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ADDRESSING IRAN'S NUCLEAR AMBITIONS

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

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ADDRESSING IRAN'S NUCLEAR AMBITIONS

THURSDAY, APRIL 24, 2008

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICE,
AND INTERNATIONAL SECURITY,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:31 a.m., in Room SD–342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Subcommittee, presiding.

Present: Senators Carper, Coburn, Coleman, and Collins.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The Subcommittee will come to order. Welcome, Senator Specter. And very soon we will be joined by Senator Feinstein and a number of my colleagues. I want to thank you for joining us today, and our other witnesses who will be coming in the moments ahead.

I am especially delighted that Senator Specter, ranking member of the Senate Judiciary Committee and former chairman of the Senate Intelligence Committee, and Senator Feinstein, a member of both the Intelligence and the Judiciary Committees, can join us this morning to kick off this hearing. Thank you both for your willingness to share your informed views on what the United States should be doing in relation to Iran. If now is a time for creative, courageous ideas, your voices, colleagues, should figure prominently in that discussion.

Senator Specter, your entire statement will be entered into the record. Feel free to summarize it, however you wish. But we are delighted that you are here, and we thank you for your leadership on this issue and, frankly, for encouraging us to reach out openly to other countries with whom we do not always agree. Thank you.

TESTIMONY OF HON. ARLEN SPECTER,[1] A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Thank you, Mr. Chairman, and I begin by complimenting you for starting on time. I note the presence of all the other expected participants, but it is a unique practice in these hallowed halls.

[1] The prepared statement of Senator Specter appears in the Appendix on page 56.

I compliment you, Mr. Chairman, and the Subcommittee for undertaking this issue because it is of such vast importance that it ought to be considered by a broader range of Members of Congress in trying to move a realistic policy toward Iran.

All of the major issues confronting the world are tied up in the U.S.-Iran conflict: Terrorism, military nuclear capabilities, energy, Iraq, the Palestinian dilemma, the presence of Hamas and Hezbollah, as destabilizing forces. And in this context, for some strange, I think inexcusable reason, at least in my opinion, the United States refuses to engage in direct bilateral talks with Iran.

Two propositions span centuries but articulate what I think are the sensible approaches. Sun Tzu's advice was to "keep your friends close and your enemies closer." President Ronald Reagan said, on November 21, 1985, in an address to Congress following the U.S.-Soviet Geneva Summit, "We agreed on a number of matters. We agreed to continue meeting. There is always room for movement, action, and progress when people are talking to each other instead of about each other."

Perhaps not relevant, but the first assignment I had as an assistant district attorney decades ago was to interview inmates under the death sentence at the Pennsylvania State Prison. My job was to get their views as to why they ought to have the death sentence changed to life imprisonment. And I found that they were people like anybody else—thugs, violent criminals, reprehensible, but human beings.

The experience I have had in my work on the Senate Foreign Operations Subcommittee and the Intelligence Committee, which I chaired during the 104th Congress, has led me into contacts with some of the world's reportedly unsavory people: Syrian President Hafez al-Assad; his successor, President Bashar al-Assad; Palestinian Chairman Yasser Arafat; Iraqi President Saddam Hussein; Cuban President Fidel Castro; Venezuelan President Hugo Chavez; and Libyan leader Muammar Gaddafi.

I have found that there is an ingredient which runs through all of these discussions, and that is the ingredient of civility and courtesy in dealing with people and not to demean them. I think it is a great act of foolishness to try to tamper with somebody else's pride. And I think that is what we do with Iran when we take the proposition that we will engage in bilateral talks on the condition that they cease enriching uranium.

Well, that is the object of the discussion. So how in good faith can there be an insistence that the other party make the concessions sought in the dialogue, in the negotiations, as a precondition to meeting? It seems to me it is exactly wrong, and I have asked the Secretary of State and the Deputy Secretary of State on the record that question recently and have gotten a very unsatisfactory answer.

In discussions that I have had with Hafez al-Assad on many visits to Syria since 1984, I think it is not an overstatement to say that perhaps there was little influence on Assad. He was totally opposed in 1991 to attending the Madrid Conference unless all five superpowers participated. He wanted to have four allies with the United States being Israel's only ally. And he finally relented and sent representatives to Madrid with only the United States and the

U.S.S.R. I had early conversations with him about letting the Jews leave Syria, and he was opposed to the idea. They were Syrians and they ought to stay in Syria. Whatever factors ultimately led Hafez al-Assad to change his mind, he did, and he let the Jews leave.

There has been no blacker thug terrorist in history than Muammar Gaddafi. Maybe others could challenge him for that title, but I do not think any could exceed him, and I doubt that any even equaled him. He blew up the discotheque in Berlin, which resulted in the killing of American soldiers; brought down Pan Am 103, which he has later conceded; has made reparations, has decided that he wants to come back into the family of nations; and he stopped his activities on developing nuclear weapons. And if you can talk to Gaddafi and you can make a deal with Gaddafi, you can make a deal, I think, with anyone.

Regrettably, the jury is still out on North Korea, but there have been promising developments, but only when the United States was willing to, in a dignified way, negotiate bilaterally with North Korea. And I think that is an illustration of where you have to maintain the multilateral talks, because I think we must continue with multilateral talks with Iran. But there is no substitute for direct, dignified negotiations.

Two more brief points. You have been very generous, Mr. Chairman, in not starting the time clock, but I will not abuse the courtesy.

One is a comment which was made to me by Walid al-Mouallem, who is now the Syrian Foreign Minister. When he was the Syrian Ambassador to the United States, a position he held for about a decade, he said to me, "We like you because you do not hate us." I thought that was a most extraordinary statement. Such a modest, really low threshold for acceptance. Why should it be a unique mark for one man or woman not to hate another man or woman? But that is what he said to me. And when I wrote a book 8 years ago, I wanted to put it in the book, but before I did so, I asked Walid al-Mouallem if it was acceptable to him to put it in the book. But that is the level of courtesy which is sub-minimal.

The final point on the Iranian-U.S. relations is what I think is the importance of developing the idea by Russian President Putin to have Russia enrich Iran's uranium, and that way there could be certainty that the uranium was not being used for military purposes. And that idea has gotten very little publicity. And when Secretary of State Rice was before the Appropriations Committee a couple of weeks ago, I raised the issue with her. She thought it was a good idea. And I urged her to develop it.

I think we put Iran on the defensive, justifiably, on that point. They have no reason, aside from national sovereignty and pride, which is insufficient reason in the premises, not to do that.

Thank you, Mr. Chairman.

Senator CARPER. Senator Specter, thank you for an excellent statement.

We have been joined by Senator Feinstein, and just before I recognize Senator Feinstein, let me just ask two quick questions of you, Senator Specter. And we are just delighted that you are both here today. Just delighted.

Senator Specter, you were a member of the Senate for, I think, the final decade of the Cold War. You have alluded to that in your statement. Let me just ask what parallels can be drawn between that conflict and the current impasse that we face with Iran. What lessons should we take from our experience in the Cold War and apply those to the formulation of our policy today with respect to Iran?

Senator SPECTER. I believe there is a close parallel and a great lesson to be learned; that is, to note that President Reagan declared the Soviet Union to be the "Evil Empire," just as President Bush has declared Iran to be part of the "Axis of Evil." And then President Reagan promptly initiated bilateral direct talks, a series of summit meetings, and the quotation I read was the agreement on many matters, and the agreement to continue talking, which President Reagan recommended. And he is a pretty good role model for the current Administration, I think.

Senator CARPER. Thank you. How do you respond to the argument that Tehran is at fault for the absence of a U.S.-Iranian dialogue as the Bush Administration has, I believe, offered Iran bilateral discussions but Tehran has turned the offer down by not first suspending their enrichment and reprocessing efforts?

Senator SPECTER. To offer bilateral negotiations with a precondition is no offer at all, in my judgment, especially when the precondition is the object of the negotiations. Beyond that, Mr. Chairman, I would be more direct and say that it was insulting, which I think characterizes a good bit of U.S. foreign policy, which has earned us the title of "The Ugly America." But it is not a one-way street. Iran does pretty well on bilateral insults. The object is to try to move from that level of discourse to civility.

Mr. Chairman, as I told you before, I have to excuse myself. I will follow what Senator Feinstein has to say, as I always do. But I am ranking on the Judiciary Committee, and I expect to have some civil but fiery dialogue on the confirmation issue in 15 minutes.

Senator CARPER. As you prepare to take your leave, again, I thank you. I have been in the Senate for 7 years. I have very much admired both of you, the work that you do, and most of all, I appreciate the partnership that you have shown in providing leadership for the rest of us on a wide range of issues. That certainly includes the issue that is before us today. So, Senator Specter, thank you so much. We will see you later on the floor today, but much obliged.

Senator SPECTER. Thank you, Mr. Chairman.

Senator CARPER. Senator Feinstein, welcome. We are delighted that you have come. Thank you. I know you had to adjust your schedule, but it means a great deal to me that you are here, and we welcome you. Whatever statement you have for the record, it will be included in its entirety. You are welcome to summarize as you wish, but thanks so much for joining us.

TESTIMONY OF HON. DIANNE FEINSTEIN,[1] A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator FEINSTEIN. Thank you very much. I thank you and Senator Coleman.

For many years now, I have been interested in trying to be a constructive force for peace and stability in the Middle East, which I think most of us regard as the "powder keg" in which nations and values collide.

I have watched as the Iraq War continues, Israeli and Palestinian peace remains elusive, Iran begins to exert itself in the region, and Sunni nations grow more and more concerned.

Iran, today—isolated and belligerent—constitutes both a present and future challenge to the stability and security of many concerned nations, as well as our own.

Last year, the United States indicated its alarm about Iran's supplying of weapons and tactical support to Shia militias, and the Administration has called Iran "public enemy number one in Iraq." Also, Iran's support of terrorist organizations, particularly Hezbollah and Hamas, remains of deep concern and continues unabated. And, finally, the government of Iran's intransigent hatred of Israel and its willingness to deny Israel the right to exist is unacceptable and a major hurdle to peace and security in the region.

So it is within this context that we must understand the number one question of the day: Does Iran seek nuclear weapons and for what purpose?

In November 2007, the U.S. intelligence community released a National Intelligence Estimate (NIE), on Iran's nuclear program. It was an eye-opener and the source of major controversy.

The NIE's first conclusion, front and center, was that the intelligence community judges, "with high confidence that in the fall of 2003, Tehran halted its nuclear weapons program. . . ." This signified a major shift from the judgments of past intelligence reviews. I serve on the Intelligence Committee. I have reviewed both the classified and unclassified versions. To my knowledge, they have never been contraindicated.

A footnote in the NIE made clear that a nuclear weapons program has three parts: One, the enrichment of fissile material; two, a "weaponization" program to make that material into a weapon; and, three, a means to deliver the weapon.

Now, the halt refers specifically to the weaponization part. The other two parts—the enrichment of fissile materials and the making of a delivery system—remain serious concerns.

But equally as clear, the NIE judged—again with high confidence—that until the fall of 2003, Iran was pursuing an illegal, covert nuclear weapons program.

This was the strongest intelligence statement to date—it is backed up with evidence in the classified text of the NIE—that Iran had, in fact, a program and that Iran's leaders in Tehran could turn that program back on at any time.

Finally, the NIE made a statement that is central to the question of whether and how to approach Iran diplomatically. It said, "Our

[1] The prepared statement of Senator Feinstein appears in the Appendix on page 74.

assessment that the [nuclear] program probably was halted primarily in response to international pressure suggests Iran may be more vulnerable to influence on the issue than we judged previously."

The NIE, in essence, suggests a window of opportunity to begin to engage Iran in discussion, and with the help of European and other allies, to see if Iran can be moved toward positive engagement with the Western World—on this vital question, as well as other issues of concern.

So this NIE, in my view, presents the first opening for real engagement.

How should we proceed with Iran? I believe we should begin to pursue a robust, diplomatic initiative with Iran on all issues and, like Senator Specter, without preconditions.

Working with our European allies, the United Nations, and the International Atomic Energy Agency, we should put together a package of carrots and sticks that will serve as the basis for discussion with Iran.

The goal would be to convince Iran to: Permanently abandon any intention to re-start a nuclear weapons program;

Second, to allow the International Atomic Energy Agency inspectors full access to all Iranian nuclear facilities and suspected nuclear facilities;

Third, to comply once again with the additional protocol to the Nuclear Non-Proliferation Treaty for intensified inspections by the International Atomic Energy Agency (IAEA). Iran had actually accepted this in 2003 and then suspended compliance in 2005;

Fourth, provide an accounting for all past nuclear activities and allow full transparency to international inspectors;

Fifth, cease its support for the terrorist activities of Hamas and Hezbollah worldwide; and

Sixth, promote stability and cease lethal support to militias in Iraq.

The key is this: We can recognize that Iran has a right to a peaceful, civilian nuclear energy program, but not to nuclear weapons programs.

Now, of course, there is no guarantee that these talks will succeed. It is likely to be a long and difficult road. But we are sure to fail if we do not at least try.

One proposal that deserves a closer look is one which was described to me by Iran's former Ambassador to the United Nations. It is similar to one made by Ambassador Bill Luers, Secretary Thomas Pickering, and Jim Walsh. Mr. Walsh is on the second panel today.

The basic premise is this: Establish an "on-the-ground 24/7 International Consortium" to manage and monitor all aspects of nuclear activity. This is something that Iran might actually consider—as long as there is an openness on the part of the United States to discuss other issues as well. In other words, no preconditions, an open table, come in, and both sides present their views. Participants could include the United States, the United Kingdom, France, Germany, China, Russia, the United Nations, and the IAEA.

Such a proposal deserves serious consideration and could go a long way toward building confidence on both sides. Remember, we have not talked to Iran in 30 years. Our military does not talk to their military. Isolation, we should have learned well by now, is a very dangerous posture to push a Nation into. We saw it with North Korea, and it is happening with Iran as well.

I believe that an Iranian policy based on a military solution makes little sense. Only by talking and bringing to bear the best efforts of diplomacy can real progress be made.

The next Administration must evaluate anew our Nation's approach to this Middle Eastern arena and evolve a new approach—one based on robust diplomacy, rather than constant threat of war. The process is likely to be difficult—we all know that, but the rewards may well be significant. And one day, it could lead to a more stable and peaceful Middle East.

Thank you very much.

Senator CARPER. Senator Feinstein, thank you for an excellent statement and for thinking outside the box, as you do in so many other arenas.

Do you have time for one quick question from me?

Senator FEINSTEIN. I do.

Senator CARPER. And I know you have your Judiciary Committee that is about to begin its work as well.

Just thinking again about the proposal that you have laid on the table, a question I would ask, not just rhetorically but just ask, what do we have to lose in pursuing what you have just prescribed? What is the downside?

Senator FEINSTEIN. We do not have anything to lose, and I think there is a very limited understanding of the Iranian Government as well. The President, Ahmadinejad, this is not his arena. It is the arena of the Supreme Leader. And the need is really to develop contacts that run to the Supreme Leader and try to open a floor for constructive dialogue.

There have been some back-channel negotiations among certain Americans and Iranians. I think there is reason to believe that there are many Iranians that do not want their country to have a nuclear weapons program. There are many Iranians that see that peace and stability and economic upward mobility of their country offers their citizens much more than a belligerent stance does, and that isolation is not to the benefit of Iran. It is not to the benefit of other nations as well.

And as we watch Iran extend its influence, as we watch the Revolutionary Guard buy properties in Iraq, set up businesses in Iraq, extend their influence into Iraq, coming to grips with Iran becomes more and more important if we ever want to effect a stable region.

Senator CARPER. Thank you.

Senator FEINSTEIN. You are very welcome.

Senator CARPER. Senator Coleman, would you like to ask a question of Senator Feinstein?

Senator COLEMAN. No. I know that the Senator is busy. I appreciate it. The Senator is one of the most thoughtful members of this institution. I have perhaps some different perspectives on some of this, but I always greatly appreciate, as you talked about, the out-of-the-box thinking and very thoughtful approach, and hopefully we

will figure out some common ground and a way to move forward. But I thank the Senator for her presentation.

Senator FEINSTEIN. Thank you, Senator. I appreciate it.

Senator CARPER. Thank you so much.

Senator FEINSTEIN. Thank you, Mr. Chairman.

Senator CARPER. I am going to go ahead and give an opening statement. It is going to run a bit beyond 5 minutes, and I would just beg your indulgence of my colleagues, Senator Coleman and then others who have joined us.

Before we welcome the first panel, let me just say that Iran is considered the world's most active state sponsor of terrorism. We know Iran is behind Hezbollah, Hamas, Palestinian Islamic Jihad, as well as militant Shia elements in Iraq. Our first two Senators have already indicated as much in their statements.

In his Senate statement and testimony on April 8, General Petraeus stated that Iranian armed militias are the biggest threats to stability in Iraq. Furthermore, Iran has started arming the Taliban. Iran is a formidable threat. Obviously, a nuclear weapon makes it even more so by giving Iran the confidence to frustrate U.S. policy objectives without fear of U.S. reprisals.

Although military strikes against Iranian nuclear sites should remain on the table, they would prompt widespread retaliation throughout the region, would lack international support, and would, therefore, be ill-advised presently.

In fact, our Secretary of Defense said at a meeting that we had several months ago with a number of Senators, when asked what the practical effect would be of a military strike by the United States against the Iranian nuclear targets, he said they are a lot smarter than the Iraqis were. The Iraqis, they built their nuclear facilities out in the open, above ground, almost like you put a bull's eye around it and said come and get us. The Iranians are smarter. They have dispersed their nuclear activities. They have put them underground. And Secretary Gates, I will paraphrase what he said. He said, "one thing—I am not so sure that we would be effective in taking out their nuclear facilities. One thing I know for sure, we would rally the Iranian people to the support of their President in no other way that I could think of."

But, anyway, there was little evidence that deterrence has or would work. Regime change after Iraq is no longer viewed as a realistic short-term option, even to those in the Bush Administration.

Given the lack of good alternative options, a more robust diplomacy, to quote Senator Feinstein, which would include comprehensive talks with the Iranians that address both its nuclear program and its support of terrorism, might be better than the not-so-good options presently before this country.

The December 2007 National Intelligence Estimate stated that Iran has stopped its nuclear weapons development program in the fall of 2003. And although the NIE's release led some to question the immediacy of the Iranian threat, it affirmed Iran's continued enrichment of uranium and its simultaneous pursuit of ballistic missile delivery capabilities.

As former Under Secretary of State Nicholas Burns recently said, "The straightest avenue to nuclear weapon capability is not weaponization but enrichment and reprocessing."

Given that the production of fissile material is the most challenging aspect of the process of building a nuclear weapon, Iran's continued enrichment of uranium is cause for real concern and warrants the continued action by the United States and the international community.

While there is a shared view among most observes to prevent a nuclear Iran, the primary goal of the Bush Administration's policy, there is vigorous disagreement about how the United States should try to achieve that goal. I called this hearing for that purpose: To examine what the United States and its allies must do to develop a more effective Iran strategy and to discuss specifically what actions we should consider taking in light of what we learned last December.

I believe that the way to stop or at least to mitigate Iran's enrichment activities is to present Iran with an enhanced set of carrots and sticks not unlike those suggested by Senator Feinstein in order to change its cost/benefit analysis of the issue. Hammering out those incentives and disincentives is the challenge that is before us.

To its credit, the Bush Administration has shifted rather significantly in recent years from rhetoric centered on regime change to a more pragmatic approach in dealing with Iran through multilateral talks with other permanent members of the U.N. Security Council—China, France, Russia, Britain, plus Germany.

Part of this diplomacy included a package of incentives that the United States offered Iran in 2006 with the stated objective that if Iran suspended its enrichment-related and proliferation-sensitive activities, our Secretary of State, Condoleezza Rice, would meet directly with her Iranian counterpart to discuss anything, but Iran refused.

Two years of respectable but inadequate diplomatic efforts and four U.N. Security Council resolutions later, the last three of which imposed sanctions on Iran until it suspends its enrichment-related and reprocessing activities, have not let Iran to do so. Nor do many experts think that this path will prevent a nuclear Iran from emerging. In fact, some now assume a nuclear Iran as their starting point for how the United States should approach Iran.

I am not of that mind-set and agree that it should be U.S. policy to prevent a nuclear Iran. Add to this the Iranian President's April 8 pronouncement that Iran's scientists and experts have started to install 6,000 new centrifuges at Natanz, the uranium enrichment facility. These are in addition to the 3,300 that the Director of the International Atomic Energy Agency said are already operating there. Furthermore, Iran has stated that it will move toward large-scale uranium enrichment that will ultimately involve 54,000 centrifuges.

Finally, last week's talks in Shanghai by the permanent members of the U.N. Security Council, plus Germany and the European Union, which focused on incentives to get the Iranians to stop their nuclear program, ended with no clear outcome.

These disturbing facts lead to a series of urgent questions. First of all, last weekend Secretary Rice stated, "This is not the time, I think, to expect major changes" in terms of either incentives or sanctions. What, therefore, will the United States do in the short

term, say between now and January 2009, vis-a-vis Iran? And how further along down the nuclear road, will Iran be?

Although I continue to be a believer in progressively ratcheting up sanctions on the Iranian regime, which is why I cosponsored S. 970, the Iran Counterproliferation Act, can we expect the relatively low impact sanctions of the U.N. resolutions to ultimately force Iran to cease its enrichment activities? If not, what are we aiming at?

Why does the United States continue to insist on preconditions to negotiations with the Iranians? What other changes in U.S. policy should be considered that may alter the Iranian decisionmaking calculus with regard to its nuclear ambitions? To what extent would a position that allows Iran to continue enrichment work while negotiations on a final settlement are proceeding undermine the four U.N. resolutions that demand that Iran suspend uranium enrichment? Should the next Administration consider direct talks with Iranians without preconditions? Realistically, what would direct talks accomplish? How should those talks be structured?

What lessons can we learn from our involvement with North Korea and Libya? And are any of those lessons applicable to Iran? And, finally, how do we prepare for the possibility that our best efforts might not persuade Iran's leaders?

Today, with those questions in mind, I want to try to do the following: First of all, to accurately assess to date the diplomatic efforts of the Bush Administration; and, second, to discuss the most effective or least bad strategic policy option regarding Iran; third, to analyze the pros and cons of specific proposals about how to approach Iran; and, fourth, to review what lessons, if any, can be gleaned from the U.S. involvement with North Korea and with Libya and how those actions might be applicable to Iran; and finally, to solicit ideas about how Congress can play an active and effective role in the path forward.

Again, we welcome our witnesses. We thank you all for joining us today and for the time and energy that you put into preparing for your statements and your responses to our questions. Senator Coburn is going to be joining us shortly. I am delighted that we have been joined by my colleague from Minnesota, and I would be pleased to recognize Senator Coleman for whatever statement he might wish to make.

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. Thank you, Mr. Chairman. I do not have a formal statement. I want to make just some observations. And it is dangerous because I do not have notes on this, but I want to respond a little bit, just at least to set the stage and then listen to the witnesses and inquire further with them.

But I do appreciate the thoughtful presentations of my colleagues, and I appreciate the thoughtful manner in which you approach this. And these are complex issues. This is not easy stuff.

What do we have to lose without preconditions moving forward? I would suggest that particularly if you look at the North Korean example, what we have to lose, if not done correctly, is the support and confidence of our allies in the Middle East. As the ranking member on the Near East Subcommittee, I can tell you that the

Iranians are of deep concern to the Saudis, to the Jordanians, to the Egyptians. The greatest threat facing stable governments in the Middle East is terrorism. It is Hamas. It is Hezbollah. It is a threat in Syria and Lebanon.

And so if you look at the North Korean experience where we actually pulled together the Six-Party Talks, because we understood that direct negotiation was unlikely to yield any fruitful results due to the prior history with North Korea, it needed others in the region who have a stake in this. The reality is that Iran is not just the U.S.'s problem, and it is not just Israel's problem. Iran is a threat to the House of Saud. Iran is a threat to Abdullah in Jordan. Iran is a threat to stability in the entire region. And I do not think that it is asking too much when we say negotiate without preconditions. Iran right now is engaged in what I would call—and I am going to say this very straightforward—acts of war against this country. They are killing American soldiers. There is no question whatsoever that there is Iranian support for the Revolutionary Guard, the Qods Force support of terrorist organizations in Iraq, supplying them with the most modern explosively formed projectiles. They are actively involved in killing coalition soldiers. In other times, that is an act of war. And I do not think it is asking too much as a precondition to sit down and talk about the larger issues. I agree certainly with this issue of the nuclearization, which is the big issue. That is the 800-pound gorilla. But before you sit down with someone to say as a precondition for us to have a fruitful conversation, we would like you to step back from supplying weapons that are killing our soldiers; we would like you to cut off your training of terrorists in the region, then we could talk to you. Because I do believe, Mr. Chairman, that we need to be ratcheting up the talks at a higher level than they are now. There is just no question that I think we are missing opportunities.

There are talks going on—I think this is public information—at the sub-ambassador level. But I do believe that it is reasonable in international diplomacy, before you sit down with someone, particularly if they are involved in killing your soldiers, to have that kind of conversation. And my fear would be that if we did not, the way we would be looked at in the region would undermine our entire ability to move forward with promoting stability in the entire region. Talk to the Saudis. Talk to the Egyptians. Talk to the Jordanians. Talk to the Kuwaitis.

And so this is a complicated area. We have to have levels of discussion beyond what we have now. The threat is real. The NIE talked about Iran suspending weaponization, but not uranium enrichment, which we know they are doing in violation of U.N. resolutions, and not the delivery capacity, which we know they are doing. The easiest thing to re-start is weaponization. And our intelligence only goes back to 2003. We do not know what they are doing today.

And so I applaud your efforts at pursuing a rational kind of conversation about how we move forward, but I would suggest, Mr. Chairman, that there is an affirmative answer of what we have to lose if done incorrectly, and what we have to lose is an undermining of our efforts to promote stability in one of the most dangerous regions of the world. And so I look forward to the witnesses,

and I look forward to the conversation, and I appreciate your leadership on this matter.

Senator CARPER. Thank you so much. Dr. Coburn.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Thank you. Mr. Chairman.

The real principle here is reconciliation. Where we find ourselves is alienated. But the real practical matter in the world today is we have no means of containment with which we can deal with the situation in Iran. And before we give up and lose all leverage with Iran in terms of high-level talks, you have to have some other leverage somewhere. And I know I missed part of Senator Coleman's talking points, but as I look at how we handled North Korea and how we are, in my thoughts, regrettably handling it today, with no accountability and no transparency, we send a signal to the Iranians to stand ground because we are never going to do anything any different.

So I am adamantly opposed to how we are handling North Korea today because I think it complicates our ability to deal with Iran. They see weakness rather than strength. They see delay as their asset. They see lack of unity on our part. And what you hear from their leaders is statements about the destruction of one of our allies. And it ought to be U.S. policy that if you attack Israel, you have attacked the United States. And that ought to be our policy, and that ought to be first and foremost our policy. And then we stand on that, and then we act in regards to that.

So the rhetoric does need to calm down. Our statements against Iran or about Iran have nothing to do with the Iranian people because they have what I would consider a despot government that does not reflect the true values of the Iranian people that I know and their desires for a future.

So I look forward to our hearing, and I look forward to our testimony. We have a big problem in front of us, and it is not just this country that has a big problem. The entire world has a big problem because uranium enrichment in Iran means uranium enrichment in multiple other places throughout the Middle East. You can deny that if you want, but that is what is going to happen. And we need to be prepared for that. We need to be unified in how this country stands. And there is a place for reconciliation, but reconciliation has to be built on trust, it has to be built on verification. And there is none of that now in terms of true verification and true trust.

And so one of my biggest concerns is that we have failed in terms of our diplomacy through things such as Voice of America, through Radio Farda, through presenting the options in a standard way, with a complete view of our viewpoint, one that directs our respect and love for the Iranian people but expresses our disdain for the statements that have been made by the Iranian leadership.

This is a different area, not just for this country, and I have some concern over our allies in terms of the—we have three United Nations resolutions on sanctioning, which are not effective, obviously, since we continue to see enrichment. And if we are not going to push for more sanctions, then what we have said is that we, in fact, are going to allow enrichment to continue. And if we are going to allow enrichment to continue, then we are going to allow enrich-

ment throughout the whole Middle East. And we need to recognize that as the endpoint in this game, and then see what we have done, i.e. that we have no more nonproliferation treaties because we will have had proliferation throughout the entire Mideast.

Thank you.

Senator CARPER. Dr. Coburn, thank you very much.

I am going to invite our first panel of witnesses to join us, and as they come to the table, I will introduce each of them.

Jeffrey Feltman is a career member of the U.S. Foreign Service currently serving as the Principal Deputy Assistant Secretary in the Office of Near Eastern Affairs, previously served as U.S. Ambassador to the Republic of Lebanon. He also headed the Coalition Provisional Authority's Office in the Irbil province of Iraq. He spent much of his career in the Eastern European and Near East Affairs. Welcome.

Joining Mr. Feltman is Patricia McNerney. She is the Principal Deputy Assistant Secretary for the International Security and Nonproliferation Bureau, acting head of that bureau.

We are delighted that you are here. Your entire testimony will be entered and made part of the record. You are welcome to summarize it as you prefer, and with that, Mr. Feltman, if you would like to kick it off, and then we will turn to Ms. McNerney.

Ms. MCNERNEY. We had arranged that I would set it off and then turn to Ambassador Feltman.

TESTIMONY OF PATRICIA MCNERNEY,[1] PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL SECURITY AND NONPROLIFERATION, AND JEFFREY FELTMAN, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. MCNERNEY. Mr. Chairman, Members of the Subcommittee, I very much welcome the opportunity to speak with you today, and I look forward to your questions. I request that our full joint statement be placed in the record.

Senator CARPER. It will be, without objection.

Ms. MCNERNEY. Iran presents a profound threat to U.S. national security interests. The radical regime in Tehran threatens regional and international security through its pursuit of technologies that would give it a nuclear weapons capability, obviously its support of terrorist groups and militants in Iraq and Afghanistan, its expansive regional ambitions, and its lack of respect for human rights and civil society.

From its location at the crossroads of the Middle East and South Asia, a nuclear-armed Iran could threaten U.S. national security interests on three continents, and even U.S. homeland directly. The international community's failure to prevent Iran's acquisition of such weapons would additionally imperil the international nonproliferation regime, as Senator Coburn had indicated, by casting doubt on our collective ability and commitment to prevent the spread of weapons of mass destruction abroad.

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[1] The joint prepared statement of Ms. McNerney and Mr. Feltman appears in the Appendix on page 77.

Our goal is to convince Iran to abandon its nuclear weapons program and urge Tehran to become a partner in bringing peace and stability to the region. The diplomacy to which we remain committed is the best course of action, we believe, in pressuring the Iranian regime to change its behavior.

However, to respond to the range of challenges presented by Iran, the Administration has stressed the use of a range of diplomatic tools available: Multilateral diplomacy, support for the IAEA, financial measures, counterproliferation actions such as interdictions, and, as a final resort, hold available the threat and use of military force.

The U.S. diplomatic strategy toward Iran consists of a dual-track approach in concert together with the permanent five members of the U.N. Security Council—China, France, Russia, the United Kingdom, the United States—plus Germany (the P5+1). These tracks are mutually reinforcing and complementary. The first is the incremental escalation of pressure on the Iranian regime to help prompt a revision of their strategic nuclear calculus, specifically, a decision to abandon once and for all Iran's long-term nuclear weapons ambitions. The second track is an offer to negotiate a generous package of incentives that cover the gamut of political, economic, technological, and social benefits that would accrue to the Iranian people were the regime to resolve international concerns with its nuclear activities. As part of this offer, Secretary Rice announced in May 2006 that, should Iran create the necessary conditions for negotiations by meeting its U.N. Security Council obligation to suspend all uranium enrichment and reprocessing activities, the United States would be willing to meet with Iran at any time, any place, to discuss any issue.

Ambassador Feltman will provide some introductory remarks addressing Iran's regional behavior and U.S. civil engagement programs, but I would like to discuss the nuclear front by noting that we seek to present Iran with an increasingly stark choice between two paths: Confrontation and isolation, or cooperation and reward.

While we believe we are having an impact, we have yet to achieve our objective of persuading Iran to step off its current nuclear course. No one tool can succeed on its own. Iran's past behavior shows that it can be responsive to international pressure. This dual-track approach is our best tool for making clear to Iran the costs and benefits for its defiance and dissuading the Iranian regime to take a different path.

At a minimum, these sanctions are limiting Iran's access to sensitive technologies and goods, with the possible impact of slowing Iran's nuclear and missile development. These sanctions are also impairing their ability to access the international financial system, to fund its weapons programs and terrorist activities, and to secure investment for its strategic sectors, as many States and firms no longer wish to associate themselves with the Iranian regime. The sanctions keep Iran on the defensive, forcing it to find new finance and trade partners and replace funding channels it has lost—often through more costly and circuitous mechanisms.

Major banks such as Commerzbank, Credit Suisse, and HSBC have decided that the risk of doing business in Iran is too great and have ended or limited their relationships with Iran. The effects

of Iran's growing international stigma may, in the end, be as substantial as the direct economic impact of any sanction. Losing the ability for a single Iranian bank, such as Iran's Bank Sepah, to conduct business overseas is painful to the Iranian economy. Having major international financial institutions refuse to do business with Iran because of the legitimate business risks that such trade present is even worse.

The sanctions are also having a psychological impact. Iran has demonstrated its desire to assume the economic and political role it believes it deserves in the region, and to be seen as a legitimate player in the international community. But the series of U.N. resolutions has shown the world and Iran that it is isolated by the international community and will not be tolerated as an irresponsible actor.

In addition to sanctions, a key element of our strategy is to work with the International Atomic Energy Agency in its ongoing investigation of Iran. As the main international institution with responsibility for verifying the non-diversion of nuclear materials and providing credible assurances of the absence of undeclared nuclear activities, the IAEA's work in Iran is essential.

Press reports have indicated that many States are sharing more and more information with the IAEA to further its investigation; we look forward to the IAEA's continued efforts to uncover the true extent of Iran's nuclear weapons-related work and ambitions. We will continue to lead strong international consensus that Iran must make a full disclosure of any nuclear weapons-related work and allow the IAEA to verify that it has stopped. Anything short of a demand for full disclosure would undermine not only our efforts to provide international verification that Iran is not developing or preserving a nuclear weapons option, but also would undermine the integrity of the IAEA safeguards regime worldwide.

Mr. Chairman, I will yield to my colleague to address some of the regional aspects, and I look forward to your questions.

Senator CARPER. Thank you, Ms. McNerney. Mr. Feltman.

Mr. FELTMAN. Thank you, Chairman Carper, Dr. Coburn, Senator Coleman, for this opportunity to discuss U.S. policy options regarding Iran.

As Ms. McNerney has described, we are taking many steps to address the challenges posed by Iran on the nuclear front, but we are also deeply concerned by Iran's overall behavior, both in terms of Iran's malign influence in the region as well as Iran's oppression of its own people.

Iran poses multiple threats to U.S. interests, as your opening remarks have indicated. It destabilizes its neighbors. It is the world's No. 1 state sponsor of terrorism, continues the oppression of Iranian civil society, and I would add Iranian-funded militias and Iranian-funded weaponry are killing our troops and diplomats in Iraq.

I had the honor to serve as U.S. Ambassador to Lebanon for 3½ years, and I saw every day the malign Iranian influence in Lebanon in terms of Iran's support for Hezbollah—Hezbollah that, with Iranian support, dragged Lebanon into war with Israel in 2006; Hezbollah, which continues to try to undermine legitimate institutions of the government of Lebanon and seeks to create a state within a state there.

Iran's Revolutionary Guard Corps-Qods Force continues to bolster Hezbollah financially as well as rearming the group with rockets and other weapons, which are systematic violations of multiple U.N. Security Council resolutions.

Iran also supports other terrorist groups, including certain Shia militant groups in Iraq, Palestinian Islamic Jihad, and Hamas. Farther to the east, Iran seeks to destabilize the Karzai government in Afghanistan by sending lethal assistance to the Taliban, once Iran's enemy.

Through its malign influence, Tehran undermines the elected Government of Iraq and endangers our soldiers and diplomats by providing lethal support to Iraqi militants. The President has made clear that Iran has a choice to make. It can choose to live in peace with its neighbors, enjoying strong economic, religious, and cultural ties, or it can continue to arm, fund, and train illegal militant groups, which are terrorizing the Iraqi people and, in fact, turning them against Iran. America would welcome a peaceful relationship between Iran and Iraq, but make no mistake: The United States will act to protect its interests, our troops, and our Iraqi partners.

In terms of the nuclear file. Ms. McNearney has already outlined our dual-track strategy towards Iran and our approach to the challenges posed by Iran's pursuit of nuclear capabilities. But let me emphasize that the United States remains committed to finding a multilateral diplomatic solution to address the threat posed by Iran's proliferation-sensitive nuclear activities and its overall destabilizing influence in the region. As Ms. McNerney outlined, we are working closely with our P5+1 partners to both pressure the Iranian regime and offer it incentives to revise, as you said, Chairman Carper, the cost/benefit analysis that Iran has. The P5+1 package of incentives covers the gamut of political, economic, technological, and social benefits, including active international cooperation to help Iran develop state-of-the-art civil, peaceful nuclear energy technology and obtain an assured nuclear fuel supply for a genuinely civilian nuclear energy program.

In addition to that offer, Secretary Rice has said multiple times since May 2006 that, should Iran create the necessary conditions for negotiations by suspending all proliferation-sensitive activities, including uranium enrichment, she personally would sit down with her Iranian counterpart any place, any time, to discuss any interest—an issue of interest to Tehran, to discuss all of the multiple issues that you addressed in your opening remarks, Senators.

Let's talk about human rights for a second. Iran's foreign and nuclear policies are only part of the challenge Iran poses to the world. The regime's record of human rights abuse remains abysmal and has only grown worse over the years. The regime regularly commits torture and other forms of inhumane treatment on its own people and restricts the basic freedoms of expression, press, religion, and assembly in order to discourage political opposition. The regime has purged liberal university professors, threatened, imprisoned, and tortured dissidents, journalists, labor leaders, and women's rights activists.

The regime also denies its people the freedom of expression and press by cracking down on bloggers, closing independent news-

papers, censoring Internet use, and blocking satellite dish ownership—all in an effort to control access to information.

Secretary Rice noted at Davos earlier this year that the United States has no desire to have a permanent enemy in Iran, even after 29 years of difficult history. We have no conflict with the Iranian people. An important component of our Iran strategy is to build bridges—bridges directly to the Iranian people—through official exchanges and civil society development programs. We have grave problems with Tehran on a range of issues, but we have the greatest respect for the citizens of Iran, their culture, and their rich heritage.

Through official, professional, educational, cultural, and athletic exchanges, we are attempting to strengthen mutual understanding of our two peoples. Additionally, we are trying to provide the Iranian people with a better understanding of American foreign policy, our society, and our culture through our Persian language television and radio broadcasting on Voice of America and Radio Farda, as well as through the Internet and other media.

The United States stands with the Iranian people in their struggle to advance democracy, freedom, and the basic civil rights of all citizens.

In closing, I would note that we have presented Iran an option. The regime can continue down its current path toward isolation and further sanctions, or it can choose to reengage with the international community, opening up opportunities for better relations and a brighter future. Should Iran comply with its U.N. Security Council obligations to suspend all proliferation-sensitive nuclear activities, including enrichment, and cooperate with the IAEA, the Secretary has said, "We could begin negotiations and we could work over time to build a new, more normal relationship, one defined not by fear and mistrust, but growing cooperation, expanding trade and exchange, and the peaceful management of our differences."

The choice is Iran's. The challenges posed by Iran are daunting, but we are confident that our current approach, working in concert with the international community on the nuclear and other issues, will move us toward a peaceful resolution to the problems posed by Iran. Thank you.

Senator CARPER. My thanks, our thanks to both of you for your testimony and for your service to our country.

Let me just start off with a question to both of you, if I could. One of the underlying points of the NIE was that Iran responds to pressure and calculates the costs and the benefits of certain actions that we might take against them. The idea is that Iran stopped work on designing a nuclear weapon because of the perceived costs internationally of pursuing such work.

First of all, has the Administration done an assessment to determine the magnitude of economic pressure needed to dissuade the Iranian Government from continuing to pursue all the unacceptable elements of its nuclear program, including enrichment?

Ms. MCNERNEY. Well, I think as we review that question, partly you have to understand what the regime itself is willing to bear in order to continue pursuit of these weapons—or this nuclear path.

We have seen some polling and sort of calculated that the Iranian people as a whole, believing that their program is for the civil nuclear purposes, indicate that they would like to pursue the nuclear path. But when you ask them a different question, which is what costs are you willing to take for pursuit of that path, the calculus starts to change, and public support starts to diminish in terms of the support for what they believe to be a civil nuclear path.

So our goal is to start to have an impact to such a degree that you start to change that popular support for the path the regime is on. We believe we are starting to have that impact. We do not believe there is sufficient pressure yet in that direction. Obviously, we have been trying to do this in a multilateral way so it is—sometimes working through the United Nations is a little more painful, a little slower. But over time it is the accumulation of these impacts. And as I mentioned in my testimony, the additional downstream impact of businesses themselves choosing to withhold investment and look elsewhere for their business are all ways that we are looking to increase that pressure and change that calculus.

One of the things, too, looking back to the 2003 decision, there were no sanctions at the time, but there was obviously a lot of activity happening in the region. So the mix of pressures is beyond simply the sanctions, but also international scrutiny, that was the time that the programs were revealed, the covert nature of these programs; obviously a build-up in Iraq in the region. And so there is this really, I think, broad set of tools and pressures that we want to bring to bear.

Senator CARPER. This is for either of you. Do you have any idea of the level of pressure that we need to apply to the Iranians, in order to succeed in our goal of no nuclear weapon capability? We have these three U.N. Security Council resolutions. We have imposed unilaterally additional sanctions of our own. They appear to be having some effect. Unfortunately, since the promulgation of the NIE, it looks like some other countries, particularly the Russians and the Chinese, have decided that they need not be as stringent, I think, in adhering to pressure on the Iranians themselves.

Ms. MCNERNEY. I do not think we have—there is no sort of magic "this is the amount" that sort of tips the balance. But I think if you actually look to the Libya situation, it actually took some 10-plus years to really get to that balance. We do not believe we have that kind of time and——

Senator CARPER. I do not believe we do either.

Ms. MCNERNEY. Yes. And so the question is how do you get there quicker, and, obviously the high price of oil has really helped this regime weather some of these sanctions in a way that they might not have otherwise?

Senator CARPER. Although I am told that their ability to pump oil drops each year by about 500,000 barrels.

Ms. MCNERNEY. Yes, I am no oil expert. I understand that is the case.

Senator CARPER. And, meanwhile, their consumption of oil continues to rise.

Ms. MCNERNEY. But the price that they get for what they do pump continues to rise as well. So some of the other things that

work in our favor are that the actual economic management of this leadership is particularly weak, so that also exacerbates some of the sanctions as well.

But, again, I do not know that we know what is that magic number or amount of economic isolation.

Senator CARPER. Mr. Feltman.

Mr. FELTMAN. I would echo what my colleague has said. We do not know exactly at what point that cost/benefit analysis will start turning, the cost/benefit analysis that you referred to in your opening remarks, Mr. Chairman. But we are going to continue to pursue this dual track multilaterally, that we will look at how we, ourselves, can impose unilateral pressure in a variety of ways on Iran, and we will work through the P5+1 and through the IAEA to see how we can impose international pressure.

The Security Council resolutions, the three Chapter VII Security Council resolutions, have had an increasing number of sanctions of punishment and penalties on Iran, and I do not believe we have seen the full impact of those yet.

Senator CARPER. When are we likely to?

Mr. FELTMAN. Well, right now we, ourselves, are bringing our own system into compliance with the most recent resolution. The European Union is doing the same in adopting resolution 1803 into their common policy. The European Union is looking at making some autonomous sanctions beyond resolution 1803. We are doing the same. We are doing this all in coordination multilaterally because I think all of us recognize that the danger is multilateral and that the sanctions also have to be multilateral to have this sort of impact. But we do not know the exact point where the cost/benefit analysis will start switching in the way we want.

Senator CARPER. Ms. McNerney, Libya is a lot smaller, as we know, than Iran, and it does not have the oil reserves that Iran enjoys. So if it took Libya—what did you say?—7 to 10 years in order to, if you will, change their course, according to your calculation how long do you think it is going to take for the Iranians to change their course? And do we have the luxury of waiting that long?

Ms. MCNERNEY. The point I was making is just that sometimes over time these pressures build. I do not think we have that kind of luxury. But I also think that Libya was a little different in the sense of perhaps relishing that isolation in a different way than Iran. As a country, the people are very certainly used to traveling globally, used to visiting Europe, used to a very different kind of life, I think, than perhaps you would compare to the Libyan people, and certainly have a more robust kind of society. So, there are some differences.

I think the original—one of the values of the U.N. Security Council process is not only these economic sanctions but the fact that the entire Security Council unanimously continues to line up against the Iranian pursuit of nuclear weapons capability. So all these things we believe can have a larger and more direct impact on the civil society kind of impact.

Senator CARPER. All right. Dr. Coburn.

Senator COBURN. Thank you for your testimony.

I am concerned about the time frame that Senator Carper mentioned, and you mentioned, Secretary McNerney, further sanctions

may be needed. How do we know when further sanctions are needed? And why wouldn't we put the full press of all the sanctions that we can now? You have in the press and stated by the President of that country that they are adding 6,000 centrifuges right now. They intend to go to 50,000 centrifuges. Is there a real nuclear need for power in that country when they have the world's second largest reserves of natural gas that can generate power for 500 years if they needed to? If there are further sanctions that are needed—and I have some concern that Secretary Rice has signaled that no further sanctions are going to be brought before the United Nations in the near term—where is the balance there?

Ms. MCNERNEY. Well, I think her statement was just to suggest that we are not going to move away from the policy that we are following. We do intend to continue working the U.N. Security Council track, including additional sanctions. At the same time, we are also trying to renegotiate this package of incentives, and Dan Fried led meetings in China last week, and they are continuing to work among the P5+1 to redevelop or refresh that package of incentives.

Additionally, the United States has had a complete embargo on Iran for many years. What we have been trying to do with this strategy is really broaden that, especially to our European allies, as well as some of the key Asian economic powers. And that, we believe, is where we need to continue to ratchet up the pressure. Thus, the importance really of maintaining this U.N. Security Council track to increase—many of those countries are much more comfortable doing these sanctions with the U.N. Security Council mandates.

Now, when we work with them, you use that as a starting point, but it also is an opportunity to expand beyond the strict requirements of the U.N. Security Council resolutions. So when the EU reviews its sanctions package in the coming weeks, they intend to go beyond the strict requirements of the U.N. Security Council, and we believe that is an important avenue as well. So we do not want to simply suggest that the U.N. track is the only way to do sanctions.

Senator COBURN. Should we believe the President of Iran when he said there are not any incentives that they would ever accept? Is that posturing?

Ms. MCNERNEY. I mean, when it comes from him, I do not want to pretend to know what he is thinking.

Senator COBURN. Well, I mean, it is a fairly straightforward statement: "There are no incentives you can offer us to stop us from our nuclear enrichment program."

Ms. MCNERNEY. Well, I think they have made statements in the past that they will not do things, but then if you look at how things have evolved, they were not going to talk to the IAEA about nuclear weapons issues. They did announce this week that they will, in fact, be doing that next month. Now, whether they do that in any real way or in any substantive way, that remains to be seen. But, some of these statements certainly can be posturing.

I do think, as I mentioned before, that the Iranian people actually can put pressure on their leadership in ways maybe in a country like a North Korea would certainly not even be an element.

Senator COBURN. There is no question it is difficult to get consensus on the P5+1. Obviously, it has been a hard road to get there.

What if you cannot get consensus for the next step? What are we doing in terms of building relationships for containment given the ultimate plan which most of our leaders think is nuclearization of Iran? What are we doing in terms of building containment?

Ms. MCNERNEY. The U.N. path and the P5+1 path is one element. We reach out regularly through dialogues and through our embassies to countries, particularly in the Gulf Region, to countries in Asia—Japan and Korea and China—Russia is obviously difficult in the U.N. Security Council context, but they every step of the way also have agreed with this policy that we need enrichment and reprocessing to stop in Iran and that there is a threat posed by Iran to international peace and security. So, whether the P5+1—that is one element of our strategy, but certainly part of containment is maintaining a coalition, and that is a key element of what we are doing.

It was mentioned earlier, the Russian plan for an enrichment and reprocessing facility in Russia, we think that is part of the P5+1 package and remains a viable avenue for allowing Iran to get the benefits of nuclear energy without the know-how that can bleed into the nuclear weapons capability.

Senator COBURN. In 2007, the State Department gave half of the 2007 Iran democracy promotion funding to the Broadcasting Board of Governors. Much of this money was diverted from democracy promotion to general infrastructure—half of it, as a matter of fact. The BBG also claims its mission is not to promote democracy but to balance news between the U.S. perspective and regime propaganda. Farsi-speaking BBG whistleblowers and a 2006 National Security Council report said the BBG many times fails to balance the regime's propaganda with the truth.

In light of this, does the State Department plan to divert any of the 2008 Iran democracy funding to the BBG?

Mr. FELTMAN. Dr. Coburn, the short answer to your question is yes, but I would like to talk a minute about the broadcasting part of the overall strategy, because the broadcasting part has two goals: One is to be able to allow us to send messages directly to the Iranian people, not through the filter of their government, and not through the filter of their state-controlled media.

Senator COBURN. I understand that.

Mr. FELTMAN. The second is to provide an example of what would a free media look like. If they were not living in this oppressive regime under this dictatorship, under this crazy, autocratic regime, what would a free media look like? And a free media has a wide variety of views expressed in it.

Now, at the same time, we have discussed the issues you allude to with the Voice of America, Radio Farda, and Broadcasting Board of Governors officials. As you know, there is new leadership now. There is new management. They are changing personnel. They are looking at the content. They are addressing some of the concerns that you have raised, that we have raised. But the important thing, I believe, is that we have now increased the broadcasting to Iran.

Voice of America is now 24 hours a day, up from 8 hours a day. The original Persian language content——

Senator COBURN. What is the content in the Voice of America broadcasts?

Mr. FELTMAN. The content is now—there is original content that is now up to 6 hours a day; it was only 2 hours a day. It is news.

Senator COBURN. How do we know what it is?

Mr. FELTMAN. We have a constant discussion with the new leadership of VOA, with the BBG, about the content because——

Senator COBURN. They have nobody on the board and nobody in the leadership that speaks Farsi. They have no idea what they are broadcasting because we cannot get translation from the State Department about what they are broadcasting. We do not know what they are doing, and we know what they have done. And it is not about a balance. It is about giving oftentimes, in many instances, where we give credence to what their own government is saying in an unbalanced fashion.

And so the only way to see if we get that is to have translation services of what we are promoting. If we are going to use the people of Iran as a tool for freedom, then we ought to know what we are saying. And we have an absolute refusal to present to this category and the American people what we are broadcasting into Iran. And based on the track record of the 2006 report plus the track record of whistleblowers, what we know is it is not what the Secretary has suggested. It is oftentimes supportive of the regime.

If we are going to use it as a tool to help the Iranian people see what a free democracy is about and have a true balanced point of view, not one that supplants and supports the leadership of Iran, we have to have transparency. And there is no transparency now because nobody at BBG knows, because none of them speak Farsi. How will we know? How do we know that we are effective in the tool that you want to use to promote freedom and liberties inside Iran through Voice of America and Radio Farda? How do we know?

Mr. FELTMAN. All I can say, Dr. Coburn, is that the Secretary is using her position as an ex officio member on the BBG in order to have these sorts of conversations directly with the leadership, the new leadership of VOA and Radio Farda, about these issues. This is an important part of our strategy, and the Secretary and those below the Secretary are engaged with the BBG on these issues.

Senator COBURN. Well, it would just seem to me that if we are going to use that as a tool, the State Department ought to know what we are saying. We ought to know what we are saying to see if it is an effective tool. It is called a metric, and it is called transparency. That is the only way you get accountability. And, quite frankly, based on what we have heard from whistleblowers inside Voice of America, inside BBG, is they do not know, and oftentimes the message is not what we want to send.

So the only way to do that is if you require transparency, then they are going to know that we are going to know what we are saying. To me it is unconscionable that we would use a tool and not know whether the tool is working and not know whether it is the appropriate tool.

Senator CARPER. All right. Your time has expired.

Let me just say for the record, Dr. Coburn and I have a different take on this issue. I think one of the important things is if we want people in these countries to listen to what is being reported on in the news, we have to provide fair and objective reporting. People in these countries do not listen to their own radio—their own media because they do not believe it. They know it is propaganda. And one of the best ways for us to make sure they do not listen to our stuff is for them to be convinced that we are putting out propaganda as well.

Senator Coleman.

Senator COLEMAN. Thank you, Mr. Chairman. Just one addition to this discussion, and that is, in terms of democracy funding, Iran also blocks access to the Internet. What we have seen in this country is bloggers are very effective for us in getting at independent voices. Are we focusing on the prospect or opportunity to unleash the voices of the people in Iran through some blogging and other things? Are there some technological things that we could be supporting with democracy funding?

Mr. FELTMAN. Senator, thank you. We actually do have an active blogging program. That is part of our program. In fact, we have an active website. We are using technology as best we can, and the number of hits we get is actually quite impressive. I am not a technological expert myself, but those that are tell me that they can trace back that most of the hits that we are getting, something over 4 million hits last year, are from Iran itself on our website. So we are using the blogging tool.

Senator COLEMAN. In addition to our website, what I am talking about is technological strategies that unleash the potential blogs in Iran itself—in other words, the capacity of Iranians to tap into that. The voice of the people of Iran is the voice that should be heard, and certainly that presents an opportunity.

Let me get back to you, Ms. McNerney, you mentioned the Russians and, one of the concepts that this Administration has talked about that the President has been supportive of is the Russian concept of we can go in there and we can work with the Iranians and oversee that their nuclear capacity is for civilians, civil and not weaponization means. My concern is with the Russians and about Russian behavior, and the problem we have right now is that, on the one hand, it would be one thing if that is all the Iranians were doing, but, on the other hand, they are doing enrichment. They are doing delivery systems. And so we are talking about giving them, on the one hand, opportunities to develop a nuclear capacity, and yet we know that they are not listening, not responding to IAEA requests, not responding to Security Council resolutions.

Let me just talk about the Russians for a second. It has been my understanding that the Russians continue to assist the Iranians in a long-range missile program, and again, there are three parts to having a nuclear weapon: The enrichment, weaponization, and delivery. So the delivery part is a critical part. And, by the way, that would put a significant portion of NATO under the threat of Iran having a nuclear weapon.

Have we certified that the Russians have ended their support of the Iranian long-range missile program?

Ms. MCNERNEY. Without getting into, obviously, intelligence judgments, my understanding is that the part we are still concerned about with Russia is not in the ballistic missile side, but in these defensive missiles, like the SA–15 and things of that sort. We believe that Russia should not be selling any kind of weapons system to Iran given the situation. They have continued to supply, however, these defensive kinds of missiles which are below any threshold for the U.N. Security Council resolution list of conventional weapons.

So that is our area where we believe they continue to cooperate, but, again, that would not be in the ballistic missile side.

Senator COLEMAN. It seems to me that it is inconsistent to push for a American-Russian nuclear civil cooperation agreement, which I understand will be signed in several weeks, and I can tell you that I plan to send a letter from numerous colleagues to demonstrate there is a real concern with Congress over this deal, and that it undermines our diplomacy with respect to Iran. Now, we have got the Russians, who are, whether it is below the level or not, they are involved in developing Iranian missile programs. In January, Moscow made a final shipment to the nuclear facility with the massive power reactor at Bushehr, so that will give the Iranians the capacity to produce enough near weapons grade plutonium for roughly 60 nuclear weapons. Russia has been involved in this assistance for a period of time.

Russians have refused to limit conventional arms sales to Iran, something even the Clinton Administration made a point of demanding, as I recall, and looking at my notes here, in the 1990s as a condition of U.S.-Russian cooperation. So now we have them selling advanced air defenses that could be deployed to defend Iranians' nuclear sites. Can you describe the logic for reversing the policies of the Clinton Administration?

Ms. MCNERNEY. Well, the way we have looked at the civil nuclear agreement is in the context of working with Russia to create incentives for Iran not to go down the enrichment and reprocessing path but, rather, the proposal is that within Russia you develop this enrichment and reprocessing capability. And when we look globally at countries, there is a growing interest in nuclear with the energy shortages and greenhouse gases. Many countries around the world are beginning to look at nuclear energy. What we have been encouraging is they do that in a way that does not create this enrichment and reprocessing technology.

And so Russia really is the key to having this ability to produce the fuel and also take back the spent fuel. And so the whole approach with Russia is to further that kind of approach and make it a contrast to Iran. For example, we have reached some memorandums of understanding with UAE, Bahrain, Jordan, and it is all done with the explicit requirement that there not be enrichment and reprocessing capability development. So we are getting the benefits of civil nuclear without some of these nonproliferation problems.

Similarly, the Russian relationship with Iran on Bashehr is not with the enrichment and reprocessing side but simply with this light water reactor technology and the fuel—and there is an agree-

ment that there be IAEA safeguards and also a takeback of the spent fuel.

So all this in the context of creating the right way to do civil nuclear and receive the NPT promises, the benefits of civil nuclear, but also to limit or redirect some of the desire to have this enrichment and reprocessing.

Senator COLEMAN. And I understand what the goal is. My concern is that you cannot deal with this in kind of an abstract sense, so you have got a goal of saying if we could get a nuclear program with all the safeguards, that would be a very good thing. And if the Russians could take back the spent fuel, that would be a very good thing. But at the same time, you have the Iranians ignoring U.N. Security Council resolutions. You have the Russians providing support for Iran when part of our efforts are to cut off Iran, not to do it unilaterally. This is a country that needs to import 40 percent of its gasoline. This is a country that needs hundreds of billions of dollars of investment to maintain its oil infrastructure. And we have the Swiss and Iranians doing a gas deal worth 18 billion euros and 27 billion euros over a 25-year period.

So, on the one hand, you have this laudable goal, but the circumstances in which it is being implemented cause a lot of concern, and so in the end, it is very easy to move from civilian—dual purpose, to civilian to military purposes. And I know my time is up, but I just want to reflect on something that my colleague Senator Coburn said earlier on. The fact is that if the Iranians get a nuclear weapon, the Saudis are going to buy one. The Egyptians are going to buy one. And we are going to live in a world in which I am not going to sleep well at night because we will have lost all ability to contain proliferation in very unstable areas.

And so it would just appear to me that those efforts, if we are really looking to put pressure on Iran economically and a country that we believe is susceptible to that pressure, then we need to have a little more support from our "allies," including the Russians, and the idea of us moving forward on a Russian-U.S. civilian civil nuclear arrangement I think is counterproductive in light of the Russian relationship and trade and other things that they are doing with Iran.

Ms. MCNERNEY. Well, I think the way we have looked at it, actually this agreement creates more leverage for us to continue to put pressure on Russia to do it the right way. We have the Bush-Putin initiative where they talk about doing broader civil nuclear cooperation around the world, but with these nonproliferation requirements and fencing around it. The creation of this enrichment center in Russia would allow for less of the proliferation of that kind of technology. It keeps me up at night as well to worry about Saudi Arabia and Egypt and others starting to go down the nuclear weapons path.

So what we are trying to do is create a different way of approaching this so that Iran really is isolated as going down the wrong path and that countries around the world instead are looking at a different way to get the benefits of nuclear energy. A light water reactor obviously still can be abused, but much less. The problem with a lot of the enrichment and reprocessing capability that we worry about is once you develop that knowledge, you can take it

underground and take it out of the public eye, and our ability from the intelligence standpoint to detect that activity is much more difficult when you are talking about some of these other paths to nuclear energy.

Senator COLEMAN. Thank you. Thank you, Mr. Chairman.

Senator CARPER. I want to talk with you just a little bit about who calls the shots in Iran. I think I understand for the most part how government works in this country, although every now and then I get illuminated that I did not have it quite figured out. But they have recently had parliamentary elections over there, but instead of having a multi-party system, if I use an analogy, it is like we permitted elections for the Congress here and only one party could run candidates, but only the extreme wing of that one party could run candidates and nobody else could. And in spite of that kind of situation, they have gone through where a lot of people who used to be members of parliament are not allowed to run, and folks who would like to run were not allowed to run unless you happened to be at one extreme end of the spectrum in their political thinking. Those folks got to run and some of them got elected, but apparently they are having a run-off here in the next week or two. What is going on?

Mr. FELTMAN. Mr. Chairman, the short answer of who is in charge, it is the supreme commander more than the president. In terms of the parliamentary elections, yes, parliamentary run-offs are tomorrow, in fact, for the seats that have not yet been decided. Iran went to extraordinary lengths this year in manipulating those parliamentary elections. Even by Iranian standards, they went to extraordinary lengths in disqualifying a record number of candidates, in manipulating the information that was available to voters. They claimed that there was a 65-percent turnout of vote. We estimate it was more like 50 percent, and those people probably turned out in large part because they wanted to make sure that their voter registration card was stamped because that stamp is important for university registration, for the equivalent of food stamps, things like that.

But basically the system went to extraordinary lengths to manipulate the parliamentary election to produce the result that you said, which is that the parliament is in control of the extremist wing of one party there.

One wonders why they had to go to that—the analysis that is interesting is why did they go to that extreme this year. Is there a sense of desperation? Is there something happening inside that we need to know, that we need to be evaluating? We do not have a diplomatic embassy in Tehran for all the reasons we know, so we do not have some of the normal diplomatic tools to look at Iranian society. So the analysis is still out, and we will see how these runoffs go.

But I think you have seen a shift in who runs the country away from the sort of traditional clerics who ran it with the onslaught of the revolution 30 years ago to much more of the sort of Revolutionary Guard type force. There are more and more people who are coming out of the Iran Revolutionary Guard in positions of influences. This is not a healthy development. This is not a good development. The Revolutionary Guards are not just some rogue crimi-

nal element that is carrying out terrorism through the Qods Force outside of Iran. They are part of the system inside. The IRGC is doing economic projects. They are controlling the black market. They are expanding the Tehran metro. They are mentioned in the Constitution of the Islamic Republic. But the Revolutionary Guard and the Qods Force as one of the five pillars of that Revolutionary Guard seem to be playing an ever more prominent role in reporting directly to the supreme commander.

Senator CARPER. Do we have a pipeline to the supreme commander, direct or indirect?

Mr. FELTMAN. No. Our channel, our official channel to the Iranians is via the Swiss. We have used the Swiss for almost 30 years now to convey information. Much of what we use the Swiss for is consular related. There are many American citizens who are either living in Iran or have connections with Iran. And so we use the Swiss for our official communications.

On the subject, though, of talks and of communication, I think it is worth looking at the example of where we do have an official means of communication, and that is Iraq. There are trilateral talks in Iraq that we are doing at the request of the Iraqi Government. The Iraqi Government asked us to go into these talks. We made the decision to say yes in order to help support the Iraqi Government. So there is a history of direct communication with the Iranians via these trilateral talks. There have been three sessions since April of last year—two chaired at the ambassador level, one was chaired on our side by the political military counselor in Baghdad, Ambassador Marie Ries. And, frankly, I think that it was clear from the testimony given by General Petraeus and Ambassador Crocker a few weeks ago up here that it has not been a real encouraging example of the sort of talk that many people would like to see us engage in, because we have had these three things, and the Iranians at the same time have continued to supply, fund the special groups that are basically killing our troops, killing our diplomats, firing into the international zone, and trying to destabilize the Iraqi Government.

So the one area where we do have direct talks with the Iranians, which is the tripartite talks in Baghdad, has not been an encouraging example.

Senator CARPER. All right. In the testimony of one of our other witnesses, they talked about one of the things that the mullahs fear is the economic destabilization, the deterioration of the economy, where people's earning power, standard of living continues to deteriorate. Rather than Ahmadinejad being able to deliver on his campaign promises, actually things are getting worse, not better, and one of the other witnesses says that is something that they fear.

How do we make that even worse for them? Not that we have it in for the Iranian people. I have a lot of affection for them, and I think if they were actually able to vote for their parliament and vote for their leaders, we would probably have a pretty good relationship with those folks. But how do we ratchet up the economic pressure? And one of the ways, it seems to me, to ratchet up the economic pressure is it is not enough for us to put in place our unilateral sanctions, which we have done and which we are doing; it

is not enough for us to work with the British, Germans, French, and others, and hopefully the Russians and the Chinese. But there are too many leaks in the sanction, there is too much give in it, and we have to be able to make it tighter if we are going to have any success here.

One of the thoughts that comes to mind for me is as much as I admire what Secretary Rice has said, "Stop enriching your uranium, your fissile materials, we will meet you anywhere, anytime, talk about anything." That is a pretty generous offer. It has not worked, and in the meantime, the Iranians are doing more bad stuff than they were before.

If we were to say we will meet you anytime, anywhere to talk about anything without preconditions, how does that strengthen our ability to go out and get the Russians to stand shoulder to shoulder, to get the Chinese to stand shoulder to shoulder with us, and some of these other countries that are going around our back and continuing to have activities with the Iranians that tend to take away the economic pressure that the mullahs apparently fear?

Ms. MCNERNEY. Well, I think we made the same judgment, that is the fear. You saw the gas rationing and sort of the impact it had in terms of certainly the uprising by people. We are looking to figure out ways to obviously have these kind of economic impacts.

One of the practical reasons why talking without them stopping enrichment and reprocessing is important is if that activity continues while we are doing the talking, if you look at the North Korea example, for example, it was about 4 years before we got them to shut Yongbyon. So 4 years of talking and 4 years of developing enrichment and reprocessing technology, it is pretty clear that they could potentially, according to the NIE, have the capability and master that enrichment and reprocessing——

Senator CARPER. That is a good point, but let me just interrupt you. Whether it is 4 weeks or 4 months, certainly 4 years is unacceptable. But something has to happen during that period of time during which those open negotiations are being offered, the invitation for those open negotiations are being extended, and that is, the other countries that are not supporting the efforts of a number of us in clamping down economically on the Iranians. That has to kick in on a much higher level than is currently existing, and that has to happen a lot sooner than 4 years from now.

Ms. MCNERNEY. Well, that was going to be my next point. If you look at how internationally they tend to react in terms of sanctions, when there seems to be some engagement, some softening, the ability to get countries to actually impose those sanctions will only diminish. We see that in the case of North Korea. We have seen that in other examples.

So this notion that somehow if we started talking we would be able to increase the pressure that other countries would put on, I just do not think that is the way things tend to operate. And so, again, part of the practical reason for this condition is that we need that activity to stop so that we can talk and deal with these issues in as long or as short a time as we need without Iran basically using that process to, in fact, develop their capability.

Senator CARPER. Thanks very much. Dr. Coburn.

Senator COBURN. Thank you. I would like unanimous consent to put the NSC 2006 report on Radio Farda and Voice of America in the record.[1]

Senator CARPER. Without objection.

[The information follows:]??? WAITING FOR COPY

Senator COBURN. And with all deference to my good friend and Chairman, I do not want us to have propaganda either. I want us to have the truth. So I will spend one second on this and get off it, the BBG.

I would like for you to answer in written form why the American people shouldn't have transcribed to them what is being broadcast into Iran, both from Radio Farda and Voice of America, why the American people shouldn't know what we are saying, and as a check. Transparency creates accountability, and so tell me why we should not do that. And I will stop with that.

We are having some hearings today in other aspects of the Senate on the nuclear facility in Syria, and there is no question that there was involvement from a couple of countries on that. One was Iran and one was Korea. What do we know about Iran's involvement in that facility that you can speak about at this hearing?

Ms. MCNERNEY. Senator, I think I will have to defer to the experts to do it in these other briefings, and they will be providing some of that information through all the committees.

I do not think you will find that there is an Iranian angle, except to the degree it really highlights the destabilizing influence of these covert activities, nuclear activities, and the importance of really rallying international support to put the pressure on Iran to stop its ability, because as I said, once they develop this enrichment and reprocessing technology, unlike the plutonium-based example you will be hearing about, the enrichment and reprocessing effort can quickly go underground and be almost undetectable.

Senator COBURN. But does it say anything about proliferation? We have been spending all this time talking with North Korea, and at the same time they are building a nuclear facility in Syria, and we are going to a point where we have limited verification.

Ms. MCNERNEY. I think it really speaks to the significant challenges. Obviously, we have been very cautious and promising good results from North Korea given the record and what we saw in the 1990s and their ability to talk to us and do one thing, and then obviously quietly be also engaged in an enrichment and reprocessing program.

One of the key elements that we are talking about now in the next phase is verification, and having North Korea come clean and actually open up, declare its facilities and open them up will be a key challenge of that next process. I do not want to pretend that I would guarantee that North Korea is being completely honest with us, because I think their record says otherwise.

Senator COBURN. Do we have any knowledge that during all this discussion that this was initiated in Syria at the same time they were negotiating with us about nonproliferation?

Ms. MCNERNEY. I think we will just have to defer to the other briefings for now.

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[1] The study referred to appears in the Appendix on page 164.

Senator COBURN. OK. I want to go back a little bit where Senator Coleman was, in terms of the proliferation to Iran, and in terms of nuclear material. If we look the other way with Russia on this one aspect, does it not send the wrong signal to other countries that might be helping Iran proliferate? In other words, basically they are sending the material in there, but they are on our team. We are saying, OK, there are no consequences to that that we can actually do something about right now.

Ms. MCNERNEY. Well, one of the things, their activities are allowable under the U.N. Security Council resolutions. What is not allowable is cooperation on enrichment and reprocessing and the heavy water reactor. And so, obviously, we would prefer no cooperation with Iran, but at the same time, it can be a counter example of civil nuclear, light water reactor versus these real concerning proliferation——

Senator COBURN. So does the United Nations sanctions trump U.S. law?

Ms. MCNERNEY. Well, I think it——

Senator COBURN. It is not allowable under U.S. law now to promote and ship enriched uranium to Iran.

Ms. MCNERNEY. Are you talking about the fuel for the——

Senator COBURN. Yes.

Ms. MCNERNEY. But that is low-enriched uranium versus highly enriched.

Senator COBURN. I understand, but they are building the capability to build highly enriched.

Ms. MCNERNEY. That is through the enrichment and reprocessing, which are separate, obviously, nuclear pathways.

Senator COBURN. So there is no question it is difficult to bring everybody together with a common purpose. What is your hope, you and Ambassador Feltman, as you look at where we are today and where we are going, what is your hope 2 years from now, a year and a half from now, what do you see in terms of the sanctions, the ongoing process? Where do you think we are going to be?

Ms. MCNERNEY. I guess I would look at a couple places. I would hope that we could continue to build increasing support within Europe, within Asia, within the Gulf countries and other Middle East countries to continue to really apply these resolutions not only strictly, but also the spirit of the resolutions, which is to hold Iran accountable for violating its Security Council obligations. The other, obviously, in terms of Iran, we hope that they will realize that this is a path that is going to continue. The isolation will only increase. And we need to find a way to start talking about this under a baseline that not only the United States but the entire international community has laid out for them, which is to stop enrichment and reprocessing activities.

And with that, obviously, then you can have a fullsome conversation because you do not have these nuclear activities continue. But, I think Ambassador Feltman may talk about this a little more, but obviously that is just one aspect. They are shipping arms to the Taliban, to Iraqi insurgents. They are a destabilizing influence through Hamas and other organizations. Again, all of that is important to a broader dialogue.

Senator COBURN. Ambassador Feltman.

Mr. FELTMAN. I will not touch on the nuclear side because I will let Ms. McNearney's words stand for themselves. But our agenda with Iran is enormous. We want Iran to realize it is unacceptable to be killing our troops, our diplomats—and destabilizing Iraq. We want Iran to realize that they must stop funding Hezbollah, Hamas, and Palestinian Islamic Jihad. They must stop shipping arms to the Taliban. The agenda is huge. And we are working unilaterally and multilaterally to try to change Iran's behavior across the board, not simply on the nuclear file. The nuclear file is the trigger for the possibility of direct talks on these things, following up on Secretary Rice's initiative from 2 years ago. But it is certainly not the only issue and it is not the only important issue.

Iraq is an interesting venue to watch right now because there are some signs that perhaps the Shia Iraqis are disgusted with what Iran has done in funding Shia militias in Iraq. This is almost a parallel to the fact that the Sunnis are disgusted to see the Sunni militia activity. And Iran must be noticing that there was a revulsion in Iraq against what the Iranians were doing in terms of providing arms.

Senator COBURN. OK. Thank you.

Senator CARPER. Thank you. Senator Coleman.

Senator COLEMAN. Thank you, Mr. Chairman.

I want to ask perhaps a little philosophical question. One of the things that frustrates—not frustrates me, but I listened to some of the discussion about conversation with Iran, and I do believe that we need to ramp up and be more aggressive. But my concern is that there is almost a sense that every—let me step back. We often get criticized for some of our actions, for instance, in the Middle East by saying we do not understand the culture, we do not understand tribal culture, we do not understand what is going on, and we do not understand the forces that kind of hold things together in the Middle East. And at the same time, we have folks who are saying, if we just sat down and had a conversation, did not have any preconditions, and just walked in there, that somehow we could make this better. And to me, I think there is a conflict there. The fact is that not everyone perceives with Western thought that flowed from the Enlightenment, Rousseau, to where we are today, and analyzes things the same way.

I would suggest from my certainly more limited knowledge than the witnesses and others, but strength is something that is measured in the Middle East. And weakness has great consequences; perception of weakness has consequences. I am going to say this: President Carter's conversation with Hamas; I am shocked by it. I think Hamas is a terrorist force, committed to the destruction of Israel, has killed Americans. And I think it sends a signal, one that gives legitimacy and kind of sends almost a sense of weakness that I think we pay a price for.

Mr. Ambassador, you have said a number of times, it's unacceptable to keep killing our troops. Iran is killing our troops. They are supplying weaponry. They are killing American soldiers. If we were to simply walk in and say we are going to sit down and without any preconditions, including a precondition that says stop killing our soldiers, if you want to expand economic opportunity, if we want to work out a resolution to this very complex issue of the

nuclearization with understanding the consequences of failure to resolve it, stop killing our soldiers, stop having Qods Force supply advanced weaponry to terrorists, and by the way, maybe while you are at it, put a little hold on Hezbollah and sending rockets into Sderot and maybe step back a little bit on Hamas and have a little stability in the Palestinian areas.

President Abbas is in town today. He is being undermined by Hamas. He is being undermined by Iran. And so Iran is—we actually have this unique opportunity in the Middle East now that you have many other Arab nations looking at Iran as the enemy. Not the Jews, not Israel, not the United States, but Iran.

If we were simply to walk forward—the question the Chairman raised earlier—into a discussion without precondition, the most significant being stop killing our troops, would that be perceived by the Saudis, the Egyptians, and others as a lack of strength? And would that have the potential to undermine some of the influence and stability that we are seeking in the region?

Mr. FELTMAN. Senator, you addressed this in a sort of philosophical way, and I will say that when we hear the discussions about talking to Iran, it is at one level a philosophical issue. Some say that we should be talking without preconditions, we should simply try it, what do we have to lose? Others will say, my gosh, the conditions you put on suspension of enrichment and proliferation-sensitive activities is not sufficient given everything else that is going on, we need to have more conditions, not less conditions. So it is a philosophical question.

But if there is ever a decision to talk to the Iranians, even if the Iranians would meet the Secretary's requirement, there needs to be a serious conversation with the Gulf Arabs and other allies so that they understand what it is that we are doing. You mentioned this in your opening remarks, and I could not agree more. Again, having served in Lebanon for 3½ years, I can guess how the Lebanese would see it perhaps better than I can guess how the Gulf Arabs would see it. But they would want to understand what it is we are doing, why we are doing it, and that we are doing it from a position of strength, that we are not doing it from a position of weakness.

If we are talking philosophically, I have to ask myself just based on my limited knowledge of what happens in Iran, do the Iranians really want to talk to us at the leadership level? Because if they did want to talk to us, I would think that they would be sending us different signals that would be unmistakable. Regarding the tripartite talks in Baghdad that I mentioned earlier, if they wanted us to see that talking actually work, you would think that they would stop shipping arms, and stop funding the Shia militias that are attacking us in Iraq.

You are probably aware of the American citizen that disappeared on Kish Island more than a year ago, in March of last year. I met with his wife and other family members on March 6, about the 1-year anniversary of his disappearance. We have sent numerous notes via the Swiss, numerous messages about help investigate, and help find what happened to this guy in Iran. We do not find the answers or the lack of answers to be credible from Iran. There are signals they could be sending us if, in fact, they were interested

in talking to us. I am expressing my personal view from looking at the information.

Our policy is the Secretary's offer remains valid. If they suspend enrichment and proliferation-sensitive activities—which is an international obligation. It is not simply a U.S. condition; it is an international obligation on Iran—we are willing to talk. But if we get to that point, I agree with you 100 percent, we need to have a serious talk with our Gulf partners and others, and we need to be talking from a position of strength.

Senator COLEMAN. Thank you, Mr. Chairman.

Senator CARPER. This has been illuminating, and I much appreciate it. We appreciate your being here today, the service you have provided for our country, and your responses to our questions. There may be some follow-up questions that we will ask for the record, and others that are not here, and we would appreciate your prompt response to those questions.

Mr. FELTMAN. Thank you, Mr. Chairman.

Ms. MCNERNEY. Thank you, Mr. Chairman.

Senator CARPER. Thank you very much.

Now we welcome the second panel. I am going to go ahead and ask our panelists to take their seats, and I am going to begin the introduction of each of them while they do that.

Ambassador Dennis Ross is Washington Institute's Counselor and Ziegler Distinguished Fellow. Ambassador Ross played a leading role in shaping U.S. involvement in the Middle East peace process. He was the U.S. point man on the peace process in both the Administration of George Herbert Walker Bush and President Clinton, where he was awarded the highest State Department honor. He was instrumental in helping the Israelis and Palestinians reach the 1995 Interim Agreement, brokered the 1997 Hebron Accord successfully, and participated in the 1994 Israel-Jordan Peace Treaty.

Stephen Rademaker joined Barbour Griffith and Rogers. Is that Haley Barbour, Governor Barbour?

Mr. RADEMAKER. He was one of the founders.

Senator CARPER. Mr. Rademaker joined Barbour Griffith and Rogers in January 2007. He previously served, I understand, as Assistant Secretary of State for the Bureau of Arms Control and the Bureau of International Security and Nonproliferation where he directed nonproliferation policy toward Iran and North Korea. He also recently served as policy director for National Security Affairs and senior counsel for our colleague, former Senator Bill Frist. And rumor has it you may have spent some time in Delaware. Did you grow up in Delaware? Where did you go to high school?

Mr. RADEMAKER. Newark High School.

Senator CARPER. Well, welcome. We are glad that you are here. It is not every day we have a Yellowjacket to come by and share some thoughts with us. We are glad that you have come here. Thank you for joining us.

Dr. Graham Allison is Director of the Belfer Center for Science and International Affairs at Harvard University's John F. Kennedy School of Government, where he also served as dean. Dr. Allison previously served as Special Adviser to the Secretary of Defense under President Reagan and as Assistant Secretary of Defense for

Policy and Plans under President Clinton. He has been a member of the Secretary of Defense's Defense Policy Board for Secretaries Weinberger, Carlucci, Cheney, Aspin, Perry, and Cohen. His 1971 book, which I understand was your first, "Essence of Decision: Explaining the Cuban Missile Crisis," ranks among the best sellers in political science in the 20 Century. I do not know what you are going to do for an encore, but that is pretty impressive.

Dr. Jim Walsh, a research associate at Massachusetts Institute of Technology, where my son is a sophomore in mechanical engineering, so this is a home game for you. Dr. Walsh previously served as Director of the Managing the Atom Project at the Belfer Center at Harvard's Kennedy School of Government, and he chaired Harvard's International Group on Radiological Terrorism. Dr. Walsh has traveled to Iran twice in the past 6 months for discussions with Iranian officials and analysts and will return to Iran in June. He also participates in three Track 2 projects that bring together former U.S. officials and experts with current and former Iranian officials.

Senator Collins has joined us. Senator Collins, welcome. We are delighted that you are here. Actually this is officially our second panel, but actually it is number three. We welcomed and led off with Senators Specter and Feinstein. We are just delighted with the people that are here. This is a great panel as well. Would you like to make any brief statements before we go to the panel?

Senator COLLINS. No, Mr. Chairman. I did have a very busy schedule today, including a classified briefing, which is why I am late. But I actually think I have timed my arrival perfectly because this panel has the expertise that I really want to hear, and I commend you for holding this hearing on such an important topic.

Senator CARPER. We are delighted that you are here. Thank you so much for joining us today.

Senator COLLINS. Thank you.

Senator CARPER. To our panel, I normally do not stick real closely to the clock. We are going to start voting at 12:15. We have a couple of votes in sequence. We want to get as much from you and back and forth in the Q&As, so I am going to ask you to try to stick fairly close to 5 minutes, and if you get much over it, I will tap the gavel.

Our friend, Mr. Ross, welcome. We are delighted you are here.

TESTIMONY OF HON. DENNIS ROSS,[1] COUNSELOR AND ZIEGLER DISTINGUISHED FELLOW, WASHINGTON INSTITUTE FOR NEAR EAST POLICY

Mr. ROSS. Thank you, Mr. Chairman. I have submitted testimony for the record. What I am going to do is just offer a number of observations, in part based on the testimony, but also based on what I heard you say earlier. And, actually, I want to start off with a question that Dr. Coburn asked the last two panelists.

You asked them what is it that they hope for in the next year or two, and I have to say, as someone who has been in administrations and had to testify in the past, oftentimes when you are up here you have to say what the administration line is. Obviously, we

[1] The prepared statement of Mr. Ross appears in the Appendix on page 90.

are free of that. And I can say given where we are, given the path we are on right now, next year Iran is going to be a nuclear power. The path we are on right now is one that is going to put them there.

Certainly, it is quite possible that President Ahmadinejad was exaggerating in terms of where they are in terms of being able to install the 6,000 new IR–2 centrifuges which are five times as efficient as the 3,300 that are already there. But the fact is, they are going to be in a position where they can begin to stockpile fissionable material, and the problem with what we heard from the Administration witnesses is there is a mismatch between the character of the pressure that they are applying and the pace of the Iranian activities. So what we have to do is ask ourselves the question: Where are we going to be and how can we change the situation that unquestionably is about to unfold?

There are some people who look at the path that we are on right now, and they say, you know what? It is impossible to stop the Iranians. They are going to become not just a nuclear power but a nuclear weapons state. And given that reality, the only thing we can do is let's focus on containment, let's focus on deterrence, and let's just live with it. There are others who say, well, the problem is you have a regime that has messianic elements in it, and you heard Jeff Feltman say that the Revolutionary Guard is increasingly important in terms of the overall control in the system. True, they answer to the Supreme Leader, but the fact is they are very heavily guided by a spirit that they have to spread the revolution. And, by the way, they are the ones who control the nuclear program.

So others say, well, this is not a group that can be deterred, and even if it is possible to prevent them from actually carrying out direct attacks and Iran with nuclear weapons is going to cast such a shadow over the region, it is going to produce the Saudis and others going nuclear. It will be the end of the NPT. It will embolden Hamas. It will embolden Hezbollah. It will change the landscape in the region. We really cannot afford it. So not only can we not live with it, we need to use military force against them—to forestall it.

Those are two poles in the discussion. One basically says you can live with it. The other says you cannot. And I would say that if each of those are going to produce outcomes that are not particularly acceptable, we ought to look for a third way. And what I am going to try to do here is suggest to you that there may be a set of diplomatic options that are worth pursuing as a third way. And even if they do not succeed, they put you in a better position to pursue one of those two other approaches more effectively than you might otherwise.

So let me start with what I will describe as a statecraft approach. Having written a book on statecraft, necessarily I tend to talk about things through that lens.

One critical element of statecraft is leverage, and the key here is recognizing that the Iranians actually do have vulnerabilities. It is not wrong to try and put pressure on the Iranians. What is wrong is that we are not putting on pressure that is going to be effective. They do have vulnerabilities that are economic and quite pronounced, whether it is the fact that they have very high inflation right now, very high unemployment. The price of oil, in fact,

has not changed their economic vulnerabilities, although obviously it helps them to some extent. The mullahs do want to preserve their power and their privilege. They do need to be able to buy off their publics, and that is why they use the revenues they generate from their oil exports.

The fact is it is hard for them to continue to produce what they are doing in the oil area and export what they have been exporting at a time when their own internal consumption is rising. Can we squeeze them more effectively through economic means? Yes, I think we can, but only if, in fact, we come up with different ways to do so.

I am not going to go through all this. Let me just sort of encapsulate the options in the following fashion:

Option No. 1, again, focused on their vulnerabilities, is tighten the noose. Now, that could be a good approach if you can persuade others to join with you. It is clear that the path we are on right now is not getting others to do as much as they would need to to be able to affect the Iranians. And I would also say if you are focused only on the tighten the noose option, the problem is going to be the Iranians may also feel this is an effort to not just humiliate them but to defeat them; and if we are about regime change, from their standpoint better not to give in because the consequences are too high. Look at some of the speeches that both Ahmadinejad and the Supreme Leader have made, and you will find that they focus heavily on, using their language, if we concede to the arrogant powers, they will never stop.

Option No. 2 would be some of what we have heard today, which is engage the Iranians without any conditions. They have great suspicions. They have too much leverage. They still have cash to insulate them, at least for the time being. And the fact is unless you go in an unconditioned way to them, you cannot get anywhere, and put everything on the table. Everything. In a sense, a comprehensive approach where what you put on the table is responding to some of their desires, which are they want regime recognition. They want to know that they have a place in the region that is accepted. They want the economic boycotts to end. They want us to unfreeze the assets we have held since the time of the revolution. They want to be able to have civil nuclear power. That is what they want. But for them to get that, then the counterpoint would be, well, you want to be accepted in the region, you want us to accept the regime as well. Well, you cannot be engaged in terror. You cannot be supporting Hamas and Hezbollah. You cannot be opposing the idea of peace. You cannot be declaring that Israel is not only illegitimate but is going to collapse imminently. And if you want civil nuclear power, then there has to be a kind of intrusiveness in terms of inspections to ensure you do not have a covert program and you do not have a breakout capability. In other words, a comprehensive approach puts everything they want on the table, but also everything we require in return.

The problem I have with this option, I will tell you, is that I am a veteran of negotiating in the Middle East. I know something about the mind-sets. Senator Coleman, you raised the issue of sort of culture and mind-set when it comes to negotiations. I can tell you, in my experience, what I have found with everybody I nego-

tiate with in the area is when they were strong, they did not feel the need to compromise; when they were weak, they felt they could not afford to compromise. So the key here is in the Iranian case, if you concede up front and there are no conditions and you are just going to engage them, my guess is that they are going to think, OK, we have now conceded to the fact that we are going to accept them being a nuclear weapons state. Whatever we say, the negotiations are a process, but eventually we will simply give in.

So that leads me to a third option, and the third option is what I would call engage the Iranians without conditions but with pressure. They must not think that, in fact, we have already surrendered when we go to the table. And so I would, in effect, say marry option 1 and 2. Marry and tighten the noose with the engagement.

Now, one of the issues that I think one of you raised was—the idea of talking, if we talk that will make it easier for others to do more in the sanctions area, and I think that one of the panelists before was saying, look, when we do that, the fact is others just go ahead and they think they really do not have to apply sanctions. I would actually suggest a somewhat different approach.

I would say our readiness to talk should be, in effect, with others conditioned on them doing more. In other words, rather than focusing on the conditionality vis-a-vis the Iranians, you focus on the conditionality vis-a-vis others.

With the Europeans, say to them, you know what? You want us to go to the table. You think there is a deal there. We might even be prepared to do that. We might even be prepared to put a comprehensive proposal on the table along with you that goes beyond what has been put on the table so far. But the price is you have to cut the economic lifeline before we go so the Iranians know it. Cutting the economic lifeline means no more credit guarantees to your companies doing business there. You do not do any commerce, you do not do business with any of the Iranian banks.

With the Chinese, who frequently fill in whenever the Europeans cut back, we focus on, yes, we are willing to talk, but we have to do more than that.

The Saudis have enormous financial clout, and if the Chinese had to choose between Iran and Saudi Arabia, they would choose Saudi Arabia. Right now, just to put it in some perspective, the Saudis and the Chinese right now are—I will take one more minute? Thirty seconds?

Senator CARPER. Thirty seconds.

Mr. ROSS. All right. Thirty seconds. Just to put it in perspective how you could use Saudi leverage if, in fact, you are going to have a comprehensive approach where you are trying to build the pressures even as you are prepared to talk, the Saudis right now are filling the Chinese strategic petroleum reserve with Saudi oil. The Chinese are investing enormously in the petrochemical industry in Saudi Arabia. And, jointly, they are developing and investing in refineries around the world. So if it is a choice between Saudi Arabia and Iran, China, given their mercantile mind-set, they are going to choose Saudi Arabia. We have to have a strategy with the Saudis that makes them more likely to take these steps. They are not doing it right now.

So let me just wrap up by saying you do not want to leave yourself with two unacceptable outcomes. Try a diplomatic approach. But if you are going to try that diplomatic approach, from my standpoint talking makes sense, but you have got to have the talking take place in a context in which the Iranians do not think they have already won and that they are under pressure. You concentrate the Iranian mind even as you show them a pathway that says, all right, there is a way out for you.

Senator CARPER. Thank you very much for an excellent statement. Thank you.

Mr. Rademaker, welcome.

TESTIMONY OF STEPHEN G. RADEMAKER,[1] SENIOR COUNSEL, BARBOUR GRIFFITH AND ROGERS, LLC

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

First let me say to you, Mr. Chairman, and to Dr. Coburn and Senator Coleman, I was very interested in your opening statements, and I thought all of you did an excellent job identifying the seriousness and intractability of the problem that we face with Iran. And, Mr. Chairman, I think I agree with your observation that the basic challenge before us is identifying the least bad approach among the approaches that we have available.

Broadly speaking, there are three alternatives before our country on Iran. One is to essentially accept that we are not going to stop Iran from achieving a nuclear weapons capability and just plan for that eventuality. The second is to decide that that is unacceptable and to use military force to prevent that eventuality from coming to pass. And the third is to put together some sort of diplomatic approach to the problem that successfully keeps the Iranian nuclear threat under control, that persuades the Iranians to change their current course. And obviously, among those three options, there is no question that a diplomatic solution that persuaded Iran to change course would be far and away the best.

It is in that context that in my prepared remarks I spend a considerable amount of time explaining why the National Intelligence Estimate that came out last December was such a damaging development for not just U.S. foreign policy and not just Bush Administration foreign policy, but the foreign policy of the entire international community, particularly our European allies. And I was gratified to see that Ambassador Ross in his prepared remarks appears to agree fully with my assessment of the NIE and its implications, and the fundamental problem with the NIE.

The fundamental problem is not the intelligence conclusions. The fundamental problem is the way that those conclusions were expressed. They were expressed in a way that lent them to being misunderstood, misinterpreted, and thereby undercut the prospect that the diplomatic efforts that we and our allies have been undertaking can succeed. And that is a most unfortunate development because to the degree the prospects for successful diplomacy recede, the prospects that we will have to go with one of the other alternatives—either accepting the Iranian nuclear weapons program or

[1] The prepared statement of Mr. Rademaker appears in the Appendix on page 121.

using military force—the prospects of one of those two alternatives having to be embraced increases.

One of the observations that I make in my prepared remarks and that I will repeat here is that with regard to the phrasing of the National Intelligence Estimate, I simply do not know which is worse: That the authors of that estimate did not appreciate the implications for the international diplomacy of the way they expressed their conclusions, or that they fully appreciated those implications and were indifferent to them. I do not know which is worse, but I think it is a question that maybe someone in the U.S. Congress ought to start asking.

Now, I think one of the principal issues that is on the mind of everyone and has figured prominently in the hearing so far today is the question of whether we should drop the existing precondition to direct U.S. negotiation with Iran about the nuclear issue and engage the Iranians directly. I make two observations about that notion in my testimony.

The first is that if we are going to engage directly with Iran, we want our engagement to be successful. We want to be able to reach a negotiated outcome that is acceptable to us. In order to do that, we have to come into the negotiations from a position of strength.

The NIE guarantees that, as of today, we are in a position of considerable weakness. The Iranians perceive us as weak. They perceive U.S. policy as collapsing. And I think to drop the existing precondition, the precondition that has been in effect for many years, will be seen by the Iranians as a further U.S. concession, further evidence that U.S. policy, the demands that the United States has been making up until now, are falling by the wayside and that they are winning.

In other words, to engage successfully diplomatically, I think we have to figure out a way to overcome the problems that were created for us by the NIE and engage from a position of strength.

Ambassador Ross in his prepared statement outlines such an approach. I think he agrees with what I am saying about needing to negotiate from a position of strength. He outlines a way that we could try to do so. I think it is an interesting approach to try and work with Europeans in advance of negotiations.

I think I read into his testimony, though, that should such an effort to get the Europeans to join with us in imposing sanctions up front—strengthening sanctions up front—fail, should they not be prepared to agree to do that, I think he would agree with me that then it would not be ripe to drop the existing precondition. I do not want to put those words in his mouth, but——

Senator CARPER. Let the record show that Ambassador Ross was nodding his head yes.

Mr. RADEMAKER. The second point I make about direct negotiations with the Iranians is we need to figure out what outcome we are prepared to accept. Here I think the critical question is: Are we prepared to accept enrichment in Iran or not? U.S. policy up until now and the policy of our allies and the policy of the U.N. Security Council as reflected in four binding resolutions is there should not be enrichment in Iran.

Dr. Walsh in his prepared testimony says that is unrealistic, that we are not going to achieve that, and so we should stop demanding

that and, in fact, we should develop a fallback proposal that we think the Iranians would accept.

I am not prepared personally to agree that the U.N. Security Council has it wrong and our allies have it wrong and we have it wrong and we have to give the Iranians—we have to move in the Iranian direction and allow them to enrich in Iran. I think that would be a dangerous development because, yes, there might be enhanced safeguards, enhanced inspections, enhanced verification, but I think we would never have confidence with the current regime that if enrichment was taking place in Iran at declared locations that were under international supervision, that there was not a parallel covert program somewhere using some of the same equipment, the same technology, and engaging in enrichment, producing fissile material, without our being aware of it. I do not have the same high level of confidence in the ability of international verification mechanisms to detect covert enrichment at undeclared sites that Dr. Walsh has.

Let me make one final observation and then I will finish. Dr. Walsh also says as part of his suggestion that we need to accept enrichment in Iran that what we should do is talk to the Iranians, propose to the Iranians that they multilateralize or multinationalize the enrichment facility in Iran, take the Natanz facility and bring in foreign partners. As a former diplomat, I do not think I would have a whole lot of trouble selling that idea to the Iranians. I think it is an idea that would sell itself. I would go to the Iranians and say, boy, do I have a deal for you. You are under international sanctions. You cannot get the technology you need. You are a pariah because of what you are doing. Here is the bargain: We will help you raise capital. We will bring in foreign investors. They will invest in your plant. They will bring in expert managers to help you run it. They will bring in foreign technology to overcome the technical problems you have been having. And best of all, you will get international legitimacy. Your nuclear program will no longer be an outlaw nuclear program. All you have to do is agree to some enhanced inspections and some foreign involvement in your program, and the future changes.

I think the Iranians would be foolish to reject such an offer. Would we be foolish to offer it?

Senator CARPER. I am going to ask you to wrap it up. But go ahead, finish your thought.

Mr. RADEMAKER. President Bush in 2005 proposed that there be a global ban on transfer of enrichment and reprocessing technology to any country that does not currently have it. He proposed that the Nuclear Suppliers Group adopt that as a policy. The NSG has not yet done that, but pending that, since 2005, the G–8 members have every year agreed that they will not transfer enrichment and reprocessing technology to any country that does not have it.

I do not understand how, if we are going to stand up a multinational enrichment facility in Iran, we do not undermine this notion that there should not be transfers of that kind of technology to any country that does not have it, because if it is a multinational facility the foreign partners are going to fully expect to be able to bring in the technology for the project to succeed. And once Iran

gets it, how can you justify denying that same sort of capability to others?

Thank you, Mr. Chairman.

Senator CARPER. Mr. Rademaker, thank you very much.

And, Dr. Allison, I think he set you up pretty well here to come right in and say your piece. But you are recognized. Your full statement will be made part of the record.

TESTIMONY OF GRAHAM ALLISON,[1] DIRECTOR, BELFER CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, AND DOUGLAS DILLON PROFESSOR OF GOVERNMENT, HARVARD UNIVERSITY'S JOHN F. KENNEDY SCHOOL OF GOVERNMENT

Mr. ALLISON. Thank you very much for your leadership in drilling down on what is certainly the central challenge to American national security going forward over the next several years. And I think you introduced the conversation in just the right terms, recognizing that the choices at this point are between very bad and horrible. Those are the alternatives. There are no good choices.

I also agree very much with Dr. Coburn's earlier proposition that the challenge that Iran poses is not simply a challenge in itself. It is a challenge to the entire global nuclear order and the nonproliferation regime, and I address both of those in the testimony that I have submitted.

I also submit for you a case from the course that I teach at Harvard that I gave to my students a month ago in which they had to play a red team exercise as if they were working for the Iranian Supreme Leader who wants three bombs by the end of 2009. If you are going to drill down on this, I suggest you look at the case because you will find it interesting. It stretches the facts of the current situation to the very worst case. Getting three bombs by the end of 2009 will be extremely ambitious for Iran, but just at the edge. And I think as one goes through this, one sees a lot about the strategy that we have been following and its consequences.

In my prepared testimony, I offered short answers to seven quick questions, and let me go through them quickly.

First, is Iran seriously seeking nuclear weapons? Yes.

Two, is the Bush Administration's strategy of a slow diplomatic squeeze that we heard presented today working? No.

Three, what has the Bush Administration's approach achieved and not achieved at this point? I would say that diplomacy in getting four Security Council resolutions has been nothing short of extraordinary. But the fact is that Iran is 7 years closer to its goal line than it was when the Bush Administration came to office. So in one line, the Bush Administration's efforts to organize diplomatic sanctions have essentially succeeded in giving Iran more time to advance nuclear facts on the ground.

Four, has the Bush Administration's approach missed opportunities to stop Iran's program? Yes. The best opportunity we had was in the spring of 2003. The exchanged piece of paper had a list of all the things to be negotiated that needed to be negotiated. We do not know whether we would have succeeded if negotiations had been entered, but we know that we failed to try.

[1] The prepared statement of Mr. Allison appears in the Appendix on page 127.

Five, on the current track, when will Iran acquire its first nuclear bombs? The NIE offers the best consensus judgment that Iran will not produce enough highly enriched uranium (HEU) for a nuclear weapons before the end of 2009, and even that is unlikely. It is more likely Iran would have this capability during the 2010–2015 time frame. So I would not disagree with that proposition, and I think as you go through the exercise of how Iran would actually seek and get a nuclear weapon, the case that I gave you, that becomes even more plausible.

Six, responding to the question you raised in the letter that you sent inviting us to testify, are there lessons from the wrestling match with North Korea that provide relevant insights for dealing with Iran? And I think the answer is yes. The results of the Bush-Cheney-Bolton strategy, as I characterize it, of threaten and neglect—or the quote from Vice President Cheney says, "We don't negotiate with evil. We defeat it" are in. We can now look and see what results this produced. Kim Jong-Il: Eight additional nuclear bombs; Bush: Zero. This is a strong statement, but look at the facts. North Korea has eight plutonium nuclear bombs that it did not have in January 2001. I believe this is the largest and most dangerous failure in nonproliferation policy for the United States in recent decades. We basically sat by while North Korea withdrew from the NPT, ejected the IAEA inspectors, shut down the 24/7 cameras that were watching six bombs worth of plutonium, trucked the plutonium over to a reprocessing plant and reprocessed it, turned the Yongbyon reactor back on, and started producing another bomb or two annually, and then conducted a nuclear test. All this has happened. These are brute facts.

In the aftermath of that, in what John Bolton has rightly called "a flip-flop" from the prior approach, the Bush-Hill-Rice current approach that has engaged the Six-Party talks and North Korea bilaterally has succeeded in at least closing down the Yongbyon reactor. The benefit of that is that North Korea is not producing more plutonium. Has it done all the things that we need to do about every other subject? Absolutely not. Will they do it? Absolutely not. But is it better not to have one or two more North Korean bombs every year? I would say it is unseemly, it is tawdry, but it is better than the alternative.

Finally, are there relevant historical analogies that may offer some insight to this? I note in my testimony that the unfolding U.S.-Iranian confrontation is like the Cuban missile crisis in slow motion. That was the most dangerous moment in history, 1962, Soviets sneaking missiles into Cuba. Kennedy confronts them, demands that the missiles be withdrawn. There follow 13 very tense days. At the end of that crisis, Kennedy invented an option that he would not have considered at the beginning of the week, that many of his advisers actually would not have agreed to, but that succeeded in getting the missiles withdrawn without war. And I think it is only when we face up to the fact, as Mr. Ross was saying before, that the two options at the end of this road are acquiesce and attack, and as you analyze the consequences of each of those and see how unacceptable each is, that we will finally get real in looking at options that are unpalatable, tawdry, ugly, but better than either of those two alternatives. The danger is that as we postpone

this moment of truth, we let Iran create new facts on the ground every day.

For a long time, we said Iran would not be allowed to master the technology of enriching uranium, and I still hear that statement repeated today. The answer is, they have 75 kilos of low enriched uranium that they have already enriched. So I would say their facts on the ground are moving all the time while we have been struggling trying to figure out what kind of option we would actually pursue. So I subscribe to Mr. Ross' proposition that we should at this stage be getting all of our carrots, all of our sticks, all of our allies into the discussion.

Senator CARPER. Dr. Allison, thank you very much for that statement.

Dr. Walsh, you are recognized, please.

TESTIMONY OF JIM WALSH,[1] RESEARCH ASSOCIATE, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Mr. WALSH. Thank you, Mr. Chairman. Thank you, Dr. Coburn, Senator Coleman, and Senator Collins. It is a privilege to be back before this Subcommittee and an honor to be with this distinguished panel.

My focus is going to be on the nuclear issue. That is my background, as the Chairman alluded to. But I have also through the course of my work met over 100 Iranian officials from the Expediency Council, the Foreign Ministry, the Atomic Energy Organization of Iran, and I have spent 5 hours with President Ahmadinejad and with North Korean officials as well.

After the hearing, I am more than happy to respond to questions in writing if you have additional questions, and I got up early this morning and wrote a brief memo on the recent revelations about the Syrian-North Korean connection and its implications for policy in Iran, and I am happy to share that if there is any interest in that. But let me get to the task at hand.

First, current U.S. policy. You have heard this morning that U.S. policy is multifaceted, but as regards the nuclear issue, really the core strategy is based on sanctions. I think sanctions have enjoyed some success. For example, some people said the United States would never be able to get any sanctions resolution through the United Nations, but we were able to do that. I think the big picture here, as my colleagues have said, is that the sanctions strategy is failing.

Now, when I appeared before you 2 years ago, there were 164 centrifuges in Iran and no sanctions. Ten days after I testified, you had the first resolution authorizing sanctions. We have had three sanctions resolutions, and since that time that I testified, we now have 3,000 centrifuges. That is, I guess, about a thousand centrifuges per sanctions resolution. And Iran have announced that they are going to build 6,000 more. I think on its face, the policy is clearly not working.

In the race between centrifuges and sanctions, the centrifuges are winning, and even senior U.S. officials concede that point. I think the situation is unlikely to get better, and as the comments

[1] The prepared statement of Mr. Walsh appears in the Appendix on page 132.

by the Chairman and Dr. Coburn I think implied, what we have here is a disconnect. Sanctions are a policy for the long term, to deal with long-term public policy problems. The nuclear issue, by contrast, is near to a intermediate term, and so I think even at its best—and there is a big debate whether sanctions are generally effective—we are dealing with a disconnect between policy instruments and policy problems.

There are alternatives. In my testimony, I examine soft regime change and containment, but like sanctions, these do not work in a relevant time frame. It is a policy mismatch. By the time soft regime change or containment and reassurance work, Iran will have already built thousands and thousands of centrifuges. These are post-nuclear approaches. This is not true of military action, but I think that at best military action would simply delay and, at worst, would create a determined proliferator, and it would be prohibitively costly. Secretary Gates said just the other day, "Another war in the Middle East is the last thing we need and would be disastrous on a number of levels."

So the final option that people talk about is direct talks without precondition. There are people who simply call for talks, and then you have others who also say they want a grand bargain. I think the first is too little and the second is more than is practically possible.

We have to do more than simply have talks. We have to be able to have something to say when we talk to them. We have to have a proposal that will advance the process. I think the grand bargain is too much.

You will remember that in 2003 the Iranians through the offices of the Swiss did propose at least a negotiation on what might be characterized as a grand bargain with the United States in which terrorism, the nuclear program, the Arab-Israeli dispute were all on the table. That proposal, alas, was not responded to. I think under the current leadership and the current conditions, it is too much to ask for a grand bargain. We can achieve progress in important areas like the nuclear issue without having to achieve progress on everything.

What do we say to the Iranians, is this proposal that my colleagues and I have put forth, the multilateralizing or multinationalizing of Iran's fuel cycle. And while I appreciate Mr. Rademaker's interest in the proposal, I think I have a slightly different characterization of it.

I think the basic dilemma we face here is U.S. policy insists on no centrifuges, and Iranian policy is enrichment on Iranian territory. And there seems to be not much room in between those two positions.

Multi-lateralization tries to do is square that circle by saying there will be enrichment on Iranian territory, but it will not be a national program solely owned and controlled by Iranians. It will be internationally owned and managed. There is a difference. The Iranians will participate, but the ownership, management, and operation of that facility, whatever its size and whatever its technology—which I do not prejudge—would be done not by Iran alone, which is what we are looking at here, but by Iran with others, eyes and ears on the ground. I think that is better than the status quo.

I think that is better than where we are headed. I believe in a reality-based policy, and right now we are not dealing with reality.

This proposal would call for upgraded inspections, eyes on the ground, greater transparency. Yes, there are risks. I review some of those risks in my written testimony. But I think they can be minimized, and at the end of the day the question is compared to what? And the "what" looks pretty bad right now. So I think this proposal has a better chance of achieving our objectives in nonproliferation specifically than much of what is talked about.

In terms of lessons from North Korea and Iran, I think there are some lessons. The general lesson is it is a mistake to assume inevitability, that it is destiny that a country will become a nuclear weapons state and will hold onto those weapons forever. I think these cases and the historical record more generally show that we can engage with countries we do not like, that allies are important but the United States has to engage in direct conversations with potential proliferators, and that the other guy has to get something out of a negotiated settlement. A proposal that is all restrictions and no benefits—that is not an agreement that is going to happen or going to be sustainable.

As regards North Korea, I think the lesson is that it is not enough simply to talk. We have to have something to say. And when you reach an impasse, it is more for more. You get more but only if you do more—that is how you transform the negotiation.

As regards Libya, as I say, I think it illustrates (1) how it shows how sanctions work, i.e., they are really a long-term proposition, (2) the importance of the United States following through on its promises and (3) the IAEA has an important role to play here.

Let me conclude by saying that not only IAEA but Congress, all of you, have a critical role to play in your oversight, information collection—this hearing is a great example of what we need to have more of—and as a policy innovator. I think you can develop the legislative ties with Iran if that opportunity arises and promote smart engagement. Those concepts are described in the written testimony.

Let me end here by again thanking you for the opportunity to reappear before your Subcommittee.

Senator CARPER. Dr. Walsh, thank you very much.

We are going to start voting, I am told, about 12:15. Senator Coburn and I have probably about 20 minutes after that to get to the floor and actually start voting. We are going to have a series of votes. He and I have discussed it, and what we are going to do is ask some questions and look for your responses, and then we will probably be closing this down by 12:30. And I understand, Dr. Allison, you have a plane to catch, and that works, I think, with your schedule.

Thank you for an excellent presentations. This is an excellent panel. I want to go back to Ambassador Ross and just ask you again to outline your third way proposal for us. Then I am going to ask of our other three panelists to respond to that third way suggestion.

Mr. ROSS. The essence of the third way proposal is what I call engagement without conditions but with pressure. It is an amalgam of what I call those who say let's only tighten the noose and

others who say let's engage without any conditions at all. And the essence of it is basically use your readiness to talk as a device to get others who have been holding back in terms of providing the real sanctions to do much more than they have been willing to do. It is premised on several different assumptions.

Assumption No. 1 is that the Europeans believe there is a deal that can be struck, but only if the United States is at the table because what the Iranians want is not just the political and economic side of things, but they want certain things from us, especially as it relates to recognition, security, a place in the region.

Assumption No. 2 is that you have to bring the Chinese in, but we have not been applying any leverage on the Chinese. Now, our leverage on the Chinese can be applied in one of several ways. One is argumentation. Don't put us in a position where the only option left to prevent the Iranians from going nuclear is the use of force. A second way to deal with them is, in fact, to focus on what seems to motivate them in a pretty consistent way. They have what I call a mercantile mind-set. There is enormous Saudi financial clout. Find a way to bring the Saudis into this. The Saudis will not do what we want if we just ask them to do it, because they will not want to expose themselves to some potential risk unless they know what is our overall strategy and where they fit into it. Use the Saudis as a way of affecting the Chinese.

Third, I would also try to bring the Russians in. Now, there are multiple ways to try to bring the Russians in. I say it in the testimony. One is they do have an interest. I heard Dr. Coburn agreed with what Senator Coleman was saying about the issue of nuclear cooperation with them. They have enormous economic interest in this and use that as a potential lever; also the issue of missile defenses in Eastern Europe. The rationale for the missile defenses in Eastern Europe are protection against the Iranians. This is a very big issue that Putin has made. Say to them, look, if you really join us—and we have to be very specific in terms of what it means—in terms of preventing Iran from being such a threat, well, then, we do not actually have to proceed with the missile defenses in Europe. That is the essence of it.

Senator CARPER. Great. OK, thanks.

With that outline, again, Mr. Rademaker, why don't you just weigh in. What do you like about it? What do you question about it?

Mr. RADEMAKER. Well, to the degree that what Ambassador Ross is saying is that we should not begin direct negotiations with Iran today, I fully agree with him, and I think the rationale that he has is the same as mine, which is that our position today politically and diplomatically is too weak to successfully negotiate with the Iranians. So what this is is a suggestion about how we could strengthen our position in order to be able to hopefully negotiate successfully.

I think it is a creative idea, and I think it would be worth pursuing, but I will flag two concerns I have. One, I think part of the idea is that the Europeans impose the sanctions before the negotiations, thereby strengthening the pressure on the Iranians before the talks begin. The Europeans may well say no to that idea, and then we are back to the situation we are in today.

My second point is if we are going to enter a joint negotiation of this sort, we are going to have to have an understanding with the Europeans about what it is we are seeking to achieve. What is the outcome that we want? And, in particular, the issue that I flagged in my opening remarks: Is the final outcome we are seeking one in which there is no enrichment in Iran, full stop? Or is it one along the lines that Dr. Walsh has outlined where we say, OK, we are going to allow you to have enrichment under certain conditions? That is a critically important decision, but there has to be a meeting of the minds between us and the Europeans under this concept. And I have not heard Ambassador Ross' suggestion about what our bottom line should be.

My view is clear, and I state it in my prepared remarks. I think our bottom line has to remain no enrichment in Iran, because allowing enrichment in Iran would just be too dangerous given the history and nature of their program. And so if the Europeans came to us and said we will undertake this with you, we will even impose sanctions up front, but you have to join us in agreeing that we will settle for some arrangement with Iran under which they are able to engage in enrichment in Iran, I would not think that is a bargain we would want to strike with them.

Senator CARPER. Thank you, sir.

Dr. Allison, what do you like and what do you question about Ambassador Ross' proposal?

Mr. ALLISON. Mr. Ross and I have talked about this before, and I like the general idea, but I think it is somewhat unrealistic in the short run. I think in the first instance, as Steve has said, rightly, the Bush Administration does not know its own mind. It does not have an agreement on what it would accept. If you do not have a notion of what is acceptable in the reality zone, that is one reason not to talk.

Two, it does not have an agreement with the other parties with respect to what would be acceptable. That would be extremely difficult to do, and in any case, the Bush Administration cannot do it between now and then.

Three, when is "then"? A new Administration comes, Senator McCain or one of the other Senators. It takes 6 months or a year to get its act together. All the time, Iran is just there moving facts on the ground. The reality of this situation is the facts on the ground are worsening constantly as we have done whatever we have done. So there we are.

I think with respect to where we want to get to is something like what Mr. Ross is proposing—a grand bargain negotiation. I outline that in the 2004 book, *Nuclear Terrorism.* Basically we take all of the carrots to the table, and that most importantly for the Iranians is some assurance that we are not going to attack them to change their regime by force, and that we are not going to support groups that are undermining them inside; and all the sticks.

I am in favor of being able to threaten attack. I like very much the Israeli stick in the closet kind of looking out a little bit. So I think you need a lot, a lot of sticks and you need a lot, a lot of carrots, and you need a coherent position. You need to sit down with the other parties as part of the game, though the United States has to be the dealmaker because it is the threat to the regime that the

Supreme Leader thinks he is responsible for keeping in place. It is the regime that we threaten, credibly, when first we announced there was an Axis of Evil and said that the solution to this problem is toppling the regimes, and then toppled this neighbor next door in 3 weeks, whom he had fought 8 years to a standstill war with. So that was May 2003 when our strength was at a maximum position. I think recovering a position of strength for such negotiations will be extremely difficult, but not impossible.

Senator CARPER. All right. Thank you.

Last word. What do you like? What do you question about this, Dr. Walsh?

Mr. WALSH. Well, I like the idea of using it as a device to get others to do more. You heard in the first panel one of the witnesses said, well, if you start talking to the Iranians, our allies will do less. I think the historical record shows that to be absolutely wrong. It was after Secretary Rice's announcement in May that we got the first sanctions resolution. So I do think it is a device to get people on board.

I do agree with Mr. Rademaker in this regard, that you have to be clear about the goal. Is it zero enrichment? What is it you are actually going for? Again, I really doubt, for reasons of national pride and internal politics, and now bureaucratic politics, whether they are suddenly going to go from 3,000 or 9,000 or 10,000 to zero. I have grave doubts about that.

As for sanctions, I think that would be great. They are useful. But I think there is a tendency to overemphasize sanctions as if it is a be-all and end-all when actually the record is quite mixed. Iran is a big country. For all the Gulf states that fear it, a lot of those Gulf states are investing in Iran, even with the international sanctions right now. And you run the risk of repeating the North Korea syndrome, which is you are talking to Iran, then you impose sanctions, and then Iran pulls out because Tehran objects to the sanctions. And then it is only once you begin to address the sanctions that they come back to the table. But, in general—I know that sounds negative. In general, I am positive about it with just those observations.

Senator CARPER. Fine. Thank you very much. Dr. Coburn.

Senator COBURN. How many of you all think that Iran desires to have a nuclear weapon?

Mr. WALSH. Elements within Iran; I believe that the government has not made a final determination to seek nuclear weapons.

Senator COBURN. Well, how many of you all realize—or would agree that who we are talking to indirectly now is not the people who are making the decisions? IDRC, we are not talking to them, right?

Mr. WALSH. Supreme Leader. That is the person who calls the shots.

Senator COBURN. Well, but they work for the Supreme Leader. They do not work for Ahmadinejad. Comment on sanctions. There are sanctions and then there are sanctions. We have not had real sanctions yet. Intriguing idea, Ambassador Ross. We are in a pickle, and the question is: How do we get out of the pickle?

If we do what Ambassador Ross says, and it is related only to enrichment instead of killing our troops, denying human rights in

Iran, and all the other consequences, what happens if we fail? What happens if you think they are going for a nuclear weapon and we say we will talk on the basis of the fact that we have got to enhance sanctions, and the talking does not work?

Mr. WALSH. Well, I think, these policies move in sequence, and the one thing you do not want to do is prejudge and you miss an opportunity to resolve the problem. If we assume that they are bound and determined to get a nuclear weapon, which is not the finding of the NIE.

Senator COBURN. But that is based on 2003 intelligence data. It is not based on the most recent revelations of what has been in the press about their accomplishment with Chinese drawings, molds.

Mr. WALSH. Well, I have always thought when you look at the history of the Iranian nuclear weapons program that started in the mid-1980s—we will ignore the fact that the Shah wanted it as well. The curious thing here is that they did not make more progress than they did—this has been a program that has been up and down and up and down. And I think the key finding in the NIE, as I explained in my testimony, the key finding is not whether today they are working on weaponization or not. The key finding is whether they are a rational actor that under circumstances would be willing to give up their nuclear weapon or talk about it. And the answer on that is pretty clear.

If we presume they are going to get nuclear weapons no matter what, then if there is actually an opportunity to stop it, we will completely blow past that on our way to other policy——

Senator COBURN. Is it your assumption they are a rational actor?

Mr. WALSH. Oh, definitely.

Senator COBURN. Is it your assumption they are a rational actor?

Mr. ALLISON. I would say more or less. If the NIE proposition that they respond to costs and benefits I think is essentially correct, then I think if you look at the behavior of the regime, it has been reasonably predictable.

Senator COBURN. How about you, Mr. Rademaker?

Mr. RADEMAKER. The premise of all the international diplomacy that has taken place since 2002—the imposition of carrots and sticks, incentives, disincentives—the premise is that they are a rational actor and if under enough pressure will do what we are asking them to do. I mean, it is hardly a revelation in the NIE to say that is our premise.

Senator COBURN. Ambassador Ross.

Mr. ROSS. I think generally, they have elements in the leadership that are not, that believe fundamentally in something else. What is the balance of forces within that leadership? And how do you affect it so that those who are pragmatic—when you say rational, I say those who are pragmatic in terms of protecting their interests and the regime. So that you affect those who reflect that mind-set, and they hold greater power right now.

Mr. ALLISON. If I could, on your sanction point earlier, I think that I agree very much with the proposition that it is bizarre, I say in my testimony ironic even, that many of the members of the sanctioning coalition seem readier to run the risk of a military attack on Iran than to impose sanctions that would be sufficiently harsh to have a chance of changing Iran's behavior.

Senator COBURN. They behave like U.S. Senators. They are rational to the next general election, but not to the future of the country. There is a great correlation. It is like fixing Social Security or Medicare or Medicaid. Well, we know we have got to fix it, but we cannot do anything about it because it might affect the short term.

Mr. ALLISON. As you said earlier, 40 percent of the gasoline that is used every day in Iran is imported. Is it possible to interrupt that? Yes, it is. Now, would it have an impact on gas prices? Yes, it would. Who is in favor of that? Not the Administration. I do not know how many Senators are.

Senator COBURN. Well, the fact is we have a big problem, and there are a couple of coming consequences. Are we willing to pay some of the sacrifice to have that consequence? One is some military action at some point in time, or some cost and sacrifice on our part to avoid that from an economic standpoint. That is not always necessarily clear and out there among the choices that we get to make.

I want to make one other point and see if you all agree with it, and we have seen this be true in the past. And I want to take issue a little bit. I think Libya came to the table because there was an invasion of Iraq, and it did not have anything to do with sanctions. I think they finally just said, "I give up. I do not want this happening to us." I think there was some pressure with sanctions, but the real truth of the matter is here is this bold move and we do not think we want to invite that. So, I think there was a big difference, and we had testimony earlier on the fact that at the time in 2003, we did not have sanctions on Iran at the time we invaded. And the Secretary correctly pointed out that that was a big impact in 2003.

Can you not have uranium enrichment and still have weaponization?

Mr. ALLISON. Unless Iran were successful in buying enriched uranium from another state, no.

Senator COBURN. Well, if they have enriched uranium, if they have that at some point in time, is it clear to you that they would have the capability to weaponize that?

Does everybody agree with that?

Mr. ALLISON. Yes, if they have enough enriched uranium, they can make a bomb, yes.

Mr. WALSH. Not 3 to 5 percent enriched uranium, but yes, weapons grade enriched——

Senator COBURN. Yes, weapons grade.

Mr. WALSH. Over some time, yes.

Mr. ROSS. Can I answer the question you posed earlier?

Senator COBURN. Yes, please do.

Mr. ROSS. You said if talking does not work, what are the choices? Well, then the choices are basically two: One is you come up with what is a very vigorous containment approach, which is quite visible within the region, or you act militarily to forestall what they are doing with the message that you will do it again if they proceed.

Those are the kind of choices you have. I would say this: I think that the reason I prefer the third way is because I do not really

like either of those outcomes, because I can see all sorts of consequences that are not so great. But you put your finger on something. There is no cost-free approach right now, and we have to decide which of the least costly or least bad options are the ones that are available to us.

Senator COBURN. Ambassador Ross, would it behoove us to work on containment now given the fact that our other options are not great? In other words, plan for containment, signal containment, put that out there as another leg in the stool?

Mr. ROSS. For me the answer is yes, and for a particular reason. Deterrence is not just deterrence at the time. Deterrence can also be about dissuasion. And if you are trying to persuade, again, that part of the Iranian leadership that they are not going to gain anything, they have a lot to lose and they are not going to gain anything, and if they think that nuclear weapons capability is going to give them leverage in the region, they should think again.

Senator COBURN. So that takes time, so you would agree that we should start that process now.

Mr. ROSS. I would.

Senator COBURN. Mr. Rademaker.

Mr. RADEMAKER. I guess I would just add one footnote to Ambassador Ross' comment, responding to your earlier point. The risk that diplomacy may not succeed certainly is something—it is not an outcome we want, but that risk is not an argument for making an offer to the Iranians that is so attractive that they have to say yes to it. In other words, a successful diplomatic outcome is not necessarily preferable to some of the other alternatives.

Dr. Walsh has a statement in his prepared remarks, and I will just read it to you because I disagree with it. He said, "The worst possible outcome is a purely national program on Iranian soil, whether it is unsafeguarded . . . or under-safeguarded . . . " I think what he means by that is basically they continue deploying additional centrifuges, they stand up the enrichment capability they are seeking, and we do not have any additional international safeguards than exist today. That is the worst possible outcome, according to his testimony.

I think that is not right, because at least today it is an illegitimate program. The U.N. Security Council has condemned it four times. Sanctions have been imposed. It is an illegitimate program. Certainly one consequence of any diplomatic settlement with the Iranians on this issue is going to be that illegitimacy, that stigma, will be removed. The U.N. sanctions will be lifted, the U.N. Security Council will back away, and whatever program we sign off on will be internationally legitimate. And if it is essentially the same program that they are going to achieve if they continue down the current path and diplomacy fails, but it is legitimate, I think that is a worse outcome than them continuing down the current path.

I think the rejoinder to what I have just said is, well, international inspections are reliable, and if we can get as part of a diplomatic settlement enhanced international verification, inspections, then we can have a higher level of comfort about that kind of outcome.

I just want to read you a quote, which I have always enjoyed, and this is on the issue of international inspections. "Every form

of deception and every obstacle baffled the Commission. The work of evasion became thoroughly organized. Under civilian camouflage, an organization was set up to safeguard weapons and equipment. Even more ingenuity was used to create machinery for future production of war material."

Sounds like George Bush on Iraq. It is not. It is Winston Churchill on Weimar Germany and their evasion of the international inspection regime that was set up under the Treaty of Versailles. So the idea that international inspections will save us from a bad outcome is not new.

Senator COBURN. It goes to whether or not we have rational behavior on the part of the Supreme Leader and the IDGC.

Mr. WALSH. If I may respond, that would not have been my rejoinder. It seems to me if the choice is between a stigmatized on the one hand and a nuclear weapons capability on the other, I will take stopping the nuclear weapons capability every day of the week. An Iranian program that is nationally owned and is not transparent but opaque. How do you feel about minimum safeguards or Iran pulling out of the NPT, that is the quickest route to a bomb.

Our proposal is about preventing an Iranian nuclear weapons capability, not enhancing it.

Senator COBURN. There is nobody that I have asked in the leadership in this country and no expert that I have asked that does not believe that Iran is seeking a nuclear weapon. Nobody. What would make us think that anything other than cold, hard consequences to that is going to work?

Mr. WALSH. Well, the nuclear age would be one. Look at the history of the nuclear age——

Senator COBURN. But you have already answered the question about how rational they are. The reason we were very successful during the Cold War is, one, we talked; but two, is that there was a rational pattern of thought that was not based on martyrdom. It was based on survival. It was based on staying alive. That is a consequence that has to be figured in in terms of how we negotiate with these people and how we think about how they think.

Senator Coleman raised that issue, and I think it is a great issue. That is something we have not ever dealt with before as a Nation. Ambassador Ross, you have in terms of the Middle East in certain areas, but that is not routinely what we see. And this assumption that survival is a guide to bring people to the table, when, in fact, there is tremendous human rights violations of the people who are not in the religious leadership in Iran today and what they claim about what they believe really mixes the common sense and logic that we could defer from having negotiations.

Mr. WALSH. Senator Coburn, we heard the same thing about the Soviet Union, the same sort of cultural argument from Colin Gray and others who said the Soviets would accept unacceptable levels of deaths, they were not the same as Americans. It turned out not to be true.

I am not saying that the Iranians are perfectly rational. Like Americans, they can be prideful. They can make mistakes. They can bear significant economic costs in the defense of things they think are important. But in the main, they have been a status quo

power. Some had thought that they had chemical weapons after the Iran-Iraq war. Did they turn around and attack Israel? Have they picked a big war against Israel? No.

And on this issue of the regime, What did Saddam do when inspectors were on the ground? He decided that he would shelve his weapons program. This is from the Iraqi Survey Group and from others. He would shut it down. He still had ambitions, but he gave up the program because he did not want to get caught when there were inspectors on the ground.

I think there is a lesson to be learned there and a lesson that applies here.

Senator COBURN. All right. Thank you. Thank you, Mr. Chairman.

Senator CARPER. You bet. This has been just an extraordinary panel. We have hearings every day of the week around here. Sometimes they are pretty good. This has just been extraordinary. And I thank you for thinking outside the box. I thank you for making us think outside the box and for very constructive testimony and going back and forth with one another, I think in a most constructive and respectful way.

Is there something else?

Senator COBURN. Yes, just unanimous consent. I have several questions that I would like to submit for the record and ask that you answer them, if you would. We cannot take the time here to get—I would like to spend 2 days with you all. Thank you.

Senator CARPER. The hearing record will stay open for 2 weeks. I am going to have some questions, as well.

But we thank you very much for being here with us today and for your thought and your responses.

[Whereupon, at 12:30 p.m., the Subcommittee was adjourned.]

APPENDIX

Statement of Senator Barack Obama
Senate Committee on Homeland Security and Governmental Affairs
Hearing on "Addressing Iran's Nuclear Ambitions"
April 24, 2008

Mr. Chairman, thank you for holding this hearing and for giving us an opportunity to gather more information on Iran's nuclear ambitions. I also appreciate the willingness of the panelists to share their perspectives on this important issue.

I have grave concerns about Iran's nuclear program and the threat it poses to international peace and security. Iran has violated its nuclear nonproliferation commitments by hiding its activities from inspectors and failing to account for past activities. It also refuses to comply with United Nations Security Council resolutions demanding a suspension of its uranium enrichment program and other sensitive nuclear activities. Our current approach of issuing threats and relying on intermediaries has failed. Instead of ending its nuclear activities, Tehran has accelerated its uranium enrichment program. We need to change course by using all instruments of our power to ensure that Iran does not develop a capability to produce nuclear weapons.

While we should not rule out using military force, a comprehensive strategy should include direct engagement with Iran, laying out in clear terms our principles and interests. It should also include stronger economic pressure, achieved through more effective U.S diplomacy at the United Nations and more effectively harnessing the collective power of Iran's major trading partners.

Tough-minded diplomacy would mean offering the Iranian government a clear choice. If the regime abandons its nuclear program, halts its support for terrorist activities, and ends its anti-Israel rhetoric and threats towards Israel, we could offer economic incentives and a move toward normal diplomatic relations. If Iran continues its troubling behavior, we will ratchet up the economic pressure and increase Iran's political isolation.

One important way to increase the pressure on the Iranian regime is to encourage divestment from companies that do significant business with Iran. Last year, I worked with Senator Sam Brownback to introduce the Iran Sanctions Enabling Act, which would require the U.S. government to publish a list of companies that invest more than $20 million in Iran's energy sector and would provide authorization to state and local governments to divest from those companies. It would also provide private fund managers with protection if they divest from companies on the list.

In addition to increasing economic pressure, we also need to strengthen the international nonproliferation regime that controls the flow of sensitive nuclear technology and monitors the nuclear-related activities of countries like Iran. Last year, I worked with Senator Chuck Hagel to introduce a broad bill that seeks to prevent nuclear terrorism and stop the spread of nuclear weapons and related technology. The Nuclear Weapons Threat Reduction Act calls for a balanced and comprehensive set of initiatives, including funding for a nuclear fuel bank administered by the International Atomic Energy Agency (IAEA) that would help to dissuade countries from building their own uranium enrichment facilities. The bill would also authorize additional funding for the IAEA's Department of Safeguards to improve its ability to conduct effective inspections of nuclear facilities.

I will continue to push for a comprehensive approach and strong U.S. leadership to address Iran's nuclear ambitions and look forward to working with the committee on a range of initiatives to ensure that Iran does not acquire a capability to produce nuclear weapons. This must be a top priority for our nation.

Thank you.

Senator Arlen Specter
Prepared Remarks
Subcommittee on Federal Financial Management, Government Information
Federal Services and International Security
April 24, 2008

"If you want to make peace, you don't talk to your friends. You talk to your enemies." - **Moshe Dayai**

Chairman Carper, Senator Coleman, members of the Committee, thank you for inviting me to make remarks before you today on U.S. policy toward Iran. I am very pleased to be joined by my distinguished colleague from California, Senator Feinstein.

The world is anxiously watching the US and Iran as so many of the issues confronting the international community and our citizenries are currently held captive by our inability to work together to resolve them.

Terrorism, military nuclear capabilities, energy, Iraq, and the Israeli-Palestinian dilemma are all major issues confronting the US and the world. All of these challenges are intrinsically linked with Iran and none can be sufficiently addressed or resolved without an appreciation for Iran's role in each.

This realization was confirmed by the *Washington Post's* Michael Hirsh on July 1, 2007, following his discussion with Mohsen Rezai, Secretary of Iran's Expediency Council and the former commander of the Revolutionary Guards. Hirsh stated that Rezai, "pointed out that his is the only country [Iran] that can help Washington control Shiite militias in Iraq, slow the Taliban resurgence

in Afghanistan and tame Hezbollah's still-dangerous presence in Lebanon all at once. 'If America pursues a different approach than confronting Iran, our dealings will change fundamentally.'"

I believe that these challenges may have a better opportunity of being resolved with a rapprochement between the United States and Iran. Three decades of silence, broken only by a few whispers, which has categorized US-Iranian relations has not benefited either of our nations.

I am hopeful that the recent participation by both the US and Iran in international discussions to address stability and security in Iraq represents a positive step towards a thawing in the tensions between our countries.

However, the United States should be willing to negotiate directly with Iran. Success in diffusing the threat Iran poses will require multilateral assistance from other world powers, but our willingness to treat countries like Iran with respect could go a long way in disarming those nations militarily and diplomatically.

Undertaking this venture will not be easy, but in the words of Ambassador L. Bruce Laingen, the senior US official held hostage in Tehran for 444 days, "Diplomats should talk, even with our foes. That's what we do. It doesn't make sense for us not to talk to the Iranians. I'm not saying that I would confidently predict a breakthrough, but there must be some sort of dialogue."

My Senate assignments on the Intelligence Committee and Appropriations Subcommittee on Foreign Operations have provided me the opportunity to meet with Syrian President Hafiz al-Asad, Palestinian Chairman Yasser Arafat, Iraqi President Saddam Hussein, Cuban President Fidel Castro, Venezuelan President Hugo Chavez, and others.

Those meeting have shown me that people are people, even at the highest levels of government. They are interested in a candid dialogue. They accept differences and disagreements as long as the tone is courteous. Regrettably, the worldwide "ugly Americans" reputation is encouraged, in my opinion, by our unwillingness to at least meet and talk one on one without preconditions.

Sun-Tzu's advice to "keep your friends close and your enemies closer" is a good admonition to keep in mind as we approach our relationships in the world. Admittedly, it is difficult to accord respect and dignity to countries such as Iran, whom we have branded as part of the "axis of evil." It is important to note, however, that President Ronald Reagan did just that when he invited Soviet leader Leonid Brezhnev to a dialogue weeks after labeling the Soviet Union the "Evil Empire."

During the Cold War, there was no greater threat to the US and our interests abroad than the Soviet Union. Today, in the words of Secretary Rice, "Iran constitutes the single most important, single-country challenge to... US interests in the Middle East and to the kind of Middle East that we want to see."

In his November 21, 1985 address before Congress following the US-Soviet Geneva Summit, President Reagan highlighted the importance of dialogue with the then-greatest threat to the US: "As you can see, our talks were wide ranging. And let me at this point tell you what we agreed upon and what we didn't. We remain far apart on a number of issues, as had to be expected. However, we reached agreement on a number of matters, and as I mentioned, we agreed to continue meeting, and this is important and very good. There's always room for movement, action, and progress when people are talking to each other instead of about each other."

This Administration has labeled Iran as part of the "axis of evil." History has shown it is possible to engage in tough dialogue and, at the same time, work toward negotiations, no matter how difficult the adversary may be.

Perhaps irrelevant, my first assignment as assistant district attorney in Philadelphia was interviewing inmates for commutation of sentences to life imprisonment from death in the electric chair for first degree murder. That experience taught me that you can have a meaningful dialogue with anyone.

There is no doubt that Iran has been trying to flex its muscles since 1979 when the shah was deposed. Iran is a proud nation with a rich history. In asserting its right not to be restrained in developing nuclear technology, Iran seeks to be a world power, and its leaders think that status and respect can be achieved by becoming a nuclear power. A good starting point for US-Iran relations would be to treat them as equals for the purpose of negotiations. It does not give them the same status as being a nuclear power, but it could be a good step forward if mighty America would treat them with respect while negotiating.

My Efforts To Engage Iran

I have tried to visit Iran since the Iran-Iraq War ended in 1988. I have not yet succeeded. In lieu of traveling to Tehran, I have made several efforts to reach out to Iranians in hopes of fostering dialogue. I was the only member of Congress to attend the address by former President Khomeini at the National Cathedral. For many years, I have traveled to New York City in an effort to reach out to Iranians such as the former ambassadors to the United Nations in New York, Seyed Mohammed Hadi

Nejad Hosseinian, Mohammad Javad Zarif, and Mohammad Khazaee in an effort to foster an exchange of visits by members of Congress to Iran and Iranian parliamentarians to the United States to try to open dialogue between our two countries.

I thought my efforts finally came to fruition in January 2004 when plans were made for US members of Congress to meet with Iranian parliamentarians in Geneva. Unfortunately, Tehran later rescinded the invitation, declaring it was "not on their agenda."

On May 3, 2007, I spearheaded an effort, with support from Senators Biden, Hagel and Dodd and Representatives Lantos, English, Moran, Gilchrest and Meeks, to establish a parliamentary exchange with Iran. I believe that by opening and maintaining an active dialogue at the Parliamentary level we will preserve the potential to foster understanding and solutions.

On May 15, 2007, the Associated Press reported that "Iranian deputies were gathering signatures to try and form an Iranian-US friendship committee in parliament." According to the AP, Darioush Ghanbari, one of the ten members who has reportedly signed the document, said Iranian parliamentarians were seeking to reduce tensions with American and that "In the absence of formal diplomatic relations, we seek to establish a parliamentary relationship with the US Congress and fill the existing gap of contacts between the two nations." The AP quoted Ghanbari as saying, "This is our positive response to calls by members of the US Congress to establish contacts with Iranian parliamentarians."

Last fall I called Dr. Mohamed ElBaradei, Director General of the International Atomic Energy Agency (IAEA) to discuss Iran's nuclear activities and solicit his views on an exchange of

parliamentarians. Following our conversation, he extended an invitation to me to visit him in Vienna to discuss further the issues surrounding Iran's nuclear ambitions.

On January 8, 2008, I met with the Director General in Vienna. He suggested that direct U.S.-Iranian negotiations should begin immediately to resolve the impasse. The U.S. and international community need to understand what the nuclear issue means to Iran with respect to its position in the region and the world, that there needs to be an understanding of the repercussions and that it must be done in a manner that allows all sides to save face.

We discussed Secretary Rice's precondition that the U.S. would only meet with Iran if they halt enrichment. He said there must be middle ground to bring the parties together on this issue. He emphasized that sanctions alone won't resolve the situation and only makes people more hawkish.

On numerous occasions, both on and off the record, I have urged Secretary Rice to undertake bilateral negotiations with Iran. The Administration has indicated they will talk with Iran provided they suspend enrichment activities. On April 9, 2008, I told Secretary Rice, "Frankly, I think it's insulting to go to another person or another country and say, 'We're not going to talk to you unless you agree to something in advance.' What we want Iran to do is to stop enriching uranium. That's the object of the talks. How can we insist on their agreeing to the object that we want as a precondition to having the talks?"

2003 – A Grand Opportunity, Neglected

The concept of dialogue between the US and Iran is not unfamiliar to this debate. Both sides have previously taken one step toward the table and one step back time and again. Unfortunately, this tentative shuffle has never amounted to anyone sitting down at the table at the same time.

Perhaps one of the best opportunities to engage in serious dialogue with Iran came during the Spring of 2003. Press reports have suggested the existence of a document that was passed to the United States through the Swiss Ambassador to Iran and later rejected by the Administration. The document laid out issues for the US and Iran to discuss and parameters for dialogue.

According to Michael Hirsh of the *Washington Post*, "Iranian officials used their regular Swiss intermediary to fax a two-page proposal for comprehensive talks to the State Department, including discussions of a "two-state approach" to the Israeli-Palestinian issue."

In an April 22, 2007 response to my February 19, 2007 inquiry regarding the 2003 memorandum, Assistant Secretary of State (Legislative Affairs) Jeffrey Bergner stated, "In early May 2003, the State Department met with the Swiss Ambassador to Tehran, Tim Guldimann, who presented an independent proposal he had drafted with Sadeq Kharrazi, then Ambassador of Iran to France and former Deputy Foreign Minister. The State Department reviewed the 2003 communication carefully and discussed it with Ambassador Guldimann, but Department officials were not confident that Iran's leadership had endorsed the plan. The Department did not at that time, and does not today, characterize the message as a serious offer from the Iranian Government."

This characterization appears to run contrary to the views held by Secretary Powell, his Chief of Staff Larry Wilkerson, Undersecretary Burns and Flyntt Leverett, a member of the National Security Council under then NSA Rice.

Karen DeYoung, in her 2006 biography of Powell, *Soldier: The Life of Colin Powell*, confirmed Powell's interest in dialogue: "Powell also urged a renewed effort to engage Iran, where the

ruling ayatollahs were increasingly being challenged by democratic opposition. After secret, indirect talks were initiated with Washington in the early spring of 2003, Tehran sent a message through the Swiss government during the first week in May. Apparently approved by all factions of the divided Iranian regime, it recognized the need to address US concerns on a range of issues—including nuclear weapons, terrorism, and support for a two-state solution to the Palestinian-Israeli conflict. In exchange Iran wanted an end to US sanctions and "axis of evil" rhetoric, and an eventual reestablishment of diplomatic relations. But as usual the administration was unable to agree internally on a response. Powell thought the possibility of talks was worth exploring, but the only official US answer was a rebuke to Switzerland…for 'overstepping' its mandate by transmitting the message. Any hope of dialogue with Tehran ended with the May 12 explosion of a powerful car bomb in Riyadh, Saudi Arabia, that killed thirty-four people, including eight Americans….Powell publicly suggested that the talks might eventually be resumed, but Rumsfeld pressed for a more decisive 'regime change' option and insisted that 'our policy' was not to deal with Iranian leaders at any level."

Various reports also indicate that Secretary Powell's Chief of Staff, Lawrence Wilkerson, took the proposal seriously and thought it was worth pursuing. According to a February 8, 2007 *Newsweek* article, "Wilkerson said in an e-mail that it was a significant proposal for beginning 'meaningful talks' between the US and Iran." On January 17, 2007, Wilkerson told the BBC, "We thought it was a very propitious moment" to engage Iran "but as soon as it got to the White House, and as soon as it got to the Vice-President's office, the old mantra of 'We don't talk to evil'... reasserted itself." This statement indicates that the memorandum was transmitted to the White House for consideration.

Former Undersecretary for Political Affairs, Nick Burns, confirmed that there was a paper presented by the Swiss Ambassador in 2003 concerning a purported offer made by Iran for what could be called a grand bargain. Undersecretary Burns said that while there was some skepticism about the

paper, it was a matter which should have been pursued. Burns said in light of the extensive US-Iranian cooperation on Afghanistan, it would have been a natural flow to pick up on the 2003 memorandum especially given the United States' considerable leverage which came as a result of the successful US military action against Saddam.

On February 14, 2007, *The Washington Post* reported, "Flynt Leverett, who worked on the National Security Council when it was headed by Rice, said a proposal vetted by Tehran's most senior leaders was sent to the United States in May 2003 and was akin to the 1972 US opening to China. In December 2006, Leverett, according to a February 8, 2007 *Washington Post* article, "charged that the White House orchestrated an effort by the CIA to demand significant deletions in an opinion article he had written on Iran policy on the grounds that the material was classified. 'The single biggest rescission' concerned his description of Iran's 2003 offer'" according to Leverett.

When asked which officials knew about the 2003 offer, Leverett, in a February 15, 2007 Reuters report, "said he was confident it was seen by Rice and then-Secretary of State Colin Powell but 'the administration rejected the overture.'"

On February 8, 2007, an article in the *Washington Post*, stated, "Last June, Rice appeared to confirm, in an interview with National Public Radio, that the White House had received the memo. 'What the Iranians wanted earlier was to be one-on-one with the United States so that this could be about the Unites States and Iran,' Rice said. State Department officials at that time did not dissuade reporters from interpreting her comments as referring to the 2003 fax."

However, on February 27, 2007, when I questioned Secretary Rice on the matter, she stated, "I just don't ever remember seeing a paper of that kind."

Given the ambiguity and differing accounts, it remains unclear what route the 2003 memo took and the ensuing chain of custody. However, it is noteworthy that senior leadership at the State Department and the NSC had acknowledged the existence of the memo. It is equally important to note that there was a sense at the upper echelon's of the Administration that this was an opportunity to engage Iran.

Afghanistan - Recent Cooperation

While some cannot fathom the possibility of cooperation between the US and Iran, it was not so long ago where the Islamic Republic was very helpful to the United States.

According to a January 2008 report by the US Institute of Peace, "....Tehran's cooperation with the United States during the 2001-2002 negotiations on Afghanistan is a case in point. At that time, the Iranians knew very well how they would benefit from the downfall of the Taliban and from its replacement by a government that did not subscribe to a radical anti-Shia and anti-Iranian ideology. Similar consideration should apply in the case of Iraq, where the Islamic Republic, in the interest of its own survival, shares the American aversion to a divided Iraq, and Iraq dominated by Sunni extremists, or an Iraq under a new version of Saddam Hussein."

Secretary Burns confirmed that Iran was helpful in cooperating with the United States on Afghanistan. They supported the Northern Alliance in combating the Taliban, participated in joint planning on potential refugee issues, cooperated on counter-narcotics and supported Hamid Karzai. Burns said in light of these extensive contacts, it would have been a natural flow to pick up on the paper which the Swiss Ambassador brought in 2003. Burns noted that at that time the United States

had considerable leverage as to Iran since both those countries were worried that they might be next after the successful US military action against Saddam.

Secretary Burns noted that the meetings with Iran over Afghanistan and the subsequent meetings with Iran concerning Iraq have provided some significant precedents for multi-lateral meetings. U.S. Ambassador to Iraq, Ryan Crocker, has met with his Iranian counterpart at least three times since May 2007. While these sessions have not resulted in diplomatic breakthroughs, they hold promise for higher level talks in the future. It is my sense that there remains a compelling case for the US and Iran to work together on issues pertaining to Afghanistan.

Iran's Regional Influence

Power politics seen in disagreements between Washington and Tehran over the nature of Iran's nascent nuclear program seem to play out in Iran's continued support of insurgents in Iraq. Iranian support for the terrorist organization Hezbollah has hindered the Lebanese government from consolidating power. A weak Lebanon has turned into a safe-haven for terrorists. Hezbollah's terrorist actions against Israel have caused the Israel-Palestine peace process to stall, in the wake of which Hamas has strengthened.

When considering US policy towards Iran, one must consider the state of affairs in Iraq. We have seen the deeply concerning statements made about Iran's involvement in Iraq. It is clear today that the US is paying a great price for its presence in Iraq: lives lost, money spent, and influence squandered. Many of the problems the US is encountering in Iraq have roots that spread beyond Iraq's borders.

On March 8, 2008, *The Economist* reported "But it was not just Iranian mortars that may have preceded [Iranian President Mahmoud] Ahmadinejad's [March 3-4, 2008] visit to Baghdad. The presidential visit—the first by any regional head of state since the American invasion five years ago—is only the latest sign that Iran is now the most influential of Iraq's neighbors, pushing aside nearby Sunni Arab states from which Iraq's Shia leaders still keep their distance. During his two-day visit, Iran's president announced $1 billion in loans, as well as a clutch of trade pacts with his 'brotherly' neighbor." Iran's ambassador to Iraq, Hasan Qomi said last August that Iran-Iraq trade in 2006 totaled $2 billion — 97 percent of that exports from Iran into Iraq. Iranian Commerce Ministry officials say they hope trade will rise to $10 billion in the next five years.

I would urge the Committee to consider the recommendations of the Iraq Study Group (ISG), led by Congressman Hamilton and Secretary Baker. This distinguished panel recommended, "Given the ability of Iran … to influence events within Iraq and their interest in avoiding chaos in Iraq, the United States should try to engage them constructively."

I would further commend considering the 2004 Council on Foreign Relations task force report, co-chaired by current Secretary of Defense Robert Gates, who was also an original member of the ISG. This task force concluded that, "it is in the interest of the United States to engage selectively with Iran to promote regional stability, dissuade Iran from pursuing nuclear weapons, preserve reliable energy supplies, reduce the threat of terror, and address the 'democracy deficit' that pervades the Middle East as a whole." While Secretary Gates' role has changed since the issuing of that report, I would note his statements to Congress that, "no option that could potentially benefit U.S. policy should be off the table" and even "in the worst days of the cold war the U.S. maintained a dialogue with the Soviet Union and China."

The Problem with Outsourcing Foreign Policy

The United States has responded to Iran's challenge by correctly recounting Iran's dubious nuclear behavior and disregard for the international community but has avoided direct dialogue with Tehran. I commend the administration's change in course, deciding to deal with Iran through multilateral talks, and view it as confirmation that a change in our tactics is overdue. Prior US policy committed to deal with Iran via the UN Security Council and the Europeans. Prospects remain dim, however, for garnering support from China and Russia for a UN resolution with teeth. Russia's and China's significant energy, military, and political interests restrict their ability to support tough action against Iran and represent a significant barrier to a successful resolution vis-à-vis the U.N.

Although the Europeans are supportive of tough action against Iran, some are hesitant to continue down a path on which they feel the United States is not fully committed and not an active partner. Germany, France, the United Kingdom, the International Atomic Energy Agency (IAEA), and the UN Secretary General have all indicated that the United States needs to be directly engaged in the Iranian effort.

Senator Chuck Hagel, with whom I have worked on this issue, highlighted the importance of US involvement: "US allies will support tough action against Iran only if they are confident the US is serious about achieving a negotiated, diplomatic solution. Continued unwillingness of the United States to engage Iran will make other states hesitate to support, and possibly oppose, these tougher measures."

While sanctions are a tool this committee should take under consideration as part of the broader debate, they should not be confused as a panacea to confront this nuclear threat. Neither US

nor UN sanctions have proven they can halt uranium enrichment. The fact remains that Iran, despite these sanctions, continues to move towards a nuclear capability. French President Sarkozy stated it well, "The threat of sanctions coupled with an offer of dialogue was the only way of avoiding a catastrophic alternative: an Iranian bomb or the bombing of Iran." The US has pushed the sanctions portion of this equation but failed to include the necessary dialogue which is needed to equal success.

Periodically, I read the military options are some of these tougher actions that may be considered to confront Iran. Although the option should not be removed from the table, military engagement will do nothing to solve the litany of problems between our nations. We should only consider going to war when we have exhausted all options. Today, we are not there. In that light, I commend President George W. Bush for his May 24, 2006, statement that "our primary objective is to solve this problem diplomatically." I believe diplomatic options remain, and it is precisely these options that can prevent conflict.

Why has it taken so long to consider talking to the Iranian regime? Richard Armitage, former deputy secretary of state, told *Time,* as reported in a May 22, 2006 article, "It appears that the Administration thinks that dialogue equates with weakness, that we've called these regimes "evil" and therefore we won't talk to them. Some people say talking would legitimize the regimes. But we're not trying to change the regimes, and they're already legitimized in the eyes of the international community. So we ought to have enough confidence in our ability as diplomats to go eye to eye with people-even though we disagree in the strongest possible way—and come away without losing anything."

To be certain, we find ourselves in this position in no small part due to Tehran's deceit and arrogance toward the international community. Nevertheless, US policy toward Iran has played into

the hands of President Mahmoud Ahmadinejad and the hard-line radicals in Tehran. Although the extent of Ahmadinejad's power remains unclear, the US administration's discussions of regime change and refusal to rule out using nuclear weapons against the Iranian regime have bolstered its position. Such US rhetoric, coupled with other policies, enhances Tehran's ability to tap nationalistic sentiments to solidify support for a nuclear weapons program, effectively taking the focus away from its constituents' discontent with failed domestic policies, most notably Ahmadinejad's poor stewardship of the economy. To some degree, we are the distraction buttressing his position. In this perfect storm, Ahmadinejad's rise on the wave of oil revenues and growing global discontent with US policies has afforded him the forum, confidence, and leverage to challenge the United States and the international community.

One proposal I urge the committee to consider is that offered by Russian President Vladimir Putin. As reported on October 18, 2007 by the *New York Times*, "Moscow proposed to enrich uranium in Russia for use in Iranian reactors, assuring that Iran would not produce the highly enriched uranium needed for nuclear weapons."

During the April 9, 2008 Appropriations Subcommittee Hearing on State and Foreign Operations, I reiterated my support for Russia's proposal with Secretary Rice. I was pleased to hear that the Administration is fully supportive of that approach and would urge all sides to continue to consider this option.

Deciphering and Reaching Beyond Tehran

It is still unknown what level of power and influence Ahmadinejad holds within Iran. Some accounts indicate that Iran's elite, and even some hardline officials, are critical of Ahmadinejad's

aggressive handling of the nuclear issue, whereas others report that he has amassed significant power. Nevertheless, it is important to remember that much of the power in Tehran does not rest with the president, but with Supreme Leader Ayatollah Ali Khamenei and the mullahs.

Notwithstanding Iran's leadership, we must constantly remind ourselves of those over whom they rule. The United States should effectively communicate our desire for a prosperous Middle East, free of tyranny and oppression that respects human rights and rule of law and where governments represent and reflect the desires of those they govern. Further, we should be frank when conveying our concerns and those of the world to the Iranian people over specific problems threatening peace and security. Nearly three quarters of Iran's 70 million people are under the age of 30. Placing our disagreements with Iran's leadership aside, not letting these people know what we stand for and what we value would be irresponsible. The United States should focus on the emerging population and those who yearn for increasing freedom and reform.

According to the Washington Institute for Near East Policy, a 2002 poll, commissioned by Iran's legislature, revealed that three quarters of Iranians favored rapprochement with the United States and that nearly one half believed US policy was "to some extent correct." In typical Iranian fashion, the two pollsters were later sentenced to nine years for "publishing nonscientific research." It is precisely examples such as this that fuel disdain amongst Iranians for their leadership. President Bush poignantly illustrated the plight and underscored the hopes of the Iranian people in a July 12, 2002, statement: "The people of Iran want the same freedoms, human rights, and opportunities as people around the world. Their government should listen to their hopes....As Iran's people move towards a future defined by greater freedom, greater tolerance, they will have no better friend then the United States of America."

When Ahmadinejad or any Iranian leader calls into question the virtue and value of liberal democracy, we should respond by touting its successes. We should talk about our commitment to rule of law, individual liberties, and freedom of press and speech. Are not freedom of speech, press, and association liberties that the Iranian people would enjoy? Would those incarcerated in Iran for criticizing the government not wish to be freed? Most importantly, liberal democracy has better arguments that theocracy, and we should not shy away from this debate. Perhaps a crash course in the history of authoritarian failures would be the best place to start.

Learning from Libya

In the 1980s, Libya was the leading state sponsor of terrorism. Its leader, Muammar el-Qaddafi , was among the world's most reprehensible individuals. Among the international pariah's terrorist actions were the 1986 bombing of La Belle Discotheque in Berlin, which killed two American servicemen, and the 1988 bombing of Pan Am flight 103, which killed 259 passengers, most of them American.

On December 19, 2003, Libya declared that it would surrender its nuclear program to international authorities. Why did this happen? Some indicate is was a reaction to US military action against Iraq. However, according to a May 16, 2006 *Wall Street Journal*, it was "largely secret talks [with US and British negotiators] that helped prompt Libya's decision." According to Duke University professor Bruce Jentleson, "It was force *and* diplomacy, not force *or* diplomacy that turned [Qaddafi] around…a combination of steel and a willingness to deal."

I visited Libya in August 2006. By this time, Libya had relinquished its nuclear program, had begun working on reparations to the victims of its terrorist actions, and was expressing a strong desire to re-enter the international fold. Direct talks with Libya served US interests. Colonel Qaddafi agreed to cede Libya's weapon's program. The lesson to be learned is that Colonel Qaddafi agreed to do so during the course of negotiations—not before they began. Perhaps we can learn from this experience and apply it to our dealings with Iran.

What's at Stake?

The United States is not to blame for Iran's devious and deceptive behavior, nor their arrogance and defiance of the international community. The consequences of an Iran with nuclear weapons would be grave. Tehran does not seem willing to cease uranium enrichment. We are running into walls in the form of China and Russia in the UN Security Council, and it is apparent that the UN has not been able to alter Iran's behavior. It is precisely Iran's ambitions that may drive regional powers such as Egypt, Turkey, and Saudi Arabia to pursue nuclear ambitions. The Middle East is already a volatile neighborhood. The phrase "adding fuel to the fire" does not approach describing what the introduction of nuclear weapons would mean, not only for the fate of the region but for the world.

There is no greater threat to our national security than the proliferation of nuclear weapons. In dealing with aspiring nuclear powers, we have an obligation to exhaust ourselves on the diplomatic front before we consider alternative options.

No nation is a more capable conduit of peace than ours. We have a long and proud history of global engagement: bettering the lives of others while protecting our own national interests. In the modern era, we have witnessed assertive American engagement in the Middle East. We must not stray from this tradition. I urge this Administration and future Administrations to look back at the efforts of the United States to work towards peace and security.

Twenty-seven years of silence broken only by a few whispers, however, has not worked and has left us in the dangerous predicament in which we find ourselves today. All the while, the United States has been watching from the sidelines. Something has to give. Current US policy does not include direct talks with Iran with no preconditions. Certainly it is time to stop passing notes to Tehran via the Swiss and sit down and start talking.

U.S. Senator Dianne Feinstein
"BREAKING THE US-IRAN STALEMATE"
Hearing Statement
Committee on Homeland Security and Governmental Affairs
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
April 24, 2008

- Prepared Remarks -

For several years, I have been interested in trying to be a constructive force for peace and stability in the Middle East, which is the "powder keg" in which nations and values collide.

I have watched as the Iraq War continues, Israeli and Palestinian peace remains elusive, Iran begins to exert itself in the region, and Sunni nations grow more and more concerned.

Iran, today – isolated and belligerent – constitutes both a present and future challenge to the stability and security of several concerned nations, as well as our own.

Last year, the U.S. indicated its alarm about Iran's supplying of weapons and tactical support to Shia militias, and the Administration has called Iran public enemy number one in Iraq. Also Iran's support of terrorist organizations, particularly Hezbollah and Hamas, remains of deep concern and continues unabated. And finally, the Government of Iran's intransigent hatred of Israel and its willingness to deny Israel the right to exist is unacceptable and a major hurdle to peace and security in the region.

So, it is in this context that we must understand the number one question of the day – does Iran seek nuclear weapons and for what purpose?

In November 2007, the U.S. Intelligence Community released a National Intelligence Estimate on Iran's nuclear program. It was an eye-opener and the source of major controversy.

The NIE's first conclusion, front and center, was that the Intelligence Community judges, **"with high confidence that in fall 2003, Tehran halted its nuclear weapons program...."** This signified a major shift from the judgments of past intelligence reviews.

A footnote in the NIE made clear that a nuclear weapons program has three parts:

1) The enrichment of fissile material;
2) A "weaponization" program to make that material into a weapon; and
3) A means to deliver the weapon.

The halt refers specifically to the weaponization part. The other two parts – the enrichment of fissile materials and the making of a delivery system -- remain serious concerns.

But equally as clear, the NIE judged – again with high confidence – **that until the fall of 2003, Iran was pursuing an illegal, covert nuclear weapons program.**

This was the strongest intelligence statement to date – and it is backed up with evidence in the classified text of the NIE – that Iran had a program. And that Iran's leaders in Tehran could turn that program back on at any time.

Finally, the NIE made a statement that is central to the question of whether and how to approach Iran diplomatically. It said:

"Our assessment that the [nuclear] program probably was halted primarily in response to international pressure suggests Iran may be more vulnerable to influence on the issue than we judged previously."

The NIE, in essence, suggests a window of opportunity to begin to engage Iran in discussion, and with the help of European and other allies, to see if Iran can be moved toward positive engagement with the Western World -- on this vital question, as well as other issues of concern.

So, this NIE presents the first opening for engagement.

The question is: how should we proceed with Iran? I believe we should begin to pursue a robust, diplomatic initiative with Iran on all issues and without pre-conditions.

Working with our European allies, the United Nations, and the International Atomic Energy Agency, we should put together a package of carrots and sticks that will serve as the basis for discussion with Iran.

The goal would be to convince Iran to:

- Permanently abandon any intention to re-start a nuclear weapons program;
- Allow International Atomic Energy Agency inspectors full access to all Iranian nuclear facilities and suspected nuclear facilities;
- Comply once again with the additional protocol to the Nuclear Non-Proliferation Treaty for intensified inspections by the IAEA. Iran had accepted this in 2003 and suspended compliance in 2005;
- Provide an accounting for all past nuclear activities and allow full transparency to international inspectors.
- Cease its support for the terrorist activities of Hamas and Hezbollah worldwide; and
- Promote stability and cease lethal support to militias in Iraq.

The key is this: we can recognize that Iran has a right to a peaceful, civilian nuclear energy program, <u>but not to nuclear weapons</u>.

Now, of course, there is no guarantee that these talks will succeed. It is likely to be a long and difficult road. But we are sure to fail if we do not at least try.

One proposal that deserves a closer look is one which was described to me by Iran's former ambassador to the United Nations. It is similar to one made by Ambassador Bill Luers, Secretary Thomas Pickering, and Jim Walsh. Mr. Walsh is on the second panel today.

The basic premise is this: Establish an "on the ground 24/7 International Consortium" to manage and monitor all aspects of nuclear activity. This is something that Iran might consider – as long as there was an openness on the part of the U.S. to discuss other issues as well. Participants could include the United States, the United Kingdom, France, Germany, China, Russia, the United Nations, and the International Atomic Energy Agency.

Such a proposal deserves serious consideration and could go a long ways toward building confidence on both sides.

I believe that an Iranian policy based on a military solution makes little sense. Only by talking and bringing to bear the best efforts of diplomacy can real progress be made.

The next Administration must evaluate anew our nation's approach to this Middle Eastern arena and evolve a new approach – one based on robust diplomacy, rather than threats of war. The process is likely to be difficult, but the rewards may well be significant. And one day, it could lead to a more stable and peaceful Middle East.

Thank you.

Testimony by
Ambassador Jeffrey Feltman, Principal Deputy Assistant Secretary of State for the Bureau of Near Eastern Affairs
And
Patricia McNerney, Principal Deputy Assistant Secretary of State for the Bureau of International Security and Nonproliferation
U.S. Department of State

Before the
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
April 24, 2008

U.S. Policy on Iran

Chairman Carper, Senator Coburn and distinguished Members of the Committee, thank you for inviting us here today to discuss U.S. policy on Iran. Iran presents a profound threat to U.S. national security interests. The radical regime in Tehran threatens regional and international security through its pursuit of technologies that could give it the capability to produce nuclear weapons, its support for terrorist groups and militants in Iraq, Afghanistan, Syria, Lebanon, and the Palestinian territories, its destabilizing regional activities, and its lack of respect for human rights and civil society.

From its location at the crossroads of the Middle East and South Asia, a nuclear-armed Iran would threaten countries on three continents, and potentially even the U.S. homeland directly sometime late next decade. A nuclear-armed Iran would also intimidate moderate states in the region and embolden Iran's support for Hizballah, certain Iraqi Shia militants, the Taliban, and Palestinian terrorist and rejectionist groups. The international community's failure to prevent Iran's acquisition of such weapons would additionally imperil the international nonproliferation regime by casting into doubt our collective ability and commitment to prevent the spread of weapons of mass destruction and spurring Iran's neighbors and others to develop nuclear weapons. Meanwhile, the influence of former and current Islamic Revolutionary Guard Corps (IRGC) members in Iranian society has grown over the past five years. The IRGC, the military vanguard of the Iranian revolution, is a key actor in Iran's ballistic missile program and in Iranian support for terrorism. IRGC affiliates in national security related agencies have sought greater control of Iranian strategic policy, while the IRGC

and IRGC-owned companies have acquired millions of dollars in government contracts. Iran's disregard for international law and ongoing support for terrorism highlight the necessity of continuing pressure to undercut the Iranian regime's ambitions and to limit its destabilizing activities throughout the region.

In recognition of these threats, our goal is to convince Iran to forever abandon its nuclear weapons ambitions and urge Tehran to become a better neighbor in the region. To respond to the range of challenges presented by Iran, the Administration has stressed the use of all tools and options available, including multilateral and bilateral diplomacy, financial and economic measures, counterproliferation actions such as interdictions, and, as a final resort, the threat and use of military force.

We are committed to a diplomatic solution to pressure the Iranian regime to change its behavior on the nuclear issue. The U.S. diplomatic strategy toward Iran consists of a dual-track approach in concert with the other permanent members of the UN Security Council – China, France, Russia, and the United Kingdom– plus Germany (the P5+1). These tracks are mutually reinforcing and complementary. The first is the escalation of pressure on the Iranian regime to help prompt a revision of their strategic nuclear calculus, specifically, a decision to abandon once and for all any long-term nuclear weapons ambitions. Without a change in the regime's strategic course, the U.S. and our partners will work together to consider additional measures. Also to help prompt such a strategic shift, the second track of our policy is represented by our standing offer of a generous package of incentives that cover the gamut of political, economic, technological, and social benefits that would accrue to the Iranian people were the regime to resolve international concerns with its nuclear activities. As part of this offer, Secretary Rice announced in May 2006 that, should Iran create the necessary conditions for negotiations by meeting its UNSC obligation to suspend all uranium enrichment-related and other proliferation-sensitive activities, she would be willing to meet with her Iranian counterpart any place, at any time, to discuss any issue.

Since May, 2006, we have presented Iran with an increasingly stark choice between two paths: confrontation and isolation; or, cooperation and reward. Critical elements of this strategy include:

- Multilateral pressure via escalating sanctions at the UNSC and implemented through national legal authorities;

- Unilateral sanctions, including U.S. designations of Iranian banks and other entities involved in Iran's proliferation-related activities and support for terrorism;

- Support for the ongoing IAEA investigation of Iran's nuclear activities;

- The P5+1 incentives package and Secretary Rice's promise of wide-ranging talks should Iran suspend its enrichment-related and reprocessing activities; and,

- Outreach to the Iranian people through exchange programs, Farsi-language broadcasting, and support for civil society.

While we believe we are having an impact, we have yet to achieve our specific objective of persuading Iran to step off its current nuclear course. However, Iran's past behavior shows that it can be responsive to international pressure.

Multilateral Approach

Multilateral diplomacy is the predominant element of our strategy. Since aspects of Iran's covert nuclear program were first disclosed publicly in August 2002, the international community has agreed to three rounds of increasingly punitive Chapter VII UNSC sanctions on Iran, demonstrating international resolve that Iran must meet its nuclear nonproliferation obligations.

Following the August 2002 revelations, the IAEA undertook an extensive investigation into Iran's nuclear program. This investigation uncovered numerous violations of Iran's IAEA Safeguards Agreement, including nuclear facilities and activities Iran had failed to declare to the IAEA, as well as Iranian procurement of sensitive nuclear items and materials from illicit nuclear supply networks. These serious violations led the IAEA Board of Governors in September 2005 to find Iran in noncompliance with its Safeguards Agreement and, subsequently, to report the issue to the United Nations Security Council in February 2006.

The Board's actions in February led to the UN Security Council adopting a Presidential Statement in March 2006 and Resolution 1696 in July 2006. Both called on Iran to suspend its proliferation sensitive nuclear activities (relating to uranium enrichment-related, reprocessing, and heavy water-related production) and cooperate fully with the IAEA; the latter warned of the imposition of sanctions absent Iran's suspension. Iran's decision not to heed Resolution 1696 led to the

UN Security Council adopting Resolution 1737 (December 2006), which imposed the first set of Chapter VII sanctions on Iran. Unfortunately, Iran continued to ignore the demands of the Council. In response, the Council adopted Resolution 1747 (March 2007) and Resolution 1803 (March 2008), imposing two more rounds of sanctions on Iran.

These sanctions, *inter alia*:

- Require Iran to suspend its proliferation sensitive nuclear activities, including enrichment of uranium, and cooperate fully with the IAEA;
- Prohibit the transfer of nuclear, missile, and dual use items to Iran, except for when used in light water reactors or needed for IAEA technical cooperation;
- Prohibit Iran from exporting such technologies or any arms;
- Freeze the assets of 40 individuals and 35 entities associated with Iranian proliferation or destabilizing regional activities (including the Atomic Energy Organization of Iran, Bank Sepah, and several Iranian front companies);
- Require vigilance and restraint with respect to the travel of 35 individuals, and ban the travel of 5 others;
- Call on states not to export to Iran certain heavy arms or to make new commitments for public support for business in Iran;
- Call for vigilance with respect to the activities of all banks domiciled in Iran, particularly with regard to Bank Melli and Saderat; and,
- Call for states to inspect cargoes borne by Iran Air Cargo and the Islamic Republic of Iran Shipping Lines (IRISL) if there are indications that they are carrying proscribed cargo for Iran.

The true effects of multilateral sanctions, especially on a regime's decision-making, are difficult to gauge. However, at a minimum, these sanctions are limiting Iran's access to sensitive technologies and goods, with the possible impact of slowing Iran's nuclear and missile development. These sanctions are also impairing Iran's ability to access the international financial system, fund its weapons programs and terrorist activities, and secure investment for strategic sectors, as many states and firms no longer wish to associate themselves with the Iranian regime. They keep Iran on the defensive, forcing it to find new finance and trade partners and replace funding channels it has lost – often through more costly and circuitous mechanisms.

The sanctions have a psychological impact, as well. Iran has demonstrated its desire to assume the economic and political role it believes it deserves in the region, and to be seen as a legitimate player in the international community. But the series of UN resolutions has shown the world – and Iran – that the international community will not allow an irresponsible actor such as Iran to expand its power unchecked.

The United States is working with international partners – particularly the nations of the European Union – to adopt complementary sanctions in order to increase the pressure on Iran. We have also urged other international partners to review what additional measures they could impose on Iran following the adoption of UNSCRs 1737, 1747, and 1803.

The United States continues to take a leadership role within multilateral nonproliferation institutions. In addition to the IAEA, we have worked with our international partners in the Nuclear Suppliers Group, Missile Technology Control Regime, and the Australia Group to sensitize them to the risks inherent in technology trade with Iran and, following the adoption of UNSCRs 1737, 1747, and 1803 that banned much of this trade, how to avoid Iranian attempts to acquire banned sensitive items through diversion or illicit practices.

Major banks such as Commerzbank, Credit Suisse and HSBC have decided that the risk of doing business in Iran is too great and have ended or limited their business with Iran. The effects of Iran's growing international stigma may, in the end, be as substantial as the direct economic impact of any sanction. Losing the ability for a single Iranian bank such as Bank Sepah to conduct business overseas is painful to Iran. Having major international financial institutions refuse to do business with Iran because of the legitimate business risks that such trade present may be worse.

Unilateral Sanctions Implementation and Designations

U.S. national sanctions implementation and designations are a critical component of such an approach. In addition to the U.S. comprehensive economic embargo on Iran, we have strengthened our existing measures through the designation of specific Iranian individuals and entities through both Executive Order 13382 (Counterproliferation) and Executive Order 13224 (Counterterrorism).

On 25 October 2007, in one of the most aggressive demonstrations of these authorities, the Departments of State and Treasury announced the designation of dozens of entities and individuals. Of particular significance was the designation

of Iran's Islamic Revolutionary Guard Corps (IRGC), the Ministry of Defense and Armed Forces Logistics (MODAFL), Bank Melli, and Bank Mellat for their support for Iranian proliferation, and the IRGC-Qods Force and Bank Saderat under E.O 13224 for their support for terrorism. Most recently, the U.S. Financial Crimes Enforcement Network (FinCEN) issued an advisory with respect to Iranian deceptive financial practices, cautioning financial institutions to take into account the risks inherent in dealings with Iran as a result of these practices and U.S. and international prohibitions on dealings with designated entities.

Such sanctions augment the current trade and investment ban in place with respect to Iran by subjecting various Iranian persons to blocking. By targeting these individuals and entities, as well as demonstrating the extent of U.S. concerns with Iran and the Iranian regime's status as an international bad actor, we will deepen the regime's international isolation and increase the pressure being placed on the regime. U.S. designations also have reverberating effects in the international financial system, as many major international banks have taken action against these entities and individuals on their own accord, following our example.

In addition, we have pursued an aggressive diplomatic campaign, talking to CEOs and senior government officials, to discourage investment in Iran's petroleum sector. We firmly believe that now is not the time for "business as usual" with Iran, and actively monitor any reported investment in Iran's oil and gas sector. We review such cases in light of the Iran Sanctions Act, which provides for the imposition of sanctions on persons making certain investments in Iran's oil and gas sector.

Overall, we have seen positive effects from this comprehensive strategy. Around the world, firms and banks are pulling back from investment in or deals with Iran, or are adjusting their costs in order to address the risk premium attached to such business. There are exceptions, and Iran's status as a major oil and natural gas supplier as well as its lucrative domestic market will always be tempting to states and international businesses. However, we will continue to undertake domestic actions as appropriate and necessary to protect the U.S. financial system and to convince our partners to do the same.

Support for the IAEA's investigation

The United States continues to support the work of the IAEA in its ongoing investigation in Iran. As the main international institution with responsibility for

verifying the non-diversion of nuclear material and providing credible assurance of the absence of undeclared nuclear activities, the IAEA's work in Iran is essential.

We have demonstrated our strong support by working with others to include authorities in the relevant UNSC and IAEA Board resolutions that further empower the IAEA in Iran. Through our pre-existing supply of monetary and technological support (i.e., helping develop safeguards technology) for the IAEA, we have further enhanced the Agency's ability to undertake this investigation in as effective and professional a manner as possible. The United States also provides training to IAEA inspectors every year in order to enhance the Agency's overall safeguards capabilities.

Through the execution of its mandate for international nuclear safeguards, IAEA inspectors have uncovered and investigated illicit Iranian nuclear activities and violations of the IAEA Safeguards Agreement. Most recently, on 22 February 2008, the IAEA reported that it had received from multiple member states extensive documentation that detailed Iran's past attempts to develop a nuclear warhead. The IAEA elaborated on this report during a technical briefing on 25 February that showed IAEA member states some examples of this documentation and other materials. In so doing, the IAEA heightened international attention on Iran's nuclear program and sharpened the focus of the international community on the urgency of preventing Iran from acquiring a nuclear weapons capability.

Press reports have indicated that many states are sharing more and more information with the IAEA to further its investigation; we look forward to the IAEA's continued efforts to uncover the true extent of Iran's nuclear weapons-related work and ambitions. We will continue to lead strong international consensus that Iran must make a full disclosure of any nuclear weapons-related work and allow the IAEA to verify that it has stopped. Anything short of a demand for full disclosure would undermine not only our efforts to provide international verification that Iran is not developing or preserving a nuclear weapons option, but also would undermine the integrity of the IAEA safeguards regime worldwide.

Open Door to Negotiations

At the same time we are seeking to maintain and enhance the pressure on Iran's leadership, we continue to offer Iran the opportunity to resolve international concerns about its behavior through negotiations. Each UN Security Council resolution reaffirms the generous 2006 P5+1 offer and commitment to a negotiated

solution. Secretary Rice has frequently made clear her commitment to the path of negotiations by offering to sit down with her Iranian counterparts "any time, any place" in good-faith negotiations should Iran undertake the essential confidence-building measure of suspension. We hope that Iran will make the right strategic choice to enable such negotiations to begin. Should Iran suspend its enrichment of uranium and other proliferation sensitive activities, the P5+1, which includes the United States, will engage with Tehran on the package of incentives covers an extensive range of disciplines and fields including:

- Light water reactor assistance;
- Nuclear energy cooperation;
- Nuclear fuel guarantees;
- Economic engagement, including through membership in the World Trade Organization;
- Regional security cooperation; and,
- Technological sharing in telecommunications, agriculture, and civil aviation.

This combination of incentives would give the Iranian regime what it claims it wants – nuclear energy – faster, safer, and cheaper than the path it is pursuing now.

We have also been careful to target our pressure-based approach to the Iranian regime's leaders and illicit activities. International sanctions have yet to be applied to the Iranian economy writ large, though the effects of Iran's continued intransigence will likely begin to impinge on the general Iranian economy as time wears on. The refusal of the regime's leadership to abide by its international nuclear obligations and, indeed, its decision to push forward aggressively with its enrichment and heavy water programs will unfortunately affect Iran's citizens in a negative fashion, if for no other reason than because of the tremendous cost of the program. That money could be spent on projects that would help the Iranian people. Let it be clear, however, that the Administration's support for the Iranian people is not empty rhetoric, but rather a directing principle in our approach to Iran.

We have also engaged in negotiations with Iran on the specific issue of Iraq. Unfortunately, as Ambassador Ryan Crocker and General David Petraeus' recent testimony made clear, Iran's continued provision of lethal support to Iraqi extremists casts considerable doubt on its protestations that it wants stability in Iraq and is serious about negotiations with the United States. Iran has had many opportunities to negotiate, whether with the EU-3 or, more recently, directly with

the United States. Unfortunately, Iran's track record as a negotiating partner is not a good one, and while we remain hopeful that Iran will finally choose to restore international confidence through negotiation we must be clear: Iran will come under increasing pressure, and higher costs, by continuing to disregard the will of the international community.

Iran's Destabilizing Actions Abroad

Looking beyond Iran's nuclear aspirations and the specific steps the U.S. is taking with its international partners in the UN Security Council and the IAEA, the regime's aggressive foreign policy and hegemonic posturing constitute an increasing threat to regional security and U.S. interests. Iran is the world's most active state sponsor of terrorism; it provides financial and lethal support to Hizballah, HAMAS, Palestinian Islamic Jihad, as well as to certain Iraqi militant groups and the Taliban. The role that the Islamic Revolutionary Guard Corps-Qods Force plays in supporting foreign militants is extremely problematic.

As the international community is engaged in efforts to promote dialogue between the Israeli and Palestinian Prime Ministers, Iran is providing support to those who deny Israel's right to exist and whose unrelenting terrorist attacks on Israeli citizens threaten to sabotage these negotiations and – with them – the aspirations of the Palestinian people

We condemn Iran's lethal support for Iraqi militant groups – and as General Petraeus and Ambassador Crocker recently testified – we are taking steps to counter these destructive activities in Iraq. President Bush noted on 10 April that the regime in Iran has a choice to make: it can choose to live in peace with its neighbors, enjoying strong economic, religious and cultural ties, or it can continue to arm, fund and train illegal militant groups, which are terrorizing the Iraqi people and turning them against Iran. If Iran makes the right choice, America will encourage a peaceful relationship between Iran and Iraq. If Iran continues down the current path, Iran's leaders should know that we will take active measures to protect our interests, and our troops, and our Iraqi partners. As recent events demonstrate, Iran's support for extremist militias that undermine the government of Iraq, intimidate the local population, and engage in unlawful acts may be backfiring; the Iraqi people are turning away from Iran. They are worried that Iran does not support a democratic, stable government in Iraq, but rather wants to keep Iraq weakened, fractured, and destabilized. If this is not Iran's goal in Iraq, it will have to prove it to the Iraqi people by curtailing its support to extremist militias and supporting the legitimate government.

Iran faces a similar choice in Lebanon. Iranian influence in Lebanon is also of great concern, where Iran continues to rearm and financially bolster Hizballah, which is seeking to create a state within a state in Lebanon. The United States condemns Iran, Syria, and Hizballah for undermining the legitimate institutions of the Government of Lebanon. Moreover, through its ongoing efforts to supply Hizballah with rockets and other weapons, the Iranian regime has systematically violated its obligations under UN Security Council Resolutions 1559 and 1701. In turn, Hizballah, enabled also by Syria and Iran, continues to support other terrorist groups, including certain Shia militant groups in Iraq and Palestinian Islamic Jihad.

And Iran even plays a similar game in Afghanistan. Iran's Qods Force provides lethal assistance to the Taliban, threatening Afghan, Coalition, and NATO forces operating under UN mandate in Afghanistan. The Qods Force has arranged a number of shipments of small arms and associated ammunition, rocket propelled grenades, mortar rounds, 107mm rockets, and explosives – including armor piercing explosively formed projectiles. Recoveries of interdicted weaponry, ordnance, and EFPs in Afghanistan indicate the Taliban has Iranian weaponry. Weapons transfers to these groups violate Iran's Chapter VII obligation under UN Security Council Resolution 1747 not to export arms. Iran has also violated UNSCR 1267 and successor resolutions by failing to impose sanctions on al-Qaida and continues to refuse to bring to justice or confirm the whereabouts of senior al-Qaida members it detained in 2003. We hope that Iran's deep and long-standing support to international terrorist groups, combined with its refusal to abide by multiple UNSC resolutions, encourages other nations to join with us to put pressure on this regime to change the reckless course on which it is embarked.

Empowering Iranian Civil Society and Engaging the Iranian People

Before concluding, it is important to discuss briefly the Iranian regime's repressive treatment of its own people. The regime's record of human rights abuse remains abysmal, and has only grown worse over the past year. The regime regularly commits torture and other forms of inhumane treatment on its own people, and restricts the basic freedoms of expression, press, religion, and assembly to discourage political opposition. The regime has purged liberal university professors; threatened, imprisoned, and tortured dissidents, journalists, labor leaders and women's rights activists. The regime denies its people freedom of expression and press by cracking down on bloggers, closing independent newspapers, censoring internet use and blocking satellite dish ownership—all in an effort to control their access to information. The regime also harasses and detains

ethnic and religious minorities, particularly the Baha'is. The regime's decision to disqualify hundreds of candidates from participating in its recent parliamentary elections due to their ideology prevented the Iranian people from holding free and fair elections. The Iranian people deserve better from their leaders. We work with the international community to express our common concerns about the mistreatment of the Iranian people by their government.

With funding from Congress, the State Department is supporting a wide variety of programs in a long-term effort to strengthen independent voices in Iran. We fund projects to provide greater access to unbiased information, provide information about U.S. policy and American society and values, strengthen Iran's civil society, increase awareness of human rights, and promote rule of law.

Our public diplomacy efforts on Iran aim to deepen mutual understanding between the people of the United States and the people of Iran. Since we resumed our traditional people-to-people exchanges with Iran in FY 2006 more than 150 Iranian academics, professionals, athletes and members of the artistic community have participated in programs on cultural, medical, legal, humanitarian, and education-related issues. We are also reaching out to web-savvy Iranians through the Department of State's Persian language website.

Separately, our Iran programming focuses on helping Iranians who are working to secure their basic rights and hold their government accountable. We do not support any one group or faction in Iran or overseas, but instead provide opportunities for members of Iranian civil society to learn and connect with their counterparts world-wide. The names of grantees are kept confidential to ensure the safety of participants. Support from Congress has allowed us to fund 26 different organizations based in the United States and Europe who work to advance peaceful, democratic progress in Iran.

In addition to the State Department's efforts, Congressional support to the Broadcasting Board of Governors (BBG) has allowed VOA Persian television and Radio Farda to expand their programming in Iran. VOA Persian Television now broadcasts 24 hours a day, up from only 8 hours per day in 2006, and boosted original Persian language programming from 2 to 6 hours daily. Radio Farda, also broadcasting 24 hours a day, improved its medium wave transmission, expanded its regional news coverage, and enhanced its website.

The United States stands with the Iranian people in their struggle to advance democracy, freedom, and the basic civil rights of all citizens. We believe the

Iranian people have made clear their desire to live in a modern, tolerant society that is at peace with its neighbors and is a responsible member of the international community. We are confident that if given the opportunity to choose their leaders freely and fairly, the Iranian people would elect a government that invests in developments at home rather than supporting terrorism abroad; a government that would nurture a political system that respects all faiths, empowers all citizens, and places Iran in its rightful place in the community of nations; a government that would choose dialogue and responsible international behavior rather than seeking technologies that would give it the capability to produce nuclear weapons and foment regional instability through support for militant groups.

Looking Forward

U.S. strategy on the Iranian nuclear issue has thus far called attention to the threat posed by Tehran and its nuclear program. We have also been successful in imposing targeted sanctions that are applying pressure to the regime and in highlighting the P5+1 package of June 2006. At the same time, Iran has failed to suspend its proliferation sensitive nuclear activities and has instead deepened its defiance through continued uranium enrichment, testing of an advanced centrifuge design, and construction of the Arak Heavy Water Research Reactor. We have achieved much, but still more needs to be done. While we work towards progress in overcoming Iranian intransigence on the nuclear issue, Iran persists – unabashedly – in its malign regional meddling and support for terrorist groups. Iran's actions must be seen in their entirety, and our policy reflects this.

The United States is committed to preventing Iran from acquiring nuclear weapons and encouraging Iran to take the necessary steps to instill international confidence in the exclusively peaceful nature of Iran's nuclear program. For the international community to have any confidence, however, it will require Iranian suspension of enrichment and proliferation-sensitive activities, good-faith negotiations, IAEA inspections, and resolution of all outstanding IAEA concerns, especially full disclosure by Iran of any nuclear weapons-related activities and full IAEA verification that all such activities have ceased. We are committed to accomplishing this objective through diplomacy, but note that in order to do so the international community must steadily increase the pressure on Iran. Should Iran come to doubt the international community's resolve in the face of its continued intransigence, Iran's leaders would be even more emboldened and prepared to adopt policies that present even greater risks to international peace and stability. With that in mind, no option can be taken off of the table in order to prevent Iran

from acquiring nuclear weapons. But we nevertheless remain committed to a diplomatic solution to the Iranian nuclear issue.

In the short term, the United States must continue to press for the swift and robust implementation of all UNSC-imposed sanctions on Iran. This includes complementary actions by multilateral groups such as the EU, and the continued vigilance of the IAEA Board of Governors and multilateral export control regimes.

Historical Precedents

A firm yet flexible approach has proven useful in the past. For example, in the case of Libya, the United States, United Kingdom, and Libyan Government undertook negotiations in 2003 that resulted in Libya's December 2003 strategic decision to abandon its weapons of mass destruction programs. In exchange, the United States and United Kingdom offered re-engagement with the international economy and an end to Libya's pariah status, which at the time included UNSC/multilateral sanctions. This decision came as a result of Tripoli's examination of a complex calculus involving the benefits and consequences of continued pursuit of WMD. We seek to prompt just such a calculus in Tehran.

With regard to North Korea, much work remains to be done. However, the multilateral Six Party Talks process and ongoing disablement actions at Yongbyon demonstrate that diplomacy is making progress.

Conclusion

The United States is committed to its pursuit of a diplomatic solution to the range of challenges posed by Iran. But there is much work to be done. Iran's possession of nuclear weapons is not a foregone conclusion nor has its march to acquire them been inexorable. However, we should also not underestimate the Iranian regime's commitment to its current course. Although Iran appears to have halted its development of nuclear weapons in late 2003, Iran continues to develop its fissile material production programs and ballistic missile capabilities and, as the NIE notes, at a minimum is keeping open the option to develop nuclear weapons.

Iran is increasingly feeling the strain imposed by sanctions regimes; but Iranian perseverance in the face of such pressure demonstrates the extent of Iran's commitment to preserve its options to develop a nuclear weapon. We must remain equally committed as a broader international community. We have presented Iran an option: the regime can continue down its current path toward isolation and further sanctions, or it can choose to re-engage with the international community, opening up opportunities for better relations and a brighter future. The U.S. is making every effort to improve U.S.-Iranian relations, but that cannot happen without a change in the Iranian regime's policies. The challenges are daunting, but we are confident that patience and persistence – strengthened by the unity of the international community – will move us towards a resolution of these challenges.

"Choices and Strategies for Dealing with Iran"
Thursday, April 24, 2008

Official Testimony of Ambassador Dennis Ross
to the Senate Homeland Security and Governmental Affairs Committee's
Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security

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When President George W. Bush assumed office in 2001, Iran was not a nuclear power state. However, when he leaves office next January, Iran will either have acquired that status or be on the verge of having done so. Listen to its president, Mahmoud Ahmadinejad, and you hear that Iran has 3000 operating centrifuges and is now installing an additional 6000 IR-2 centrifuges that will be five times as efficient as those already operating. Even if President Ahmadinejad exaggerates the exact status of the Iranian efforts, the Iranians probably will solve the technological problems that have limited their ability to operate their centrifuges on a non-stop basis within a year's time. And, once they have done so, they will be able to enrich uranium and stockpile fissionable material.

If nothing else, this tells us that our current policies are not going to prevent Iran from acquiring the capacity either to assemble nuclear weapons or build a break-out capability. It tells us as well that the next administration will have fewer options available and less time to prevent Iran from crossing the nuclear weapons threshold. In my testimony today, I will address our stakes in preventing Iran from going nuclear, its vulnerabilities that provide us leverage, and the range of different options we might employ to alter Iran's behavior before it is too late.

Our Stakes in Changing Iran's Behavior

Iran has certainly posed challenges and threats to America's interests since the Iranian revolution in 1979. But in the 1980's, Iran was consumed and drained by eight and half

years of war with Iraq. Even after the 1991 U.S. defeat of Saddam Hussein in the first Gulf War, Iraq remained a threat and a counterweight to Iran. But that counterweight disappeared with our removal of Saddam's regime. And, today Iran seems to be on a roll, effectively challenging America's interests throughout the Middle East. From Iraq to Lebanon to the Palestinian Authority and Israel, Iran's policies are not only at odds with ours, but seem designed to frustrate and undermine U.S. goals and partners. Arab governments in private lament Iran's growing strength in the region. They worry about the increasing shadow it casts over the region and its ability to exploit militancy and anger in the Middle East to put them on the defensive. The fact that the complaints about Iran are made more in private than in public already says something about Iran's coercive potential in the area.

An Iran with a nuclear weapons capability would surely add to that coercive potential. Arab and Israeli leaders with whom I have spoken explain that they fear that should Iran have nuclear arms, it will transform the landscape of the region. Iranian leaders will feel emboldened to use terror and terror groups to threaten or subvert others in the area, including particularly those who might be inclined to pursue peace with Israel, knowing that their nukes provide an umbrella of protection or a built-in deterrent against responses.

To be sure, Israelis are worried not only about an increasing Iranian coercive capability. They see an Iranian nuclear weapons capability posing an existential threat to the state of Israel. Tell the Israelis that Iran will act rationally, knowing that Israel can

retaliate with a devastating nuclear counterstrike if Iran or its proxies ever used nuclear or dirty bombs against Israel, and they are not reassured. For starters, they point to the language of Iranian President Ahmadinejad, who has denied the Holocaust and Israel's right to exist; declared that Israel (or the "Zionist entity" as he refers to it) will be "wiped off the face of the map;" and proclaimed recently that Israel's collapse is "imminent." Israelis take small comfort from those who are seen as more pragmatic than Ahmadinejad in the Iranian leadership, like former Iranian President Akbar Hashemi Rafsanjani; even he, they will point out, has said that Iran could absorb many nuclear bombs and survive and Israel, given its small size, could not survive even one.

It is not just Israel's small geographic size and concentrated population that worries Israelis. It is the ideological-messianic fervor of at least some in the Iranian leadership. The Israelis question whether that segment of the Iranian leadership (which believes in the apocalyptic return of the "Hidden Imam") can actually be deterred and believe that they cannot run the risk of trying to find out. As a result, the risk of an Israeli preemptive military action to blunt or delay the Iranian nuclear program is quite high.

That, alone, might argue for an intensive American effort to prevent Iran from developing or acquiring a nuclear weapons capability. As important as it is to avoid such an Israeli action, given all the possible consequences of it, we have additional reasons to prevent Iran from going nuclear. For one thing, the fear of increased Iranian coercive capabilities---particularly as it relates to being more aggressive in terms of pushing a Shia agenda or even subversion in states like Saudi Arabia---is likely to produce a perceived

need for a counter nuclear capability. The Saudis have already expressed an interest in having nuclear power. While they may say they will not acquire a nuclear weapons capability, their words seem to parallel the Iranian-professed interest in having nuclear power—and the Saudis have no doubt that Iran is seeking a nuclear weapons status.

The Saudi relationship with Pakistan, previous secret arms deals between the two, and its financial means all suggest that the Saudis might buy or have Pakistan station nuclear weapons on Saudi soil to create their own deterrent of Iran. Egypt, given its status in the region, might also decide that it must develop its own nuclear capability. Several months ago, a senior Egyptian official told me that if Iran goes nuclear, "it will mean the end of the NPT."

Such a sentiment should be taken seriously. It reflects a perception in the region that a nuclear Iran requires a response—and it may not be one that can be satisfied only by new American security assurances. While some may believe that traditional deterrence will contain a nuclear Iran and our security assurances to Middle East states will offset Iran's capacity to intimidate or blackmail them, the problem, unfortunately, is that our security assurances may not be particularly relevant to the threats that most worry Middle Eastern regimes. True, our security assurances may counter overt threats, but how relevant are they to preventing Iran from feeling more able to subvert its neighbors? Whether giving the Israelis a reason not to strike Iran preemptively or giving the Saudis and others a reason not to create their own nuclear counter to Iran, we have a strong stake in preventing Iran from going nuclear.

Certainly it has been the policy of the Bush administration to try to prevent it. But that policy, while producing three UN Security Council resolutions, has largely failed because it has not forced the Iranian government to face an unmistakable choice between its economic well-being and integration into the regional and global community—politically and economically—or having nuclear capabilities and being truly isolated and cut off economically from the international financial system. Iran has pronounced vulnerabilities and those vulnerabilities do provide leverage for affecting its behavior. Unfortunately, the ability to exercise that leverage was undercut by the National Intelligence Estimate (NIE). Before discussing Iran's vulnerabilities, it is important to understand how the NIE affected efforts to pressure the Iranians.

The National Intelligence Estimate and its Impact

The December 3, 2007 public release of the NIE, titled "Iran: Nuclear Intentions and Capabilities," transformed the landscape on dealing with Iran. By asserting that Iran halted its nuclear weapons program in 2003, it created the impression that Iran was not pursuing nuclear weapons and was not a near-term threat. If it was not a near-term threat, why pursue sanctions? Why build pressure on it? And, of course, why should all options, including the military, be on the table?

It is ironic that Iran was not sanctioned by the United Nations for its covert nuclear weapons program; it was sanctioned for its open pursuit of uranium enrichment, which if continued over time (something the NIE acknowledges is continuing) could be used to develop nuclear weapons. It is also ironic that the NIE concluded that Iran had stopped its weapons program in 2003 "primarily in response to international pressures," which "indicates Tehran's decisions are guided by a cost-benefit approach."[1] Perhaps the greatest irony of all is that by framing its judgments the way it does—emphasizing the covert nuclear weapons program and efforts rather than the overt enrichment developments---the NIE has inadvertently succeeded in considerably reducing the "cost" factor in the current international approach to Iran.

I say that because apart from the British, French, and Germans, the international reaction after the NIE seems different from before it. One almost needs to divide the approach toward dealing with Iran into the pre-NIE and post-NIE periods. Pre-NIE, the Russians and Chinese were prepared to act immediately on a third UNSC sanctions resolution against Iran; post-NIE, they both raised questions about doing so and postponed consideration of such a resolution. It took until March 3, 2008 to adopt the third Security Council Resolution (1803), and it is weak and sends a signal as much for what it does not cover as for what it does.[2]

Pre-NIE, the Saudis were trying to raise the pressure on the Iranians on their nuclear program. In early November, Saud al Faisal, the Saudi foreign minister, called on Iran to respond to a Gulf Cooperation Council proposal to "create a consortium for all users of

enriched uranium in the Middle East. The consortium will distribute according to needs...and ensure no use of this enriched uranium for atomic weapons."[3] Faisal suggested that Switzerland could be the site of the enrichment plant for the consortium and made clear that this proposal, which he revealed had been conveyed privately to Iran one year earlier but not produced a response, would answer the Iranian desire for civil nuclear power and not prejudice Iranian rights in any way.[4] Why go public at this point unless the purpose was to put pressure on Iran?

But that was pre-NIE; post-NIE, there has been no additional mention of the proposal; on the contrary, the GCC invited Ahmadinejad to attend their last meeting (an unprecedented invitation) and King Abdullah of Saudi Arabia also invited the Iranian president to go to Mecca—hardly signs of increasing pressure on Iran. Similarly, after keeping Iran at arms length, Egypt invited Iranian official Ali Larijani to Cairo for discussions after the NIE; and former Egyptian Ambassador to the United States Ahmad Maher wrote in a January 2008 commentary that Israel was the problem for the Arab world, not Iran, and that the "disputes between Arabs and Iran" can be resolved "through a dialogue."[5]

In Iran itself, one also sees a pre-NIE reality and a different post-NIE reality. Ahmadinejad was clearly on the defensive prior to the NIE, and he went on the offensive after it. He seized on the NIE, proclaiming a great victory and at a one point referred to the intelligence report as a "declaration of surrender."[6] But he was not content only to claim a great victory over the United States and others who opposed the Iranian nuclear

activities; according to his office's news service, he also "belittled" those in Iran who had criticized (presumably him) the high cost Iran was paying over the nuclear issue.[7]

If nothing else, those like Rafsanjani who were warning about Ahmadinejad's nuclear approach seem to have been undercut. And, there is one other development involving Ali Khamenei that may prove very important; it, too, comes in the post-NIE period. Iran scholar and Shiite theologian by training Mehdi Khalaji notes that in a January 3 speech, Khamenei, for the first time, "admitted that Iran's shift in nuclear policy—which began right after Ahmadinejad came to office—was by his order."[8] Whether coincidence or not, the Supreme Leader in the post-NIE environment is taking a more visible role on the nuclear issue, meeting with Dr. ElBaradei on January 12.[9] While it is probably too much to claim that the NIE has changed his view, his readiness to be more clearly identified with the nuclear program is, nonetheless, clearly apparent.

It is hard to escape the conclusion that the leverage and choices that can be employed vis-à-vis Iran in the aftermath of the NIE have been reduced. Having fewer choices or options, however, does not mean we have none. Iran still has vulnerabilities and interests that might be susceptible to both positive and negative incentives and disincentives.

Iran's Vulnerabilities and Our Diplomatic Choices

Our basic objective toward Iran should be to prevent Iran from developing nuclear weapons and to alter its de-stabilizing, anti-peace policies in the Middle East. Do we have the means and the leverage to do so? In the aftermath of the NIE and Iran's continuing enrichment developments, that remains unclear, but Iran certainly has some very basic vulnerabilities.

Iran's Vulnerabilities

Its oil output is declining at a time when its domestic consumption is increasing rapidly. Presently, Iran is falling more than 300,000 barrels per day below its OPEC export quota not because Iran's leaders do not want to meet their quota but because they cannot meet it. When one considers that Iran derives 85 percent of its export income from its sale of oil, and that those revenues constitute half of the government's total revenues, it is not hard to see the potential for leverage.[10]

Mehdi Varzi, a former Iranian diplomat and National Iranian oil official, has gone so far as to say that "Oil is as important as the nuclear issue; it will affect the very survival of the regime."[11] One senior British official, who very much agrees with this sentiment, told me that "if you want to affect the Mullahs, let them see that they are not going to have the money to subsidize the civilian economy—and the key to that is cutting off investment and technology transfer to the energy sector." In effect, this official was saying that should the Mullahs, who are primarily concerned with preserving their power and privilege, come to believe that Iran's economic lifeline is going to be cut and the oil

revenues are going to dry up, they may well decide that the nuclear program is not worth the cost.

Mehdi Varzi and my British colleague may or may not be correct, but one thing is for sure: the Iranians need massive investment and technological help from the outside to prevent the continuing decline of their oil output. Kazem Vaziri-Hamaneh, Iran's oil minister in 2006, put the decline of output at 500,000 barrels per day (b/d) each year.[12] The total output of now roughly 3.9 million b/d, a half million barrels a day decline per year—married to growing internal consumption—creates an unmistakable squeeze. That has led some analysts to suggest that Iran's oil income could literally disappear by 2014 to 2015.[13]

To be sure, Iran could impose strict conservation measures and it could gain access to outside technical expertise to help reverse the natural decline in many of its oil fields. It could also get foreign oil companies to invest in developing new fields that require more sophisticated techniques and technologies to exploit. But real conservation may provoke a domestic political backlash, particularly with internal consumption having tripled since 1980 and Iranians expecting to be able to benefit from their energy resources. Ahmadinejad claimed that he would bring the oil revenues to every table; instead, he has brought rationing of gasoline, high inflation, high unemployment, and international isolation.

One measure of the isolation is that Iran was unable to sign any firm oil or gas contracts for the first two and a half years of Ahmadinejad's tenure.[14] Only in the last few months—following the publication of the NIE--have the Iranians signed contracts with Malaysia, China, Italy, Switzerland, and Austria to develop oil and natural gas fields. (But even the biggest of these deals—the one with Malaysia—will eventually require Western subcontractors to produce and market the liquefied natural gas.[15])

The recent signings of these deals indicates the ongoing interest that foreign companies have in investing in onshore and offshore exploration blocks, but as Jeroen van der Veer, the chief executive of Royal Dutch Shell explained: "We have a dilemma." Iran's oil and natural gas reserves are too big to ignore, but "we have all the short-term political concerns, as you can see."[16] Those "short-term" concerns have been made more acute by new unilateral U.S. sanctions which, among other things, are designed as much for their psychological as for their practical impact (e.g., the U.S. posture is geared toward raising questions about the danger and the cost of investing in Iranian front companies). In the words of Secretary of the Treasury Henry Paulson:

> In dealing with Iran, it is nearly impossible to know one's customer and be assured that one is not unwittingly facilitating the regime's reckless behavior and conduct. The recent warning by the Financial Action Task Force, the world's premier standard setting body for countering terrorism finance and money laundering, *confirms the extraordinary risks that accompany those who do business with Iran* [Emphasis added].[17]

And there can be no doubt that even the unilateral U.S. sanctions on three Iranian banks and the Revolutionary Guard—with the implication that we will sanction any company doing business with the IRGC—is having an affect. Saeed Leylaz, an Iranian economist and journalist, has said that "Sanctions are like icebergs. Only 10% of the

effect is directly attributable to the Security Council. Ninety percent is fear of the U.S."[18] European businesses are cutting back on trade and investment in Iran, and the result is that prices on most goods are going up dramatically in Iran. According to one recent report, the prices on most commodities have risen by 50 percent in the last several months, particularly as many foreign manufacturers and distributors have become more wary of doing business directly with Iran lest they come under greater scrutiny of the U.S. Treasury department.[19]

Will this produce a change in Iranian behavior? There is no sign of it to date. But it is interesting that Iran's well-connected *bazaari* class of merchants are being hit hard and apparently one such group complained to the Supreme Leader that sanctions were "hurting their bottom line."[20]

The economic vulnerability is clear. The potential to squeeze the Iranians more on their oil revenues is also obvious, and need not involve trying to cut off Iranian exports which, given the very tight oil market, would drive prices far higher. It would, however, require cutting off all credit and outside investment in the oil sector. The Chinese and Russians have shown great reluctance to go along with anything so drastic, and, of course, simply squeezing Iran does not guarantee responsiveness. Indeed, there are those who believe the only way to produce a change in Iranian behavior is to offer the Iranians meaningful inducements while engaging the Iranian leadership. Here it is worth recalling that the Supreme Leader, Ali Khamenei, now appears to be taking a much more open and direct role on the nuclear issue. Even if he generally has preferred to operate on the basis

of involving all the relevant elites when it comes to the nuclear issue, there is no question that, unlike the president of Iran, the Supreme Leader is the leading decision-maker.[21]

Is it time to engage him and Iran or is the best option to squeeze tighter? Or are there other alternatives or mixes of options that could still change Iran's behavior?

Diplomatic Options

1) **Tighten the Noose**. This is the path we are currently following. The Bush administration pushed for and got adoption of a third sanctions resolution at the UN—once again being willing to settle for sanctions that do not really target the Iranian economy for the sake of getting a resolution. While accepting less at the UN, the administration is pushing European governments to lean on banks, investment houses, and energy companies to prevent any new deals. As already noted, this is, in fact, having an impact.

Prior to the NIE, President Nicolas Sarkozy of France was encouraging EU-wide sanctions that would go well beyond the UN sanctions in cutting the economic lifeline to Iran. His argument was that much more needed to be done to force the Iranian leadership to see that the price of pursuing their nuclear program was simply too high—and, indeed, if it was not done, the risk of military action to prevent Iran from going nuclear would inevitably increase. He was not arguing for the use of force; rather he was trying to mobilize opinion in Europe to show that if more was not done economically to squeeze

the Iranians and make them see the cost of the nuclear effort, those who saw Iran's nuclear program as a profound threat might see force as the only option.

While he has backed off this posture since the NIE, the idea of pushing for additional EU-wide sanctions remains on the table. And they would certainly have an impact in Iran. European companies may be cutting back and fearing the risk of investment in Iran, but a number of European governments are still providing several billion dollars of credit guarantees to their companies doing business in Iran. The figure was approximately $18 billion in 2005,[22] and while significantly reduced, Italian, Spanish, Austrian (and even some German) firms are still benefiting from such guarantees.

So long as credit guarantees are still available, it will be hard to convince the Iranians that they will be subject to much stiffer economic pressures and that their economic lifeline will be cut off. Indeed, while obviously feeling increasing pressures from America's unilateral sanctions and efforts with the Europeans and others, it is interesting that when the Iranians held a conference in Tehran this past year to offer their own sweeteners on possible oil exploration contracts, dozens of European, Russian, and Chinese oil companies attended. According to Gholam Hossein Nozari, the managing director of Iran's national oil company, this was a "sure sign companies do not cower to U.S. pressure."[23]

Clearly, if one is pursuing this option of tightening the economic noose, more needs to be done. One way to do so would be to enlist the Saudis. They have a very high stake in

Iran not going nuclear. While the NIE has made them less willing to challenge the Iranians publicly, or even to be seen as part of an open effort to contain or isolate Iran, there clearly are private ways to employ Saudi financial clout. For example, the Saudis have tremendous holdings in Europe and they could go privately to the relevant European governments, the key banking and investment houses, and the major energy companies and make clear that those who cut all ties to the Iranians would be rewarded by the Saudis and those who don't would fall into disfavor and receive no investments or business.

Something similar could be done with both the Chinese and the Russians. It is particularly important to do so with the Chinese who are driven by a mercantile mentality and are drawing special complaints from the Europeans for rushing to replace their companies whenever they pull back from Iran. China may seem to be a difficult case because it does receive about 13 percent of its oil from Iran. But make no mistake, if the Chinese had to choose between Iran and Saudi Arabia, they would choose the Saudis. They have massive new investments in Saudi petrochemicals, are jointly financing new oil refineries, and the Saudis have agreed to fill a strategic petroleum reserve for China. Business is business and the Chinese have a higher stake in Saudi Arabia. Again, the Saudis need not broadcast what they are doing—but they do need to be enlisted to quietly pressure the Chinese to change their approach to Iran lest they lose out on a profitable future with Saudi Arabia.

The Saudis could also influence the United Arab Emirates. The UAE's commercial ties to Iran are growing, and Iranian companies are relocating to Dubai in an effort to circumvent the existing sanctions. While the UAE may fear coming under great Iranian pressure if they simply cut back on exports to Iran, which rose to $12 billion in 2006, the international community could give the emirates some cover. The UN could decide, for example, that it will create a monitoring team to oversee compliance with the sanctions imposed in resolutions 1737, 1747, and 1803; the UN has done this with many other sanctions regimes and it could establish such a team in the UAE. In Dubai's "free-wheeling business environment," a UN monitoring team could identify Iran's efforts to use the UAE to get around the sanctions and give the UAE an explanation for why it must cut down on illicit Iranian activity.[24]

There clearly is room for the Bush administration to do much more to tighten the economic noose around Iran and sharpen the choices the Iranian leadership must make. Everything need not be done through United Nations Security Council resolutions—indeed, that route has probably already been exhausted. Formal and informal sanctions, informal jaw-boning, and finding ways to get the Saudis to use their clout could all add to the pressures.

But is pressure alone likely to work? One could argue that if applied much more systematically and targeted effectively, it might yet work.

Perhaps, but pressure alone may only succeed in creating a siege mentality in the Iranian regime and, thus, strengthen the hand of the hardliners. Pressure that squeezes the regime far more effectively without tying it to an open door or to something from which Iranian leaders could also gain, may simply convince Iranian leaders that we seek only their humiliation. Pressure that offers only humiliation, meaning admission of defeat, is likely to make it easier for the hardliners to argue that giving in to this will whet the appetite of those in the United States who will be satisfied with nothing less than regime change. President Ahmadinejad appeared to make this very point in responding to his internal critics on why Iran should not concede on the nuclear question given the pressure: "If we would take one step back in our confrontation with the arrogant powers regarding our nuclear program, we would have to keep taking more and more steps back till the very end."[25]

The problem with the tightening the noose option is that the Iranian leadership may choose confrontation, believing it has nothing to lose. Furthermore, it is not likely to work fast enough to prevent the Iranians from going nuclear. Pressure has not worked so far, and the capacity of the Bush administration to ratchet it up dramatically in its last year is limited. So maybe it is time to try a different path.

2) **Engagement without conditions**. Secretary Rice might argue that the Bush administration has not sought a pressure-only approach; after all, the administration supported the EU incentives package in the summer of 2006, backed another proposal presented by EU representative Javier Solana in May 2007 that effectively offered a

freeze on sanctions for a freeze on enrichment, opened up a dialogue with Iran on Iraq, and has proclaimed a readiness to discuss all issues if Iran will only suspend its enrichment activities.

However, critics of the administration paint a very different picture—one, they say, that is what the Iranians see.[26] From Tehran, the picture looks like one of unrelenting efforts to isolate or pressure Iran; even when Iran tried to be responsive after 9/11 on al Qaeda and Afghanistan it received no recognition or reciprocation, only the charge that it was part of the axis of evil. When it conveyed privately a readiness to put all issues on the table, including its nuclear program and support for Hezbollah and Hamas, in 2003, it was rebuffed with a simple rejection. While dialogue was being rejected, hostility was being projected through the attempt to promote a wall of Sunni Arab containment and economic pressures.

Critics of the administration policy do not try to excuse Iranian nuclear ambitions or Iranian support for terror. Instead, they argue that the pressure-only or isolation policies are doomed to fail and have built up a reservoir of deep suspicion throughout the Iranian elite. Given that, they argue for an engagement without conditions approach.

Analysts Mark Brzezinski and Ray Takeyh believe that the NIE's findings create an opening, not a problem. In their words, "That Iran ceased work on its nuclear program several years ago is positive, as it provides an opportunity to start negotiations with Tehran without any preconditions. Moreover, it allows both parties to come to the

negotiating table with a constructive tone."[27] They and other critics of the administration see value in creating an environment for the talks in which neither side is seeking to pressure the other, "making veiled threats," or dismissing each other's security concerns.[28]

Preconditions would be inconsistent with trying to foster such an atmosphere for the talks. Moreover, to make such talks work, the critics argue for negotiations that will be comprehensive in scope and not incremental. They believe the agenda should cover the full array of concerns of both sides:

--Iran wants recognition of its legitimate security and regional interests, a U.S. commitment to accept the regime and give up efforts to change it, a recovery of its frozen assets, an end to economic embargoes, and the right to have civil nuclear power.

--The United States wants Iran to give up its pursuit of nuclear weapons, its support for terrorist groups and militias that threaten or hold existing governments hostage, and an end to trying to prevent Arab-Israeli peace.

For the critics who favor engagement without conditions, the tradeoffs are not difficult to imagine. In return for American acceptance of the legitimacy of the Iranian regime and resuming economic ties with it, Iran would have to stop providing all military equipment and training to Hezbollah, Hamas, and other regional militias, and publicly commit to a two-state solution to the Arab-Israeli conflict. In return for U.S. support for

Iran's civil nuclear program, Iran would have to accept an intrusive inspection regime based on having permanent inspectors operating on a 24-hour-a-day, no-notice system of inspections. In return for U.S. acceptance of Iran's role in Iraq, Iran should be prepared to help to work out understandings not only between the Shia and Sunnis within Iraq but also with the Saudis to make such understandings more likely to hold. Finally, in return for our accepting Iran's regional position, Iran would join an effort with its neighbors to create a new regional security system resolving territorial disputes, accepting existing borders, limiting arms acquisitions, and opening trade.[29]

Most of those who favor this engagement option believe that Iran's behavior can be modified. They see Iran as "an unexceptional opportunistic power seeking to exert preponderance in its immediate neighborhood."[30] While that might ordinarily argue for the use of carrots and sticks to affect Iran's choices, the engagers without conditions feel that Iranian suspicions are simply too high, their leverage toward their neighbors too great, their cash reserves too substantial, and their nuclear program too far along to have them respond to our "sticks."

But is all that true? Usually when regimes say pressure won't work on them that is precisely what they are trying to head off. President Ahmadinejad would not be facing some of his domestic criticism if not for concerns that his provocative posture, including specifically on the nuclear issue, was costly to Iran. Moreover, while high oil prices may be a boon for Iran, they have not eased the basic vulnerabilities of the economy or reduced unhappiness about it. Fuel heating shortages have triggered a torrent of new

criticisms of Ahmadinejad's policies in the last few months, and late last summer one of Iran's leading clerics, Ayatollah Mahmoud Hashemi Shahroudi, the judiciary chief, blasted the president for what he termed "heavy blows to the Iranian [economic] system."[31]

This is not to argue against engaging the Iranians. But it is to argue that engagement should not dispense necessarily with preserving pressures on the Iranian regime. To engage with no pressure might well convince the regime that the United States is conceding up front and there is no need to respond to what it seeks. It almost certainly would convince them of our weakness. In my experience in negotiating with Middle Eastern parties—admittedly Arabs and Israelis, not Iranians--the tendency when one side thought it was on a roll and in a strong position was to believe that there was no need for it to compromise; ironically, when it found itself in a weakened position or on the defensive, it would tend to think that it could not afford to compromise.

What that would argue for with the Iranians is preserving pressure but also providing face-savers and inducements at the same time.

3) **The Hybrid Approach—Engagement without Conditions but with Pressures.** When I say engagement without conditions, I mean that there would be no preconditions for the United States talking to Iran. Iran would not, for example, have to suspend its uranium enrichment first. But to avoid Iran misreading this as a sign of weakness, pressures must be maintained. Iran must see that though the United States is no longer

imposing a precondition for talks, it has succeeded in adding to pressures on Iran even while it is offering a way to reach an accommodation.

The logic of this option is that Iran must see that the costs of pursuing the nuclear option are real and will not go away, but that Iran has a door to walk through and can see what is to be gained by giving up the pursuit of nuclear weapons—and those gains are meaningful to the Iranian leadership. The hybrid option is designed to concentrate the minds of Iranian leaders on what they stand to lose without humiliating them.

It ends the image that there is a price just for talking to the United States but does not leave the impression that America has caved in and effectively given up as talks begin—or that negotiations can provide a legitimate umbrella under which nukes can still be pursued.

So how to talk and preserve the pressures without making either side appear weak? One way to do so would be for the United States to go to the Europeans and offer to join the talks with Iran without Iran having to suspend uranium enrichment. To avoid misleading the Iranians into thinking they had won, the price for our doing this would not be with Iran but with Europe. The European Union would adopt more stringent sanctions on investments, credits, and technology transfer vis-à-vis Iran in general or at least on the Iranian energy sector. The Iranians would be informed that the United States is joining the talks but that these sanctions are now being adopted by all European countries.

Would the Europeans go for it? It is possible. The EU negotiators have been convinced for some time that there is a deal to be struck with Iran but only if the United States is directly at the table. They believe that while Iran does seek economic and political benefits from the Europeans, the big prize is with the Americans. It is not just the frozen assets but the conviction that the United States is determined to subvert the regime and no deal is possible until the United States provides security assurances and guarantees to Iran directly.[32]

For applying the hybrid option in this fashion, what matters is not whether the EU view is correct. What matters is that the EU representatives are convinced that this is what will move the Iranians. Of course, they could be wrong. Moreover, their readiness to go along with the U.S. condition that they adopt tough sanctions as the price for getting the United States to the table will, no doubt, also depend on a U.S. commitment to negotiate seriously on a comprehensive proposal that would include many of the tradeoffs noted above in option two. There would be one key difference in the comprehensive proposal that would be proffered as part of the hybrid option: here acceptance of Iran's being a civil nuclear power would require not simply acceptance of intrusive inspections, but also a ban on stockpiling low-enriched uranium and a requirement to have it shipped out of the country to an IAEA facility. In other words, in option three the nuclear part of the comprehensive proposal would be geared more to guarding against an Iranian breakout capability as well as providing for verification procedures designed to prevent the existence of covert or clandestine nuclear programs in Iran.[33]

There could be one other problem in getting the EU to go along. If the NIE has convinced most Europeans that the United States is less likely to use force against Iran, they may feel less urgency and less need to put additional pressure on Iran. Indeed, many in Europe may feel that they can live with an Iran with nuclear weapons and that containment is an acceptable posture. If so, they may balk at applying more sanctions, particularly because it means absorbing real economic costs.

In such an eventuality, there may be value in enlisting Israel to send a high-level delegation privately to key European capitals to make the point that while others may feel they can live with a nuclear Iran, Israel feels it does not have that luxury. Not, by the way, because its leaders might not prefer it, but because Iran does not seem willing to let Israel exist. The Israeli message would be that if you want to avoid the use of force, "we need to see that you are going to raise the costs to Iran in a way that is likely to be meaningful to the Iranian leaders."

To be sure, another way to increase the likelihood of getting European responsiveness on increased pressure would be to enlist the Saudis and their financial clout. The point here is that the sources of pressure identified in the "tighten the noose" option must also be incorporated into the hybrid option. It really is an amalgam of options one and two. The Saudis need to be enlisted to act not as a favor to the United States—since they are not inclined to do us any favors—but because their own interests in preventing Iran from going nuclear are so potent. As noted earlier, the Saudis do have real leverage toward both the Europeans and Chinese and it needs to be employed even as we engage the

Iranians. Since, as also noted earlier, the Saudis will be careful about not provoking the Iranians, they will only be likely to employ their financial clout against the Europeans and the Chinese if they see that we are serious and that their own actions are a piece of a larger strategy likely to be effective in exerting real leverage on the Iranian regime.

The Russians, too, could be enlisted in this option. The Russians could provide both significant pressures and inducements. If the Russians made it clear to the Iranians that they would not protect them from greater external pressure but could offer them a way out—especially if it looked like pressures would increase from the outside—the Iranian leaders might very well change their calculus.

Getting the Russians to play this role will not be easy or necessarily cheap. The Russians have no desire for Iran to go nuclear but have also been careful not to push the Iranians too hard. Is it because they are concerned that if they push the Iranians too hard, the Iranians will make trouble for them in their Muslim periphery? Or is it because the Russians have a different agenda in the Middle East now and becoming an alternative or counterweight to the United States is taking on more importance? Or is it because the Russians want something if they are going to play such a role? Maybe all three factors are involved in some form.

If so, there could be several creative ways to engage the Russians. The first would involve trading off the anti-missile defense deployments in Poland and the Czech Republic for real Russian pressure on Iran. In theory, these deployments were supposed

to provide protection from Iranian missiles. If the Russians would act to reduce the Iranian threat, these sites might not be so necessary. Unfortunately, such a tradeoff with the Russians is probably not acceptable to the Bush administration given its commitment to anti-missile defenses. But it might be acceptable to the next administration and ought at least to be considered.

There are two other possible inducements for the Russians: offer to help the Russians assume a leading position as a supplier of nuclear fuels internationally—something that could mean a great deal financially to them. Or allow the Russians to take the lead in doing the deal with Iranians on stopping their nuclear program. This would respond to the Russian political and psychological need to show they are playing a major new role internationally, effectively recapturing their lost status on the world stage. Each of these inducements have certain downsides: among other things, could we be so confident about Russian safeguards and could we really count on the Russians not surprising us with what they might offer the Iranians or how they might try to play us off against the Europeans?

While these risks might be manageable, they remind us that the more we involve others who have leverage, we need to think through with whom we can effectively work, who has reasons of their own to act, and how we can most productively integrate others into a common strategy to alter Iran's behavior. Any such strategy needs to focus not just on the levers but also on how we should go about engaging the Iranians if we are employing either options two or three.

How to Set Up Engagement with the Iranians

In discussing the hybrid option, I mentioned that the Iranians could be informed that the United States was joining the talks directly even as they were being told about increased EU sanctions. That is, of course, one way to prepare the ground for U.S. engagement with Iran. But there are other ways to do so that would be relevant for either the "engage without conditions" or "engage with pressure" options. For example, engagement, whether without conditions or with pressure, should still be prepared. There should be an agenda that is created before the Americans first come to the table. One way to do so would be to have the Europeans quietly have discussions with the Iranians on a more comprehensive agenda, which goes beyond the nuclear issue, to prepare for U.S. inclusion in the talks. Another way could involve some of the existing "track two" channels which could be used to set the stage for official contacts. This is how the Oslo process evolved, with pre-negotiations in an ongoing academic channel taking on issues and creating milestones for gradually bringing officials to the talks.

While each of these ways could be effective, I actually prefer another approach. I recommend trying to set up a direct, secret backchannel. Keeping it completely private would protect each side from premature exposure and would not require either side to publicly explain such a move before it was ready. It would strike the Iranians as more significant and dramatic than either working through the Europeans or non-officials—something that is quite familiar. It has the additional value that a discreet channel, which is protected, makes it possible to have a thorough discussion and to see whether there is a

common agenda that can be constructed. Having done this with the Syrians in a secret backchannel in 1989, I know it permits a very different kind of discussion as well.

Assuming it is possible to produce such an official, discreet backchannel with the Iranians, one good way to begin such a discussion would be to ask the Iranian representative to explain how his government sees U.S. goals toward Iran and how he thinks the Americans perceive Iranian goals toward the United States. Any such interaction must find a way to show the Iranians that we are prepared to listen and to try to understand Iranian concerns and respond to them, but ultimately no progress can be made if our concerns cannot also be understood and addressed.

Maybe, given the history, it will be difficult to set up such a direct channel that is also authoritative. We certainly have an interest in finding ways to be sure that any such channel is one that engages Ali Khamenei, the Supreme Leader. Maybe we will need the Europeans (or others) to help set up the channel. And, maybe, even if we engage the Iranians, we will find that however we do so, and whatever we try, the engagement simply does not work.

We will need to hedge bets and set the stage for alternative policies either designed to prevent Iran from going nuclear or to blunt the impact if they do. Those represent two different policy choices with very different implications. Whichever path we take will be more sustainable if we have directly engaged Iran first. Tougher policies—either military or meaningful containment—will be easier to sell internationally and domestically if we

have diplomatically tried to resolve our differences with Iran in a serious and credible fashion. Sometimes even the best efforts at statecraft do not work and that could prove to be the case with Iran. But before we come to that conclusion, it is time to try a serious approach to diplomacy.

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STATEMENT OF STEPHEN G. RADEMAKER
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"Addressing Iran's Nuclear Ambitions"

Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

April 24, 2008

Mr. Chairman, Senator Coburn, Members of the Subcommittee, I am very grateful to you for inviting me to appear this morning to present my thoughts on how our nation should deal with the Iranian nuclear threat.

There is little need for me to dwell on all the reasons why the Islamic Republic of Iran cannot be allowed to succeed in developing nuclear weapons. A nuclear-armed Iran would, among other things, upset the delicate balance of power in the Middle East. It would jeopardize the global nuclear nonproliferation regime. It would give rise to an unacceptable risk that these weapons might be transferred to and used against us or our allies by one of the many terrorist groups that Iran has long supported. And, taking President Ahmadinejad's own words at face value, it would pose an existential threat to Israel.

For all these reasons, there is a global consensus—now reflected in four binding resolutions of the U.N. Security Council—that Iran cannot be allowed to succeed in acquiring nuclear weapons. Specifically, these resolutions demand that Iran suspend its ongoing uranium enrichment and reprocessing activities that, if successful would give Iran the capability to produce fissile material for nuclear weapons. Obtaining such material is, of course, by far the greatest obstacle that any country wishing to produce nuclear weapons must overcome.

These Security Council resolutions are the result of diplomatic efforts that began in 2002 when Iran's secret nuclear activities were first revealed. Those efforts have not, for the most part, been led by the United States, but by Britain, France, and Germany—the so-called "EU-3". The international diplomacy has been painfully slow to watch over the past six years. But most would agree that the diplomatic approach has been preferable to the two alternatives of either accepting the inevitability of Iranian nuclear weapons, or using military force to stop the Iranian program.

While there is a global consensus that Iran cannot be allowed to succeed in acquiring nuclear weapons, there is not a consensus about how immediate the threat is that Iran may do so.

As we all know, Russia and China have seen the threat as less immediate than have the United States and the EU-3, and therefore they have tended to resist firmer action by the Security Council against Iran. Their resistance has been the greatest challenge to the success of the diplomatic track. And, to reiterate, it is essential that the diplomatic track succeed because it is vastly preferable to the alternatives of an Iranian bomb or war.

The National Intelligence Estimate

It was in this context that the U.S. Intelligence Community last December released an unclassified version of its National Intelligence Estimate (NIE) on Iran's nuclear program. It is hard for me to imagine a more damaging diplomatic development than the NIE, not just for U.S. policy toward Iran, but also for the policy of our allies. By reducing the prospects for successful diplomacy, the NIE materially increased the likelihood that our nation will be forced to choose between the two alternatives of either accepting Iran as a nuclear power or using military force.

I say this about the NIE not because I disagree with the intelligence judgments that it sets forth. To the contrary, those judgments depart only in modest ways from previous judgments of the U.S. intelligence community. I say this instead because of the way those judgments are expressed in the NIE.

The unclassified NIE begins with the assertion that "We judge with high confidence that in fall 2003, Tehran halted its nuclear weapons program." This assertion was popularly interpreted—or more precisely, misinterpreted—around the world to mean that the Iranian nuclear problem is under control. It was seized upon by many as evidence that the U.S. Government has been exaggerating the Iranian threat for years. In Tehran it was read as a sign that the United States was preparing to back off its longstanding diplomatic demands, and in most other world capitals it was seen as a sign of disarray and indecision within the U.S. Government.

An immediate consequence of the NIE's release was Russia's decision less than two weeks later to ship the first batch of nuclear fuel to Iran's Bushehr nuclear reactor. This was something that Iran had been pressing Russia to do for years, and which Russia had been resisting, apparently as a means of maintaining leverage over Iran. Implicit in Russia's decision to ship the fuel was a decision by Russia to complete the Bushehr reactor, which Russia had also been delaying to the consternation of Iran. As a consequence of these actions, one of the major potential sources of international leverage over Iran was lost.

Of course, the NIE did not mean that the Iranian nuclear problem is under control. A widely-overlooked footnote to the NIE's opening sentence clarified that "by 'nuclear weapons program' we mean Iran's nuclear weapon design and weaponization work and covert uranium conversion-related and uranium enrichment-related work; we do not mean Iran's declared civil

work related to uranium conversion and enrichment." The footnote clarifies, in other words, that the NIE's definition of Iran's "nuclear weapons program" is a cramped one that excludes the very activities that we, our allies, and the U.N. Security Council have been demanding that Iran suspend. And even this clarification concedes too much to Iran. What the footnote euphemistically describes as "Iran's declared civil work related to uranium conversion and enrichment" is in fact the previously covert activity at Natanz and elsewhere that Iran began almost two decades ago in violation of its nuclear safeguards obligations. That work was "declared" only in the sense that Iran acknowledged it after it was caught red-handed concealing it.

I do not know which is more troubling—that the authors of the NIE did not appreciate the devastating consequences their poorly chosen words would have on the international diplomacy aimed at addressing the Iranian problem, or that they knew but did not care about those consequences.

Director of National Intelligence Mike McConnell has, of course, admitted in testimony before the Senate Select Committee on Intelligence that the NIE was poorly drafted. "I think I would change the way that we described [the] nuclear program," he told the Committee. He further conceded that, contrary to the implication of the NIE's footnote, weapons design and weaponization are "the least significant portion" of a nuclear weapons program.

While it is perhaps refreshing that Admiral McConnell is prepared to acknowledge the mistakes of the Intelligence Community, this does not begin to undo the diplomatic damage that was done. I respectfully suggest that this matter would be an appropriate one for congressional oversight: how could a U.S. government agency have been so out of touch with or indifferent to the consequences of its pronouncements in such a sensitive area?

What Now?

As harmful as the NIE was to international efforts to constrain Iran's nuclear program, it should not lead us to despair. Diplomacy is still the most promising alternative among those available to us. The challenge remains the same as it was before the NIE was released—identifying a combination of carrots and sticks that will persuade Iran to give up its efforts to be able to produce nuclear weapons. We need to build on the four Security Council resolutions that have progressively increased the pressure on Iran to suspend its enrichment and reprocessing activities. Ideally this will be done through further action by the Security Council to further tighten existing sanctions on Iran if it does not comply with the Council's 2006 mandate that Iran suspend such activities.

It is not hard to identify additional measures that would inflict substantial economic and political hardship on Iran. Among the things that the Security Council still has not done are to:

- Ban all international nuclear cooperation with Iran;
- Ban conventional arms sales to Iran;
- Ban foreign investment in Iran's petroleum sector;
- Ban international financial transactions with the Iranian government; and
- Ban foreign government subsidies or credit guarantees for trade and investment with Iran.

The primary reason that measures such as these have not been imposed by the Security Council is that there has not been consensus among the five permanent members of the Council to do so. Russia and China in particular have resisted stronger action by the Council. A central focus of our diplomatic efforts therefore has to be on finding ways to motivate Russia and China to be willing to agree to firmer action by the Council.

We also need to step up efforts with our key allies in Europe and Asia to develop measures that we can impose multilaterally even in the absence of additional Security Council action. While our allies are all committed to the goal of denying Iran a nuclear weapons capability, many of them have been hesitant up until now to take steps in the area of trade and investment with Iran that could be economically costly to them. In many cases this has extended to a reluctance to limit government subsidies and credit guarantees for such trade and investment. A new concern that has emerged recently on the part of our allies is China's increasing willingness to step in and replace trade and investment with Iran that they withhold. We need to identify ways to persuade China to stop doing this—both to ensure that the measures we impose collectively are not undermined, and to take away a rationale for inaction by our allies.

One thing we should not do in my opinion is reduce the demands we are making of Iran. In particular, we should not accept the argument some have advanced that it is not realistic to expect Iran to indefinitely give up uranium enrichment and reprocessing, and therefore we should stop insisting on it. The covert origins of Iran's enrichment and reprocessing programs, combined with the economic illogic of them in a country that even today does not have a single operating civil nuclear power reactor, leaves no doubt that these programs were established with the objective of producing fissile material for nuclear weapons. There is simply no safe arrangement under which a country with such intentions can be permitted to engage in enrichment or reprocessing on its own territory. There has been no shortage of proposals—multinationalizing the enrichment program within Iran, subjecting it to enhanced international safeguards, limiting its size, requiring that the resulting enriched uranium be removed from Iran,

etc. But none of these kinds of measures can be counted on to prevent Iran from applying the knowledge it gains to covert nuclear weapons-related work elsewhere in the country.

Some argue that the clock is working against us and we need to scale back our demands now before Iran confronts us with a fait accompli in the area of enrichment. To them I say that it is not too late for renewed diplomatic efforts in coordination with our allies to increase the already considerable pressures on Iran to change course. While there is no guarantee such efforts will succeed, it is easy to imagine diplomatic cures for the enrichment problem that would be worse than the disease. If Iran persists in defying the Security Council and masters enrichment, its nuclear program will remain illegitimate and universally condemned, and presumably still subject to existing IAEA safeguards. On the other hand, a diplomatic settlement that permits enrichment in Iran will effectively legitimize Iran's declared nuclear program. Iran could find itself closer to achieving a nuclear weapons capability under the second scenario than the first unless, as part of the settlement in the second scenario, it agrees to far more extensive constraints and more intrusive inspections than seems likely under current circumstances.

Should We Negotiate With Iran?

Much of the current debate over Iran policy revolves around the question whether the United States should drop all preconditions to direct talks with Iran and begin an immediate negotiation on the nuclear issue. I am not unalterably opposed to negotiating directly with Iran on this issue. But there are two key points that the proponents of such negotiations frequently gloss over.

First, no negotiation with Iran can succeed unless we are negotiating from a position of strength. Perhaps the greatest single tragedy of the December NIE is that, for the time being, it has become virtually impossible for the United States to negotiate with Iran on the nuclear issue from a position of strength. Were the Bush Administration to decide today to retreat from its longstanding policy of refusing to negotiate with Iran while Iran is continuing to enrich uranium, the Iranians would take this as confirmation of their post-NIE assessment that the U.S. position has begun to collapse. They would enter the negotiations expecting to nail down the terms of our diplomatic surrender. Progress in such an environment would be impossible—unless by progress one means reaching agreement at any cost.

Second, before we enter negotiations we need to be clear on what negotiated outcome we wish to achieve. What is the end state that we seek? As I have already suggested, I believe the only agreed end state worth having is one in which Iran is no longer engaging in activities that would permit it to produce fissile material. In other words, no enrichment, no reprocessing, and no heavy water production in Iran. If this is the end state we seek, I do not understand how we

get there by dropping our longstanding precondition that Iran temporarily suspend such activities for the duration of any negotiations.

Some have suggested that we could develop temporary arrangements with the Iranians—such as enhanced safeguards or limits on the amount of enrichment that Iran can conduct—that should permit us to feel comfortable about continuing enrichment during the negotiations. Perhaps such arrangements could be developed. But we should not kid ourselves that they would be temporary. To the contrary, they would become the new baseline of acceptable behavior by Iran, and Iran's objective in the negotiations would be to negotiate upward from that baseline. Today the baseline of acceptable behavior by Iran is defined by the four binding resolutions of the U.N. Security Council that demand full suspension of enrichment and reprocessing. It is a mystery to me why we would want to negotiate from a different baseline than the one established by the Security Council.

I do not mean to suggest that we will never be able to negotiate with Iran on this issue from a position of strength. But it will take a great deal of diplomatic effort to undo the damage that was done by the NIE. The effort must begin with painstaking work to strengthen international pressure on Iran. Working with others, we must further tighten sanctions on Iran. Ideally this would be done through the Security Council, but if that is not possible then outside the Council through coordinated action by like-minded nations. At least until that has happened, beginning direct negotiations with Iran without suspension by Iran of uranium enrichment would be less an act of diplomatic creativity than diplomatic desperation.

Thank you, Mr. Chairman.

ISP-202: CENTRAL CHALLENGES OF AMERICAN FOREIGN POLICY
GRAHAM ALLISON & MEGHAN O'SULLIVAN

CASE 4: RED TEAMING IRAN'S SUPREME LEADER

Distributed: March 3, 2008
Due: March 10, 2008

Overview:
This case involves a new skill: "red teaming." In order to "red team," you assume the role of an advisor to your adversary and explore actions that will best advance his objectives. As noted in class, when the key finding of the December National Intelligence Estimate (NIE) on Iran was emerging, the intelligence community assigned a group to "red team" Iran's behavior. They were asked to assume that Iran's intention was to deceive the United States into concluding that the Iranian nuclear program had been halted. Although the red team made a persuasive case that Iran's actions were consistent with this objective, the intelligence community ultimately rejected that hypothesis and came to the conclusion it reported.

Given the serious questions surrounding the Iranian nuclear program after the NIE, the President wants the National Security Council's best estimate as to what Iran's strategy will be going forward. National Security Advisor Stephen Hadley believes that the best way to think about Iran's goals and assess its future actions is to step into the shoes of Supreme Leader Ayatollah Khamenei and try to see the world through his eyes. Although Iranian President Ahmadinejad is the public face of Iran's nuclear efforts, Hadley knows that "the nuclear file" rests with the Supreme Leader. As a result, he has commissioned a number of "red teams" to assess the options available to Khamenei.

In order to ensure maximum coverage, Hadley has assigned each of the red teams a slightly different task. Whereas some of the other teams will consider the extent of Iran's commitment to acquiring nuclear weapons and the impact of domestic politics on the Supreme Leader's decision-making, your task is to focus on the Model I analysis of what path Khamenei will take assuming he has decided to acquire nuclear weapons. Specifically, Hadley asks you to assume that Khamenei has a clear operational objective: acquiring at least three nuclear weapons as rapidly as possible (and in any case by December 2009)*—without triggering a military attack that would successfully wipe out or severely retard Iran's nuclear weapons program. Given this objective, Hadley wants you to prepare a "red team" memo articulating three strategic options Iran might pursue and an assessment as to which option the Supreme Leader is most likely to choose.

Hadley stipulates that you should assume that the March 2008 parliamentary elections in Iran and the Iranian presidential elections in 2009 will not change in any substantive way the direction of Iran on the nuclear issue. He then offers the following scenario to guide your analysis:

* Note that some of the hypothetical facts about Iran's nuclear program in this scenario differ from the assessment offered by the NIE and IAEA reports. This variance is by design; Hadley wants you to analyze the **"worst case scenario"** in which the United States has underestimated Iranian technical capabilities. Key hypothetical sentences or paragraphs are marked with an asterisk.

Situation:
The date is March 3, 2008. All conditions relevant to the case are materially the same as they were on March 3, except for any hypotheticals introduced specifically in the case.

You are a foreign policy expert and longtime advisor to Iran's Supreme Leader, Ayatollah Khamenei. At a recent strategy meeting, the Supreme Leader declared that the Islamic Republic's vital national interests are:

1. Survival of the regime as an Islamic republic with its fundamental institutions and values intact;
2. The stability of Iran and its territorial integrity;
3. Prevention of a military attack upon Iran;
4. The enhancement of Iran's power, first within the region, and in time beyond.

The Supreme Leader has stated his judgment that these interests can best be advanced by Iran's acquiring a small arsenal of nuclear weapons (large enough to test one bomb while retaining other weapons to use in extremis). This must be done, he insists, in a way that avoids any provocation likely to trigger a military attack by Israel and/or the United States.

Before asking you to determine how best to achieve this goal, the Supreme Leader provides you with a quick update on the current state of Iranian nuclear capabilities. He begins by noting that the American NIE was correct on at least one account: Iran did indeed suspend the covert program to develop warheads for missiles in the fall of 2003. Khamenei ordered the suspension* because the U.S. discovery of the secret Natanz enrichment facility and Arak heavy water plant was made public in August 2002, and he believed that continuation of the warhead program risked provoking attack. Thus, Iran postponed further work on the warhead designs.

The suspension of the warhead program, however, did not signal a shift in Iran's determination to acquire nuclear weapons. Rather, it shifted the focus to acceptable overt programs, including the development of advanced missiles (with help from North Korea) and overt uranium enrichment (as permitted by the Non-Proliferation Treaty). This concentration on uranium enrichment reflects the government's recognition that acquiring weapons-grade material remains the principal hurdle to its bomb program.

Iran's efforts to produce weapons-grade material are on track. As reported by the IAEA, the Pakistani P-1 centrifuge line at Natanz has been operating with 3,000 centrifuges. Analysts calculated that the centrifuges were spinning intermittently at about 20% efficiency. According to the February 2008 IAEA report, Iran had 75 kilos of 4% low enriched uranium (LEU) as of December 2007. After three months of additional production, the Iranian stock is now at 140 kilos.* Although this figure is well short of the 1,950 kilos of LEU needed to create three bombs (650 kilos each), the Supreme Leader is encouraged by the fact that Iran has increased its rate of production significantly and will be able to produce 100 kilos of LEU per month going forward.*

In particular, the Supreme Leader is excited about the prospects for Iran's new generation of centrifuges, the IR-2. These next-generation centrifuges are substantially more efficient than the existing Pakistani-designed P-1s: Iran would need only 1,200 IR-2 centrifuges to produce enough weapons-grade uranium for a single bomb in one year. This is a marked improvement over the P-1

technology, which would require running 3,000 centrifuges consistently to produce a single bomb's worth of highly-enriched uranium (HEU) in a year. Production and operation of the IR-2 has advanced to the point that the initial cascade of these new centrifuges is operating.* Additional centrifuges are being installed at a rate that will create at Natanz a cascade of 1,200 centrifuges within six months, and 3,000 within 12-15 months.* The IR-2s are produced indigenously in Iran without any foreign components and Iran has the capability to produce these centrifuges at a much higher rate if necessary. As a result, Iran's indigenous production lines could produce enough IR-2s to supply a covert enrichment site, if such a decision was made.

Moving on to the sensitive issue of covert nuclear activities, the Supreme Leader reveals that Iran currently has no covert enrichment program. It has, however, prepared several locations at which a covert enrichment program could begin as soon as centrifuges are installed.* It has also made plans for plausible cover based on associated services, including electricity and transportation at current military bases as well as a site with ongoing mining operations. Given these precautions, the Supreme Leader believes that Iran can keep a covert site secret.

Having provided these background facts about the Iranian nuclear program, the Supreme Leader now turns to the broader question of Iran's strategic relationships and interactions with the rest of the world. He chuckles as he reveals the nickname for President Bush that he occasionally uses among close colleagues: "our unwitting Secret Agent 007." He muses, "Who was Iran's biggest enemy? Saddam Hussein. Who eliminated Saddam? President Bush! Who was Iran's number two adversary? The Taliban in Afghanistan. Who toppled the Taliban? President Bush!"

Although he acknowledges that President Bush's inclusion of Iran in the "axis of evil" grated on many, the Supreme Leader believes that these words were actually, in effect, a subtle substitute for serious action. He points to the fact that even though the U.N. Security Council sanctions have been tightened over time, they still amount to little more than gestures. The impact of these sanctions on Iran's ability to advance its core objectives and acquire the nuclear arsenal that the Supreme Leader desires has been minimal. Moreover, just as many Iranians began to worry about the possibility that the sanctions would be tightened to the point that they could severely constrain Iran, the December NIE anesthetized international urgency about Iran's nuclear activity and drastically reduced the likelihood that the Security Council will approve sanctions with real bite. Moreover, the Supreme Leader continues to be encouraged by reports from Beijing. The Chinese have indicated that while they are now doing everything possible to "make nice" to the U.S. to get through the 2008 Olympics, they are ready to proceed with major economic arrangements for the production of oil and gas that will be supplied to China.

Despite being sanguine that the international community will struggle to impose further sanctions on Iran for its enrichment activities, the Supreme Leader acknowledges that the economic situation in Iran is much graver than it should be, especially given the high price of oil. Privately, he derides Ahmadinejad for mismanagement of the economy, which has led to the near depletion of the emergency oil reserve fund, a rise in inflation from 12-19%, the rationing of petrol last summer, and a growing jobless rate that some estimate as much as 20%. Nevertheless, he has made clear to you that Iran is willing to weather more economic hardship if necessary to reach its objective of gaining the bomb.

The Supreme Leader remains wary of the potential for a military response from the United States or Israel. Having analyzed this issue carefully, the Iranian national security establishment is aware that the United States and Israel possess capabilities for bombing Iranian sites in a manner that would significantly delay Iran's acquisition of nuclear weapons. To counter such attacks, Iran has been developing a more robust deterrent by strengthening its ally Hezbollah (whom it believes defeated Israel in the 2006 war in Lebanon), demonstrating its capacity to kill what Hezbollah calls "American hostages" in Iraq through the supply of advanced IEDs, and reinforcing the international terrorist networks that allow Hezbollah to conduct attacks on Israelis, Americans, or others globally (as it did when bombing Israeli interests in Argentina in 1992 and again in 1994).

Although he is no betting man, the Supreme Leader likes his odds on the gamble that the United States will not launch a military attack before December 2009. With President Bush supporting Secretary Rice's push for a major step forward in the Israeli-Palestinian conflict, the Bush Administration is overloaded and thus likely to remain distracted. Khamenei is somewhat more concerned with the rhetoric emerging from the 2008 presidential candidates. Iranian analysts have tracked McCain's presidential debate statements that he would be much tougher on Iran; though many Iranians enjoy the Beach Boys, they were not amused by McCain's rendition of "Bomb bomb bomb, bomb bomb Iran" during a town hall meeting in South Carolina. At the same time, the Democrats have been almost as bad. Having watched several transitions in the United States, however, the Supreme Leader is confident that it will take any new administration a year to get its own act together, and that in any case, its priorities will begin with Iraq. This means that Iran can draw even greater leverage from its ability to manipulate events on the ground in Iraq. Though Iran has cooperated with the reduction in violence accompanying the surge by supporting the Maliki government (making it the only government in the region to support the elected Shi'a-dominated government there) and limiting the number of advanced IEDs, it has also demonstrated its ability to turn up the level of violence if necessary. Accordingly, American policymakers will have to tread carefully in threatening Iran militarily.

Israel, on the other hand, seems to be a more pressing concern. The Iranian security establishment carefully noted the Israeli national security community's unanimous declaration that an Iranian nuclear bomb would pose an "existential threat" that no government of Israel could tolerate. Their best judgment is that Israel is quite serious, particularly after Prime Minister Olmert declared that "under no circumstances and at no time can Israel allow anyone with malicious designs against us to have control of nuclear weapons that threaten our destruction." More recently, after the release of the December 2007 NIE, former Israeli Deputy Defense Minister General Ephraim Sneh reiterated the need for "harsher action against Iran" and maintained that Israel must "be prepared to forestall this threat on [its] own." One month later, Israeli Defense Forces Chief of Staff Gabi Ashkenazy reiterated that "the reality of a nuclear Iran is one which we cannot tolerate." A final decision about the likelihood of an Israeli preemptive strike is highly dependent on internal Israeli politics (Model III for Farsi readers of Essence). In this respect, though Iran cheered Israel's first defeat at the hands of an Arab foe when Hezbollah fought it to a standstill in Lebanon in 2006, some Iranian analysts worried that their terrorist friends had been *too* successful. Specifically, the concern was that the defeat would catalyze the collapse of the Olmert government and produce a new regime more inclined to launch a preemptive strike against Iran. In particular, they feared that if Netanyahu replaced Olmert, Israel would have a prime minister likely to pull the military trigger. But fortunately, Olmert has remained in power and Israeli politics seem paralyzed.

Ironically, Iranian analysts have concluded that Israel's attack on Iraq's Osirak reactor in 1981 actually advanced the date on which Saddam would have acquired a nuclear weapon—since he quadrupled the budget for this activity after the attack. Some members of the security establishment have indeed suggested that an attack on Iran's nuclear facilities would be good for the Islamic regime since it would unify the public behind the government. Nonetheless, the Supreme Leader's judgment is that attack must be avoided at almost all costs. Crucial to success in this effort will be to lull and deceive the Zionists and their great Satanic supporter.

Assignment:
You are to develop three strategic options for achieving the stated operational objectives: completing an arsenal of at least three nuclear devices/weapons by the end of the first year of the new American administration without provoking a military attack. You should outline these strategies in an options memo to the Supreme Leader and then recommend which course of action he should pursue. The interests, objectives, and options should be those of Iran, not the United States or any other parties. In writing the memo, you should take account of the background facts described above and in the readings. You should also do your best to internalize the assumptions and worldview of the Supreme Leader before making your recommendations.

Hadley reminds you that your memo should make sure to address the following:

- What is the current state of Iran's nuclear capabilities?
- Given its current capabilities, what are the different paths Iran can follow to acquire three nuclear bombs?
- Which acquisition process/strategy is most likely to avoid a military reprisal while still ensuring completion by December 2009?
- How should Iran avoid provoking the United States and Israel, or alarming the IAEA?

Logistics:
Memos and outlines should be submitted to the course website no later than 11:00 a.m. on March 10. In addition, you are required to bring two hard copies of the assignment to class. No late papers will be accepted.

Group presentations are to be no longer than 10 minutes. Groups must post their presentation to the course website and email a copy of their presentation to Graham_Allison@harvard.edu and Meghan_O'Sullivan@harvard.edu prior to 11:00 a.m. March 10 for their review.

For those students writing a memo or outline, you are permitted (not required) to attach an appendix no longer than one-half page that identifies questions of fact or analysis that you do not know the answer to, but you believe the individual writing the memo in the real world would be able to answer. These questions should relate to your analysis and/or recommendations. List the questions and then provide some indication as to who, where, or how these questions would likely by answered.

Testimony by

Dr. Jim Walsh, MIT Security Studies Program

I. Introduction

Chairman Carper, Senator Coburn, and distinguished members of the subcommittee, it is an honor to be back before you again to testify on an issue that is so important to the security of the United States and its allies.

My remarks will focus primarily on the issue of Iran's nuclear program. Accordingly, I will begin with a brief description of the status of the Islamic Republic's nuclear activities and then examine current US policy. I conclude that this policy is failing and unlikely to succeed in the near to intermediate term. I then look at various policy alternatives, giving particular attention to a proposal made William Luers, Thomas Pickering, and myself in a recent issue of the *New York Review of Books*. It suggests that Iran's nuclear enrichment and related programs should be multi-lateralized, that is, run by an international consortium that includes Iran. (Let me state at the outset that the views offered here are my own and are not intended to represent Ambassador Luers or Ambassador Pickering except with respect to the multi-lateralization proposal.) The testimony concludes with a look of the lessons learned from America's experience with North Korea and Libya and a consideration of the special role that Congress can play in promoting an effective resolution of the nuclear stand-off and more constructive US-Iranian relations generally.

In addition, Mr. Chairman, following this hearing, if you or other members have additional questions you would like me to address, I would be more than happy to follow up with written responses to your questions.

My interest in the issue of nuclear proliferation in general and Iran in particular goes back over a decade. I am currently a Research Associate at the MIT Security Studies Program and was previously Director of the Managing the Atom Project at the Belfer Center for Science and International Affairs at Harvard University and a Visiting Scholar at the Center for Global Security Research at Lawrence Livermore National Laboratory. I have traveled to Iran twice in the past six months for discussions with Iranian officials and experts and have been invited to return to Tehran in June. I also participate in a three "Track II" projects that bring former US officials and experts together with current and former Iranian officials. In all, I have spoken with over 100 Iranian officials, scholars, and analysts, including members of the Iranian Expediency Council, the Atomic Energy Organization of Iran, the Ministry of Foreign Affairs, former President Khatami, and President Ahmadinejad (with whom I have spent over five hours during his last two trips to New York). I have also traveled to North Korea for discussions of the nuclear issue, hosted North Korean delegations here in the US, and have spent over seven hours in meetings with Kim Kye Gwan, the DPRK's head of delegation to the Six Party Talks.

II. Iran's Nuclear Program: Past and Present

A. Iran's Current Nuclear Program

It is always hazardous for an analyst to offer an assessment of Iran's nuclear program. Reports of successes and failures can emerge faster than you can press the print button. Still, some general themes have emerged over time.

First, construction of centrifuges continues. The IAEA recently estimated that Iran has somewhat over 3,000 centrifuges, and the government has announced plans to build 6,000 more.

Second, Iran has yet to demonstrate that it can run a system of centrifuge cascades at full capacity for an extended period of time. More specifically, it is unclear if Iran can operate fragile centrifuges fed with Iranian-produced nuclear fuel without a major or even catastrophic breakdown.

Third, there is an ongoing mix of achievement, technical problems, and bravado. It is Iran's interest to claim success in the field of enrichment, to create facts on the ground, to make enrichment a fait accompli. Grand announcements have not always been followed by grand accomplishments. Rumors of technical problems persist for a program that has had many ups and downs over the course of twenty years. Nevertheless, Iran has made progress. It has produced low enriched uranium on a very small scale. It has constructed thousands of centrifuges, and most recently it has introduced a new centrifuge design, the IR-2, which is intended to get around some of the difficulties it had encountered with the Pakistani centrifuge design it procured from A. Q. Kahn.

As we look to the future, one should probably expect more of the same: big announcements, greater progress in construction than in operation, technical achievement combined with ongoing technical hurdles. As it stands, Iran does not have an enrichment program that can be a reliable supplier of highly enriched uranium for a weapons program, but assuming present conditions, they should come increasingly close to that threshold over a period of years.

B. The 2007 National Intelligence Estimate on Iran

This view of Iran's enrichment program is consistent with the declassified portions of the most recent National Intelligence Estimate, "Iran: Nuclear Intentions and Capabilities" (November, 2007). Space does not permit a full discussion of the NIE, but a few comments are in order.

First, as a consumer of public domain intelligence, I believe this NIE represents a significant qualitative improvement over past efforts. It does a better job of defining terms, in particularl the notoriously ambiguous phrases "nuclear program" and "nuclear weapons program." These phrases, like the phrase "weapons of mass destruction," are used in ways that are frequently vague and often misleading. The NIE also does a very good job of providing the reader with tools for decoding its assessments. Perhaps most importantly, it is unabashed in pointing out the errors in the previous 2005 estimate.

Second, despite the post-release controversy, the NIE did in fact highlight the most important findings. Following intense criticism from some quarters, intelligence professionals appear to have become defensive about the public version of the report. According to the conventional wisdom, the NIE's presentation puts too much emphasis on the 2003 suspension of military weaponization and not enough emphasis on the ongoing enrichment program. This view is unfortunate and reflects a lack of understanding about prior intelligence findings and their policy implications. It also underestimates the American public's ability to understand that Iran is continuing its enrichment program.

The crucial finding of the 2007 NIE was that the 2005 assessment that "Iran currently is determined to develop nuclear weapons despite its international obligations and international pressure" was wrong. Analysts concluded it was erroneous, in part, because of evidence that Iran had halted its military weaponization program in 2003. Most observers have focused on the 2003 suspension of weaponization but failed to appreciate that this piece of evidence is important primarily because of what is says about Iranian intentions, not the status of weaponization.

The 2005 finding that Iran was hell bent on a nuclear weapon despite international pressure had implications that are hard to overstate. If true, it would have dramatically narrowed the range of American policy options to a short list of unwelcome choices. The fact that Iran did halt its military weaponization efforts, and that it did so because of changes in the international environment "indicates Tehran's decisions are guided by a cost-benefit approach rather than a rush to a weapon irrespective of the political, economic, and military costs." Such a finding completely changes the menu of policy options available to the US government and is, by far, the most important finding in the report. Of course, Iran could resume weaponization work. Of course, it continues to enrich. That is obvious. What is not obvious is that the primary assumption about Iranian intentions and behavior guiding US policy was incorrect and changing that assumption has profound implications for US nonproliferation strategy.

Again, only a tiny fraction of the entire estimate was made public, so a general assessment is not possible. That notwithstanding, my view is 1) the NIE was better crafted than previous efforts, 2) its findings are likely true, based on what we know about events at the time and the history of nuclear decision making, 3) the key conclusions are the most important and relevant findings for public policy, and 4) the American people have the right to be informed about the past errors and the current contours of an issue that is among the most significant on the national security agenda.

III. Current Policy and Alternatives for the Near and Long-term

A. Current American Policy towards Iran:
Pressure, Containment, Offer of Diplomacy, But Most of All Sanctions

US policy towards Iran rightly focuses on Iran's behavior in a number of areas: its nuclear program; its role in Iraq, Lebanon, and Afghanistan; its support for groups such as Hezbollah and Hamas; its position on Israel and the Arab-Israeli dispute; and its human rights record. Of these, the nuclear program and the future of Iraq are the most serious and the most pressing.

The US government's response to Iran has included a variety of initiatives, including diplomatic pressure and sanctions at the United Nations Security Council, financial pressure using US national legislation and in coordination with America's European allies, reassurance of US allies in the Gulf and Middle East (e.g., arms sales, re-positioning of carrier groups and other military assets), as well as attempting to directly engage the Iranian people. In addition, Secretary Rice has offered that the US government would enter into direct talks with Iran (alongside Russia, China, and our EU partners) once Iran verifiably suspends enrichment and cooperates with the IAEA.

On the nuclear issue, the primary thrust of US policy, however, has been sanctions -- the theory being that by imposing additional economic costs on Iran, the Islamic Republic will give up its enrichment program.[1] Over the last few years, Washington has scored a number of important victories. US diplomats have managed to get a series of sanctions resolutions through the UN Security Council – an outcome most considered unlikely. American efforts have also resulted in our European partners imposing major financial penalties on Iran, particularly in the areas of banking and export credits. In short, diplomatic and economic pressure has imposed costs on the Iran.

B. Sanctions Have Not and Will Not Induce Iran to End Its Centrifuge Program

Unfortunately, despite these effects, there is overwhelming evidence that the policy is not working. Moreover, the policy is unlikely work within a timeframe that is relevant to the nuclear issue.

Mr. Chairman, I first appeared before you to testify on Iran's nuclear program on July 20th, 2006. At that time, Iran had a single cascade of 164 centrifuges, and there were no UN sanctions. Ten days later, the UNSC passed resolution 1696 demanding that Iran suspend all enrichment activity or face the possibility of sanctions. The Security Council subsequently passed three sanctions resolutions (1737, 1747, and 1803), and our European allies moved to impose their own national sanctions.

In that same time period, Iran went from 164 centrifuges to approximately 3,000 centrifuges. Following the most recent sanctions resolution on March 3, the Iranian government announced plans to build an additional 6,000 centrifuges.

In the race between centrifuges and sanctions, the centrifuges are winning. The historical record here is sufficiently clear that senior American and European officials have conceded the point.[2]

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[1] It has to be noted that recent statements by President Bush and Vice President Cheney raise questions about US requirements for a resolution of the nuclear stand-off. These statements suggest that it is US policy to prevent Iran from acquiring the *knowledge* necessary to enrich uranium. Such a standard is unprecedented in the history of American or global nonproliferation policy. Traditionally, a non-nuclear weapons state in the NPT was seen to be in violation of its nonproliferation obligations if it possessed nuclear weapons or maintained a nuclear weapons program. Finding a country in noncompliance with its nonproliferation obligations because it has knowledge of enrichment has no basis in national or international law and is not a standard used by the International Atomic Energy Agency. It is a concept that most nonproliferation experts would find impractical and ill advised, as it might justify the use of force against any number of countries on the vaguest of grounds and in the absence of any demonstrable weapons activity. Indeed, there is reason to believe that as a general standard, it would violate Article IV of the NPT.

[2] Consider this exchange between Undersecretary Nicholas Burns and Doyle McManus at the Council of Foreign Relations on February 25th, 2008.

MCMANUS: Now, of course, as you know, some of the critics of this policy say, well, your track of sanctions and diplomacy is proceeding at this pace, and the Iranian enrichment program is proceeding at a faster pace. This new round of sanctions presumably has to be qualitatively tougher, not just incrementally tougher, to change Iran's behavior. Is that premise correct, and is that realistic?

BURNS: I think the premise is correct that the pace of Iran's nuclear research at Natanz at their enrichment and reprocessing facility… that's outpacing right now the sanctions.

http://www.cfr.org/publication/15609/global_challenges_and_opportunities_in_us_foreign_policy.html

They maintain, however, that additional sanctions will achieve what previous attempts have failed to accomplish.

This seems unlikely. First, sanctions are but one variable that affects the Iranian economy, and they pale in comparison to other factors like the price of oil or the domestic money supply. Sanctions have likely contributed to Iran's rate of inflation, but Iranians have suffered higher rates of inflation in their recent history. Indeed, it is worth remembering that this is a country that was internationally isolated during its eight-year, bloody war against Iraq and bore significant economic costs during that period. Moreover, Iran is a proud nation, one whose leadership has repeatedly demonstrated that it is willing to bear economic costs in defense of issues of nationalism.

Second, sanctions are ill suited for this particular policy problem. To be clear, sanctions are a useful tool for American foreign policy, and under the right conditions can contribute to successful policy outcomes. In the past, the US and other nations have used sanctions to win important victories in countries such as South Africa and Libya. Unfortunately, these successes often lead observers to conclude that sanctions are more effective than the record suggests. Indeed, sanctions tend to fail more often than they succeed and often have unintended and unwelcome consequences.

One problem is that sanctions are a very specific tool that tends to work in very specific circumstances. Sanctions make sense when the issue is a long-term problem, because sanctions take a long time to produce the domestic political effects that lead to change. They work best against weak countries that are dependent on imports and when they are standardized and widely adhered to by the nations of the world. In the cases of South Africa and Libya, for example, sanctions were broadly supported by the international community and remained in place for many years.

Sanctions are a poor tool for dealing with near-term issues, such as a nuclear program or with countries that are relatively large like Iran, or where they are partial and not universally ascribed to by other nations, as again is the situation with Iran. One does not have to look very hard for evidence that this is the case. The United States has had broad sanctions on Iran since 1979, and most studies on the effect of these sanctions conclude that the effect ranges from modest to irrelevant. As a recent GAO report noted, "Iran's global trade ties and leading role in energy production make it difficult for the United States to isolate Iran and pressure it to reduce proliferation," and its continued international trade "raise[s] questions about the extent of the sanctions' impact."[3] Iran is a medium-sized power with significant energy resources, and most countries do not have the kind of sanctions that the US has imposed.

One could point to other problems with a sanctions-based policy, for example, that absent

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[3] Government Accountability Office, *Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed*, GAO-08-58, (Washington: GPO, December, 2007), pp. 35, 26. The GAO study does not attempt to assess the effects of the more recent UNSC sanctions. On the utility of sanctions against Iran, see Hossein G. Askari, John Forrer, Hildy Teegen, and Jiawen Yang, *Case Studies of US Economic Sanctions: The Chinese Cuban, and Iranian Experience*, (Westport: Praeger, 2003), 171-220 and Anthony H. Cordesman and Khalid R. Al-Rodhan, "Iranian Nuclear Weapons? Options for Sanctions and Military Strikes," Working Draft, Revised: August 30, 2006, (Washington: CSIS, 2006), pp. 13-29.

provocative behavior by Iran, it will be difficult to win support from Security Council members to impose the kind of broad, deep sanctions that would represent a qualitative change in the sanctions effort. In addition, recent international polling data suggests that support for sanctions against Iran has actually declined, while public opinion surveys in Iran show more Iranians believing that their country is on the "right track" now than did a year ago. There is also the problem that sanctions give Iranian leaders a scapegoat for their own economic mismanagement and that they may have unintended consequences (e.g., the threat of banking sanctions leading to an influx of capital into Tehran as Iranians pull their money from foreign banks).

Still, the main issues are the ones that were stated at the outset. First, Iran can build centrifuges faster than the US can impose costs. Second, the nuclear issue has a near to intermediate time horizon, while sanctions are a long-term policy instrument. By the time a sanctions regime "succeeds," Iran will have already completed industrial scale enrichment.

To be clear, sanctions have value. They do impose costs and can, in the long-run, cause domestic repercussions. Even enhanced sanctions will not be sufficient, however, to force Iran to scrap its enrichment program. What they can do is provide Iran with a reason to resolve the issue through negotiation, i.e., as an instrument that complements diplomacy. As a stand-alone policy, however, they will accomplish little, at least as regards the nuclear issue.

C. Policy Alternatives

If a policy that relies primarily on sanctions or sanctions-for-the-sake-of-sanctions will not produce a successful policy outcome, what will? Four options have been widely discussed: 1) "soft" regime change, 2) containment (including balancing and reassurance), 3) use of military force against nuclear targets or against the Islamic government more broadly, and 4) direct, unconditional negotiations between the US and Iran. Each is briefly considered.

C1. "Soft" regime change

"Soft" regime change refers to a range of possible activities, from the indirect (e.g., funding anti-government radio broadcasts into Iran) to the directly invasive (e.g., covert support to ethnic or other minority groups that oppose the government). Such proposals are soft insofar as they do not involve the use of US military force or US personnel on the ground in an attempt to overthrow the government but instead rely on indigenous groups, proxies, or the unhappiness of average Iranians, who –according to the theory– will topple the government themselves.

A policy of soft regime change brings with it a number of problems. It is unlikely to be effective; it provides the government with a motivation and justification for domestic crackdowns; it makes it very difficult to carry on serious negotiations on issues in the US-Iranian relationship, and it feeds the Iranian perception that the US "is out to get us," which in turn strengthens the position of the pro-nuclear weapons camp within Iran.

These deficiencies are not trivial, but they miss the most important problem with this policy alternative. As with the sanctions policy, there is a disconnect between the time horizon of the nuclear issue and the time required for soft regime change to work, assuming it could work. No serious analyst believes that increasing the number of radio broadcasts to Iran is going to topple the government in five years, but in five years Iran could have tens of thousands of centrifuges.

C2. Containment

The same is true for a policy of containment, balancing and reassurance. A containment policy seeks to isolate Iran, while balancing and reassurance includes steps to counter the Islamic Republic by strengthening the capabilities of US allies in the Gulf and in the region more generally. It might also involve making clear America's commitment to protect our friends should Iran seek to cause trouble. In practical terms, containment means continuing to do what the US has been doing since 1979. Balancing and reassurance could involve increasing arms sales, stationing US troops, positioning US military assets, and verbal or written assurances from the US government describing how the US would react to potential Iranian provocations.

In many cases, containment, balancing and reassurance can be prudent policy, but there are potential costs and unintended consequences. Is providing large amounts of armament or sophisticated weapons systems to Saudi Arabia and our Arab friends a good idea? Will a larger presence in the region fuel resentment and help the propaganda efforts of violent religious extremists like al Qaeda? Will promises to intervene on behalf of regional allies have the unintended effect of emboldening them in a way that encourages their own provocative behavior?

The answers to these questions are not known. What is known is that like sanctions and soft regime change, containment does nothing to address the Iranian nuclear issue. Iran will continue to build centrifuges as part of a national enrichment program, one that lacks the transparency or safeguards required to provide confidence about Iran's nuclear behavior.

Indeed, it might be said that all three of these policy paths –sanctions, soft regime change, and containment– are post-nuclear policies. Implicitly, they accept that Iran will acquire a national industrial enrichment capability. Instead they hope to modify the behavior or mitigate the consequences of a nuclear-capable Iran.

C3. Use of military force

Unlike the policy alternatives discussed above, the use of military force would address the problem of Iran's enrichment program. The problem, of course, is that it would do so with limited effectiveness and at an unacceptable cost. A full discussion of the military option is not possible here, but it has been the subject of extensive and detailed discussion, and at least a couple of points are worth noting.

To begin with, the military option is really a set of options across a continuum that runs from "limited" air strikes against known nuclear facilities up to and including attacks on leadership and strategic targets and the use of ground troops, followed by the removal of the Iran's revolutionary government. Moving from option to option along this continuum involves a trade-off. More modest uses of force leave the Iranian regime with a full array of retaliatory capabilities that they could use in Iraq, Afghanistan, and elsewhere. On the other hand, a larger-scale use of force intended in part to attrit the Islamic Republic's ability to retaliate, necessarily involves larger costs of other kinds: economic costs, a short-term but substantial spike in the

price of oil, American casualties, an uproar in the Muslim world that would likely contribute to an increase in extremism and renewed opportunities for al Qaeda and its off-shoots -- to name a few. These costs would come at a time when the US is already fighting two land wars (Iraq and Afghanistan) and is engaged in a broad-based struggle against terrorism.

The magnitude of the economic and political costs would be staggering, would be born by the United States alone (there will be no "coalition of the willing," in name or substance), and would come at a time when the US is already on a trajectory to spend between $2 and $3 trillion dollars on the war on Iraq (including long-term costs such as service on debt, veteran's benefits, medical costs for brain and other long term injuries, replacements costs for materiel, etc.)

Any attack on Iran, regardless of how small, would require additional and longer US troop deployments to Iraq and Afghanistan, if only as a cautionary move to protect the troops already deployed there. With parts of the US military already in danger of being stretched to the breaking point, the additional burdens of an attack on Iran could carry it over the edge. Finally, whatever progress has been achieved in Iraq and Afghanistan in the last year or so would most certainly be at risk. Indeed, it is difficult to imagine how the US could ever be successful in Iraq or Afghanistan following an attack on Iran, assuming Iran would respond with the express purpose of hitting US troops and undermining the American position.

While most analysts focus on the political and economic costs of the use of force, it is also worth considering the issue of effectiveness. A military attack on Iran would likely set its nuclear program back, but for how long and towards what effect? It appears that Iranian leadership has yet to make a command decision to build a nuclear weapon and public opinion data suggest that most Iranians do not want their country to acquire a nuclear weapon -- though support for nuclear weapons acquisition has grown over time as the stand-off has deepened. Both elite and public attitudes would likely change following a US attack on Iran. Both the government and the public would endorse nuclear weapons acquisition. Nuclear history suggests that the emergence of a pro-nuclear political consensus might well prove more important and more costly than any delay caused by the attack itself. In short, an attack may actually hasten the very outcome it seeks to prevent: an Iran armed with nuclear weapons.

C4. Direct, unconditional talks between the US and Iran

Increasingly, there has been discussion of another policy alternative, direct negotiations with Iran.

Like the use of force option but unlike a sanctions-only policy, soft regime change or containment, direct talks open the possibility of addressing Iran's enrichment efforts before they become an industrial-scale, national program with little or no international monitoring and supervision. Unlike the use of military force, however, they do so without the risk of catastrophic cost. Moreover, if the negotiation option does not succeed, its failure does not preclude the use of the other options (which is not true of the use of military force) and may actually increase the chances of success for those other options. For example, it may be easier to get Russia and China to support more meaningful economic sanctions once the US demonstrated a good faith willingness to try the diplomatic route.

Most discussions of this option have taken one of two forms. One is simply a call for an end to the current precondition for direct US-Iranian talks (that Iran first suspend enrichment activity prior to discussions). The second suggests a grand bargain between Tehran and Washington that addresses the full range of issues in the US-Iranian relationship. My own view is that the first may be too little and the second too much.

Initiating direct talks with Iran on the nuclear issue is necessary but not sufficient. Talking without having a proposal or game plan will not accomplish very much. Given the deep suspicion and mistrust on both sides, any talks will be difficult, and each side will wonder whether the other is simply using the appearance of negotiation to enhance its position. In short, talking for the sake of talking will not be productive and in fact, may deepen the mistrust of the parties.

One does not have to look far for examples of this phenomenon. The first several years of the Six Party Talks with North Korea provide an excellent illustration. The US "talked" to the DPRK but did not negotiate. Instead, diplomats attended meetings, read their talking points, announced that they were not authorized to answer questions or address details, and then returned to their home countries. The Six Party Talks continued in this fashion until the fall of 2005, when Assistant Secretary Hill and Minister Kim engaged in the first real negotiations over the nuclear issue and produced the Agreement on Principles. This document later became the basis for the February 13th agreement.

At the other end of the spectrum is the proposal for a "grand bargain," that would address the full panoply of issues in the US-Iranian relationship. Some analysts may have been drawn to the concept of the grand bargain, in part, because of the 2003 offer made by Tehran and subsequently passed on to the US through the Swiss embassy. That offer proposed that a number of issues be on the table, including the nuclear program, the Arab-Israeli dispute, and terrorism among others.

Much has transpired since 2003, however, and in my discussions with Iranians, there seems to be little appetite for a grand bargain. Given the current relationship, a grand bargain may be too much, too fast. It may also have the effect of making such negotiations an all-in-one, make or break proposition, when it is possible to make tangible progress on some issues while not resolving all issues.

Indeed, it is easy to forget that for the US and Iran, there are many issues on which both countries have common interests, even as there are issues where we have real differences. On questions concerning Afghanistan, Iraq, the drug trade, al Qaeda, and energy and the environment, there are many areas of mutual interest. That is not to say that Washington and Tehran's interests are identical – that is rarely the case with sovereign nations. Rather, there is sufficient overlap of interests and goals to provide the basis for a constructive relationship. The task therefore is to engage in negotiations that address both differences and common interests and to do so in a way that is practical.

Instead of a grand bargain, I prefer the formulation offered by my colleague Thomas Pickering, who has suggested that we need a grand strategy, not a grand bargain. He advises that the US…

> ...should not seek a comprehensive agreement on all issues that divide us but an agreement to work toward enlarging our areas of common interest and diminishing and containing the differences. The US will have to deal with Iran's fears of regime change, just as the Iran must deal with the outrageous and inflammatory remarks by its President. Differences over Hamas, Hezbollah and other regional issues, including threats against Israel, will have to be dealt with over the long term, but these matters must be addressed directly by the parties.

Serious discussion of direct negotiations with Iran is a welcome development, whether it is a call for talks, a proposed grand bargain or something in between. What is missing in most of these discussions, however, a credible proposal the US can take into negotiations, most especially on the nuclear issue.

Put another way, we can talk, but what will we say?

Unfortunately, most discussions of the nuclear issue cling to the unrealistic notion that there is a set of carrots and sticks out there that will lead Iran to abandon its enrichment program. The simple truth is that Iran's enrichment program is driven by national pride and internal politics, and that having built centrifuges at great economic and political cost, they are unlikely to turn around and abandon the program. That would look like capitulation. The Iranians, as they would stress, are not for sale.

And thus we are stuck. The US insists that Iran possess not a single centrifuge, and Iran declares that there will be enrichment on Iranian soil. How can this circle be squared?

In the next section, I review a proposal made by Ambassadors William Luers, Thomas Pickering, and myself that attempts to do just that. It proposes that Iran's fuel cycle program be multi-lateralized, that is, run by an international consortium that includes Iran. The result would be that enrichment would take place in Iran with the participation of Iranians but the program would be internationally owned and operated.

IV. Multi-lateralizing Iran's Fuel Cycle Activities

A. What Does It Mean to Multi-lateralize an Enrichment Program?

Proposals for multi-lateralization of the nuclear fuel cycle are neither new nor few in number. There are two basic models—Urenco and Eurodiff. In the Eurodiff model, governments have an ownership stake in the multi-lateral program and enjoy various membership privileges, but do not have direct access to the enrichment or reprocessing technology. By contrast in the Urenco model, countries have access to the technology and participate in the management and operation of the enterprise.

Across these two general models, there are a variety of formats and arrangements. Indeed, the multi-lateralization concept should be considered an open canvass or *general framework that*

negotiators can use to design particular arrangements for particular environments. There is nothing in the concept that requires a particular technology, a particular scale (pilot versus industrial) or number of centrifuges, or a specific program trajectory. The multi-lateralization concept is first and foremost about *management and operation*. The only inherent feature of multi-lateralization is that a fuel cycle program ceases to be a purely national program under national control and instead becomes a program with shared control over management and operations.

B. Multi-lateral Enrichment on Iranian Soil

Applied to the Iranian case, multi-lateralization would involve the conversion of Iran's existing national enrichment and/or reprocessing facilities into multinational facilities. Iran would continue to have an ownership interest in its technology, but this, along with management and operation of the program, would be shared with other governments or entities.

The multi-lateralization of Iran's fuel enrichment facilities could take many different forms. Given the history of the Iranian nuclear program and its current status, one might expect that any arrangement on Iranian soil would have the following attributes:

- An effective inspection system should provide a high level of confidence for being able to deter or discover a clandestine parallel program or diversion of material for use in a weapons program. The multi-lateral program would be fully safeguarded, its personnel identified and regularly located, and its plans and specifications carefully secured and monitored to assure this objective is met.

- Iran would not be permitted to engage in *any* fuel cycle related activity, including research and development, outside the confines of the multi-lateral program.

- Multi-lateralization would entail the adoption and full implementation of the Additional Protocol as well as the adoption and full implementation of enhanced safeguards and inspection arrangements. Iran has offered to go beyond current safeguards (in Iranian parlance, so-called "objective guarantees"), and so should be held to that standard. Enhanced safeguards could take a variety of forms, such as a 24/7 on-site presence of international inspectors or enhanced reporting and transparency requirements. Indeed, inherent in the multi-lateralization of the program will be the requirement for greater functional transparency, given that Iran's partners in any arrangement will need greater than normal access to records and personnel as a routine part of their management and operational responsibilities.

- The multi-lateralization agreement would complement Iran's NPT obligations but would be independent of those obligations. Thus, Iran could in theory withdraw from the NPT as is its right under Article X, but withdrawal would not alter its continued obligations under the multi-lateralization agreement. Ideally, the agreement would be accompanied by formal authorization in the form of a UN Security Council resolution putting the full weight of the Council behind the agreement.

- There would be no withdrawal clause. These commitments would extend in perpetuity. Breakout from the agreement would be understood as a signal that Iran is abandoning in peaceful uses obligations and thus would be subject to the severest consequences, up to and most likely including military action.

- No Iranian military-related institution, personnel, or facility would be allowed to participate in fuel cycle facilities, e.g., the Iranian Revolutionary Guard Corps or personnel associated with the IRGC or related military industries would be removed from involvement with the program.

- Iran would commit to an LWR-only program, and enrichment would be limited to 3-5%, as is appropriate for standard light water reactors (LWR).

Of course, there are any number of other features that negotiators might seek, for example, a termination of the reprocessing program or restrictions on the sale or transfer of technology and material. Again, one cannot stress enough that the multi-lateralization concept is fundamentally about management and operation, not the technology *per se*. Thus, there is broad latitude for the design of a program that suits the particular needs of the Iranian context.

This point is emphasized, in part, because there are a number of common misperceptions about multi-lateralization on Iranian soil. Some commentators equate multi-lateralization with Iran acquiring a 50,000, industrial-scale centrifuge program. Others appear to believe that multi-lateralization means, *ipso facto*, Iran will be entitled to advanced centrifuge technologies. While both outcomes are possible, that depends entirely on what the negotiators agree to. The negotiating parties themselves will determine the content and parameters of multi-lateral project.

One issue negotiators must confront is the question of what Iran will get out of this arrangement. A proposal that is all restrictions and no benefits is unlikely to be successful. Ensuring that Iran receives benefits from the arrangement is not, as some will doubtless assert, "rewarding" a bad actor. Iran is giving up a degree of sovereignty over its program and should rightly expect something in return, and certainly Iran's domestic politics will require that Iranian politicians be able to demonstrate that multi-lateralization is a win for Iran. Beyond these obvious points, however, is the fact that it is in the US interest to design a package that has benefits and thus creates constituencies or stakeholders whose interest is in the success of the project.

C. The Case for the MFCF

The best possible outcome in the Iranian nuclear dispute is no enrichment by Iran of any kind whatsoever.

The worst possible outcome is a purely national program on Iranian soil, whether it is unsafeguarded (e.g., following an Iranian withdrawal from the NPT) or under-safeguarded (like this most recent period of ordinary or minimum safeguards arrangements).

Unfortunately, the worst outcome looks more likely than the best outcome (or even most other possibilities). Iran has been adamant in insisting that it will own and operate centrifuges on its territory – a position that is unlikely to change in the near- and intermediate-term. Sanctions, soft regime change, and containment are unlikely to lead Iran to reverse course in the interim, and so without a major change in policy, Iran will have acquired a national enrichment capability policed by only routine inspection, i.e., traditional IAEA safeguards.

Stepping back, it is worth noting that Iran is the most pressing example of a more general global problem: the potential spread of enrichment and reprocessing technology, a practice that has historically been permissible under the NPT. Both President Bush and the IAEA have called attention to the danger this poses and have endorsed proposals aimed at preventing additional countries from joining the nuclear fuel cycle club. The use of multi-lateralization in the Iranian case would signal to governments that the US and the international community oppose new national fuel cycle programs. When combined with tools such as guaranteed fuel supply, off-site enrichment (like the Russian proposal) and upgraded inspections against clandestine programs, multi-lateralization becomes part of an emerging set of arrangements that can reduce the likelihood that countries will be able to pursue national enrichment and reprocessing programs.

D. The Case Against Multi-lateralization: Spur to Proliferation?

For all their potential benefits, multi-lateralization proposals have their potential risks and drawbacks as well. Designing a multi-lateral project raises a large and complex set of financial, legal, and technical issues. Who will pay for the establishment of the project, and how much will each party pay? How would one harmonize a multi-lateralization scheme with existing UN sanctions resolutions and national sanctions laws? How would the multinational "owners" and their management team decide policy and resolve internal disagreements?

These are not trivial issues. Still, the main objection to multi-lateralization has traditionally been made on nonproliferation grounds, namely, that it increases the risk of proliferation. Applied to the case of Iran, it suggests that Iran's nuclear capabilities would improve under an multi-lateralization arrangement from: a) the transfer of technical knowledge to Iranian managers and workers; b) the potential diversion of nuclear materials or technology from the project to a clandestine parallel program; or c) breakout (e.g., re-nationalizing the fuel cycle and kicking out the multilateral partners). Each of these objections is worth considering in detail.

C1. Technology transfer

It seems fair to assume that the Iranians would, in fact, learn something by working with their international colleagues. What they would learn, whether the acquired knowledge would prove decisive, or whether they would have learned it on their own anyway – these are all issues that cannot be settled on the basis of empirical evidence. Still, it seems reasonable to postulate that the Iranians would benefit in their technical knowledge to some extent.

C2. Diversion and the threat of a parallel program

Given even routine safeguards, diversion of *material* and *technology* would be extremely difficult. There is a debate within the expert community about the possibilities for diversion of material with very large enrichment facilities, namely that the material unaccounted for (MUF) that is inevitable with enrichment is big enough with a large facility that a weapons-relevant

quantity might be diverted without detection. Again, this continues to be more of a theoretical than an actionable concern, and in any case, this would not be an issue for some years under this scenario. The practical reality is that IAEA is very good at material accounting, and Iran would have to be willing to take a large risk of detection to engage in material or technology diversion.

The real concern here is not diversion of material or technology, but rather diversion of *knowledge*, i.e., that Iran would gain new knowledge about the operation of cascades that would materially aid their ability to establish a secret, parallel enrichment facility. This concern is magnified by what many see as the difficulties of detecting undeclared facilities as compared to material accountancy at declared facilities.

Once again, this is a legitimate concern, but one that is practically mitigated by a number of factors. First, IAEA and national authorities have put a great deal of effort into the problem of undeclared facilities, the Additional Protocol being just one example. While not sufficient unto itself, an Iranian multi-lateral facility would be governed by both the Additional Protocol and *additional enhanced safeguards and inspections* decided by the negotiators.

Second, experience during the nuclear age has shown that governments are less likely to attempt diversion or to defeat safeguards when there is an active in-country verification effort. (In general, proliferators prefer to wait until the inspectors have gone home.)

Third, the parallel program argument in an Iranian context suffers from a major disconnect. The Iranians might be able to transfer their knowledge, but where will they acquire the centrifuges? To date, Iran has rushed to construct centrifuges and *put them in the public domain*. Any parallel program manager worth his or her salt would have declared the one 164-centrifuge cascade and then funneled any new centrifuges or centrifuge parts to the secret program. Each centrifuge publicly declared would be one less for the parallel program. Oddly, Iran has not done this.

This implies one of two possibilities. One is that Iran has a huge supply of surplus centrifuges that is hidden away, or second, Iran's plan is to establish the public centrifuge program and then to build a separate parallel program afterwards. There is no evidence for the first possibility and given the difficulty of obtaining centrifuges or the specialized materials for their manufacture, that does not seem especially likely. One cannot rule it out, but neither can one have much confidence in the assertion. The second option implies an extended time frame of many years just for procurement and manufacture.

Finally, it has to be said that Iran could have a parallel program regardless of whether there is multi-lateralization or not. If anything, it would be *easier for Iran to operate a parallel program in the absence of multi-lateralization* given the enhanced inspections and transparency measures that would attend any arrangement.

C3. Breakout

Breakout, while possible, would doubtless prove costly (providing the international community with legal and legitimate cause for the use of force). More importantly, it would simply return

the situation to what it was prior to multi-lateralization, i.e., an Iranian centrifuge program consisting of Iranian centrifuges. In short, the situation would be no worse than it is today.[4]

D. Weighing Risks

This last point goes to the heart of the matter and is often the central thesis of multi-lateralization proponents. Simply put, multi-lateralization provides more protection than the status quo, i.e., a purely national program subject to traditional safeguards and the occasional voluntary suspension of enrichment activity. Compared to the alternatives, multi-lateralization would reduce the risks of proliferation through international management and the deterrence that comes with having more eyes "on the ground."

In summary, multi-lateralization raises a number of serious issues. Traditionally the most important of these – that multi-lateralization promotes proliferation – is possible in principle but doubtful in practice. Iranians may gain from an indirect transfer of technical know-how, but the risks from diversion of material and technology and breakout should be modest. Diversion of knowledge in support of an undeclared program is certainly a legitimate concern, but appears to be less compelling given the specifics of the Iranian case. On balance, whatever benefit Iran gets from working with in a multi-lateral program is probably more than offset by enhanced safeguards and inspections and by having international personnel on-site watching the program.

V. Lessons from Experience with North Korea and Libya

Iran is not the first country with a nuclear program that has caused concern in the US government. Declassified documents show that countries that eventually acquired nuclear weapons (e.g., Russia, China, Israel, South Africa) as well as countries that were interested in nuclear weapons but reversed course (e.g., Taiwan, Japan, South Korea, Egypt) have drawn American scrutiny. Most recently, we have witnessed the cases of North Korea and Libya, where nuclear programs were either rolled back or frozen.

All of these cases contain lessons for US nonproliferation policy, though no two countries or situations are be exactly the same. For example, both Libya and North Korea are smaller and weaker countries than Iran, and neither has the energy resources that Iran possesses (and the world wants). Still, the cases of North Korea and Libya offer some general lessons about nonproliferation that are worthy of attention.

A. General Lessons

First, it is a mistake to assume inevitability, that a country will acquire nuclear weapons no matter what and that it is impossible for governments to change course. The inevitability myth has been a mainstay of writing on proliferation despite all the evidence to the contrary (e.g., the rate of proliferation has actually *declined* over time, and fewer countries are seeking nuclear

[4] Curiously, many of the critics of the multi-lateralization concept are the very same people who believe that it is inevitable that Iran will acquire a nuclear weapon. Ironically, if this assumption is true, then there is no downside to pursuing multi-lateralization. Even if the initiative were to fail, it would produce no worse an outcome than would have otherwise been the case. If anything, it might slow down the process and provide the international community with greater leverage should the Iranians decide to cross the nuclear threshold.

weapons today than in any decade in the nuclear age.) The 2005 NIE on Iran adopted the position that Iran was bound and determined to acquire nuclear weapons whatever the costs, a key finding that was demonstrated to be inaccurate in the 2007 NIE. Many analysts have said that North Korea's would never participate in serious negotiations and agree to substantive restrictions on its nuclear program, yet North Korea did enter negotiations and has taken steps to disable its reactor. The inevitability myth is both wrong on the merits and dangerous. Assuming a country will acquire nuclear weapons narrows the range of possible policy responses and means that the US will miss or discount any real opportunity to reverse a nuclear program.

Second, it is possible to engage in productive negotiations with countries the US does not like, despite years of mutual suspicion and mistrust. We can, in fact, negotiate with our enemies and construct nonproliferation agreements that can be verified to the satisfaction of all parties. Obviously, the North Korean case is still a work in progress, but no one can deny that North Korea has invited international inspection teams to the Yongbyon reactor and that these teams have been able to verify North Korea disablement activities. Similarly, the agreement with Libya has progressed and is considered a success.

Third, allies are important. Whether it is Britain in the case of Libya or China and South Korea in the case of the DPRK, allies have played a crucial role in arriving at meaningful diplomatic solutions. US officials should resist the urge to chastise our partners for having a different point of view or to question their motives. In most cases where the US is dealing with a country with whom it has poor or hostile relations, US participation will be a requirement for progress but intermediary countries will be necessary to make the process work.

Fourth, the other guy has to get something out of the deal. Diplomatic proposals that are all restrictions and no benefits are unlikely to be successful or sustainable. Analysts often talk about the importance of credible threats but forget that in its original formulation, the theory argues for credible threats *and* credible promises. No country will agree to implement its side of the bargain if it does not think the other side is going to follow through.

B. Lessons from the Experience with North Korea

Of course, the North Korean process is ongoing and fragile. Tomorrow's headlines may bring a new setback or an unexpected advance. Regardless, one can point to a few key themes that have emerged from the 15 years of on again, off again negotiation.

First, it is not enough to simply talk. One must have something to say, substantive proposals that signal seriousness and openness to the give and take of negotiation. As previously discussed, that was not true of the early years of the Six Party Talks but began to change in the fall of 2005, and the results have been positive.

Second, when facing an impasse the parties should consider the principle of "more for more," namely each side gives up more and each side gets more. Enlarging the nonproliferation obligations gives us more confidence in an agreement, while enlarging the benefits (e.g., a path to normalized relations) provides others with a stronger reason to see that an agreement is successful.

C. Lessons from the Experience with Libya

First, the Libyan case is instructive regarding how sanctions work. The US first imposed sanctions in 1981 under President Reagan. The UN imposed sanctions following the Lockerbie bombing in 1992. Seven years later in 1999, the UN suspended the sanctions and then in 2004 ended the sanctions. Libya is a small, weak, isolated country and it took seven years of international sanctions to reverse a nuclear program that made little progress and was not an issue of national pride. Iran is a relatively big country with a substantial nuclear program and more resources that Libya. In seven years it could build tens of thousands of centrifuges.

Second, IAEA can play an important forensic and verification role even when the negotiated agreement is not international. The Libyan agreement was tri-national but the Agency was a very useful and legitimating participant in the process.

Third, the US followed through on its promises. Despite the unpopularity of the Libyan leader here in the US, President Bush made the difficult but correct choice: he followed through on the US promise to lift sanctions and establish relations in return for Libyan rollback, despite other irritants in the US-Libyan relationship. This could not have been an easy thing to do, but the result has been a nonproliferation success and improved US credibility that will help American negotiators in the future.

VI. Role of Congress

Mr. Chairman and members of the committee, I welcome the opportunity to be with you today, not least because I believe that you and the Congress have a pivotal role to play in the future of US-Iran relations and the fate of Iran's nuclear program.

At a minimum, any successful negotiation is likely to involve changes in the legislatively imposed sanctions that are currently in place. Congress may also be asked for authorizing legislation, funding, or political support for a negotiated settlement. Alternatively, if there are new sanctions or the use of military force against Iran, Congress has an equally if not more important policy role, consistent with its constitutional obligations.

These traditional functions include oversight and information collection through hearings, reports, and the other instruments. Congress needs to be informed about the policy options being considered, the assumptions that underlie those policy options, together with the consequences and costs of each option. It can seek alternative views, for example from the IAEA and Gulf allies.

Congress can also serve a critical role in educating the public. Iran is a complex issue, and the Congress can help Americans better understand the stakes and the choices. It can help ensure that policymaking is not distorted by the exaggerations and misleading simplifications that are frequently associated with public discussions of proliferation.

The Congress, and your committee in particular, can also act as a policy innovator. That could

take several forms, from "smart engagement." Smart engagement would fund and support US-Iranian exchange but not under the damning rubric of regime change. My experience tells me that many Iranians, often the youngest and most skeptical of US policy, have a deep desire to visit the United States. Similarly, American analysts and policymakers would certainly benefit from more direct contact with the Iranian scene. Unfortunately, most programs that could support these kinds of exchanges are lumped together under a label of "democracy promotion," which Iranians often rightly perceive as a policy of regime change. This association with a regime change makes it impossible for most interested Iranians to take advantage of exchange opportunities.

Another policy innovation involves legislator-to-legislator meetings with the US Senate and the Majlis. Members of the Senate have expressed interest in such meetings, but up to now, the Iranian government has been reluctant to take up the invitation. Following the installment of a new Majlis, however, there may be a new openness on the Iranian side to this kind of exchange. If so, this Committee should be open to such an initiative.

Finally, the Congress can contribute to policy innovation by taking on the task of crafting a broader strategic concept for American policy towards Iran, one that examines common interests as well as differences and that could be used to reframe US-Iranian relations.

Whatever happens –good, bad or ugly– the Senate will have a critical role. The Senate's full and knowledgeable participation will be required for a resolution of US-Iranian relations, whatever its shape.

Please know that I am ready to do whatever I can to contribute in any way to your work on this problem.

Thank you.

VII. Appendices

William Luers, Thomas Pickering, and James Walsh. "A Solution for the US-Iran Nuclear Standoff," *New York Review of Books*. Vol. 55, No. 4, March 20, 2008, pp. 19-22.

Jim Walsh. "Why Believe It This Time?" *Boston Globe*. December 7, 2007, p. A19.

Post-Hearing Questions for the Record
Submitted to Ambassador Ross,
From Senator Tom Carper

"Addressing Iran's Nuclear Ambitions"
April 24, 2008

- One criticism of your prescription is that a U.S. position that begins by allowing Iran to continue enriching uranium would likely produce an outcome under which Iran is allowed to continue enriching uranium. How do you respond to that criticism?

  If the objective of the negotiations is to ensure that enrichment will not take place in Iran then the suspension of the condition on enrichment need not lead to an outcome in which the Iranians are enriching in the country. Right now, they are enriching and our condition and the UNSC resolutions are not preventing it. So the current path is not working and another approach needs to be tried.

- To what extent would a position that allows Iran to continue enrichment work while negotiations on a final settlement proceed undermine the four UN Resolutions that demand that Iran suspend uranium enrichment?

  If the dropping of the condition is for a set period of time and is tied to the negotiations, it need not undercut the UNSC resolutions. I am not suggesting open-ended negotiations; it should be clear we are giving the negotiations a try for say 90-120 days. For that length of time, we will negotiate even though they may be enriching. In other words, the condition could be suspended and then reimposed if the negotiations don't succeed. If they do succeed, then they will have fulfilled the purpose of the resolutions.

- Do you get any sense from the Iranians that they might be more flexible if the U.S. and its allies dropped its demand that the Iranians suspend their enrichment for negotiations to take place, and instead, just opened negotiations without preconditions?

  There is no indication at this point that the Iranians will be flexible simply because we drop the condition. I am very mindful of not sending the Iranians a signal that they have won already and the negotiations are about our acquiescing to what they want. That is why I want to ratchet up economic pressures even as I drop the condition on enrichment. The Iranians must see that the pressure is going up even as we show there is a pathway out if they are prepared to take it.

- Given that Israel sees an Iranian nuclear capability as an existential threat, please discuss further the risks of Israeli military action.

    - If that happened, what would the U.S. do?

The Israelis see Iranian leaders using the most extreme language about Israel's very existence. On the 60th anniversity of Israel's independence, President Ahmadinejad said that the nations of the region should seize even a "small opportunity" to destroy Israel--his exact words were to uproot this fabricated criminal regime. At a time when the Iranians now have stockpiled 150 kilos of LEU and are installing
IR-2 centrifuges, Israelis are likely to take his words very seriously and fear Iranians could act on them. So the closer the Iranians get to being able to forge nuclear weapons, the more the Israelis may believe they do not have the luxury of not acting against this Iranian capabilty.

As for what the US would do, it depends on what the Iranians are doing and the nature of the Israeli action. Have the Iranians tested a weapon? Has there been an ultimatum? Is the Israeli action covert or overt? Much will depend on the answers to these questions and the context at the time.

Post-Hearing Questions for the Record
Submitted to Dr. Allison,
From Senator Tom Carper

"Addressing Iran's Nuclear Ambitions"
April 24, 2008

1. We seem to go back and forth on whether Iran is going ahead at a high rate or not. What is the actual situation?

Answer:

The short answer is that time is not on our side, and Iran is quickly creating facts on the ground that will be difficult, if not impossible, to reverse.

The longer answer is that Iran is still perfecting its enrichment technology. There have been periods during which the IAEA was surprised at how quickly Iran had moved forward, and there have also been periods when the IAEA reported that Iran's centrifuges were operating below capacity. It has not been clear whether the low level of operation was due to technological difficulties or to a strategy of "slow roll."

The bottom line, however, is that as a result of failed policies by the U.S. and its allies over the past seven years, Iran stands seven years closer to its nuclear goal-line. Whereas Iran's centrifuges were previously operating at 20% efficiency, today they are operating around 50% efficiency. According to one estimate, Iran produced twice as much low-enriched uranium from December 2007-May 2008 as it had produced in the entire period from February 2007-December 2007, giving it a total of almost 500 pounds of LEU. It takes about 1,430 pounds of LEU to produce enough high-enriched uranium for the core of a nuclear weapon. Iran also continues to install more centrifuges, as well as test a more advanced generation of centrifuges that could enrich uranium 2-3 times faster than the current model being used. Analysts believe that it would take less than a year for 3,000 properly functioning centrifuges to produce enough high-enriched uranium (HEU) needed for a nuclear weapon.

2. Given that Israel sees an Iranian nuclear capability as an existential threat, please discuss further the risks of Israeli military action.

- If that happened, what would the U.S. do?

Answer:

The risks of Israeli military action are real.

First, an attack on Iran's nuclear facilities may not accomplish its mission of significantly delaying Iran's progress towards its nuclear goal-line. Some of Iran's facilities are located underground, making it difficult to destroy them. Moreover, Israel may have incomplete intelligence on all of Iran's nuclear-related facilities. An Israeli military attack could succeed in damaging Iran's declared facilities but leave its clandestine program intact.

Second, an attack could actually have the reverse effect of its intended goal. When Israel attacked Iraq's Osirak reactor in 1981, Saddam actually doubled down, significantly increasing his efforts to build a nuclear weapon.

An Israeli strike would also greatly increase public support for Iran's nuclear program. According to the latest Terror Free Tomorrow polling early this year, 51% of Iranians favor possessing nuclear weapons, and only 20%, as opposed to 33% in June 2007, do not think that acquiring nuclear weapons is an important priority. An attack on Iran's facilities would rally the public to Iran's hard-line government, and moderates who favor relations with the West would be utterly discredited.

Finally, any kind of attack on Iran's nuclear facilities could be considered an act of war, and the U.S. would be assumed to be complicit in any Israeli military action. Iran's response would be far-reaching. Hamas and Hezbollah could act as Iran's proxies to attack targets in the Middle East and the rest of the world. Iran's special groups could make life hell for U.S. troops in Iraq and Afghanistan. Iran's actions could also target oil and gas infrastructure in the Middle East and

cause trouble for oil tankers in the Persian Gulf, which would dramatically increase the price of oil on the world market.

3. How do you respond to the argument that U.S. insistence that Iran suspend uranium enrichment as a pre-condition for direct US-Iran talks serves to ensure that there will be no such talks, and therefore, no settlement of the Iran nuclear issue on our terms?
Answer:

I agree that the strategy of conditioning negotiations on Iran's suspension of enrichment has failed.

After years of refusing to participate in the EU-3's negotiations with Iran, President modified his policy in May 2006, and Secretary of State Condoleeza Rice offered to negotiate with Iran "anytime, any place, on any issue" – as long as Iran first suspended its uranium enrichment activities. Absent suspension, it was argued, Iran would, "continue to inch closer to a nuclear weapon under the cover of talk."

It has been exactly two years since this precondition was introduced, and no talks have taken place. Instead, Iran has in fact advanced 24 months further along its nuclear timeline. In May 2006 Iran was just beginning to test the first cascade of 164 centrifuges in its pilot enrichment facility. Today, it has installed 3,492. In May 2006, Iran was having trouble with impurities in its uranium gas that caused the centrifuges to malfunction. Today Iran is estimated to have produced almost 500 pounds of low-enriched uranium, about a third of the material required, after further reprocessing, for a nuclear bomb.

4. Is there any evidence to suggest that the Iranians might be more flexible if the U.S. and its allies dropped its demand that the Iranians suspend their enrichment for negotiations to take place, and instead, just opened negotiations without preconditions?

Answer:

Negotiations are never certain to yield results. There is no guarantee that Iran might be more flexible if the precondition to negotiations was dropped. Having forced the U.S. and its allies to soften their position, the Iranians may actually be emboldened and refuse to give in to any demands. Dropping the preconditions could also signal a victory for Iranian President Ahmadinejad, whose belligerent style would be credited with forcing the West to change its policy.

But having seen the results of seven years of non-engagement, we should not allow the perfect to be the enemy of the good. In an ideal world, Iran would not be allowed to operate any centrifuges on Iranian soil, completely eliminating the possibility that Iran could develop a nuclear break-out capacity. Unfortunately, this is not the reality that we face. Iran continues to create new facts on the ground.

If we express a serious interest in negotiations and drop the requirement that Iran suspend enrichment, the ball would be in Iran's court. Tehran would not maintain the moral high ground it currently holds if it had to explain to the international community why it refused to come to the table once the precondition was dropped.

Negotiations would also give us the chance to explore options that could be acceptable to all sides. In the past, the Iranians have expressed a willingness to consider multinational consortiums on their soil and other "objective guarantees" for monitoring their nuclear activity, such as enrichment limits and intrusive inspections. Discussing these ideas with the Iranians could provide an opportunity for compromise.

5. What have we learned from our involvement with North Korea and Libya that could be applicable to how to approach Iran?

Answer:

There are several lessons from the U.S. wrestling match with North Korea that provide relevant insights for dealing with Iran.

The results of the Bush-Cheney-Bolton strategy of "threaten and neglect" ("We don't negotiate with evil; we defeat it.") are clear: Kim Jong Il: 8—Bush: 0.

In the largest and ultimately most dangerous failure of nonproliferation policy in recent decades, Bush administration policy ignored North Korea's withdrawal from the NPT, ejection of IAEA inspectors, and shutting down of the 24-7 cameras that were watching 6 bombs-worth of plutonium stored in warehouses after the '94 agreement. Kim Jong Il proceeded to restart the Yongbyon reactor (which produced 1-2 bombs of plutonium per year); reprocess the spent fuels to harvest six additional weapons; and conduct North Korea's first nuclear weapons test in October 2006. As a consequence of this approach, a Mafioso state well-known for selling whatever it makes to whomever will pay, now has an arsenal of 10 nuclear bombs-worth of plutonium and has conducted a nuclear weapons test. North Korea is the only state that could plausibly sell a nuclear bomb to Osama bin Laden who could then bring it to Washington or New York for a successful nuclear terrorist attack.

After what John Bolton rightly calls a "flip-flop" from the prior approach, the new Bush/Rice/Hill approach consisted of the U.S. and the other members of the 6-party talks bringing carrots as well as sticks to the table. This has succeeded in freezing the Yongbyon reactor and entering a long, drawn out process of haggling about North Korea's prior nuclear activity and its current nuclear arsenal.

Paying North Korea to stop producing additional nuclear bombs, however tawdry, led to a breakthrough. Taking a cue from its dealings with Pyongyang, the U.S. will be required to take uncomfortable steps if there is to be a negotiated solution that stops Iran short of a nuclear bomb. Presenting Iran with the right mix of carrots and sticks, including a security assurance if and when it gives up its nuclear weapons program, will be key.

Post-Hearing Questions for the Record
Submitted to Dr. Graham Allison
From Senator Susan M. Collins

"Addressing Iran's Nuclear Ambitions"

1. The 2007 National Intelligence Estimate on Iran's nuclear intentions and capabilities indicated that Iran had actively sought to create a nuclear weapon but has – when the report was released – halted this process. However, the 2007 NIE also indicated Iran's centrifuge enrichment capability – the primary way to enrich uranium to weapons-grade – has not been halted and that Iran may be continuing this technology's development. Indeed, Iran's President has boasted of his nation's efforts in this regard. If this technology is successfully developed and Iran acquires uranium for these centrifuges, it could begin producing weapon-usable material. Dr. Allison, how likely is it that Iran would be able to perfect its centrifuge technology without the U.S. knowing about it?

   Follow up: If successful, how long to construct a device?

Answer:
Ironically, Iran is perfecting its knowledge of centrifuge technology right under our noses. According to the Nuclear Non-Proliferation Treaty (NPT), each member state has a right to peaceful uses of nuclear technology, which has been interpreted to include a right to the nuclear fuel cycle. Taking advantage of this "right," Iran has been installing and operating centrifuges at its declared enrichment facility at Natanz since February 2007. So far, the IAEA has been able to confirm that Iran has been producing only low-enriched uranium (LEU) needed to run a nuclear power plant. Such LEU cannot be used in nuclear weapons. However, the technology for producing LEU and weapons-grade fissile material is the same. So as Iran perfects its technology for producing LEU, it is also perfecting its knowledge of how to produce the high-enriched uranium (HEU) needed for the core of a nuclear weapon.

Once Iran has enough LEU needed for a nuclear weapon, it would take only a few months for it to convert this LEU into HEU, since producing LEU is two-thirds of the way to HEU.

The IAEA would immediately know if Iran tried to produce HEU at Natanz, and at that point Iran would be in clear violation of its NPT obligations. Therefore, it is much more likely that the conversion of LEU to HEU would take place at a covert facility. Given the nature of covert facilities, there is a very good chance that the U.S. would not know about this activity. After the

requisite HEU was produced, Iran would be, again, only months away from a nuclear weapon, since building the actual nuclear weapon, or weaponization, is one of the easier phases of manufacturing a nuclear weapon.

Analysts believe that it would take less than a year for 3,000 properly functioning centrifuges to produce enough HEU needed for a nuclear weapon. Today, Iran is operating over 3,000 centrifuges below capacity and has already produced 35% of the LEU needed to reprocess into HEU for one nuclear bomb. Iran continues to install more centrifuges, as well as test more advanced centrifuges that could speed up its nuclear timeline.

Written Response to Follow-up Questions by

Dr. Jim Walsh, MIT Security Studies Program

Additional Questions from the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

1. We seem to go back and forth on whether Iran is going ahead at a high rate or not. What is the actual situation?

The two best sources of information on Iran's nuclear program are the November, 2007 NIE and the ongoing series of IAEA reports, which are based on periodic inspections of Iranian facilities and discussions with Iranian officials. Both the public version of the NIE and the IAEA reports (as well as the historical record to date) suggest that Iran's centrifuge program is making progress but is still some years away from establishing a reliable enrichment capability on a scale that would be required to produce highly enriched uranium (HEU) for a nuclear weapons program. The Iranian enrichment effort is characterized both by a) success in the construction of centrifuges and in prototyping new centrifuge models but also b) ongoing technical programs and a reluctance or inability to run their centrifuges at normal or full capacity. New, more efficient centrifuge models may quicken the pace at which Iran could achieve industrial scale enrichment or substantially higher volumes of enriched material, but the new models (the P-2 and the IR-2) have yet to be produced in large numbers or integrated with the existing P-1 enrichment technology.

Policymakers should probably avoid relying on either Iranian claims of technical achievement or warnings from allies that Iran has "reached a point of no return" – a claim that has already been made several times and proven false. Both have a track record of exaggeration.

It is also worth noting that however "fast" or "slow" Iran is progressing, for the Islamic Republic to build an actual nuclear weapon would require it to either a) withdraw from the NPT and kick out the IAEA inspectors, since any attempt to produce HEU from the existing safeguarded facilities would be easily detected by the IAEA[1] or b) build a second, wholly separate and secret enrichment facility that would attempt to produce HEU clandestinely. The former scenario would provide timely warning that Iran's program was being redirected and would give the United States and the international community the opportunity to respond militarily or in other ways. The latter scenario would not result in warning unless detected, but would significantly extend the timeline of an Iranian HEU capability, that it, it would require years for Iran to build a second enrichment program from scratch. In neither case does the Iranian program currently

[1] Some commentators have questioned the ability of IAEA to detect safeguards violations, but such criticisms have to do with *undeclared* facilities like those in Iraq prior to the 1991 Gulf War. IAEA is exceptionally good at monitoring declared facilities (like Iran's enrichment facilities) and detecting discrepancies that might suggest illicit diversion of material and technology.

constitute an "imminent danger." While unwelcome, Iran's enrichment program has not yet reached "a point of no return," nor is it likely to do so in the near term.

American policymakers should be careful to resist two tendencies, both of which are common in contemporary discussions of Iranian nuclear activities. The first is exaggerating the threat, i.e., suggesting that Iran is on the verge of acquiring nuclear weapons and therefore insisting that the "crisis" requires immediate and extreme action (e.g., a military strike on Iranian nuclear facilities).

The second and surprising tendency is to treat the issue of Iran's enrichment capability as if it is a long-term issue that lacks urgency. While no one directly espouses this view, most policymakers have adopted this view insofar as they promote policy remedies that have little chance of success in the near-term. Put another way, most public officials' answer to the Iranian problem is sanctions, sanctions, sanctions. A minority have also espoused "soft regime change" and the use of covert operations inside Iran. While potentially useful, sanctions are a policy instrument suited to the long-term policy problems. Soft regime change is a far more risky course, but is also one likely to work in the long-term if at all. In the meantime, Iran could build tens of thousands of centrifuges. The myopic focus on sanctions is good politics but poor public policy. Relying on sanctions as the primary instrument for dealing with Iran's nuclear program is likely tantamount to accepting an Iranian industrial scale enrichment capability.

Policy makers should neither panic nor rely on long-term policy instruments that have little hope of addressing the problem in time. Instead, Washington needs to break with current policy and seek creative diplomatic solutions to address Iran's enrichment program before it reaches an industrial scale. That will require developing new initiatives over the next 12 to 24 months – a process that unfortunately has yet to begin.

2. Has there been a systematic review of which foreign policy tools have proven the most effective in encouraging Iran to end its weapons-related nuclear activities?

No. A comprehensive, comparative analysis has not been conducted and is absolutely vital. To date, US policy towards Iran's nuclear program has been driven as much by bureaucratic inertia, slogans, the politics of expediency, and wishful thinking as anything else.

A prudent and grounded policy should begin with an objective and cold-hearted evaluation of which policy tools have worked, which have failed, and why. The Government Accountability Office has looked at the effectiveness of sanctions. It concluded that the effects have been modest but also pointed out that their review was not comprehensive, both because of a lack of available data, and because they did not examine the more recent set of UN sanctions. The November, 2007 NIE also provides some purchase on this issue, suggesting for example that the combination of pressure and diplomacy contributed to the 2003 suspension of military-related work on nuclear weapons.

What is missing, however, is a broad, comparative, and historically informed assessment of all the various instruments the US has employed (economic, covert, military, diplomatic, etc.) and an analysis of how the Islamic Republic has responded to the use of these instruments. Better still would be a study that examined not only interactions involving Iran but also the experience the US has had with nonproliferation success stories like Libya as well as nonproliferation failures such as India and Pakistan.

3. What have we learned from our involvement with North Korea and Libya that could be applicable to how to approach Iran?

In my written testimony, I address the question of lessons learned from the experience with North Korea and Libya. These points can be summarized as follows…

I. General Lessons
Do not assume inevitability.
The US can engage in productive negotiations with adversaries.
Allies are important.
The other side has to get something out of the deal.

II. Lessons from the Experience with North Korea
It is not enough to simply talk. One must have something to say.
When facing an impasse the parties should consider the principle of "more for more."

III. Lessons from the Experience with Libya
Sanctions, when they work, work over the long-term.
The IAEA can play an important role.
Successful settlements require that the US follow through on its promises.

In addition, one can point to four other lessons that may be relevant to the case of Iran.

First, delaying diplomacy can be costly. It is obvious to most observers that the current agreement with North Korea could have been reached years earlier. Essentially the outline of the February 13th Agreement had been kicking around since 2000. Rather than pursuing serious talks, however, the US opted for pretend diplomacy, i.e., attending the Six Party Talks but refusing to participate in substantive discussions with the DPRK. The North Koreans responded with a series of provocative actions intended to force the US to deal with them. These included kicking out the IAEA, replacing fuel rods in the Yongbyon reactor, breaking the DPRK's longstanding moratorium on the testing of long-range missiles, and ultimately, the testing of nuclear weapons. Indeed, it was not until the DPRK tested a nuclear weapon that the US government offered to address the financial penalties that Washington had imposed on Pyongyang. In all likelihood, much of this could have been avoided had serious negotiations not

been delayed for nearly six years. All of the North Korean actions were unwelcome, in particular the nuclear test, but the unfortunate irony is that the failure to negotiate earlier means that it is now more difficult to verify the agreement we eventually reached anyway. IAEA's absence from the North Korean facilities and unmonitored changes at Yongbyon make verification of the DPRK's declarations more difficult.

Another example may be found in the history of the nuclear negotiations with Iran. It has been suggested that Iran was prepared to agree to capping their enrichment program after having constructed their first centrifuge cascade of 164 centrifuges. I have spoken with both Iranian and European officials who were present at the meeting where this was discussed. There is disagreement about whether such a proposal was in fact in play, but since the US had adopted a policy of "zero centrifuges," a freeze at 164 was not possible in any case. Today, Iran possesses over 3,000 centrifuges and has pledged to build 6,000 more this year. In retrospect, most observers would now take a deal to cap at 164 in a heartbeat. Unfortunately, that offer, assuming it was made, has gone by the wayside and is unlikely to be available in the future. Again, delaying serious diplomacy may have proven very costly.

Second, sanctions are easy to impose, difficult to reverse, and can obstruct future diplomatic agreements. This lesson was vividly illustrated in the case of North Korea. The US had North Korean funds in Banco Delta Asia frozen, but after the DPRK nuclear test, Washington agreed to address the issue of the financial penalties against North Korea. As part of the first stage of the February 13th Agreement, the US pledged to have the funds freed and returned to the North Koreans. This was intended to be an early confidence-building step. The only problem was that once the sanction had been imposed, it proved extremely difficult to reverse. No bank wanted to do business with Banco Delta Asia and end up on some blacklist *even though the US had reversed policy*. What was supposed to happen in a matter of weeks took five months. The agreement survived the delay, but given the delicate nature of the arrangements and the deep mistrust on both sides, the consequences could have been far worse. As it stands, the delays mean that implementation of the agreement will not reach a point of irreversibility by the time President Bush leaves office and there may be further delays or uncertainty as a new president takes office and reviews the policy.

Third, a policy of isolation increases the incentives for countries to form clandestine partnerships with problematic governments. The policy of squeezing North Korea and reducing its ability to conduct commerce with "normal" countries encouraged the DPRK to seek alternatives. In one case, that meant following the old dictum "the enemy of my enemy is my friend" and concluding a nuclear deal with Syria. In another case, it meant trading missiles for centrifuges with America's putative ally Pakistan. Libya also sought to take advantage of the Pakistani network. Forcing a country into relying on clandestine networks and shady friends has consequences, and all of them are bad.

Fourth and finally, one of the advantages of multi-lateralizing nuclear programs is that it makes clandestine, interstate nuclear trade virtually impossible. One of the concerns raised by some about Iran's nuclear program is that it might sell nuclear technology to groups or countries with

nefarious intentions. This issue gained prominence recently with the revelations regarding North Korea's nuclear cooperation with Syria.

The Syrian case is relevant in that those who oppose multi-lateralization in favor of suspension would still be left with the problem of possible technology or knowledge transfers. Even if Iran were to suspend enrichment for a lengthy period of time (an unlikely outcome), their program would remain a *national* program, and they would, in principle, be able to engage in nuclear commerce of their own choosing. One advantage of multi-lateralization is that it makes overt transfer of enrichment-related nuclear technology, material, and knowledge all but impossible given the international ownership, operation, and management of the facility. In addition, it reduces the dangers of illicit transfers, because engaging in such activity is much more risky when there are international eyes and ears on the ground monitoring the program 24/7. Multi-lateralization can thus contribute to enhanced nonproliferation with respect to Iran and as regards *other countries* – a claim that the other policy alternatives cannot make.

DRAFT
September 14, 2006

A Study of USG Broadcasting into Iran
Prepared for the Iran Steering Group

I. Executive Summary

A six-month study of the main instruments of USG broadcasting into Iran – Voice of America (VOA) Persian TV and Radio Farda – has revealed that while the two taxpayer-funded stations enjoy some degree of professionalism and popularity among the Iranian people, both fall short of realizing their stated mission and mandate.

While VOA's news has a sharp professional look, the content does not fulfill VOA mandates. Radio Farda falls short of meeting the Radio Free Europe/Radio Liberty (RFE/RL) mission of serving as a surrogate radio model for successful democratic transformations, which Radio Free Europe was famous for during the Cold War.

Neither station is a primary source of news for Iranians. Radio Farda frequently uses Islamic Republic news sources -- official or those affiliated with the regime.

While VOA Persian TV routinely invites guests who defend the Islamic Republic's version of issues, the station fails to maintain a balance by inviting informed guests who represent another perspective on the same issue. Even when a State Department official is given a 3-minute segment to explain US policy in the same time slot when a person is on the show that represents the Islamic Republic viewpoint, often the two individuals are not on the same panel and/or no counter-view to that of the Islamic Republic is presented.

Given that VOA Persian TV and Radio Farda have become the main means of disseminating US policy and views into Iran, a critical review of VOA and Farda's operations is a necessary first step to improve these entities' performance. The most important need is *content* that better fulfills both entities' mandates. There are also management and staffing problems. Oversight is also an essential aspect of ensuring that VOA and Radio Farda are following their mandates and fulfilling their missions. BBG is hampered by the Board's inability to monitor Persian content of the programs (no one on the Board knows Persian), and by the fact that BBG's only oversight comes from the VOA station directors who run the very programs whose contents need to be monitored. An outside advisory board, made up of Persian-speakers and those who follow events in Iran, might be advisable.

II. Background

Purpose and Scope of Study

This paper was tasked by the NSC staff and the Iran (interagency) Steering Group to provide a concise, independent look at USG broadcasting into Iran as seen through the eyes and ears of native Persian speakers. Due to the lack of an American diplomatic presence in Iran, tax payer-funded VOA Persian TV and Radio Farda are in a unique position to influence public opinion within Iran in furtherance of US goals. This paper examines whether these entities are fulfilling their mandates and whether the USG should be relying on these entities for this purpose.

The author has interviewed VOA and Radio Farda staff, visited the VOA Persian TV studios, interviewed various Iranian-Americans, and viewed/listened to over 50 hours of VOA TV and Farda programming. The VOA Persian TV study was conducted from January through June 2006. The Radio Farda study was conducted from November 2005 through June 2006. However, the view presented herein provides only an initial look at the issues and concerns. A more in-depth independent study may be required and would require a staff of at least three native Persian speakers to devote enough time to the painstaking process of collecting, translating and transcribing broadcasts. In addition, a visit to the Prague offices of Radio Farda would help in assessing the operations of Radio Farda and its management.

USG Broadcasting into Iran

Currently, VOA Persian TV and Radio Farda are the main instruments of US broadcasting into Iran. Immediately following the Islamic Revolution in Iran (in 1979) VOA attracted quite a few famous (to Iranian ears) radio personalities who helped the station broadcast a more robust program into Iran. However, in the past few years, the VOA radio broadcasting has been reduced to three hours a day of programming. Only one of these hours of VOA radio broadcasting has original programming. The rest is a simulcast of VOA Persian TV daily programs such as *News and Views*.[1]

Therefore, this study will focus on analysis of original VOA News and Radio Farda content.

[1] Please note that a radio simulcast of a television program entails audio-only portions of video clips and visual references to news

III. Findings

Review of Radio Farda Content (See Appendix 2 for an overview of Radio Farda programming):

Radio Farda is operated under joint VOA and RFE/RL management. The management is disjointed, and production of news segments along with the one news magazine based in Washington DC does not appear to be coordinated with or receive input from the radio station in Prague. However, Radio Farda was modeled after RFE/RL.

> *The mission of Radio Free Europe/Radio Liberty is to promote democratic values and institutions by disseminating factual information and ideas...*
>
> *1. **RFE/RL** provides objective news, analysis, and discussion of domestic and regional issues crucial to successful democratic and free-market transformations.*
>
> *2. **RFE/RL** strengthens civil societies by projecting democratic values.*
>
> *3. **RFE/RL** combats ethnic and religious intolerance and promotes mutual understanding among peoples.*
>
> *4. **RFE/RL** provides a model for local media, assists in training to enhance media professionalism and independence, and develops partnerships with local media outlets.*
>
> *5. **RFE/RL** fosters closer ties between the countries of the region and the world's established democracies.*

When asked about the famous "surrogate radio" mission of RFE/RL and whether Radio Farda was following that model, the Washington, DC manager of Radio Farda, Mr. Nikzad said, "what does 'surrogate radio' mean?" He went on to explain that it is difficult to follow the RFE/RL model in Iran's case due to a lack of on-the-ground coverage by local staffers. This is one of the key shortcomings of Radio Farda, one which cannot be overcome in the short term. Radio Farda does have some local stringers that it works with and has held telephone interviews with those in some ministries and activists and others inside Iran. But the problem is deeper than the issue of local stringers.

One example of the problem is Radio Farda's effort to cover local news in Iran. Possibly attempting to take on a familiar tone and fulfilling one part of becoming a

surrogate radio, Radio Farda does try to include local coverage of news in its broadcast. However, the majority of the news read on Radio Farda is actually from the Islamic Republic News Agency (IRNA), the official news agency of the Iranian regime. Farda also uses the newspaper Baztab, which is run by Mr. Mohsen Rezai, once the head of the Iranian Revolutionary Guard Corps (IRGC) and close to Supreme Leader Khamenei. He is also one of the hardliners of the regime. The rest of the news is from others sources such as BBC. While IRNA or Baztab news can be thought of as news from inside Iran, the are hardly unbiased. Residents of Iran do not need to turn to Radio Farda to receive IRNA news. This is probably one reason why Iranians do not turn to Radio Farda as a source of fresh news.

While there have been many instances in which Farda is reflecting the global sentiment against Ahmadinejad and his anti-Semitic tirades, most of the time Radio Farda rarely takes a stance that could risk antagonizing the Islamic Republic. As an activist and famous member of the opposition said in an (off-line) interview, while Radio Farda sporadically provides news about opposition in Iran, it almost never gives any analysis of the opposition or anti-regime elements' stance. While coverage of Ahmadinejad's invectives is an important exception, the radio's normal coverage of views inside Iran seems to vary between sympathetic and neutral with respect to the regime.

Thus, Radio Farda falls short on fulfilling all five elements of the RFE/RL mission. Very little "analysis and discussion of domestic and regional issues crucial to successful democratic and free-market transformations" – that is, the first item in the RFE/RL mission – is ever made on Radio Farda. Discussions of democratic values – as outlined in the second part of the mission statement – are only found in occasional segments of the Washington-produced news magazine called *Human Rights and Democracy*. This news magazine covers some news on the subject of human rights and democracy in its limited weekly time slot of 10 minutes per week. However, lengthy and in-depth analysis of these issues rarely happens. Radio Farda has ample coverage of Shi'ite Muslim events and holidays, but rarely any analysis of ethnic issues or problems afflicting religious minorities.

In general, Radio Farda has very little analysis of any events or news items, especially any that might risk the displeasure of the ruling regime. During the 2005 Iranian Presidential elections, much of the coverage consisted of daily reporting. No coverage was presented of the losing candidates' protestations and charges of voter fraud and manipulation, the open letter from one of the candidates (Karrubi) to Khamenei describing his charges, or of the movement to boycott the elections. While RFE/RL's English website had an excellent analysis of these issues by their expert Iran analyst, Dr. Bill Samii, this kind of analysis is not reflected in Farda's broadcasting.

Anyone familiar with the famous Radio Free Europe broadcasts at the time of the uprising of Gdansk shipyards and Solidarity protests in Poland would not recognize Radio Farda as a prototype of the same RFE/RL model, or as providing the same crucial service to its Iranian listeners.

Review of VOA Persian TV Content (See Appendix 1 for an overview of VOA programming.): This report focuses mostly on *News and Views*, since it is the main daily news show and has been for years, and also due to the stated content of the other programs that are not the focus of this study.

> *The VOA Charter states the following:*
>
> *1. VOA will serve as a consistently reliable and authoritative source of news. VOA news will be accurate, objective, and comprehensive.*
>
> *2. VOA will represent America, not any single segment of American society, and will therefore present a balanced and comprehensive projection of significant American thought and institutions.*
>
> *3. VOA will present the policies of the United States clearly and effectively, and will also present responsible discussions and opinion on these policies.*

Any VOA program should be judged by its adherence to its mission as stated above.

"...A reliable and authoritative source of news... :"

VOA News has few journalists reporting from Iran. While VOA does have more coverage of Iranian news than other US-based international news outlets such as CNN International, it is not relied upon by Iranians as a primary source of news. At its best, VOA's news is a repeat of what CNN and other news channels have broadcast, thus subject to the weaknesses of those media. Most Iranians rely on BBC Persian and Radio Israel to obtain ground-breaking news. VOA news, on the other hand, is not considered by most Iranians to be an authoritative or reliable source of groundbreaking news.

"...accurate, objective and comprehensive..":

Even though VOA News accurately reflects its news sources, it lacks comprehensiveness and balance. While VOA Persian TV often invites guests who defend the Islamic Republic's version of issues, it consistently fails to maintain a

balance by inviting informed guests who represent another perspective on the same issue. In a period when there is a glaring imbalance in world media coverage tilting against the U.S. point of view, VOA does not function in a way that helps correct that imbalance.

Example: In a special program aired on April 18, 2006 that dealt with Iran's nuclear issue, there were reporters with coverage from Moscow, New York, and Europe, and some guests who attended the show via satellite feed from Boston and other cities. Two so-called nuclear "experts" were summoned to discuss Iran's nuclear program. One was a Mr. Nakhai. VOA News did not describe his academic and/or professional affiliations. As it turns out, Mr. Nakhai was an advisor to the Iranian regime and a defender of its nuclear policy. During the interview he expressed the view that Iran had experienced and passed more than its share of IAEA inspections. He said he found it difficult to accept that the "five countries [*i.e.* the P5] who have broken every rule of the NPT is sitting upon judgment of one country who has obeyed every rule." Mr. Nakhai's claims went unchallenged.

This segment was followed by another program with two guests. First was another "nuclear expert", a Dr. Behzad Maleki, identified as a professor at Iran's Sharif University spending a year conducting research at Harvard (no affiliation to any specific school at Harvard was given). The other guest was Mr. Bijan Kian, an Iranian-American Republican who appears from time to time on *News and Views* to explain and defend US policy on Iran. He does not, however, have any expertise on nuclear energy. The discussion got heated when Dr. Maleki accused Mr. Kian of using political slogans, only because Mr. Kian said that with Iran's current levels of poverty, prostitution, and youth addiction, Iran's huge allocation of resources toward nano-technology as well as nuclear energy seemed an interesting choice. Dr. Maleki charged that the US had poverty issues also, and still chose to devote resources to technology. When the anchor, Ms. Derakhshesh, tried to explain that the levels of poverty were much lower in the US than Iran, Dr. Maleki told her not to opine but to mediate only. He did not offer any facts, only opinions. As is often the case, within this program no nuclear experts from the IAEA itself or another UN agency or anyone from the US Government was interviewed to at least explain the statistics and "facts" presented by Messrs. Nakhai and Maleki.

"...present a balanced and comprehensive projection of significant American thought and institutions.":

> *In viewing over 50 hours of News and Views from January through June, 2006, in an average week, News and Views invited 2-3 guests who oppose US policy and are favorable toward the Iranian regime, and only one neutral and/or pro-democracy guest.*

VOA's *News and Views* fails to invite a variety of guests with various views. Moreover, the time allotted to the pro-regime guests was more than that given to pro-US or pro-democracy guests.

Example 2: *News and Views*, March 26, 2006; part of interview with Dr. Yaghmaiian, Professor at Ramapo College.

Dr. Yaghmaiian: ... We have to see the West and the US, what kind of confrontations they have had with personal liberties in Iran. Up until now, the West has not paid any attention to civil liberties in Iran. All the hostilities of the US toward Iran has been based on US interests and not the interests of the Iranian people. Maybe this is a beginning...

VOA: Dr. Yaghmaiian, you don't think that in all these years USG has not paid any attention to the problems of human rights in Iran?

Dr. Y: Never, never. I believe that all the confrontation with Iran was its meeting its own interests, its strategic interests in the region and its economic interests. Nothing to do with Iranian people's human rights or their aspirations.

VOA: For example, how to you describe Akbar Ganji's freedom (from prison)?

Dr. Y: Now, there has been an issue created about this. Probably because of all the noise that has been created about this (Ganji's imprisonment), GOI is bribing [the U.S.] to further these talks and negotiations. I mean, the possibility exists that the West and the US, point their fingers at civil liberties in Iran, and say that we will negotiate based on that. But so far this has not been the case. Either the U.S. or Western Europe. They have always based it on their economic and political interests.

"VOA will present the policies of the United States clearly and effectively, and will also present responsible discussions and opinion on these policies"

While there have been a plethora of articles written on Iran and US policy in a variety of newspapers, *News and Views* chose to devote one whole program and a segment of another to Karl Vick's article entitled: "U.S. Push for Democracy Could Backfire Inside Iran," which appeared on March 14, 2006 in the Washington Post. The article itself was a critique of the Administration's just-announced policy to promote democratic civil society in Iran; inter alia it quoted newly freed political prisoners (whose reasons to fear regime retribution are still evident) as denouncing President Bush. VOA News devoted much of its airtime to essentially espousing the article's debunking of US policy. One after another, guests criticized US policy in Iran. One guest, Mr. Nourizadeh, defended the policy, but had to hold his own under constant questioning of his stance by the interviewer. Here is a section from another segment of that show. It is an interview with Professor Abbas Milani, professor of Iranian Studies at Stanford University, on March 15, 2006:

VOA: Dr. Milani, how can a country that violates human rights be a defender of international human rights?

AM: I think that what you are saying is 100% correct, that is why the US is in a problematic position because of this. An America that has the Guantanamo Bay jail in it, an America in which minorities, blacks, have suffered from legal deprivations, without a doubt has international issues with regards to this. However, the reality is that with all these violations, America has other advantages. Throughout Iran's history, even though there were the likes of [the coup in] 1953, there are tens of other examples where America has tried to establish democracy... But in total, we have to analyze the sum total of all of this, despite these shortcoming, and despite what I think is *America's shameful record of violation of human rights laws*, despite all that, I think America's interests lie in establishing democracy in the region. Ms. Rice spoke about this, I think.

VOA: Thank you very much, Professor Milani. Of course, the country I was referring to as the violator of human rights which cannot be a defender of international human rights was the Islamic Republic of Iran.

Pattern of guests on VOA's *News and Views*: Since January 2006, a Monday-to-Friday sampling of the show revealed the following:

Guests who have taken anti-American and/or pro-Islamic Republic stances on the show have made 23 appearances – most with multiple appearances – during this

time period. This figure includes personalities such as Hooshang Amirahmadi, who is one of the few candidates vetted and accepted by the Guardian Council for the 2005 Iranian presidential race and consistently lobbies for the Islamic Republic. Mr. Amirahmadi has appeared four times on the show and on a few more occasions was linked via telephone.

During the same time period, there have been only ten guests who advocate structural changes to the Islamic Republic and have not made consistent adversarial or pejorative statements about United States policy.

There have been only three guests who cannot, for political or survival reasons, take sides in any issue during the same time period.

State Department personnel typically appear alone and are usually provided the opportunity to make a statement and answer, at most, two questions to explain the Administration's position. They are not invited as guests countering other guests with opposing views, nor are they asked to respond to a charge made during a segment of the show, such as the one noted above.

Strengths of VOA TV and Radio Farda

Radio Farda is quite popular in Iran, as most Iranians do not have access to a 24/7 music radio station. Reportedly,[2] one can hear Radio Farda playing in taxicabs and stores in Tehran, all the time.

VOA Persian TV is expertly produced, has professional graphics, has professional anchors who speak erudite Persian and is generally a well-presented station. VOA TV is also popular in Iran, but is not as ubiquitous as Radio Farda, since fewer Iranians have access to Satellite TV. In fact, it is illegal to own satellite dishes in Iran.

N.B. If thought is being given to eliminating VOA Radio altogether, the high-quality radio programs that are the hallmark of VOA Radio should be transferred to Radio Farda.

[2] I am basing this on interviews with Iranian-Americans who had recently visited Iran, Iranians visiting the US, and telephone conversations with Iranians in Iran.

IV. Issues

Management and Staffing

I would say that one of the biggest issues affecting the mission and mandates of both VOA Persian TV and Radio Farda are management and staffing issues. An example of this is the manager of Radio Farda in Prague, Ms. Joyce Davis. Davis's views on religion and politics are evident in her book entitled Martyrs, which takes what I would consider a sympathetic view of Islamic fundamentalists. She had asked the staff to broadcast times of fast-breaking during Ramadhan, which is hardly necessary for anyone living in Iran. Staff reported that Ms. Davis had asked them to cover a fundamentalist Shi'a conference held at a London mosque known to be founded by Khamenei. Since her arrival, there has been an exodus of some of the more experienced and independent broadcasters from Prague, who had hoped for a journalistic experience more akin to the Radio Free Europe of the early '90s. Ms. Davis does not speak or understand Farsi.

Recently, and despite the abundance of qualified Iranians who are fluent in Persian, Radio Farda has hired broadcasters whose most recent journalistic experience was in IRNA or the Islamic Republic of Iran Broadcasting (IRIB). The staff in Washington, while under VOA support, is housed in RFE/RL facilities downtown. They consider themselves to be to a great extent independent from the Prague office, according to Mr. Behrouz Nikzat, supervisor of Radio Farda in Washington. While some of the programming in Washington is superior to Prague in terms of coverage, it fails to provide the kind of content and programming that would fulfill the RFE/RL mandate. Their coverage of the US Policy perspective is also weak. As one example, Under Secretaries of State Nicholas Burns and Robert Joseph's news conference on April 21, 2006 covering their trip to Moscow to discuss the Iran nuclear issue was not covered by Radio Farda at all.

Meanwhile, similar morale and management problems are evident at VOA Persian TV. Under Ms. Sheila Ganji, VOA Persian TV's Division Chief, long-time supervisor, Mr. Akbar Nazemi, took early retirement. When asked about the day-to-day running of the programs, Ms. Ganji is not able to answer to questions regarding scheduling or guests on the show.

Executive producers have recently been hired because of their previous employment at MSNBC or other broadcasters, often without regard to what their previous duties were (usually not editorial or production). In addition, these persons speak no Persian and have not had any exposure to Iran. Seasoned journalists who have been working on Iran now have to justify their choices of

programming to someone who is unfamiliar with Iran and/or does not speak Persian.

No reliable procedures exist for vetting potential guests to ensure quality and balance. There is staff specifically charged with scheduling guests and the approval process, but anchors and other staff often bypass it to ensure preferred guests appear on their shows.

Oversight

The Broadcasting Board of Governors (BBG) bears the responsibility of providing oversight of the content and quality of Radio Farda and VOA Persian TV broadcasting. Since none of the BBG board members speaks Persian, the only input the Board receives is from VOA program directors, who run the programs that are to be monitored. Given the critical importance of US broadcasting into Iran in this period, ways should be found to strengthen this oversight in order to ensure better performance in accordance with the stations' mandate. An outside advisory board of Persian-speakers is one option.

[Earlier drafts of this report included a paragraph referring to a contractor. Because of a contract dispute between this contractor and the BBG, not related to the subject matter of this report, that paragraph has been deleted.]

APPENDIX 1

- **VOA Persian TV programming** *(for the reporting period January-July 2006)*

  VOA Persian TV broadcasts the following original programs:

  - *News and Views*: 1 hour/day news program with interviews and live programming. Aired daily at 12:30 pm EST (equivalent to 8 pm or 9 pm Tehran time, depending on daylight savings time).

  - *Roundtable With You*: Currently, 1 hour/day roundtable interview and discussion program in a talk show format. Aired daily at 1:30 pm EST (equivalent to 9 or 10 pm Tehran time, depending on daylight savings time). As of June 3, 2006 this program is a daily program; while prior to this date, it was a weekly program. The bulk of the coverage period for this report occurred prior to this event.

  - *New Chapter*: ½ hour/week, youth variety program, featuring music videos and interviews. Aired every Wednesday at 2:30 pm EST.

  - *Looking Ahead*: 1 hour/month, political discussion program and talk show. Aired monthly. This is the only program that discusses US Policy, features interviews with Iranian opposition leaders, and has live (telephonic) coverage of events such as the Women's Day demonstrations inside Iran. While this program is unique in insofar as it completes VOA's charter and mission, it is only a monthly program and there are no plans for its expansion nor to use it as a model for other programs.

Daily programs start with *News and Views*, followed by *Roundtable with you*. The weekly *New Chapter* is repeated (when not aired live) during the 3 hours of broadcating, as is *Looking Ahead*. In addition, the station uses fillers such as CNN's Larry King Live. During an interview with Ms. Sheila Ganji, VOA Persian TV manager, and subsequent questioning of the station, no set broadcast schedule was given. The reason why CNN and programming is used as a filler is still unknown.

DRAFT
September 14, 2006

APPENDIX 2

Radio Farda programming *(through June 2006)*

Radio Farda airs a 65%/35% mixture of music/news 24 hours a day, 7 days a week. Radio Farda airs a variety of Iranian as well as Western music, and airs news on top of the hour as well as a 5 minute segment at the half-hour. In addition, Radio Farda airs the following weekly programs:

- *Fresh Look*: 6 to 10 minutes/week: a program looking at various social and cultural issues, such as Iranian immigrants to Europe and US, soccer, nutrition etc.
- *Music 21*: 5 to 6 minutes/week: a 'deeper' look at pop Iranian and Western music.
- *Beyond the Agenda*: 5 to 6 minutes, weekly humor program.
- *Friday to Friday*: 6 to 8 minutes, weekly wrap-up of important news of the week and some analysis.
- *Democracy and Human Rights*: 25 minutes weekly report on human rights and democracy in Iran.

Sixteen of the 24 hours of Farda programming – from 7pm to 11am EST – is produced in Prague, in the offices of RFE/RL. The rest is produced in Washington, DC in the DC offices of RFE/RL, but under VOA management and staff. Of the weekly programs above, the last (*Democracy and Human Rights*) is produced in Washington. The rest are produced in Prague.