groups in Syria.

Senator MARKEY. Okay.

Mr. McInnis, how would you deal with this in a way that anticipates what looks like it is unfolding to be? And when do you start the process of trying to negotiate protections for the Sunnis politically inside of that country as the Shia continue their inextricable march? When do you begin the process of protection for the Sunni?

Mr. MCINNIS. I think, in some ways, there are a lot of parallels at this stage in a more condensed time frame to what has been happening in Iraq over the last 10 to 15 years where I think you are going to be dealing with a situation where protecting areas—where what has happened with the IRGC and building up these capabilities like the NDF and in some ways there is a certain degree—I would not say quite sectarian cleansing that has been going on in Syria, but creating what people expect to be these zones of control or zones of influence that will probably be some form of whatever settlement, if we ever get to that point.

But I think the Iranians have really staked a lot of their hope or what they are going to fight for in any type of settlement is that they are able to maintain these new forces that they have built as part of the Syrian Government's apparatus, and I am not really sure how you unhinge that, how you leverage that out. I think really——

Senator MARKEY. Is it better done sooner than later in the process?

Mr. MCINNIS. It is certainly better done sooner than later. I think the irony is that you end up in a situation similar to what we deal with in the Iraqi dynamic where you find yourself, as horrible as it sounds, you find yourself that the Syrian Government would rather not have to depend on all these Iranian capacities, and I think any efforts that can be done as you start forming some type of new reconciliation government, if you can call it that, that does not depend so much on these new capabilities that Iran has built——

Senator MARKEY. Do you think that is likely?

Mr. MCINNIS. I think it is going to be very tough.

Senator MARKEY. Okay. Then let's talk about it in that context, if you could.

Mr. MCINNIS. Could you say that again?

Senator MARKEY. I said let's deal with it in the context of what is likely to happen. It is always better in life to try to start out where you are going to be forced to wind up anyway because it gets

prettier that way. You can try to work it through and just try to be realistic about what is going to happen rather than——

Mr. MCINNIS. I think as much as you can build whatever international support for whatever settlement is there that is dependent as much as possible on local groups, local forces that are Syrian-based, and minimize as much as possible what is coming in that are internationally sponsored, basically nonforeign sponsored groups and militias that are operating there, as much as you can do that, that would be the best I could hope for.

Senator MARKEY. I guess my hope would be that the sooner we can start to be realistic about what is going to be needed to help the Sunni population in that country, so that they are given places where they can return from Lebanon, return from Jordan, where they can be given some guarantees of being able to coexist under some tension-packed relationships, but what is going on in some of the cities in Iraq right now, so that we are beginning to think in those terms rather than allowing for a bloodletting to just continue on indefinitely where we are contributing to the refugee and the internally displaced persons problem without having really anticipated what looks like is unfolding.

If you agree with that—my time has expired, but I thank you both for your expert advice.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

And, Senator Cardin, thank you for a very productive 2 hours. I think we have closed out the year in a good way.

Our witnesses have been outstanding. We thank you both for your testimony today.

We are going to continue to have written questions through the close of business Friday. If you could, fairly promptly, respond to those questions, we would appreciate it.

The CHAIRMAN. Thank you for your service to the country and for being here today and helping us with this.

Again, with that, the meeting is adjourned.

[Whereupon, at 4:30 p.m., the hearing was adjourned.]

APPENDIX 1.—TEXT OF THE AGREEMENT AND ANNEXES

Joint Comprehensive Plan of Action

http://www.state.gov/documents/organization/245317.pdf

ANNEXES

Annex I.—Nuclear Related Committments

http://www.state.gov/documents/organization/245318.pdf

Annex II.—Sanctions Related Committments

http://www.state.gov/documents/organization/245320.pdf

Attachment 1 to Annex II

http://www.state.gov/documents/organization/245319.pdf

Annex III.—Civil Nuclear Cooperation

http://www.state.gov/documents/organization/245322.pdf

Annex IV.—Joint Commission

http://www.state.gov/documents/organization/245323.pdf

Annex V.—Implementation Plan

http://www.state.gov/documents/organization/245324.pdf

JCPOA CONTINGENT WAIVERS

http://www.state.gov/e/eb/rls/othr/2015/248320.htm

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