

**IRAN'S POLITICAL/NUCLEAR
AMBITIONS AND U.S. POLICY OPTIONS**

HEARINGS

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

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IRAN'S POLITICAL/NUCLEAR AMBITIONS AND U.S. POLICY OPTIONS

WEDNESDAY, MAY 17, 2006

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

The committee met, pursuant to notice, at 9:35 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the committee) presiding.

Present: Senators Lugar, Martinez, Biden, Dodd, Nelson, and Obama.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

The CHAIRMAN. This meeting of the Senate Foreign Relations Committee is called to order.

The committee meets today to examine the situation in Iran and options for U.S. policy. We will have a second hearing on this topic tomorrow. As the American people and policymakers debate our course in Iran, I am hopeful that this committee can contribute by being a bipartisan forum for clarifying the diplomatic situation and evaluating policy options. Our intent is to inform policymakers, as well as to help stimulate constructive public debate.

President Bush has announced that the United States remains committed to exhausting all diplomatic options with respect to Iran. The United States and its allies at the United Nations have been pressing for multilateral diplomatic and economic sanctions under chapter 7. There is widespread agreement that Iran has sought to deceive the international community about its nuclear intentions. Tehran's decision to move ahead with uranium enrichment was condemned by the international community, but efforts to attain Security Council consensus on a firm response to Iran's actions have not been successful.

American policy in the near term will be defined by efforts to convince the international community of our commitment to diplomacy and to build a broad multilateral and international coalition against Iran's nuclear ambitions. I believe that this is the strategy that Iran fears most. Last minute negotiations, letters to President Bush, and a feigned interest in compromises are just a few of the transparent efforts Tehran has undertaken to split the international community. We must overcome Iran's efforts with patient diplomatic spadework.

We have stated that no option is off the table. Although direct talks with Iran come with difficulties and risks, we cannot rule out

their utility, particularly as they relate to our primary effort to build an international coalition. Secretary Baker's talks with Iraqi leaders in 1991 were distasteful, but proved to be a gesture that displayed America's hope for a peaceful settlement and built international equity for all steps in our response. The United States has the diplomatic prowess to attain a strong multilateral response and win the international debate. We must be prepared to commit the time, energy, and resources necessary to win this diplomatic battle.

Retaining all communication tools is also important because they may be necessary to avoid a tragic miscalculation by the Iranians. Analysts in our intelligence agencies and State Department do not regard the Tehran regime as irrational, but the framework for their decisionmaking is very different from our own. We must understand that they are interpreting our actions in ways that we do not always discern. If one overlays these perceptual differences with demagogic rhetoric, historic suspicion, and high political stakes, the possibility for miscalculation increases exponentially. Our policies and our communications must be clear, precise, and confident, without becoming inflexible. In some situations, this delicate diplomatic balance can best be achieved through direct communications.

Some have expressed frustration with the administration's coalition-building approach and have advocated quick, punitive, and unilateral sanctions focused on international companies doing business in Iran. Secretary Rice has stated that such a policy ". . . would complicate our ability to work successfully with our allies to counter the threat posed by Iran. It would narrow in important ways the President's flexibility in the implementation of Iran sanctions, create tensions with countries whose help we need in dealing with Iran, and shift focus away from Iran's actions and spotlight differences between us and our allies. This could play into Iran's hands as it attempts to divide the United States from the international community as well as to sow division between the EU3, China, and Russia."

Unilateral sanctions targeting European and Asian corporations do not appear to be an effective way to secure long-term commitments from their host governments on a multilateral approach to the threat posed by Iran. As such, they are likely to be counter-productive, as the Bush administration has asserted.

As part of our diplomatic efforts, the administration should consider how the NATO alliance might be utilized to strengthen our position. NATO is the principal defense and security organization of the trans-Atlantic community. NATO has become the pre-eminent strategic forum for broader security cooperation with Japan, Australia, and members of the Partnership for Peace in the Caucasus and Central Asia. It is also facilitating closer ties with North African countries through the Mediterranean Dialogue. NATO is the only entity that has successfully developed and implemented a strategy of deterrence and containment against a nuclear armed enemy. The Alliance provides us with an effective and experienced infrastructure capable of supplementing our activities at the United Nations and implementing an international coalition's strategy toward Iran.

I would underscore a final point as the Congress and the administration move forward with decisions pertaining to Iran. Even as

we work quickly, we must calibrate our response with the long term in mind. The issues related to Iran's pursuit of nuclear weapons, its role in the Persian Gulf region, and its impact on world energy markets will not be addressed with a single act or policy, be it military, economic, or diplomatic. The American people must know that whatever policy options are chosen will likely require years, if not decades, of intense vigilance and diplomatic followup.

To assist us in our deliberations today, we welcome two distinguished panels of experts. The first panel will discuss the status of Iran's nuclear program. We are joined by Dr. Robert Einhorn, a senior adviser at the Center for Strategic and International Studies, and Dr. David Albright, president of the Institute for Science and International Security. Our second panel will discuss Iran's motivations and strategies. Joining us will be Dr. Ken Pollack, the director of the Saban Center for Middle East Policy at the Brookings Institution; Mr. Karim Sadjadpour, an Iran expert with the International Crisis Group; Dr. Patrick Clawson, deputy director of the Washington Institute for Near East Policy; and Dr. Geoffrey Kemp, director of Regional Strategic Programs at the Nixon Center.

We appreciate our witnesses being with us today, and in a moment I will call upon our first panel, but first it's my privilege to call upon the distinguished ranking member, Senator Biden, for his opening statement.

**STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR
FROM DELAWARE**

Senator BIDEN. Thank you very much, Mr. Chairman. It will not surprise the panel to hear that my statement tracks yours in many ways. As we say in this business, I associate myself with your remarks.

Mr. Chairman, I commend you for calling this hearing, and I welcome a genuinely impressive group of witnesses we have today.

Unfortunately, in my view, Mr. Chairman, this administration has chosen not to send a senior official to be part of these hearings, and I think that's a mistake. I think they should have. I know you tried. If the administration wants to avoid the repeat of the fiasco leading up to the war in Iraq, I think it has to begin to do what it failed to do at that time, and that is level with the American people, straight up, level with them as to what's at stake, and what the strategy is. Platitudes like "all options are on the table" and "we're pursuing diplomacy," in my view, are not good enough. Dodging congressional hearings is not a good start to what promises to be one of the most challenging problems facing our country over the next several years, if not decades, as you indicated.

Let me state what I think the problem is: A nuclear-armed Iran. That would put a bomb in the hands of a radical theocracy swimming in a sea of high-priced oil, whose President has denied the Holocaust and threatened to wipe Israel off the map.

Now, in my view, I don't believe Iran would use a weapon against us or Israel or give its technology to terrorists, but I believe it would feel emboldened to make more mischief in the region. And if Iran gets the bomb, that could well fuel an arms race with Sunni

Arab countries like Egypt and Saudi Arabia, making an already volatile region even more dangerous than it is.

But I believe we have time. Most published reports conclude Iran is likely—and I'm quoting from published reports, I'm not quoting from any direct information that I have. Published reports conclude Iran is unlikely to develop a weapon for another 5 to 10 years. The critical question is: How do we use that time to persuade Iran to forgo nuclear weapons?

For now, the administration seems to have settled on a diplomatic course, and I think that's the right course, but it seems to be pursuing it with one hand tied behind its back, without providing the answers to critical questions that we need to shape a smart policy. For example, our allies in Europe are working on a package of incentives that are meant to be a final offer to Iran. What is our role in developing those incentives? How seriously can Iran take an offer from Europe, say, in matters relating to security guarantees if the United States is no part of that deal? Why are we in a posture of, in effect, negotiating with the negotiators who are going to negotiate with Iran? I find that strange, as I know you—as I suspect you do. Just as I find the same situation strange as it relates to North Korea. We're negotiating with the negotiators who are going to negotiate with Iran, and yet we are the lynchpin of any negotiation. Wouldn't it save some trouble and confusion to be in the room, along with our allies, as well as possibly Russia and China?

The press reports that if the Iranians spurn the European offer, the United States and its allies will move for sanctions of Iran, even through the U.N. Security Council, or failing that, through a coalition of like-minded nations. What cost will these sanctions entail for Iran, for us, for the key countries we need on our side? How vulnerable is Iran to a ban on imports of gasoline or exports of crude? What would be the impact on oil markets and at the local gas pump if Iranian crude were removed from the market? Why isn't the administration doing more to prepare the public for the sacrifices sanction would entail if we go that route, as, by the way, I might note, the Iranian leadership is preparing their public?

More broadly, what are the chances Europe, Russia, and China will agree to sanctions if they believe the United States has not explored every diplomatic avenue, including direct negotiation with Tehran?

Is the administration committed to regime change in Iran? Would it be prepared to abandon it as part of the package of security guarantees in a negotiated settlement on a nuclear issue that was verifiable? I asked that question to Secretary of State Rice, I believe it was during her confirmation hearing or the next visit she had. They're so seldom I should remember them. And she said we'd have to talk about many other things.

I find it interesting that the recognition of the Qaddafi regime and placing an embassy in Tripoli and suggesting that the same kind of rationale in dealing—it wasn't too long ago, Mr. Lugar, that this administration, as was not totally inappropriate, talked about two madmen, the madman in Baghdad and the madman in Libya. And we're putting an embassy in the madman's country because we actually negotiated. We actually got something that we wanted

that was consequential. And I'm not criticizing that judgement, but we negotiated.

Is the administration's funding of democracy activities inside Iran the best way to promote internal reform, or is it literally the kiss of death for Iranian democrats? How do you tap into the deep desire for change, particularly among the majority of the Iranian population, which was born after the Islamic Revolution? Why, after more than 5 years in office, has the American administration not lifted sanctions on American NGOs so they can support democratic activities within Iran?

I wish we had someone here today from the administration to answer these questions. It's time for a full public airing on the choices that are before us. Let me state my recommendation, my recommended policy, up front, and it's not fundamentally different from yours, Mr. Chairman. Last week the Iranian President sent a letter to President Bush. The letter won't be nominated for the Nobel Prize for Literature, or for Peace for that matter. But the content and style of the letter is not the point, nor is the identity of the sender. I have not been alone in suggesting that we should respond not to the letter we received, but with our own ideas on how to move forward. I would go a step further: We shouldn't respond to the President; President Bush should respond to the man who has the final say in Iran. That is Ayatollah Khamenei. It would make—I would make the letter public. I would include a call for direct talks anywhere, anytime, with everything on the table. We should be willing to talk about all the issues that divide us: The nuclear program, terrorism, Iraq, Afghanistan, Israeli-Palestinian peace, sanctions, and security. We should, in my view, lay out for Iran's leaders and especially for its people what the future would look like if Iran renounces its nuclear ambitions and its support for terrorism, and what the future will look like if it does not.

Will Iran respond favorably? I have no idea. I don't know. But in recent months Iran has indicated a readiness to engage. Indeed, an Iranian outline for their own bargain was communicated to the Bush administration 3 years ago. While the Government in Tehran has changed since then, Iran's fundamental position likely has not. If anything, the regime is now even more comfortable with reformists purged from the Majlis and the Presidency.

Three years ago when I was chairman of this committee, I called publicly for a dialog between Members of Congress and the Iranian Majlis. Senator Hagel joined me in that effort. That call from two Senators sparked an intense debate in Iran which lasted for several weeks in every major publication in the country. The reformist press embraced it; the hard-liners condemned it. The Supreme Leader finally weighed in and rejected any direct discussion or meeting.

If two Senators can spark that kind of debate within a country, imagine what the President could do. I believe that an offer of direct dialog would place enormous pressure on the Iranian leadership from their own people, from the international community. Iranian leaders would face a stark choice: Reject the overture and risk complete isolation and an angry public or accept it and start down a path that would require Iran to alter its nuclear ambitions or be exposed for not having any intention of doing that.

Talking to Iran would not reward bad behavior or legitimize the regime. Talking is something we have done virtually with every other country on Earth, including the former Soviet Union during the cold war, which possessed, in fact, an existential threat to us, and the unsavory regimes like the ones in North Korea and in Libya. And demonstrating that we made a serious attempt at diplomacy is also the best way to keep others on board—the point of your statement, one of the points in your statement for tougher actions if Iran fails to respond.

It seems to me that we have been outsmarted by not very smart people in their ham-handed use of diplomacy, by us refusing to engage in imaginative diplomacy. There's more than one purpose to a meeting, one of which is to keep the rest of the world on our side. I think it would be a wise course of action for any administration, but for the Bush administration, with its blemished record on Iraq, it is not simply a wise choice; I think it's a requirement. The threshold of trust is much, much, much, much higher for this administration at this point with regard to Iran. If the administration wants to convince our allies and others to place serious pressure on Iran over the long haul, it seems to me it makes sense for us to walk the extra diplomatic mile. I hope we can proceed with the wisdom that the matter requires. How the Iranian crisis is handled will help determine international security for a generation, if not longer.

I look forward to the testimony and the insights of our witnesses, and I thank you, Mr. Chairman, for once again staying focused on what is one of the gravest concerns we have right now in terms of a long-term interests. And I thank the Chair for the time.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM
DELAWARE

Mr. Chairman, I commend you for calling this hearing. And I welcome an impressive group of experts. It will not be a surprise that I am very much in agreement with the chairman's statement.

Unfortunately, the administration has chosen not to send a senior official to be a part of these hearings. That is a mistake.

If the administration wants to avoid a repeat of the Iraq fiasco, it must begin to do what it initially failed to do in that arena: Level with the American people about what is at stake and what its strategy is. Platitudes like "all options are on the table" and "we're pursuing diplomacy" aren't good enough.

Dodging congressional hearings is not a good start to what promises to be one of the most challenging problems facing our country over the next several years.

Let me state what the potential problem is: A nuclear-armed Iran. That would put the bomb in the hands of a radical theocracy, swimming on a sea of high-priced oil, whose President has denied the Holocaust, threatened to wipe Israel off the map and to attack us.

In my view, Iran probably would not use a weapon against us or Israel or give the technology to terrorists. But it would feel emboldened to make even more mischief in the region. And if Iran gets the bomb, that could well fuel an arms race with Sunni Arab countries like Egypt and Saudi Arabia, making an already volatile region even more dangerous.

But I believe we have time: Most published reports conclude Iran is unlikely to develop a weapon for at least another 5 years. The critical question is: How do we use that time to persuade Iran to forgo nuclear weapons?

For now, the administration seems to have settled on a diplomatic course. That's the right course—but it seems to be pursuing it with one hand tied behind its back, and without providing the answers to critical questions that we need to shape a smart policy.

For example, our allies in Europe are working on a package of incentives that are meant to be a final offer to Iran. What is our role in developing these incentives? How seriously can Iran take any offer from Europe—say on matters related to security guarantees—if the United States is not part of the deal?

Why are we in a posture of—in effect—negotiating with the negotiators? Wouldn't it save some trouble and confusion to be in the room along with our allies as well as Russia and China?

The press reports that if the Iranians spurn the European offer, the United States and its allies will move to sanction Iran either through the United Nations Security Council or, failing that, through a coalition of like-minded nations.

What costs will these sanctions entail for Iran, for us, and for key countries we need on our side? How vulnerable is Iran to a ban on imports of gasoline or exports of crude? What would be the impact on oil markets and at the local gas pump if Iranian crude were removed from the market? Why isn't the administration doing more to prepare the public for the sacrifice sanctions would entail as the Iranian leadership is preparing their public?

More broadly, what are the chances that Europe, Russia, and China will agree to sanctions if they believe the United States has not explored every diplomatic avenue, including direct talks with Tehran?

Is the administration committed to regime change in Iran? Would it be prepared to abandon it as part of a package of security guarantees in a negotiated settlement of the nuclear issue?

Is the administration's funding of democracy activities inside Iran the best way to promote internal reform, or is that literally the "kiss of death" for Iranian democrats? How do we tap into the deep desire for change, particularly among the majority of the Iranian population which was born after the Islamic Revolution?

I wish we had someone here today from the administration to answer these questions. It is time for a full public airing of the choices before us.

Let me state my recommended policy up front.

Last week, the Iranian President sent a letter to President Bush. The letter won't be nominated for the Nobel Prize for Literature—or for Peace. But the content or style of the letter is not the point, nor is the identity of the sender. I have not been alone in suggesting that we should respond—not to the letter we received, but with our own ideas on how to move forward.

I would go a step further. We shouldn't respond to President Ahmedinejad. President Bush should write to the man who has the final say in Iran—Ayatollah Khomeini.

I would make the letter public and I would include a call for direct talks with Iran—anywhere, anytime, with everything on the table.

We should be willing to talk about all the issues that divide us: The nuclear program, terrorism, Iraq, Afghanistan, Israeli-Palestinian peace, sanctions, and security.

We should lay out for Iran's leader—and especially for its people "what the future could look like if Iran renounces its nuclear ambitions and support for terrorism—and what the future could look like if it does not.

Would Iran respond favorably? I don't know, but in recent months, Iran has indicated a readiness to engage.

Indeed, an Iranian outline for a grand bargain was communicated to the Bush administration 3 years ago. While the government in Tehran has changed since then, Iran's fundamental positions likely have not. If anything the regime is now more comfortable with the reformists purged from the Majlis and the Presidency.

Four years ago, when I was chairman of this committee, I called publicly for a dialog between Members of Congress and the Iranian Majlis. Senator Hagel joined me in that effort. That call—from two Senators—sparked an intense debate in Iran that lasted several weeks. The reformist press embraced it. The hard-liners condemned it. The government couldn't figure out how to respond.

If two Senators can spark that kind of debate, imagine what the President could do.

I believe that an offer of direct dialog would place enormous pressure on the Iranian leadership—from their own people and from the international community. Iranian leaders would face a stark choice—reject the overture and risk complete isolation and an angry public, or accept it and start down a path that would require Iran to alter its nuclear ambitions.

Talking to Tehran would not reward bad behavior or legitimize the regime. Talking is something we have done with virtually every other country on earth, including the former Soviet Union—which posed an existential threat to us—and unsavory regimes like the ones in North Korea and Libya.

Demonstrating that we made a serious attempt at diplomacy is also the best way to keep others on board for tougher actions if Iran fails to respond.

It would be a wise course of action for any administration. But for this administration, with its blemished record in Iraq, it is not simply a wise choice—it is a requirement. The threshold of trust is much higher. If the administration wants to convince our allies and others to place serious pressure on Iran, it must walk the extra diplomatic mile.

I hope that we can proceed with the wisdom that this moment requires. How the Iran crisis is handled will help determine international security for a generation, if not longer.

I look forward to the testimony.

The CHAIRMAN. Thank you very much, Senator Biden.

We now turn to our witnesses. I'll ask you to testify in the order that I introduced you. That will be, first of all, Mr. Einhorn and Dr. Albright. Your full statements will be made a part of the record, and you may summarize or proceed as you wish. We're looking forward to your testimony, and then to our opportunity to ask questions of you. We have been advised that our colloquy may be punctuated by a rollcall vote or two, as the case may be, and at that point, the Chair will recess the committee so that all the Senators may vote and return and all of us will hear the same questions and answers and testimony.

Now, we're delighted to have you, and would you please proceed, Mr. Einhorn.

**STATEMENT OF HON. ROBERT J. EINHORN, SENIOR ADVISER,
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES,
WASHINGTON, DC**

Mr. EINHORN. Mr. Chairman, Senator Biden, I thank you very much for the opportunity to appear here this morning.

In the brief time I have, I would like to make five points. First, I believe that Iran's claim that it's already mastered centrifuge enrichment technology is premature. It's true that the Iranians have assembled a 164-machine centrifuge cascade and produced enrichments of up to 5 percent. And that's significant. But they cut many corners in their R&D efforts. For example, instead of running the cascades with gaseous uranium for 6 months or more, which would have been standard practice for gaining the necessary confidence, they ran it for less than 2 weeks.

Iran's recent R&D efforts have been driven by political rather than technical considerations. Their highest priority has been to be able to announce a publicly impressive level of enrichment so that they can claim that they've already achieved their goal and that it's too late to stop them. They want the international community to conclude that it has little choice but to accommodate to the reality of an Iranian enrichment capability. But they're not there yet, at least not with any degree of confidence. They'll now have to go back and do the thorough developmental and testing work they would normally have done earlier. It will probably take several months to a year before Iran will have mastered the technology and be able to replicate it, and scale it up with confidence.

Second point. While Iran has indeed reached some key milestones recently, its basic timeline for achieving a nuclear weapons capability has not significantly changed. I think David Albright has done the best analysis of this, and I agree with his conclusion that whether Iran enriches uranium in a small, clandestine enrichment

plant, or breaks out of the NPT and uses the first module of its industrial scale facility at Natanz, the earliest it could have enough highly enriched uranium for a bomb would be about 3 years from now, or 2009.

I would emphasize, as David does, that this is a worst-case assessment. Unless Iran is both very lucky and very good, it will probably take significantly longer. For comparison, Director of National Intelligence, John Negroponte, told the Senate Intelligence Committee in February that Iran will likely have the capability to produce a nuclear weapon within the next decade. And according to a news report, a National Intelligence estimate last year judged that Iran could have a nuclear weapon in 5 to 10 years. I think that was the report you were referring to, Senator Biden.

Senator BIDEN. It was, Bob.

Mr. EINHORN. Of course, large margins of uncertainty surround such estimates. The biggest wildcard is whether, and to what extent, Iran has a clandestine nuclear program parallel to its overt program. If it has successfully hidden both a uranium conversion plant and an enrichment facility, then clearly all bets are off. Although I believe Iran is pursuing some activities covertly, I doubt that they include both conversion and enrichment.

Third point. The presence of the International Atomic Energy Agency on the ground in Iran is crucial in helping us track—helping us keep track of Iran's progress toward a fissile material production capability. But without stronger verification authorities, the IAEA will not be able to determine whether Iran is pursuing a covert nuclear weapons program. The IAEA can measure accurately how much uranium feedstock is produced at Isfahan and how much low-enriched uranium is produced at Natanz. It can also tell us that no bomb-grade highly enriched uranium is being produced at Natanz. But while the IAEA is good at monitoring declared nuclear facilities, its ability to detect undeclared facilities and activities is limited, especially after Iran's decision no longer to act as if bound by the IAEA's Additional Protocol. The IAEA admitted as much in its April 28 report which said that given Iran's failure to cooperate and be transparent, it is "unable to make progress in its efforts to provide assurances about the absence of undeclared nuclear material and activities in Iran."

The U.N. Security Council should act soon to give the IAEA stronger verification authorities, including monitoring and inspection rights that go well beyond those contained in the Additional Protocol.

Fourth point. Unless there is a major change in Iran's current perception of the benefits and risks of pursuing its own enrichment program, Iranian leaders will stay on course. The United States and the other major powers should act boldly and quickly to alter Iran's calculus. With military strikes unlikely, and Russia and China resolutely opposing sanctions, Tehran now sees little cost in proceeding with enrichment. And with the United States seemingly intent on regime change whatever happens on the nuclear issue, it sees little benefit in negotiating away its enrichment program with the Europeans.

If the international community is to have any chance of persuading Iran to give up its enrichment capability, and that's an in-

creasingly big if, it must confront Iran with stronger sticks and more attractive carrots. Russia and China must join the United States and Europeans in posing a credible threat of increasingly severe penalties. At the same time, the major powers must offer significant incentives going beyond what the Europeans proposed last July.

A critical incentive for Iran would be the prospect of a less threatening, more normal relationship with the United States, and, specifically, a recognition in Washington that regime change in Tehran should be the prerogative of the Iranian people, and not the policy of the United States.

Fifth and final point. Within a multilateral framework that also includes Germany and the other P5 countries, the United States should be prepared to have bilateral, face-to-face contacts with Iran. The agenda for United States-Iranian contact should not be confined to the nuclear issue. It should cover the full range of issues that divide the two countries, including United States concerns about Iran's support for Middle East terrorist groups, its alleged harboring of al-Qaeda operatives, its role in Iraq, its policies toward Israel, and its treatment of its own people. And, of course, the Iranians undoubtedly will have their own list of issues.

The purpose of the talks would be to explore whether U.S. concerns can be met and whether the interests of the two countries can be reconciled. Only by addressing the broad range of issues can prospects for normalization be assessed. And only the prospect of normalized, bilateral relations can provide the context in which Iran is likely to consider suspending its enrichment program and giving up its aspiration for nuclear weapons.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Einhorn follows:]

PREPARED STATEMENT OF HON. ROBERT J. EINHORN, SENIOR ADVISER, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

THE IRAN NUCLEAR ISSUE

Mr. Chairman, thank you for giving me the opportunity to appear before the committee this morning.

Developments over the last 10 months—including Iran's abrogation in July of its agreement with the EU3 (Britain, France, and Germany), its resumption in August of uranium conversion at Isfahan, the end of its voluntary implementation of the IAEA Additional Protocol, the weak U.N. Security Council presidential statement issued at the end of March, Iran's production of enriched uranium at Natanz, and the inability so far of the five Security Council Permanent Members to agree on a chapter 7 resolution—have created a widespread impression that Iran's quest for a fissile material production capability is progressing more rapidly than expected and is essentially unstoppable.

Fostering that impression—and the belief that the international community has little choice but to accommodate to the reality of an Iranian enrichment program—is very much part of Iran's game plan. But despite the significant progress Iran has made, Iran's claims that it has mastered centrifuge enrichment are premature; it still has far to go before it can produce either highly enriched uranium (HEU) or nuclear weapons; and its willingness to negotiate an end to its enrichment and re-processing programs has yet to be put to a serious test.

Evaluating recent Iranian progress

As documented by the International Atomic Energy Agency (IAEA) in its report of April 28, 2006, Iran has indeed passed some important milestones in recent months. Since September 2005, it has produced over 110 tonnes of uranium hexafluoride (UF₆) at the Isfahan uranium conversion facility, enough gaseous uranium feedstock for over 20 nuclear weapons. After ending its suspension of enrich-

ment activities in January, it fed UF₆ into a single P1 centrifuge machine, then into 10-machine and 20-machine cascades, and then moved quickly to a 164-machine cascade (a key building block in a centrifuge enrichment facility) where it successfully enriched uranium to around 3.6 percent. Meanwhile, Iran has been assembling two additional 164-machine cascades at its Pilot Fuel Enrichment Plant (PFEP), one which is about to begin enrichment operations and the other which should be ready by June. In addition, the Iranians announced that they would begin installing the first 3,000-machine module of their industrial-scale enrichment facility in the fourth quarter of 2006.

On the basis of these developments, Iran's leaders are claiming that they have now mastered centrifuge enrichment technology and that it is too late to stop them. They go so far as to say that, even if existing nuclear facilities were destroyed, they have reached a stage where they could regenerate their program quickly and confidently, with little loss of time. But such claims are premature.

The Iranians have cut corners in their research and development effort in order to register the accomplishments listed in the IAEA's report. Standard practice would have required them to run the 164-machine cascade with UF₆ on an uninterrupted basis for up to 6 months or more before gaining confidence in its operation. Instead of proceeding in parallel to assemble and operate additional cascades, the efficient operation of the initial cascade would first have been demonstrated. To verify the ability to manufacture centrifuges indigenously, the experimental cascade would have relied on machines made in Iran rather than imported, and it would have been heavily instrumented to measure performance. And before introducing UF₆ into the cascades, any impurities in the uranium gas that could damage the centrifuges would have been addressed and eliminated.

But the Iranians deviated from standard practice. Apparently intent mainly on demonstrating publicly the ability to reach a significant enrichment level, they ran the cascade with UF₆ for less than 2 weeks. A significant portion of the experimental cascade may have consisted of centrifuges imported from the A.Q. Khan network rather than produced indigenously. Moreover, little of the equipment normally used to measure performance seems to have been used during the short experimental run. And instead of taking the time to fix the problems in the Isfahan conversion process that have produced impurities in the UF₆, the Iranians seem to have chosen to use the impure UF₆ and accept the risk of having to replace any centrifuges damaged as a result.

Iran's research and development efforts to date seem to have been driven by political rather than technical considerations. By giving highest priority to achieving and announcing the ability to produce uranium enriched to 3.6 percent, the Iranians wanted to present the world with a *fait accompli*—to demonstrate that they already have an enrichment capability and that continued efforts to stop them would be futile. Moreover, fearing (despite their determined show of self-confidence) that they may eventually be forced to accept another freeze on their program, they wanted to establish the highest possible baseline for such a freeze—thus, accelerating the operation of the second and third cascades at the PFEP and starting installation of the 3,000-machine module this year at the industrial-scale facility. And not least, Iran's leaders saw the early announcement of the enrichment breakthrough as a way of boosting national pride and building domestic support for the regime, especially in anticipation of international pressures and possible hardships to follow.

Having taken a series of shortcuts largely for political reasons, Iran presumably will now have to do the thorough developmental and testing activities it would normally have done earlier. That will take considerable time, and is probably one reason why the Iranians are saying they would be prepared to negotiate a deferral of industrial-scale enrichment if the Europeans and others will agree to accept continued R&D activities on a pilot scale.

So recent reports regarding progress in Iran's nuclear program, especially boastful accounts coming from Tehran, have created the somewhat misleading picture that Iran's efforts have accelerated to an alarming degree. While Iran has indeed reached some key milestones of late, the basic timelines for Iran achieving a nuclear weapons capability—in particular, the capability to produce enough HEU for a single nuclear weapon—have not significantly changed.

Timeline for producing HEU

One of the best recent analyses in the open literature of Iran's timeline for producing HEU was done by David Albright.¹ Since he's a witness at today's hearing and available to explain his analysis, I'll just cite his conclusion—that whether Iran

¹David Albright and Corey Hinderstein, "The Clock is Ticking, But How Fast?" The Institute for Science and International Security (ISIS), March 27, 2006.

builds a clandestine enrichment plant with 1,500 P1 centrifuges or breaks out of the NPT and uses its first module of 3,000 P1 centrifuges at its industrial-scale facility, the earliest it could produce enough HEU for a single nuclear weapon would probably be 3 years from now, or 2009. Albright emphasizes that this is a worst-case assessment and that Iran is likely to take longer if, for example, it needs additional time to manufacture and install the necessary number of centrifuges and overcome the normal technical difficulties that arise in seeking to operate a number of cascades in a single production unit.

Director of National Intelligence, John Negroponte, seems to believe Iran will probably take longer than 3 years. In testimony before the Senate Intelligence Committee in February 2006, he said that if Iran continues its present efforts, it "will likely have the capability to produce a nuclear weapon within the next decade." A National Intelligence Estimate on Iran produced last year reportedly judged that Iran could have a nuclear weapon in from 5 to 10 years.

Large margins of uncertainty inevitably surround judgments of when Iran will or could have nuclear weapons or the fissile materials to build them. Some of the biggest unknowns relate to Iran's intentions—whether it is determined to produce HEU and acquire nuclear weapons as soon as possible; whether—and for how long—it is willing to stop at an LEU production capability while deferring decisions on HEU production and weaponization; or whether it is prepared to forgo, temporarily or indefinitely, the capability to produce even LEU in order to avoid penalties or gain rewards.

Other uncertainties about the pace of Iran's nuclear program relate more to capabilities. If Iran cannot readily overcome the technical problems that typically accompany startup enrichment operations, the timeframe will lengthen. If, however, Iran can soon learn to master the much more efficient P2 centrifuge design and build P2 enrichment units, the timeframe will shorten. Iran's ability to procure materials, equipment, and technology from abroad will also affect the pace of its nuclear program, although imports will be much more important in the case of Iran's industrial-scale enrichment facility, which still requires large quantities of specialized materials and equipment, than in the case of a pilot-scale facility. Indeed, even if it were possible to cut off its access to foreign supplies, Iran probably already possesses within its territory all the materials and equipment it needs to set up a 1,500- or 3,000-machine centrifuge facility and produce enough HEU for a small nuclear weapons stockpile.

A key variable affecting the pace of Iran's nuclear program is whether—and the extent to which—Iran has a clandestine nuclear program parallel to its overt program. Obviously, a successfully hidden conversion plant and enrichment facility would invalidate current estimates and eventually confront the United States and its allies with a sudden, major security threat. But even undetected activities of less importance (e.g., manufacture of centrifuge components or assembly of centrifuges) could have a substantial impact on timeframes for producing HEU or nuclear weapons.

Monitoring Iran's program—the role of the IAEA

The IAEA plays a critical role in narrowing our uncertainties about Iran's nuclear program. But IAEA monitoring of Iran's program has serious limitations, especially given Tehran's decision in February to cease implementation of the Additional Protocol and its overall failure to meet the IAEA's requirements for transparency and cooperation.

The Agency's presence in Iran, even with the less intrusive verification rights contained in the IAEA-Iran Comprehensive Safeguards Agreement (as compared to the Additional Protocol), provides a strong basis for monitoring declared nuclear facilities and activities in Iran. Agency inspectors can measure accurately how much UF_6 is produced at Isfahan and verify that it is not being diverted to a covert enrichment plant. They know how much enriched uranium is being produced at Natanz and can be confident that no HEU is being produced there and that no Natanz-produced LEU is being sent to a covert enrichment facility to be further enriched to weapons grade. Frequent IAEA visits also enable us to keep track of progress in assembling and operating cascades at the PFEP, in constructing and operating the heavy water production plant and heavy-water research reactor at Arak, and in building the industrial-scale enrichment plant at Natanz. This information is crucial in understanding the nature and pace of Iran's acquisition of a fissile material production capability.

While the IAEA can effectively monitor declared nuclear facilities and activities as long as the Agency has access to them, monitoring confidence drops off rapidly at undeclared locations or if inspectors are no longer given access to declared sites. In the latter case, such as in the event of NPT withdrawal and termination of IAEA

verification, Iran could proceed without international scrutiny to use previously monitored facilities to produce fissile material, either by starting from natural uranium or boosting previously safeguarded LEU to HEU.

Even if Iran remains in the NPT, monitoring undeclared locations is a formidable challenge, especially given Iran's 20-year track record of what the IAEA calls its "many failures and breaches of its obligations to comply" with its NPT safeguards agreement and given its February decision no longer to act as if bound by the Additional Protocol. In its April 28 report, the IAEA cites numerous "gaps in the Agency's knowledge" that have sustained or even heightened "concern" that Iran may be pursuing nuclear weapons. Among the IAEA's concerns are that Iran is not being honest about the extent of its work on P2 centrifuges, that Iran took fuller advantage of a 1987 offer by A.Q. Khan's network than it is admitting, that procurement of dual-use equipment (e.g., mass spectrometers) was related to a weapons program, that Iran's military is heavily involved in the nuclear program, that experiments with plutonium, polonium, and uranium metal point to a weapons program, and that Iran may be engaged in nuclear-related high explosives testing and missile re-entry vehicle design.

These concerns, and the IAEA's judgment that Iran is not providing the Agency "full transparency and active cooperation," have brought the IAEA to the sobering admission that it "is unable to make progress in its efforts to provide assurances about the absence of undeclared nuclear material and activities in Iran." The April 28 report goes on to say that "additional transparency measures, including access to documentation, dual use equipment, and relevant individuals"—all of which have been specifically requested by the IAEA Board of Governors but denied by Iran—will be required if the Agency is to be able to do its job.

Iran's decision to stop implementing the Additional Protocol (AP) has hampered the IAEA's work. But implementation of the AP is not enough. The AP has its own limitations. Unlike what many observers believe, it does not provide for "anywhere, anytime" inspections. It does not, for example, authorize investigation of suspected weaponization activities or allow access to military facilities where no nuclear materials are believed to be present. That is why the IAEA Board has several times requested, unsuccessfully, that Iran accept verification procedures going beyond what is required by the AP.

The IAEA must be given stronger tools to perform its verification mission in Iran, and that will require action by the United Nations Security Council. The IAEA Director General should be asked to determine what additional verification authorities the Agency would need to carry out its mandate in Iran. If required, those authorities should go well beyond what is contained in the existing Comprehensive Safeguards Agreement or even the Additional Protocol. The Security Council should then take a decision to grant the IAEA those additional authorities.

Enhanced verification tools would not be a panacea. Even if Iran complied with a Security Council directive to cooperate with them, more intrusive methods would not necessarily be capable of uncovering all undeclared nuclear activities. For example, a relatively small clandestine centrifuge enrichment plant (e.g., 1,500 centrifuges) might still be difficult to detect. But stronger verification tools would give the international community significantly more confidence than it currently has in the ability to detect and deter violations.

Persuading Iran to forgo its enrichment program

The absence so far of a clear-cut IAEA determination that Iran is seeking nuclear weapons has made it very difficult to build strong international support for a strategy capable of persuading Iran to give up its enrichment capability. Indeed, under present circumstances, the prospects for heading off an Iranian fissile material production capability by means short of the use of military force do not look very good.

Iran's leaders have done an effective job convincing the Iranian public that an indigenous enrichment capability is an Iranian right that is essential to national dignity, technological advancement, and energy independence and must never be given up. While influential Iranians occasionally express concern about the potential consequences of pursuing an enrichment program in defiance of the international community, the regime can be expected to remain on course barring a major shift in the currently perceived balance of benefits and risks.

The risks, at this stage at least, appear manageable. Tehran probably believes the likelihood of military strikes has increased in recent months but remains remote given Washington's preoccupation with Iraq and its appreciation of Iran's many options to retaliate. The Russians and Chinese have so far remained stalwart in their opposition to sanctions and a chapter 7 resolution. Even if resistance in Moscow and Beijing eroded, the Iranians may calculate that any sanctions adopted would be weak and easily weathered and that tougher measures (such as those affecting oil

and gas markets) would be avoided on the assumption—actively promoted by Tehran—that they would hurt the West more than Iran.

Not only do the risks of continuing enrichment seem limited, but the benefits of giving up the enrichment program also currently appear small (especially when compared to the perceived security, geopolitical, and prestige benefits of acquiring a nuclear weapons option). The economic, technological, and political incentives offered by the Europeans last July apparently didn't impress the Iranians, who probably recognize that, without U.S. support, those benefits may not fully materialize. More fundamentally, Iran's leaders may see little sense in giving up their trump card in a deal with the Europeans if they believe they'd still face a U.S. Government intent on pursuing a policy of regime change.

If the international community is to have any chance of persuading Iran to give up its enrichment capability (and its nuclear weapons option), it must radically alter Tehran's current calculus of benefit and risk.

Part of the equation is stronger sticks. Iran must face the credible threat of increasingly severe penalties—ranging from travel bans, asset freezes, and political gestures to investment and trade restrictions to even the use of military force. Russia and China, in particular, must be persuaded that such threats are necessary and not counterproductive. But they will be prepared to join in threatening such penalties only if Iran is also offered incentives that they believe could get Iran to accept the deal and, therefore, avoid the need to implement the penalties.

And so the other part of the equation is more attractive carrots. Possible incentives for Iran have been widely discussed, including the kinds of commercial and technological cooperation offered by the Europeans last July, membership in the World Trade Organization, lifting of existing U.S. economic sanctions, military confidence-building arrangements in the gulf region, and so forth. But the carrot likely to be most influential in Tehran would be the prospect of a less threatening and more normal relationship with the United States—and specifically a recognition in Washington that regime change in Tehran should be the prerogative of the Iranian people and not the policy of the United States.

Direct engagement between the United States and Iran

The most effective way to offer the incentive of a more normal, less threatening relationship with the United States—and indeed the only way it would be credible—is through direct, face-to-face discussions involving American and Iranian representatives. Bilateral United States-Iranian contacts could take place within the framework of a multilateral process that also included Britain, France, Germany, Russia, and China—analogueous to the six-party talks that have provided an acceptable context for bilateral meetings between the United States and North Korea during the last year or so.

The agenda for United States-Iranian discussions should not be confined to the nuclear issue. It should instead cover the full range of issues that divide the two countries, including U.S. concerns about Iran's support for Middle East terrorist groups, its role in Iraq, its alleged harboring of al-Qaeda operatives, its policies toward Israel, and its treatment of its own people. Iran undoubtedly will have its own list of issues and demands. The purpose of the talks would be to explore whether U.S. concerns can be met and whether the interests of the two countries can be reconciled. Only by addressing the broad range of issues can prospects for normalization be assessed. And only the prospect of normalized bilateral relations can provide the context in which Iran is likely to consider suspending its enrichment program and giving up its aspiration for nuclear weapons.

At various times during the past decade, the United States and Iran have both been interested in bilateral engagement, but never at the same time. In recent weeks and months, the Iranians have been sending signals—however mixed and confusing—that they might be ready. But it is the U.S. administration that is now resisting.

Asked recently whether the Bush administration is willing to engage directly with Iran, Secretary Rice replied: "What is to be gained if Iran is not prepared to show that it is ready to accede to the demands of the international community?" But do we really expect Iran to meet our demands even before sitting down to talk with us—before knowing what it might receive in return? Do we realistically think our current bargaining position is so strong?

There seems to be a strong conviction within the administration that talking to the current regime in Tehran will give it legitimacy and sustain it in power, whereas pressuring and isolating it will divide the leaders from the people and perhaps even result in regime change and more acceptable policies on the nuclear issue and other issues. But most experts on Iran tend to believe just the opposite—that external pressures will unite the Iranian public behind the regime and its nuclear poli-

cies, while engagement will magnify the fissures that have begun to appear within the Iranian leadership and perhaps produce significant changes in policy, including on the nuclear issue.

In London this Friday, the P5 countries plus Germany are scheduled to meet to consider a European-drafted package proposal for Iran. It is an opportunity to make the major changes in Iran's calculation of benefits and risks that will be necessary to induce Tehran to give up its enrichment capability. To have that effect, the Russians and Chinese should agree that the package will require stiff penalties if Iran does not accept a reasonable offer. The Europeans should provide incentives more attractive than those contained in their July proposal. And the United States should be prepared to engage in direct talks with the Iranians within a multilateral framework.

Such a package would be the first real test of whether Iran is willing to give up its quest for a nuclear weapons capability. If the Iranians are determined to proceed with their nuclear plans come what may, they will fail the test. But that will at least put the United States and the Europeans in a stronger position to rally the international community behind a longer term strategy to demonstrate to Iran that it has much to lose and little to gain by staying on its present course.

Despite recent progress in Iran's enrichment program, Iran is still years away from being able to produce a nuclear weapon. But it will not be long—perhaps several months to a year—before Iran is confident in its ability to enrich uranium efficiently in overt or clandestine production units large enough to produce bomb quantities of HEU in less than a year. It is, therefore, important that the United States and the other key states move quickly to construct and present a package that gives Iran a stark choice—it can be a pariah with nuclear weapons or a well-integrated, respected member of the international community, with normal relations with the United States, without them.

The CHAIRMAN. Thank you very much, Mr. Einhorn. We will at this point recess the committee. We're in the midst of a rollcall vote. Senator Biden and I will vote and return. I look forward to Mr. Albright's testimony. For the moment, we are recessed.

[Recess.]

The CHAIRMAN. The committee is called to order again. And we're privileged now to hear from Mr. David Albright.

**STATEMENT OF DAVID ALBRIGHT, PRESIDENT AND FOUNDER,
INSTITUTE FOR SCIENCE AND INTERNATIONAL SECURITY
(ISIS), WASHINGTON, DC**

Mr. ALBRIGHT. Thank you, Mr. Chairman and Senator Biden for inviting me to testify at this hearing.

Now that Iran has resumed enrichment activities in Natanz, one of the key questions facing us is how soon could Iran have nuclear weapons. A critical factor in developing reliable, credible information needed to answer that question has been intensive or intrusive IAEA inspections and monitoring of Iran's enrichment related activities. Such inspections are now sharply reduced in scope and intensity. Iran has halted its adherence to the Additional Protocol, and it has ended the monitored suspension of its enrichment activities.

IAEA inspections, as Bob has pointed out, can now provide only a partial picture of Iran's progress in operating gas centrifuge cascades, which are a collection of centrifuges connected by pipes. And Iran's mastery of these centrifuge cascades remains its last significant technical hurdle before it can actually build gas centrifuge plants.

With the clock now ticking, our ability to learn critical information about Iran's gas centrifuge activities has greatly diminished, making revisions of estimates—and I'd emphasize revisions of estimates—of the time to the bomb more uncertain. Such a condition

carries special risks as diplomacy picks up over the next several months. The risk of Iran can be understated, leading to a false sense of security. On the other hand, the risk of hyping up or exaggerating Iran's progress toward the bomb can propel us toward unnecessary confrontation and military action against Iran.

As a result, Congress needs to conduct thorough oversight and review of intelligence community assessments, and become familiar with these assessments themselves. Therefore, I applaud this committee's actions on this subject to try to get a handle and an expertise over what Iran is up to. And it reminds me of this committee's actions in 2002, when they tried to get a handle on the aluminum tubes issue, to bring in dissenters from the intelligence community, and to try to get to the bottom of that story. I think we've learned a lot from that time, and I think that that kind of expertise in this committee is extremely valuable.

I think Bob has outlined the current situation with regard to Iran's nuclear program, and I'll just skip over that quickly. As you know, Iran has enriched uranium in its 164-machine cascade. It has operated the cascade for a relatively short period of time, and it's going to need to operate it much longer. It's now building a second and third cascade. The pilot plant can hold up to six of these cascades, and they can work individually or together. And the working of these machines in these cascades in parallel is going to be a critical goal for Iran to achieve. The gas centrifuges, based on Iranian statements, don't seem to be working as well as they could, and I would wholly endorse what Bob said, that Iran has a lot to learn. The demonstration phase for these cascades is likely to last for many more months.

With regard to the fuel enrichment plant, the underground site at Natanz, from talking to officials in Vienna, not much has been happening. Iran earlier this year moved fairly quickly to bring some equipment in there, but it does not appear that Iran is aggressively moving to outfit the fuel enrichment plant. And some of the things it has to do, from what I understand from officials in Vienna, is lay electrical cable, and finish installing auxiliary equipment that would go along with the centrifuges. As you all know, Iran has announced that it plans to start installing the centrifuges in the underground halls during the fourth quarter of this year.

To understand the timeline to the bomb, I've developed several worst-case scenarios, two of which I put in my written statement, and Bob summarized them better than I could. The first is a clandestine plant that Iran would build. The other is a breakout using the fuel enrichment plant and the first module of 3,000 centrifuges. And in my estimate, I felt that they could not do that any sooner, or let's say, do all that and then produce enough material for a bomb before 2009. And the information I've seen since I originally did these estimates has not shifted my timeline. And as Bob said, these are worst-case assessments and should in no way be viewed as projections of when Iran could have the bomb, but more in answer to the question of how much time do we have or what's the least amount of time that we have.

In 3 years, I think there is enough time for diplomatic action, but I would emphasize that it's not too much time, and I would say that complacency should not set in. It's also very important that we

get more information through the inspection process. I know everyone is waiting for the inspectors to report, and many people in many countries are contacting them to learn about what the recent inspection missions have detected, because I think, in this case, as it was true in Iraq, the best information will come from the inspectors. Our own intelligence means will continue to provide only limited information about what's actually going on.

One of the issues—or one of the aspects of the Iranian program that has emerged during the inspection process is how dependent Iran has been on outside assistance. I would say that it continues to be dependent on outside assistance. It's not for big-ticket items, necessarily, major, dual-use equipment, but it still is out there shopping for enrichment-related items. And it's very important that countries maintain their guard. I think the Western suppliers do a very good job at trying to stop Iran from getting items from European companies and United States companies, and that work needs to continue. But I think Iran is now targeting more countries. We hear reports that Iran is targeting or planning to target India as a source of certain types of equipment that it just cannot make itself and it needs to build its centrifuge plants.

I would emphasize that one of the uncertainties is, does Iran have everything it needs to build this 3,000-centrifuge module model, and there is still debate about that. The IAEA doesn't know, from what I understand. They don't know everything Iran has in hand and what it still needs. Certainly, if Iran wants to go beyond this module, it's going to need more items from overseas. And so I think it's very important that the United States work with a broader set of nations to try to stop Iran's illicit procurement.

And the final point I'd like to make is that it's very important for the United States to stick to its goal. I personally believe, and have for many years, that the goal in Iran has to be no enrichment or enrichment-related activities and no reprocessing. I think that Iran's nuclear power program can proceed, and I would actively support Iran acquiring power reactors.

But I do think that a little bit of enrichment is a bad thing, and that what we should maintain as our goal is no enrichment activities. I think we need that to satisfy broader security goals, and we also need it for effective verification. Gas centrifuge plants are very hard to detect. I've worked on many studies, some with the IAEA, trying to detect clandestine enrichment plants, particularly gas centrifuge plants. We've had years of experience studying secret gas centrifuge plants in many countries, and they remain one of the most challenging aspects of verification. I think that it's much easier to assure or provide assurance of no enrichment activity if there's no enrichment plant in operation in the country.

I think it's appealing now to try to reduce our goal or compromise our goal, but I think we have to maintain a very strict position. And in that sense, I do applaud the Bush administration for being willing to maintain that central goal.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Albright follows:]

PREPARED STATEMENT OF DAVID ALBRIGHT, PRESIDENT AND FOUNDER, INSTITUTE
FOR SCIENCE AND INTERNATIONAL SECURITY (ISIS), WASHINGTON, DC

Iran is now on the verge of mastering a critical step in building and operating a gas centrifuge plant that would be able to produce significant quantities of enriched uranium for either peaceful or military purposes. However, Iran can be expected to face serious technical hurdles before it can produce significant quantities of enriched uranium.

In testimony before the Senate Intelligence Committee on February 2, 2006, John Negroponte, Director of National Intelligence, stated that Iran is judged as probably having neither a nuclear weapon nor the necessary fissile material for a weapon. He added that if Iran continues on its current path, it "will likely have the capability to produce a nuclear weapon within the next decade." The basis for this estimate remains classified, although press reports state that Iran's lack of knowledge and experience in building and running large numbers of centrifuges is an important consideration. Many interpret Negroponte's remark to mean that Iran will need 5–10 years before it possesses nuclear weapons.

Estimates of the amount of time Iran needs to get its first nuclear weapon are subject to a great deal of uncertainty. Many questions about Iran's technical nuclear capabilities and its plans to build nuclear weapons remain unanswered. In addition, the International Atomic Energy Agency (IAEA) is unable to verify that Iran has fully declared its nuclear activities. It still cannot state conclusively that Iran does not conduct secret uranium enrichment activities. Nonetheless, because of over 3 years of inspections, the IAEA has developed considerable knowledge about Iran's nuclear program and identified the main uncertainties in its knowledge about that program. The remaining uncertainties appear to exclude the existence of undeclared nuclear facilities large enough to significantly shift projections of the amount of time Iran would need to produce nuclear weapons. However, these uncertainties also suggest that Iran intends to develop a nuclear weapons capability, enabling it to build deliverable nuclear weapons once the regime's leaders make to a decision to do so.

To understand the assumptions, key information, calculations, and uncertainties driving estimates of the timelines, I present two "worst-case" estimates of the time Iran would need to build its first nuclear weapon. In both of these estimates, which involve the production of highly enriched uranium (HEU) and cover the more likely scenarios, Iran appears to need at least 3 years, or until 2009, before it could have enough HEU to make a nuclear weapon. Given the technical difficulty of the task, it could take Iran longer.

Before discussing these estimates, I will provide background information on Iran's nuclear program and discuss recent developments in Iran's gas centrifuge program. In particular, I will discuss several of Iran's recent progress and problems in its centrifuge program that affect these estimates.

Iran's nuclear program

Iran has invested heavily in nuclear industries in the last 20 years. It has sought a wide range of items overseas, including nuclear reactors, uranium conversion facilities, heavy water production plants, fuel fabrication plants, and uranium enrichment facilities. Many of its overseas purchases were thwarted, such as multiple efforts to buy research reactors and an attempt to purchase a turn-key gas centrifuge plant from Russia in 1995. However, in general, Iran found suppliers to provide the wherewithal to build nuclear facilities. A.Q. Khan and business associates in Europe and the Middle East provided Iran the ability to build and operate gas centrifuges. Without their assistance, Iran would have likely been unable to develop a gas centrifuge program.

Iran's current nuclear infrastructure is impressive. Although many key facilities are not finished, Iran is close to operating a large power reactor at Bushehr and has started or is close to operating several relatively large fuel cycle facilities. Following the end of the suspension embodied in its November 2004 agreement with the European Union, Iran resumed operating its uranium enrichment facilities at Natanz. Table 1 summarizes the main nuclear facilities in Iran.

Most of Iran's foreign procurement for its fuel cycle facilities occurred in secret, and several of the associated nuclear materials and facilities were not declared to the IAEA, as Iran was required to do under the Nuclear Non-Proliferation Treaty. Appendix 1 lists Iran's many violations of its safeguards agreement and important incidences of its lack of cooperation with the IAEA.

If Iran finishes its declared nuclear facilities, it would have a capability to produce HEU and plutonium for nuclear weapons. At that point, Iran could decide to change the purpose of its safeguarded nuclear facilities and rapidly dedicate them to nuclear weapons purposes.

Under current and expected developments, Iran's gas centrifuge program provides the quickest route to the indigenous production of nuclear explosive materials. As a result, the gas centrifuge program is the main focus of my testimony.

However, Iran is also progressing on developing an indigenous method to produce plutonium. It continues to build a heavy water reactor at Arak, despite repeated international requests that Iran discontinue this project. Iranian officials have stated that the reactor is scheduled to be completed in 2009, although this schedule may not be met due to problems in building and starting up such a reactor. When fully operational, the reactor is estimated to be able to produce about 9 kilograms of weapon-grade plutonium per year, enough for two nuclear weapons per year. Iran has told the IAEA that it does not intend to build reprocessing facilities to separate plutonium from this reactor. It did state that it was planning to build hot cells to separate "long-lived radioisotopes," but said that it was having problems obtaining the necessary manipulators and lead glass windows. IAEA investigations into Iran's past reprocessing activities continue.

Iran breaks the suspension on enrichment activities

Iran ended the suspension on enrichment and enrichment-related activities in January 2006. Its actions appear aimed at finishing the Pilot Fuel Enrichment Plant (PFEP) at Natanz this year and, soon afterward, starting to install centrifuges in the Fuel Enrichment Plant (FEP), the main underground enrichment facility at Natanz slated to hold eventually about 50,000 centrifuges.

In early January 2006, Iran removed 52 seals applied by the IAEA that verified the suspension of Iran's P1 centrifuge uranium enrichment program. The seals were located at the Natanz, Pars Trash, and Farayand Technique sites, Iran's main centrifuge facilities. On February 11, Iran started to enrich uranium in a small number of centrifuges at Natanz, bringing to a halt Iran's suspension of uranium enrichment that had lasted since October 2003. A few days earlier, Iran moved to end its implementation of the Additional Protocol, an advanced safeguards agreement created in the 1990s to fix traditional safeguards' inability to provide adequate assurance that a country does not have undeclared nuclear facilities or materials.

After removing seals, Iran started to substantially renovate key portions of the PFEP. Iran began construction on the PFEP in secret in 2001, and it installed up to 200 centrifuges in 2002 and 2003. The PFEP is designed to hold up to six 164-machine cascades, groups of centrifuges connected together by pipes, in addition to smaller test cascades, for a total of about 1,000 centrifuges.

At Natanz and Farayand Technique, Iran quickly restarted testing centrifuge rotors and checking centrifuge components to determine if they are manufactured precisely enough to use in a centrifuge. By early March, Iran had restarted enriching uranium at the pilot plant in 10- and 20-centrifuge cascades.

On April 13, 2006, Iran announced that it had produced low enriched uranium in its 164-machine cascade, finished in the fall of 2003 but never operated with uranium hexafluoride prior to the suspension of enrichment that started in October 2003 as a result of an agreement between the European Union and Iran reached in Tehran. Soon afterward, it announced that it had enriched uranium up to a level of almost 5 percent.

Restarting the 164-machine cascade took several months. Iran had to repair damaged centrifuges. According to IAEA reports, many centrifuges crashed or broke when the cascade was shut down at the start of the suspension in 2003. Before introducing uranium hexafluoride, it had to reconnect all the pipes, establish a vacuum inside the cascade, and prepare the cascade for operation with uranium hexafluoride.

The initial performance of the P1 centrifuges in this cascade has been less than expected. Based on statements on state-run television on April 12, 2006, by the Gholam-Reza Aqazadeh, head of the Atomic Energy Organization of Iran, the average annualized output of the centrifuges in this cascade is relatively low.¹ In the

¹The annualized average output of each centrifuge was about 1.4 separative work units per machine per year, based on Aqazadeh's statement of a maximum feed rate of 70 grams per hour and the production of 7 grams per hour of 3.5 percent enriched uranium. The feed and product rate imply a tails assay of 0.4 percent. This relatively low output could mean that the aluminum centrifuge rotors are spinning at a lower speed than possible. For the main plant, he said that 48,000 centrifuges would produce 30 tonnes of low-enriched uranium per year. Assuming a tails assay of 0.4 percent and a product of 3.5 percent enriched uranium, the estimated average output of each machine would be about 2.3 swu/yr. With an assumed tails assay of 0.3 percent, the estimated output rises to 2.7 swu/yr, high for a Pakistani P1 design, but theoretically possible if the centrifuge is further optimized.

same interview, he implied that he expects that the average output of each P1 centrifuge will almost double in the main plant.

In addition, the Iranians have not yet run this cascade continuously to produce enriched uranium. One report stated that the cascade operated with uranium hexafluoride only about half of its first month of operation, although it continued to operate under vacuum the rest of the time. The Iranian centrifuge operators do not yet have sufficient understanding of cascade operation and must conduct a series of longer tests to develop a deeper understanding of the cascade.

The IAEA reported in April that Iran was building the second and third cascades at the PFEP. A senior diplomat in Vienna said, in a recent interview, that the second cascade could start in May and the third one could start in June. This schedule would allow Iran to test multiple cascades running in parallel, a necessary step prior to building a centrifuge plant composed of such cascades. The diplomat speculated that Iran could continue with this pattern, installing the fourth and fifth in July and August, respectively. He stated that the slot for the sixth cascade is currently being occupied by the 10- and 20-machine cascades.

Iran would likely want to run its cascades individually and in parallel for several months to ensure that no significant problems develop and to gain confidence that it can reliably enrich uranium in the cascades. Problems could include excessive vibration of the centrifuges, motor or power failures, pressure and temperature instabilities, or breakdown of the vacuum. Iran may also want to test any emergency systems designed to shut down the cascade without losing many centrifuges in the event of a major failure. Absent major problems, Iran is expected to need roughly 6 months or more to demonstrate successful operation of its cascades and their associated emergency and control systems.

Once Iran overcomes the technical hurdle of operating its demonstration cascades, it can duplicate them and create larger cascades. Iran would then be ready to build a centrifuge plant able to produce significant amounts of enriched uranium either for peaceful purposes or for nuclear weapons. However, Iran may encounter additional problems when it tries to build and operate a centrifuge plant.

As of late April, according to the IAEA, Iran was not moving aggressively to finish the FEP in preparation for installing the first module. Earlier, it moved process tanks and an autoclave, used to heat uranium hexafluoride into a gas prior to insertion into centrifuge cascades, into the FEP at Natanz. Iran told the IAEA that it intends to start the installation of the first 3,000 P1 centrifuges, called the first module, in the underground cascade halls at the FEP in the fourth quarter of 2006. Iran still needs to finish the basic infrastructure, including installing electrical cables. A key question is whether Iran has procured or manufactured all the equipment it needs to finish the first module. In addition, questions remain about the number of centrifuges Iran has in-hand and the quantity it would still need to manufacture indigenously to exacting specifications, a task that many countries have found challenging.

The Uranium Conversion Facility (UCF) at Isfahan has continued to operate since its restart in August 2005, following the breakdown in the suspension mandated by the November 2004 agreement between Iran and the European Union. By late February 2006, Iran had produced about 85 tonnes of uranium hexafluoride, where the quantity refers to uranium mass. This amount had increased to about 110 tonnes in April. With roughly 5 tonnes needed to make enough HEU for a nuclear weapon, this stock represents enough natural uranium hexafluoride for roughly 20 nuclear weapons. Although Iran's uranium hexafluoride reportedly contains impurities that can interfere with the operation of centrifuges and reduce their output, IAEA experts believe that Iran can overcome this problem. Iran is known to be working to improve the purity of the uranium hexafluoride produced at the UCF. Nonetheless, if necessary, Iran could use its existing stock of impure material, if it had no other material. It could take additional steps to purify this uranium hexafluoride, or it could use the material in its own centrifuges and experience reduced output and a higher centrifuge failure rate.

Worst-case estimates

Developing an answer to how soon Iran could produce enough HEU for a nuclear weapon is complicated and fraught with uncertainty. Beyond the technical uncertainties, several other important factors are unknown. Will Iran develop a nuclear weapons capability but produce only low-enriched uranium for nuclear power reactors and not any highly enriched uranium? Will Iran withdraw from the NPT, expel inspectors, and concentrate on building secret nuclear facilities? How does Iran perceive the risks of particular actions, such as producing HEU in the pilot plant? What resources will Iran apply to finishing its uranium enrichment facilities? Will there be military strikes against Iranian nuclear sites?

Before developing a timeline, it is necessary to estimate how much HEU Iran would need to make a nuclear weapon. Many assessments cite 25 kilograms of weapon-grade uranium (HEU containing more than 90 percent uranium 235) as the minimum amount necessary for a crude, implosion-type fission weapon of the type Iran is expected to build. However, the experience of similar proliferant states such as Iraq leads to lower quantities. In 1990, Iraq initially planned to use 15 kilograms of weapon-grade uranium in its implosion design. An unclassified design using almost 20 kilograms was calculated in a study coauthored by Theodore Taylor and Albright in about 1990. Thus, an Iranian nuclear weapon could be expected to need about 15–20 kilograms of weapon-grade uranium. A larger quantity of HEU is needed than the exact amount placed into the weapon because of inevitable losses during processing, but such losses can be kept to less than 20 percent with care and the recovered material recycled into successive weapons. Thus, for the estimates presented here, a crude fission weapon is estimated to require 15–20 kilograms of weapon-grade uranium.

Scenario I—Clandestine centrifuge plant

Iran's most direct path to obtaining HEU for nuclear weapons is building a relatively small gas centrifuge plant that can make weapon-grade uranium directly from natural uranium.² If Iran built such a plant openly, it would be an acknowledgement that it seeks nuclear weapons. As a result, Iran is likely to pursue such a path in utmost secrecy, without declaring to the IAEA the facility and any associated uranium hexafluoride production facilities.

Without the Additional Protocol in effect, however, the IAEA faces a difficult challenge discovering such a clandestine facility, even as Iran installs centrifuges at Natanz to produce low-enriched uranium. The IAEA has already reported that it can no longer monitor effectively centrifuge components, unless they are at Natanz and within areas subject to IAEA containment and surveillance. When Iran halted its adherence to the Additional Protocol, the IAEA lost access to centrifuge production and storage facilities. Alternatively, Iran may feel less assured about successfully deceiving the inspectors and proceed with such a plant only after withdrawing from the NPT and asking inspectors to leave. In either case, United States, Israeli, and European intelligence agencies would be unlikely to locate precisely this facility.

The key to predicting a timeline is understanding the pace and scope of Iran's gas centrifuge program, for example the schedule for establishing a centrifuge plant large enough to make enough HEU for one nuclear weapon per year. Such a clandestine facility would require about 1,500–1,800 P1 centrifuges with an average capacity of about 2.5–3 swus per year. These values for separative work are at the high end of the possible output of Iran's P1 centrifuge; actual values may be less.

A capacity of 4,500 swus per year is sufficient to produce about 28 kilograms of weapon-grade uranium per year, assuming continuous operation and a tails assay of 0.5 percent, where tails assay is the fraction of uranium 235 in the waste stream. This is a relatively high tails assay, but such a tails assay is common in initial nuclear weapons programs. As a program matures and grows, it typically reduces the tails assay to about 0.4 percent and perhaps later to 0.3 percent to conserve uranium supplies.

Iran has enough components for up to 5,000 centrifuges, according to senior diplomats in Vienna. However, other senior diplomats said that Iran may not have 5,000 of all components, and many components are not expected to pass quality control. In total, Iran is estimated to have in-hand enough good components for at least an additional 1,000 to 2,000 centrifuges, beyond the roughly 800 centrifuges already slated for the pilot plant at Natanz. Iran could also build new centrifuge components, and in fact may have already started to do so.

If Iran had decided to build a clandestine plant in early 2006, it could assemble enough additional usable centrifuges for this plant of 1,500–1,800 centrifuges in about 15–18 months, or by about mid-2007. It would need to assemble at the upper limit of its past rate of about 70–100 centrifuges per month to accomplish this goal. If necessary, Iran could also increase the centrifuge assembly rate, for example, by increasing the number of shifts from one to two per day, according to diplomats in Vienna.

In the meantime, Iran would need to identify a new facility where it could install centrifuge cascades, since it is unlikely to choose Natanz as the location of a secret plant. It would also need to install electrical, cooling, control and emergency equip-

²Alternatively, Iran could secretly build a "topping plant" of about 500 centrifuges and use a stock of low-enriched uranium produced in the pilot plant as feed to produce HEU. However, the estimated timeline for this alternative route is not significantly different from the one outlined in this scenario and is not considered further.

ment, feed and withdrawal systems, and other peripheral equipment. It would then need to integrate all these systems, test them, and commission the plant. Iran could start immediately to accomplish these steps, even before the final testing of the 164-machine cascades at Natanz, but final completion of the clandestine plant is highly unlikely before the end of 2007.

Given another year to make enough HEU for a nuclear weapon, where some inefficiency in the plant is expected, and a few more months to convert the uranium into weapon components, Iran could have its first nuclear weapon in 2009. By this time, Iran is assessed to have had sufficient time to prepare the other components of a nuclear weapon, although the weapon may not be small enough to be deliverable by a ballistic missile.

This result reflects a worst-case assessment, and Iran can be expected to take longer. Iran is likely to encounter technical difficulties that would delay bringing a centrifuge plant into operation. The output of its centrifuges may not achieve the higher value used in this assessment. Other factors causing delay include Iran having trouble in the manufacturing and installation of so many centrifuges and cascades in such a short time period, or Iran taking longer than expected to overcome difficulties in operating the cascades as a single production unit or in commissioning the secret centrifuge plant.

Scenario II—Break out using FEP

Iran has stated its intention to start installing centrifuges in late 2006 in its first module of 3,000 centrifuges in the underground halls of FEP at Natanz. This module would give Iran another way to produce HEU for nuclear weapons, even though the module is being designed to produce low-enriched uranium. Once Iran has an adequate stock of LEU, the time to produce enough HEU for a nuclear weapon in this facility could be dramatically shortened.

At above rates of centrifuge assembly, and assuming that Iran has or can produce enough new P1 centrifuge components and associated equipment, Iran could finish producing 3,000 centrifuges for this module sometime in 2008. Although cascades would be expected to be built before all the centrifuges are assembled, Iran will probably need at least another year to finish this module, placing the completion date in 2009 or 2010. Unexpected complications could delay the commissioning date. On the other hand, Iran could accelerate the pace by manufacturing, assembling, and installing centrifuges more quickly. Given all the difficult tasks that must be accomplished, however, Iran is unlikely to commission this module much before the start of 2009.

If Iran decided to make HEU in this module, it would have several alternatives. Because of the small throughput and great operational flexibility of centrifuges, HEU for nuclear weapons could be produced by reconfiguring the cascades in the module or batch recycling where the cascade product is used as feed for subsequent cycles of enrichment in the same cascade.

Reconfiguration could be as straightforward as connecting separate cascades in series and selecting carefully the places where new pipes interconnect the cascades. The Iranian module is slated to be composed of 164-centrifuge cascades operating together under one control system. In such a case, reconfiguration would not require the disassembly of the individual cascades, and it could be accomplished within days. In this case, the loss of enrichment output can be less than 10 percent, although the final enrichment level of the HEU may reach only 80 percent, sufficient for use in an existing implosion design albeit with a lower explosive yield. With a reconfigured plant, and starting with natural uranium, 20 kilograms of HEU uranium could be produced within 4 to 6 months. If Iran waited until it had produced a stock of LEU and used this stock as the initial feedstock, it could produce 20 kilograms in about 1 to 2 months.

Batch recycling would entail putting the cascade product back through the cascade several times, without the need to change the basic setup of the cascade. Cascades of the type expected at Natanz could produce weapon-grade uranium after roughly four or five recycles, starting with natural uranium. Twenty kilograms of weapon-grade uranium could be produced in about 6 to 12 months. If the batch operation started with an existing stock of LEU, the time to produce 20 kilograms of weapon-grade uranium would drop to about 1 to 2 months.

Whether using batch recycling or reconfiguration, Iran could produce in 3,000 centrifuges at Natanz enough HEU for its first nuclear weapon in less than a year. Iran could do so in considerably less than a year, if it used an existing stock of LEU as the initial feed. It is likely that Iran would operate the module to make LEU so that any production of HEU would be expected to happen quickly.

Using either break-out approach, Iran is not likely to have enough HEU for a nuclear weapon until 2009. This timeline is similar to that outlined in the clandestine

plant scenario. In addition, technical obstacles may further delay the operation of the module in the FEP.

Conclusion

The international community needs to be committed to a diplomatic solution that results in an agreement whereby Iran voluntarily forswears having any deployed enrichment capability. Looking at a timeline of at least 3 years before Iran could have a nuclear weapons capability means that there is still time to pursue aggressive diplomatic options, and time for measures such as sanctions to have an effect, if they become necessary.

In the short term, it is imperative for the international community to intensify its efforts to disrupt or slow Iran's overseas acquisition of dual-use items for its centrifuge program and other nuclear programs. Iran continues to seek centrifuge-related items abroad, but it has encountered greater difficulty acquiring these items because of the increased scrutiny by key supplier states. As Iran seeks these items in a larger number of countries, greater efforts will be required to thwart Iran from succeeding.

It is vital to understand what Iran has accomplished, what it still has to learn, and when it will reach a point when a plan to pursue nuclear weapons covertly or openly could succeed more quickly than the international community could react. Although these estimates include significant uncertainties, they reinforce the view that Iran must forswear any deployed enrichment capability and accept adequate inspections. Otherwise, we risk a seismic shift in the balance of power in the region.

TABLE 1—IRAN'S MAIN DECLARED NUCLEAR SITES

Activity	Location
Uranium Mining and Milling	Saghand Mine and Mill. Gchine Mine and Mill.
Nuclear Research & Development	Jabr Ibn Havan Multipurpose Laboratories (JHL). Radiochemistry Laboratories of TNRC. Tehran Research Reactor (TRR). Uranium Chemistry Laboratory (UCL). Research reactors at Esfahan. Molybdenum, Iodine and Xenon Radioisotope Production Facility (MIX Facility).
Uranium Conversion	Uranium Conversion Facility (UCF).
Centrifuge Research & Development and Manufacturing.	Kalaye Electric Company. Farayand Technique. Pars Trash. Other centrifuge manufacturing sites.
Centrifuge Uranium Enrichment	Pilot Fuel Enrichment Plant at Natanz. Fuel Enrichment Plant at Natanz.
Laser Uranium Enrichment	Lashkar Ab'ad. Karaj Agricultural and Medical Center.
Fuel Fabrication	Fuel Fabrication Laboratory (FFL). Zirconium Production Plant (ZPP). Fuel Manufacturing Plant.
Heavy-Water-Related Facilities	Heavy Water Production Plant. IR-40 Heavy-Water Reactor. Hot Cells.
Nuclear Power Generation	Bushehr Nuclear Power Plant (BNPP).
Waste Disposal	Anarak.
Suspect Sites	Parchin, Lavisan-Shian.

APPENDIX 1—IRAN'S SAFEGUARDS VIOLATIONS

The International Atomic Energy Agency (IAEA) has found that Iran violated the Nuclear Non-Proliferation Treaty (NPT) and its related safeguards agreement for many years. Iran's violations and eventual—though still incomplete—cooperation with the IAEA can be divided into four eras or stages.

First Stage: Up to mid-2002

In the first stage, beginning in the mid-1980s to early 1990s and continuing until mid-2002, Iran violated its safeguards agreement by pursuing undeclared fuel cycle activities with little scrutiny by the IAEA or member states. Although the IAEA and

member states were collecting information about Iranian violations, they were reluctant to act publicly.

Second Stage: 2002–2003

The second stage began in August 2002 when the National Council of Resistance of Iran (NCRI) made the first of many public revelations about secret Iranian nuclear facilities, revealing the Natanz and Arak nuclear sites and ended in late 2003. After pressure from the IAEA and further public revelations about the Natanz site by ISIS, Iran finally allowed the IAEA to visit Natanz in February 2003, and that month Iran began to reveal some of its violations. However, the Atomic Energy Organization of Iran denied many of the accusations, and blocked access by the IAEA to suspect sites. During this time, Iran's leadership seemed to be torn between acting cooperative and protecting their nuclear secrets at all costs. Despite many efforts by Iran to hide its past and current activities, however, the IAEA, with assistance from member states, NCRI, and ISIS, revealed several more secret nuclear activities and facilities.

In his November 2004 safeguards report to the IAEA Board of Governors, the Director General detailed Iran's failures to implement its safeguards agreement that had been uncovered through this period. The violations include Iran's failure to report activities related to nuclear material, the failure to declare the existence of relevant nuclear facilities, the failure to provide design data for a number of facilities, and the "failure on many occasions to cooperate to facilitate the implementation of safeguards, as evidenced by extensive concealment activities."¹

According to the IAEA, Iran failed to declare six major activities related to nuclear material:

- Iran failed to report that it had imported natural uranium (1,000 kg of UF₆, 400 kg of UF₄, and 400 kg of UO₂) from China in 1991 and its transfer for processing. Iran acknowledged the import in February 2003.
- It failed to report that it had used the imported uranium to test parts of its uranium conversion process, such as uranium dissolution, purification using pulse columns, and the production of uranium metal, and the associated production and loss of nuclear material. Iran acknowledged this failure in February 2003.
- Iran failed to report that it had used 1.9 kg of the imported UF₆ to test P1 centrifuges at the Kalaye Electric Company centrifuge workshop in 1999 and 2002. In its October 2003 declaration, Iran said it first fed UF₆ into a centrifuge in 1999 and in 2002 fed UF₆ into as many as 19 centrifuges. Iran also failed to declare the associated production of enriched and depleted uranium.
- It failed to report that in 1993 it had imported 50 kg of natural uranium metal, and that it used 8 kg of this for atomic vapor laser isotope separation (AVLIS) experiments at Tehran Nuclear Research Center from 1999 to 2000 and 22 kg for AVLIS experiments at Lashkar Ab'ad from 2002 to 2003.² Iran acknowledged these activities in its October 2003 declaration.
- Iran failed to report that it had used imported depleted UO₂, depleted U₃₀₈, and natural U₃₀₈ to produce UO₂, UO₃, UF₄, UF₆, and ammonium uranyl carbonate (AUC) at the Esfahan Nuclear Technology Center and the Tehran Nuclear Research Center.
- It failed to report that it had produced UO₂ targets, irradiated them in the Tehran Research Reactor, and then separated the plutonium from the irradiated targets. Iran also failed to report the production and transfer of waste associated with these activities and that it had stored unprocessed irradiated targets at the Tehran Nuclear Research Center. In meetings with the IAEA following its October 2003 declaration, Iran said that it conducted the plutonium separation experiments between 1988 and 1993 using shielded glove boxes at the Tehran Nuclear Research Center.

According to the IAEA, Iran failed to declare the existence of key nuclear facilities and failed to provide design information, or updated design information, for a number of facilities. Iran failed to declare the existence of the pilot enrichment facility at the Kalaye Electric Company workshop, the laser enrichment facility at Tehran Nuclear Research Center, and the pilot laser enrichment plant at Lashkar Ab'ad.

Iran failed to provide design information for the facilities where the uranium imported in 1991 was received, stored, and processed, including at Jabr Ibn Hayan Multipurpose Laboratories, Tehran Research Reactor, Esfahan Nuclear Technology

¹ International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," GOV/2004/83, 15 November 2004.

² International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," GOV/2003/75, 10 November 2003, Annex 1, p. 2.

Center, and the waste storage facilities at Esfahan and Anarak. Iran also failed to provide design information for the facilities at the Esfahan Nuclear Technology Center and the Tehran Nuclear Research Center where Iran produced UO_2 , UO_3 , UF_4 , UF_6 and AUC using imported depleted UO_2 , depleted U_{308} , and natural U_{308} . Iran failed to provide design information for the waste storage facilities at Esfahan and Anarak in a timely manner. It failed to provide design information for locations where wastes resulting from undeclared activities were processed and stored, including the waste storage facility at Karaj. And it failed to provide design information for the Tehran Research Reactor, in relation to the irradiation of uranium targets, the facility at the Tehran Nuclear Research Center where Iran separated plutonium, and the center's waste handling facility.

Third Stage: End of 2003–2005

The third stage, from October 2003 to the end of 2005, could be called the "Rowhani era," because Hassan Rowhani, then head of Iran's National Security Council, took the lead from the Atomic Energy Organization of Iran in the fall of 2003 and attempted to convince the international community that Iran would now be transparent and cooperate fully with the IAEA. Facing a deadline set by the IAEA Board of Governors, on October 21, 2003 Iran made an extensive written declaration to the IAEA of its past nuclear activities, which revealed a number of additional safeguards violations, and Iran agreed to sign the Additional Protocol.

According to the IAEA Director General's November 15, 2004, report to the Board of Governors, "Since October 2003, Iran's cooperation has improved appreciably, although information has continued in some cases to be slow in coming and provided in reaction to Agency requests. Since December 2003, Iran has facilitated in a timely manner Agency access under its Safeguards Agreement and Additional Protocol to nuclear materials and facilities, as well as other locations in the country, and has permitted the Agency to take environmental samples as requested by the Agency."

However, despite better cooperation, a number of new questions have been raised. For example, Iran's work on developing P2 centrifuges, which Iran had failed to declare in its declaration in October 2003, is not fully understood by the Agency. In addition, Iran has not allowed the IAEA sufficient visits to suspect sites at Parchin that are involved in research and development of high explosives. In proceeding with construction of tunnels at the Esfahan Nuclear Technology Centre before it had told the IAEA, Iran failed to honor its commitment to tell the IAEA about plans to construct new facilities.

Iran has not permitted the IAEA adequate information about and access to dual-use equipment and materials procured by the Physics Research Center for its Lavisan-Shian site that could be used in a gas centrifuge program. Except in one case, Iran has also refused repeated IAEA requests to interview individuals involved in the acquisition of these items. In the one case where the IAEA recently interviewed a former head of the Physics Research Center and took environmental samples of some of the equipment he presented to the inspectors, it detected traces of HEU on some vacuum equipment. This result links this equipment to the gas centrifuge program and contradicts Iranian denials about its relationship to the centrifuge program.

In addition, the IAEA has questions about a range of studies and documents that could have a military nuclear dimension. The documents include a 15-page document that describes the production of uranium metal from uranium hexafluoride and the casting of enriched and depleted uranium into hemispheres, activities typically associated with a nuclear weapons program. Iran declared that it received the document unsolicited from agents of the Khan network and that it has never used the document. Because this document was part of a package of detailed documents available from the Khan network related to the production of nuclear weapon components made from depleted uranium and HEU, the IAEA remains concerned that Iran may have received more documents in the package and conducted undeclared activities associated with these documents.

Another set of documents were located on a laptop computer that was brought out of Iran and provided to the United States, which in turn shared part of the information with the IAEA. The studies relate to a "Green Salt Project," high explosives testing, and the design of a missile re-entry vehicle that appears able to carry a nuclear warhead. Although this information is not a smoking gun, it suggests the existence of a military-run nuclear weapons program. Iran has refused to answer questions about the last two areas and offered inadequate answers about the Green Salt Project.

A number of questions from before October 2003 also remain unanswered, pending new information or further analysis, such as the source of low-enriched uranium

and some HEU contamination on Iran's P1 centrifuges and the timeline of Iran's plutonium separation activities.

Fourth Stage: 2006–present

In the fourth stage, starting in early 2006 and continuing until today, Iran has broken the suspension and halted its adherence to the Additional Protocol. The IAEA is making minimal progress in answering its outstanding questions and concerns or in confirming the absence of undeclared nuclear material and activities. It has also lost access to key centrifuge production and storage facilities, which would enable inspectors to determine the rate and status of Iran's production of centrifuges. This knowledge is especially relevant to concerns of a possible covert enrichment program.

The CHAIRMAN. Thank you very much, Mr. Albright. In terms of management of the hearing, we will have a round of questions. I'm going to suggest 8 minutes, although the Chair will be liberal in case there's some runover in terms of questions and answers there. We have a good representation present, and we have another distinguished panel of four witnesses still to come. So we'll have one round of questions, and I'm sure we'll not exhaust all the things we would like to ask you. We hope that you might be available for further questions and deliberation by mail, if not in person.

Let me start the questioning by asking both of you: Yesterday EU officials stated that Iran should be offered, "the best and most sophisticated" nuclear technology in exchange for coming back into compliance with its nonproliferation obligations and commitments. Now let me ask you for a discussion by both of you. What do you understand this technology to be, and what are the conditions under which it could be given to Iran? How can that technology be reliably safeguarded in a country such as Iran? And something to frame the issue more: What technology should not be given to Iran as far as its noncompliance to current obligations? And finally, if enrichment of fresh fuel and reprocessing of spent fuel for Iran were carried out in Russia as a part of this plan, would that prevent Iran from building a nuclear weapon?

Will both of you discuss this current development and the EU proposal?

Mr. Einhorn.

Mr. EINHORN. Thank you, Mr. Chairman. I think what the Europeans have in mind are a couple of things. One is to provide a light-water research reactor to Iran so that it can do, you know, legitimate research. It could produce medical, agricultural, industrial isotopes, these kinds of peaceful uses.

Right now Iran is constructing a 40-megawatt heavy-water moderated research reactor at a town called Arak. Now, that reactor is exactly the same kind of reactor that several countries have used in the past for nuclear weapons programs. It's a very efficient producer of weapons-grade plutonium. I think that's why Iran is constructing that reactor. It wants to be able to reprocess the spent fuel and have plutonium for bombs.

So the Iranians are trying to wean them away from that kind of a reactor and give them a more proliferation-resistant light-water research reactor, which has to be fueled with enriched fuel rather than natural uranium fuel. So that's better, and I think it's a very good idea to provide Iran that, and to show the Iranian public that the West is not seeking to deny them the benefits of nuclear energy.

Also, the Europeans may be talking about providing fuel assurances. The Iranians say they've got to make their own enriched fuel because they've been so disappointed in the past about being the victim of embargoes from the United States and others. They've been a member of the EURODIFF enrichment consortium, but have been cut out of that. So what they're saying is they have to have their own enrichment capability. The Europeans are saying we'll give you guarantees that if you are cut off, your fuel supply is cut off for reasons having nothing to do with your performance on non-proliferation, we'll assure you that you can get alternative sources of supply. It's a way of encouraging them to give up this indigenous capability, and I think that makes good sense.

On your third question, about the Russian joint venture, I think that's just a good idea. The Bush administration endorses doing—having a joint venture, but on Russian territory, without Iran having access to the enrichment technology that will be used in Russia. I think that's fine, but of course it's no guarantee that the Iranians are not going to try clandestinely to have their own enrichment facility even if they formally sign up to forgoing that capability indigenously, and that's why it's very, very important to have the IAEA given strengthened verification authorities by the U.N. Security Council.

The CHAIRMAN. Mr. Albright, do you have a comment?

Mr. ALBRIGHT. He said it very well. Why don't I just leave it at that.

The CHAIRMAN. All right. Fine. Let me try out for size then, we've talked about Russia, but let me ask how are the Russians and/or the Chinese likely to get interested in the European proposals or in our desires in this situation? We have talked about the diplomatic track, and clearly it includes those two countries, members of the Security Council. Almost anything having to do with resolutions, large or small, involves them. You've already touched on the plans the Europeans have to involve the Russians with regard to the spent fuel.

Why would they become interested in this, given their protestations that they already have energy deals with Iran? They have a very sizeable strategic interest in dealing with Iran.

Mr. ALBRIGHT. Let me just respond to one of the sets of statements by China and Russia, which is they mistrust what the United States is up to, that they often see this as Iraq No. 2, and so they pull back. Particularly, Russian officials have expressed that.

I think it would help if, as Senator Biden pointed out, if the United States would change its policies and be willing to negotiate with the Iranians. I would tend to support efforts that are somewhat like the six-party talks, build from the European-Iranian discussions, and then after the United States is involved try to draw in Russia and China.

I also think it would be helpful if the administration would not remove the military option from the table, but stop banging that drum, because I think it's hurting this effort.

[Disruption in the audience.]

Mr. ALBRIGHT. I think they think they're sending a signal to Iran, and Iran will somehow listen. In our monitoring of the Ira-

nians and the press, it's having the opposite effect. And so it would be useful if the administration would, as Britain has done, just back away from that for now.

Mr. EINHORN. Could I just add to that, Mr. Chairman? I've been, in the last 3 weeks, both in Moscow and in Beijing and spoken to senior officials involved in the Iran issue. Iraq looms very large in their thinking. They don't want to—I'll use the words of one of my interlocutors—they don't want to get on the first rung of the escalatory ladder. They think that adopting a chapter 7 resolution will get the world on that first rung, and then we will—if I can shift metaphors—slide down the slippery slope to a military confrontation, and that's their principal reason not wanting to get tougher in the Security Council.

I've also spoken to German, British, and French officials, and all of them, as well as the Russians and Chinese, say that it would be very, very important for the United States administration to be prepared to engage directly with Iran. Now the Russians and Chinese are doubtful that the United States is prepared to take yes for an answer on the nuclear issue. I think they would be much more willing to pose the prospect of penalties to Iran if the Bush administration were prepared to say, you know, we're prepared to negotiate and if Iran is prepared to change its behavior on the nuclear issue, and on other issues, then we're prepared to move eventually toward normalization. I think the Russians and Chinese would see that as a very different kind of situation, and it would, I think, increase the likelihood that they would buy into a package of both sticks and carrots.

The CHAIRMAN. Thank you.

Senator Biden.

Senator BIDEN. I've not had the same talks you've had, Bob, but I've had talks with European counterparts. And I'm going to say something. Maybe I agree with both your judgements that if we stopped rattling the saber—I mean, it's kind of interesting that 6 years ago the other metaphor was used by the President—of Teddy Roosevelt; walking softly and carrying a big stick. I think he used that actual metaphor. I'm not positive of that, but that's my recollection. And now we sort of rattle the cage, and actions have consequences. The very thing that a number of us, sitting on this dais, warned that would flow from Iraq in terms of impacting our ability to get the rest of the world to listen to us and join us in other things, I think we're seeing it now, because I can't imagine why Russia or China would not think it in their interest to stop Iran from having a nuclear weapon, particularly Russia.

But one of the things—and I'm not asking you to respond. One of the things that I hear back, and I had not intended on saying this, but it is that as long as Mr. Rumsfeld and Mr. Cheney are perceived to be the drivers of policy, I'm not sure whatever the administration says, absent what they do, will make a lot of difference. As I suggested, we should be talking. We should flat out say that regime change can be taken off the table if behavior changes. But I must tell you I'm not sure, absent actually engaging in such discussions, it's going to matter a whole lot, because I find the rest of the world extremely skittish.

I note that, the end of March, the Brits floated a proposal not unlike what you suggested, that Russia and the United States, the EU3, get involved in direct talks. And the White House wasn't very happy about that, and maybe it's coincidental, but I notice the Brits backed off that proposal. So I think we've got a long way to go, but that doesn't mean we shouldn't be pushing it.

I'd like to speak to this issue—ask you to speak to the issue of this notion of a full range of issues. When I say to people—and it's not unique to me; I know the chairman has been saying it for sometime; I think, I may be mistaken, Senator Dodd has said it; I know Senator Hagel has—that we should be directly engaging the Iranians, and that it not just be limited to the issue relating to nuclear questions. As a matter of fact, I've suggested that with regard to Iraq, we engage them, just on Iraq engage them. I get the following response from skeptics, and there's a reason to be skeptical, and that is that Iraq has no interest whatsoever, there's no common ground that we could arrive at with regard to Iraq, no common ground we could arrive at with regard to the nuclear issue, no common ground we could arrive at on any of the issues that would come up in a discussion. And my response is, and I'd like you to respond to it—my response is that unless you assume the leadership of Iran to be totally irrational; not miscalculating, but irrational—it's not in their interest, for example, to have an all-out civil war in Iraq. It threatens their security, their stability, that is, the clerics. It's not in their interest to see the world united in attempting to isolate them and sanction them in various ways. And so they would be inclined to, if there were enough carrots and sticks to make it credible, talk about a lot of these things. Respond to that for me, the criticism that, no, there's no common interest here; why would the Iranians be willing to talk to us about anything constructively.

Mr. EINHORN. I think it was clear a few years ago, after the Afghanistan campaign, when there were meetings in Bonn about the future Afghanistan, that it was possible for American and Iranian diplomats to speak together about the future of Afghanistan in a very constructive way. I know the Americans who participated in those discussions, and they found the Iranians very forthcoming, very practical, because we did have common interests in stabilizing the situation in Afghanistan.

I think clearly our interests are not identical in Iraq, but you've cited a number of the areas where they do converge. I can't imagine that Iran wants to see chaos.

Senator BIDEN. I can't imagine Iran wants to see 17 million Arab Shiites honing the art of war, when 65 of their 71 million people don't like them, and the border is relatively porous. I don't understand, but that's me.

Mr. EINHORN. But we have to explore. We don't know how much commonality of interest there might be on Afghanistan, on Iraq, or any other subject. That's why we have to sit down and explore. The administration has authorized Ambassador Khalizhad to sit down and talk about Iraq, but nothing else. My hope is that if those—

Senator BIDEN. Even that, by the way, took about a year and a half for him to get that kind of authority, and even there, I'm not sure what the breadth of that—

Mr. EINHORN. Well, it would be good if broader authorization were provided, but if not, if it turns out that these Iraq-specific talks look productive, then eventually there will be authorization to broaden them. I think that's the best hope. I think we do have to address the full range of issues that divide us. As much as I think the nuclear issue deserves high priority, it's hard to imagine, domestically, for us to cut a deal on the nuclear issue when we still—when Ahmadinejad is still making these outrageous comments about Israel, if we believe that al-Qaeda operatives are being harbored in Iran, if we believe that Iran is still providing arms to Middle East terrorist groups. So I think we have to explore the possibility of reaching a broad modus vivendi with Iran. It may not be possible, but it will take a long time to address all these issues, and I would hope that as we engage in this broad dialog, we can at least put the nuclear issue on hold by gaining Iran's agreement to fully suspend its enrichment program.

Senator BIDEN. Doctor, my time is almost up, but let me ask you, you raised the point that's been raised by others that there appears to be a continued requirement on the part of the Iranians in order to move forward in a robust way with their gas centrifuge system. They're searching the world. What could or should we be doing? What other things can be done to make it harder for Iran to be able to access what material or technology that they may need to—

Mr. ALBRIGHT. To go forward?

Senator BIDEN [continuing]. Move forward more rapidly?

Mr. ALBRIGHT. Yeah. Let me just mention two. One is a simple one—making Iran the center of international attention. Whether it's companies or governments, the company should find out what the end user is planning to do, and try to see through all these trading companies that go out and seek items for Iran.

Another, if I can highlight the United States-India deal. I think one of the problems that I had with that deal is that India, from what we understand, is going to be a target for Iranian procurement. We don't know exactly what form. We sort of know the items they're looking for. We see India having inadequate export controls. Their heart is in the right place, but its system inadequate. I don't think this administration is putting enough pressure on India to come up with adequate controls. We all know what they are but Indians may not. I don't know if they really understand they need to interact and cooperate on this issue with us and others. But I think that India remains a ripe place for Iran to go and try to seek items, either directly from Indian companies or through contacting, let's say, European companies who are setting up shop there now, and to try to then move the material to Iran under false pretenses.

Senator BIDEN. Thank you very much.

Mr. Chairman, for the record, because I'm out of time now, I think it would be useful for the public at large and our colleagues, if you would each respond to a question for the record that makes a distinction between—which confuses people as I speak to them—uranium enrichment and plutonium. Why, when one is more available, is the seeking of the other more consequential? In other words, why the dual track that they're on? If you would, for the record.

Mr. ALBRIGHT. Is this for Iran or just in general?

Senator BIDEN. For Iran. Yes, I'm sorry. Iran, specifically.

Mr. ALBRIGHT. I think that Iran is seeking both pathways to the bomb. It has agreed to not pursue reprocessing; that's been accomplished. But as Bob pointed out, it's building this heavy-water reactor, which will probably make weapon-grade plutonium, normally, and it could create a reprocessing plant fairly quickly. And so I think that path needs to be made a part of these deals, that Iran would stop the heavy-water reactor.

Another part of these deals put forth by the Europeans and the Russians is that spent fuel produced in power reactors would leave Iran, that Iran wouldn't have an endless supply of plutonium in spent fuel.

The uranium enrichment route is traditionally much harder for developing countries, no doubt about it, and without the assistance of A.Q. Khan, I don't think we'd be talking very much about Iranian gas centrifuges. And so that's been the big disappointment of the international community, that these technologies have gotten out and spread. Once you have a gas centrifuge program, from a proliferation point, or from a proliferation point of view, it's much more valuable than the plutonium pathways, which involve reactors that are easier to spot. And if you can go the gas centrifuge route, if you master that, then you could build these things in what are just light industrial buildings. They don't emit much radiation. You can isolate them from the rest of your nuclear establishment so people aren't moving back and forth, and successfully hide them from even some of the best IAEA inspections.

Senator BIDEN. Thank you very much.

The CHAIRMAN. Mr. Dodd.

**STATEMENT OF HON. CHRISTOPHER J. DODD, U.S. SENATOR
FROM CONNECTICUT**

Senator DODD. Thank you, Mr. Chairman, and thank you again for hosting and holding this hearing. And I gather Senator Biden raised the point earlier, but it deserves being underscored again: I'm terribly disappointed that we didn't get administration officials to come and share their thoughts with us on this issue. If I had to prioritize issues involving this Nation's national security, obviously Iraq would probably come in No. 1 because of the proximity and immediacy of all of that, but a very close second, in my view, would be this issue. And the fact the administration is unwilling to participate in a discussion about where we ought to be going here is troubling, to put it mildly. I'm very grateful to both of these witnesses, but my hope is that in other hearings we have, they will be forthcoming and share with us their thoughts because this is critically important.

I spent a week or so in the Middle East 2 weeks ago. Unless I brought up the issue of Iraq, it didn't come up; Iran came up everywhere. Everyone wanted to talk about Iran and what we were going to do, what likely would happen. So I appreciate the witnesses' testimony; it's very helpful, by the way, and I thank you for it.

I'd like to underscore the point again—I think, again, I heard Senator Biden raise it, it may have been raised by the chairman as well—and that is the notion somehow that the administration

and others are marketing that diplomacy is a gift to Iran rather than recognizing it as a vital national security tool. And we're allowing this word diplomacy and negotiation to slip into the category of as a favor to our adversaries or opponents in the world, rather than utilizing it as a tool by which we minimize the very threats we're facing, and you've pointed out some serious ones here. And no less a figure than Henry Kissinger in yesterday's—I think it was yesterday's piece he wrote for, I think, the Washington Post as well as Richard Haas and others, have argued that we ought to begin more seriously looking at the diplomacy route here as a way to try and explore that route without giving up, obviously, as we all say, the option of utilizing force, but with the clear understanding—I think, Mr. Albright, you made it very clear as well—we need to be downplaying that at this time, it seems to me, and more aggressively pursuing the diplomatic approach.

And, Mr. Chairman, I had some opening comments here that I just ask consent to be included as part of the record.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF HON. CHRISTOPHER J. DODD, U.S. SENATOR FROM
CONNECTICUT

Mr. Chairman, I commend you for holding this critical hearing on Iran's political and nuclear ambitions, and for following it up with another hearing on Thursday. Iran's pursuit of nuclear technology is perhaps the most urgent international crisis that we face today, and Congress needs to be discussing this issue in a thorough and deliberative manner. I am confident that our distinguished witnesses here today will help us to do just that and I welcome them here.

Mr. Chairman, all of us here in this room probably agree that Iran would like to acquire nuclear weapons. And I think that there is a universal desire to prevent such a development. But the administration's policy of diplomatic disengagement is only hastening that outcome.

Indeed, I can't help but feel a sense of *déjà vu*. It was just a few years ago that we encountered a similar situation on the Korean Peninsula. The agreed framework was faltering but North Korea had not yet produced nuclear weapons. Then the Bush administration came into power and refused to deal with the North Koreans. This decision had an immediate, simple, and severe repercussion—the North Koreans started producing bombs. And they've kept producing them.

Today, we're facing a nation that is similarly hostile—but that is at the same time willing to talk—Iran. The leaders of that country just sent two letters to President Bush, in at least a rhetorical effort, to engage the United States. But instead of responding to frame the conflict on our terms, the administration is letting Iran define this issue to the world.

And instead of engaging to shape an outcome that we want, the Bush administration has outsourced U.S. national security to our European allies—France, Britain, and Germany. With all due respect to our allies, at the end of the day it's only with U.S. engagement and cooperation that there can be any hope of a real solution.

This means that the administration needs to sit down with our European allies—and also with Russia and China. Together, we need to figure out exactly what our shared objectives are with respect to Iran. And then we need to engage in multilateral talks on the issue. The United States must be directly involved in these negotiations. And we must be willing to offer some real incentives. Henry Kissinger stated nearly as much in an op-ed published yesterday in the Washington Post, and I couldn't agree more.

Until today, this administration has treated any hint of diplomacy with Iran as a gift. This needs to change. Because diplomacy isn't a gift. It's a vital national security tool.

If you don't want to take my word for it, then ask two highly respected former officials who served under Republican administrations—Richard Haas and Henry Kissinger.

Or consult the writings of the famed Prussian soldier and strategist, Carl von Clausewitz, who wrote almost 200 years ago that "war is a continuation of politics by other means." In other words, waging diplomacy is different than war only in the blood and treasure that is expended.

That's not to say that we should take the military option off of the table. The threat of war is a vital component of effective diplomacy. But by eschewing diplomacy we're liable to leave ourselves with very few options for resolving this crisis.

It's high time that the Bush administration comes to the table with our allies and Iran. Because with each passing day, we're losing ground and the Iranians are coming closer to acquiring a nuclear weapon. The U.S. strategy of diplomatic disengagement is simply not working—it is failing to protect the security of the American people.

I would note, finally, my deep regrets that the President didn't send Secretary Rice or Undersecretary Burns here today to testify. There has never been a more crucial time for open and constructive dialog on an issue as the one we are here today to discuss.

Thank you again, Mr. Chairman, for holding this hearing. I look forward to asking some questions of our witnesses at the appropriate time.

The CHAIRMAN. It will be included in the record in full.

Senator DODD. And I want to underscore that point. I think it's—I've looked back over the years and had that view of treating diplomacy as a gift been predominant, I shudder to think what the 1950s, 1960s, 1970s, and 1980s might have looked like as we worked through a containment philosophy with the former Soviet Union and others. We had sound diplomats who utilized diplomacy to minimize those threats, and to treat it today as somehow a favor to someone I think is a major step backward, and I hope we reverse that trend.

Let me explore the issue of the military option with you, though, because I think it needs to be thought out. I want you, if you can, both of you or however you want to do it, draw the comparisons between the Israeli attack in the 1980s on the reactor in Iraq and what would be involved today if we were to successfully—or an ally or someone else were to try and successfully take out the Iranian nuclear capability. What is involved? Compare the two actions for us, based on the information you have today, and the likelihood of succeeding with such an option. What period of time would it take? What sort of forces would be necessary?

Mr. ALBRIGHT. Well, the purpose of the 1981 attack by Israel was to take out a reactor that they believed would produce plutonium for nuclear weapons and was also, by the way, fueled by highly enriched uranium. I would say that attack was successful at taking out the reactor, but unfortunately had the effect of greatly accelerating the Iraqi nuclear weapons program and left them with the highly enriched uranium that was going to be used by them in their crash program in 1990 and 1991 to try to build their first nuclear weapon. So I think the one lesson of the 1981 strike is that you're unlikely to take out all the program, and you may reinforce the country's view that their only solution to their security problem is to build nuclear weapons.

I think Iran has certainly learned from that example, and from the very beginning it's been building things underground; it's been dispersing sites. I think even during the suspension, it's been focused on trying to build up stockpiles of certain items, like uranium hexafluoride, so that if the uranium conversion facility at Isfahan was bombed, it would have enough for a bomb program. The civilian program would be stopped dead by a bombing, but because of these actions of Iran, their bomb program would have enough uranium hexafluoride.

So I think what military planners are confronted with is a dispersed program, an adversary that is thinking actively of how to maintain its capabilities after a military campaign. And I think that what we would be faced with is essentially a massive bombing campaign that would really be aimed at other things in Iran, that we probably couldn't have much confidence that its nuclear weapons program was set back.

As I said before, their civil nuclear program would be devastated and probably never recover, but their nuclear weapons program may not be affected very much at all, particularly if the bombing isn't even contemplated for a while. In a certain sense, the best time to have bombed Iran was probably last January/February. The IAEA knew where everything was. Now as this crisis builds, we can expect that we will know less and less about Iran's key assets that would be oriented toward their nuclear weapons program.

Senator DODD. What time would be sort of involved? Does it involve more than a day? A single strike? Multiple strikes over a period of time?

Mr. ALBRIGHT. Oh, I think it would be many strikes.

Senator DODD. A major military operation?

Mr. ALBRIGHT. Yes, I think it would be. At the time of a military strike that is being discussed, Natanz may very well have centrifuges underground, and so you'd want to knock out that site. From our understanding, the roof is about 8 meters underground, and so it's vulnerable to conventional strikes, but I don't think you can take it out with one bomb.

Senator DODD. No.

Mr. ALBRIGHT. I think you're going to be doing multiple strikes against those kinds of facilities. There's tunnels everywhere in Iran. It is a legacy of the Iran-Iraq war.

[Disturbance in the audience.]

The CHAIRMAN. The committee will be in order. The committee will be in order.

Mr. ALBRIGHT. So I think the bottom line is you're looking at a major military campaign against Iran that would go over a significant period of time. And it would just start a war. It's not going to be 1981 again where Israel bombs Iraq and then there's a diplomatic crisis.

Senator DODD. I'd like you to also comment on how far along is this heavy-water reactor in construction. To the extent that you might be able to convince the Iranians with the European proposal to back up on that proposal, to go to a smaller facility, how far down does this add on to this question?

Mr. EINHORN. On that, Senator Dodd, they're at the very early stage of constructing this 40-megawatt heavy-water reactor, so they have years and years to go. And I think they've been more successful in their enrichment program. That's why I think they're probably prepared to bargain away their plutonium program. But just on the other question, I think the main difference between Osirak in 1981 and Iran today is the ease and speed of regenerating the capability. There are probably lots of facilities in Iran we cannot locate; they're just hidden. But my guess is we know where the critical facilities are, and I think it's Natanz, their enrichment plant, their two plants—their pilot plant and their industrial-scale

facility that's not yet really under construction; their conversion facility in Isfahan, and this reactor in Arak. We know where they are. I think we could destroy those facilities. The problem is that it might not take a long time to regenerate facilities capable of fissile material production.

It would take a long time to regenerate facilities able to generate nuclear power, you know, a large-scale enrichment plant. But a small, clandestine enrichment facility with 1,500 or 3,000 centrifuge machines, I think that could be done relatively quickly, whereas in the Israeli raid against Osirak in 1981, you had to rebuild the whole reactor. That's a major project. It's out there in the open; you can see it. In the case of Iran, you're not going to see what they're able to do in terms of, you know, building clandestine and relatively small facilities.

Senator DODD. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Dodd.

Senator Martinez.

Senator MARTINEZ. Chairman, thank you very much for holding this important and timely hearing on this very important issue. I want to just ask the panel—and whichever one of you cares to answer would be perfectly OK—on the issue of Iran's internal situation and their own perception of this nuclear program as to—at times I've had the idea that perhaps this has been a very popular thing within the country and that politically it has helped the Iranian Government to solidify support within the country. What is your insight into that, and how do you think whatever steps we take would not help to enhance further strengthening of the hand of the current government?

Mr. EINHORN. Senator Martinez, I suggest—I'll give you an answer, but the second panel is really going to be much more informative on this question. My take on it is that so far there's been unanimity in the Iranian public about this enrichment program, about the nuclear program, but there's been unanimity because they haven't—no one's had to pay a price. The Iranians have felt that they can have their cake and eat it too. They can have an enrichment capability, advanced nuclear power, and good relations with the West. But if they're forced to make a choice, and they can't have their cake and eat it too, I think there might be divisions within Iranian society. We've already seen some fissures opening up. A number of senior Iranians have begun raising questions about the wisdom of going down this enrichment track in defiance of the international community because they think there may be costs that could really hurt Iran. I think it's important that we demonstrate to them that there will be costs if they continue down this track, and I think that will open up and expand fissures within Iran and perhaps over time lead to a change of policy.

Senator MARTINEZ. But that really would require a fairly united front from the international community?

Mr. EINHORN. Absolutely.

Senator MARTINEZ. And my perception is that we're not quite there at this point.

Mr. EINHORN. Absolutely. And as long as they get the impression that the Russians and the Chinese will block any severe penalties, then they're going to continue on their present course.

Senator MARTINEZ. A lot of focus has been placed lately on the idea that the United States should play a more preeminent role in negotiating with Iran. It seems to me that we should be perhaps focusing on our negotiations with the Soviet—I'm sorry, with Russia and with Chinese governments in hopes of instilling their commitment for strong international action. How do you suggest we might approach that.

Mr. EINHORN. Well, I think the administration has put a lot of time and effort into persuading Russia and China to join with the United States and the Europeans in threatening sanctions in the Security Council, so far to no avail. We'll see now. Friday in London there's going to be a meeting of the P5 plus Germany to try to come up with a package of both incentives and disincentives. Perhaps that will be more successful. The Russians and Chinese have urged the Europeans to put more carrots on the table. In exchange, they may be prepared to support some sticks. We'll see.

Senator MARTINEZ. One other area that I know my colleague from Florida, Senator Nelson and I, and I know Senator Dodd, and I don't mean to exclude others, but the area of Latin America and our neighbors close to the south of Florida. Increasingly there seems to be a strategic alliance developing between the Venezuelan Government and the Cuban Government with Iran, and it particularly seems like they're working in lockstep internationally, or as, you know, Iran makes aggressive statements, they seem to have fairly supportive echoes from both Caracas and Havana. Have you focused on this potential alliance and this area of support for the Iranian Government so close to our own backyard?

Mr. EINHORN. It's something that bears close watching. The Iranians and Ahmadinejad—President Ahmadinejad—recently have talked about sharing their nuclear technology. You know, this is very worrisome. I don't know if he was just trying to twist our tail on that, you know, or what, but I think we need to watch that very carefully and make sure Iran is not exporting any of its technology. I think Hugo Chavez has talked about nuclear technology and perhaps cooperating with Iran. That bears close watching. Again, don't know if it's just thinking out loud or a bluff, but I think we have to be very careful about that.

Senator MARTINEZ. Lastly, there was one other—Mr. Chairman, I guess I'm OK on time.

There was one other area. Recently I've heard the thought advanced that perhaps one of the great ways in which we can check Iranians' ambitions is by having pluralistic democracies at two of their borders, Afghanistan and Iraq, particularly countries that area Shi'a majorities. Do you share that view that perhaps this is a positive development for the reason and that it could influence Iranians, particularly within Iran, in terms of their own attitudes toward their government?

Mr. EINHORN. I think the demonstration effect of functioning democracies in Afghanistan and Iraq would be very powerful as far as Iran is concerned. I think we have a long way to go, though, before we have truly functioning democracies. But I think it's a goal that we ought to be pursuing.

Mr. ALBRIGHT. I would just add that I don't think that would stop Iran from seeking uranium enrichment.

Senator MARTINEZ. You mean the fact that they had a democratic neighbor, but, however, do you think it would influence people within the country in terms of how they view their own government?

Mr. ALBRIGHT. It could possibly affect their security calculation, for example, the Iraq security issue was settled in 2003. So I think that the motivations for them to pursue enrichment—which are both national pride, a desire to have enriched uranium for power reactors and, I believe, also nuclear weapons—will remain intact. And so I think that if Iran transforms and becomes more democratic, it may still seek uranium enrichment. They may, however, be easier to negotiate with because they may drop some of these other attributes, like the support of terrorism.

Senator MARTINEZ. And you're clear that their ambitions are not purely civilian?

Mr. ALBRIGHT. I don't believe they're civilian. I mean, we're all struggling with what's the smoking gun. We can't find one, at least I don't believe we can. But everything I've seen, I believe they're seeking nuclear weapons. I don't believe they've necessarily made a decision and allocated the budget to build a nuclear arsenal, but I think they've made a decision to put in place an ability to produce nuclear weapons in the future, and will only make a concrete decision when they're further along.

Senator MARTINEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Martinez.

Senator Nelson.

Senator NELSON. As we consider the India nuclear deal, you're suggesting to us that we have as a condition of the agreement, tightened export controls and guarantees on cooperation with Iran?

Mr. ALBRIGHT. Well, what I would suggest is that the condition be that India has taken steps—measurable steps—to improve its export control system. And they're well known. I mean, number of staff devoted to this, number of companies in India informed. I wouldn't put a condition that relates to Iran specifically, because it may be other countries that will target India too. But I do think that a critical condition is for India to improve its export control system, particularly its implementation of that system.

Mr. EINHORN. The Indians like to say that their export controls are impeccable. Well, I agree with David. I think they're "peccable." And they need further work. Whether you condition our nuclear cooperation on strengthening their export control system, I'm not sure what the committee would want to do, but I think we need to work with the Indians and ensure that they do strengthen their system, especially if David is right and the Iranians are going to go shopping in India's market for enrichment-related technology and equipment.

Mr. ALBRIGHT. I would add another condition. India goes out and buys items from Western countries for its own gas centrifuge program and its other unsafeguarded nuclear programs. I think we should also ask India to stop that. We see networks that they create. They're not like Pakistan. I mean, they're not as hidden, India is not as involved in active deception of the suppliers on a national level, but we see India going out and buying things and using very circuitous routes. It uses trading companies to get items, dual-use

items. I think another condition should be that India would stop illicit procurement. It's not violating Indian laws, but if they go to Germany and do this, it can violate German law.

Senator NELSON. Let's talk about Hezbollah. What dollar value would you put on Iranian support for Hezbollah?

Mr. EINHORN. I'd encourage you to wait for the second panel. I think the fellows just behind me have that information off the top of their heads. And if they don't, they have a few minutes to figure out a good answer. [Laughter.]

Senator NELSON. OK. I'll wait till the second panel.

The CHAIRMAN. Thank you very much, Senator Nelson.

Senator Obama.

Senator OBAMA. Thank you, Mr. Chairman. Thanks for the panel. This is very informative, and I appreciate you taking the time.

I wanted to just follow up on Senator Dodd's question with respect to the military option because I think that there has been a lot of saber rattling out there, and it strikes me that any time we start talking about military options, we should weigh costs and benefits, something that sometimes we haven't done. And we pay a price for this lack of sober analysis. And so I just wanted to be clear. My understanding, based on the testimony, was that a military option is viable only through a sustained and fairly costly series of air strikes, for example, which would not only involve major military operations, but also presumably significant civilian casualties, to slow down a program but not eliminate a program. Is that an accurate—

Mr. ALBRIGHT. Yes.

Senator OBAMA [continuing]. Assessment on both your parts?

If that's the case, and if we agree that it's very important for us to pursue diplomatic approaches in a vigorous way, can you tell me where—Where is the space that we would potentially provide Iran to land in negotiations? The problem right now is that the nuclear issue in Iran has become a symbol of national pride. There's been a lot of stoking of the fires within Iran by domestic politicians. It strikes me in some ways that they've backed themselves into a corner by placing so much capital into the nuclear program. So if, in fact, we were to try to provide some sort of carrots as well as sticks, what would that look like? What would be a position that the Iranians can possibly take that would accommodate their political needs and accommodate our national security objectives, if there is any? Maybe they're irreconcilable, in which case diplomacy will flounder, but if that is the assessment presumably we'd want to start thinking about what an endgame might be.

Mr. ALBRIGHT. Let me just say one thing. I think you want to have it somewhat how Taiwan and South Korea have ended, where they gave up reprocessing and uranium enrichment. They were caught seeking nuclear weapons. The United States played major roles in catching them and turning them around, but they now both have robust civil nuclear energy programs.

If you look at our country, there's certainly more money in medical isotopes, radio isotopes, and industrial isotopes and their applications than on electrical generation by nuclear power. There's money to be made in enrichment, but it's not that great of money.

And so I think in terms of the benefits and sort of where the action is, it's on nuclear power and isotopes.

I think one of the brilliant moves of the Iranian regime is to turn this all on its head and make it look like some incredibly uneconomic, wasteful activity like gas-centrifuge enrichment in Iran for civil purposes is the major goal of civil nuclear energy. It's not at all. I think if Iran was truly invested in civil nuclear energy and isotope use, the enrichment program would just evaporate for economic reasons.

And so I think that where we want Iran to land is with the most of the rest of the world that's invested in civil nuclear energy.

Senator OBAMA. Can I just follow up, and then I'd like your response, Mr. Einhorn. Is it your understanding that the current—that our administration's posture provides room for that scenario, or in public statements have we seemed to go further and expect Iran to completely dismantle all nuclear activities?

Mr. ALBRIGHT. It's gotten better. They've shifted over the 3 years of this nuclear crisis with Iran. Many administration officials started out saying that Bushehr was not acceptable. Some even said that Bushehr was more of a threat than the enrichment program. So I think they've shifted away from that, but I don't think they've come out and publicly stated that it's fine for Iran to have Bushehr Two, Three, Four, and Five. In fact, this meeting on Friday could be interesting to see how the United States reacts to this potential European offer to provide a light-water reactor, if it marks another shift in the U.S. position toward accepting a robust nuclear energy program in Iran.

Mr. EINHORN. On that question, Senator Obama, I think that the administration has come a long way. They're prepared to concede that Iran can pursue a nuclear power program. It may not make sense for them given, you know, the amount of oil and natural gas they have, but if they want to do it, fine, as long as they don't pursue sensitive fuel cycle capabilities that would give them the ability to produce nuclear weapon fuel.

But in terms of what incentives should they be given, I think much of the explanation for their program is a desire for prestige in the region, in the Islamic world, and so forth. And I think any incentives would have to address those kinds of needs. The Europeans have tried to do that. They've talked about advanced technology cooperation, so that Iran would be seen as, you know, on the cutting edge of advanced technology. I think that is important. Also, Iran wants to get into the World Trade Organization. I think accelerating that process would be very beneficial to Iran.

There are security objectives, obviously, that contribute to Iran's desire for a nuclear deterrent. A key one now, is concern about the intentions of the United States. And I think that by having direct discussions with them and seeing if we can reach some kind of *modus vivendi*, we can alleviate over time concerns about a threat from the United States. It means, as I mentioned in my statement, recognizing that regime change is the prerogative of the Iranian people and not a policy of the United States. Also, Iran has legitimate security interests in its own region. It probably wants to dominate its region. It sees itself as the natural leader. Well, I think we can't prevent Iran from playing a leading role in its re-

gion, but I think by working through our friends and allies in the region and having discussions about confidence-building measures and security arrangements in the region, we can both satisfy the security needs of our friends and allies, but also demonstrate to Iran that we are not, you know, opposed to their living in the region and playing an important part in that region.

Senator OBAMA. Mr. Chairman, I'm running out of time, but I wonder if I can ask just one more question. And that is on the stick side of the equation. There is seemingly a range of options that experts are advocating—and you voiced some concerns about what China and Russia would or would not be willing to go along with. Just in terms of changing the cost-benefit analysis for the Iranians, what measured steps could be taken that you think would have a significant effect on the Iranians but would not be perceived as provocations of the sort that are overt attempts at regime change or imply that we're not willing to negotiate in good faith?

Mr. EINHORN. Well, at the low end of the spectrum, the kinds of measures that have been considered are bans on travel, you know, for members of the elite leadership. You deny visas to come into their countries. You don't send your own senior officials to Tehran. Freezing the assets of Iranians overseas. Making it difficult for Iranian financial institutions to deal with Western financial institutions. These kinds of things. There are also symbolic measures, and some of the people on the second panel have suggested various devices—deny them the ability to compete in the World Cup of soccer, for example, because, you know, Iranians love soccer. There are lots of things that can be done at the political level, but you escalate it when you get into the area of trade and investment. Those are potentially very, very significant, but that sword cuts both ways, and that's why it's of such great concern.

Senator OBAMA. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Obama.

We thank both of the witnesses for your outstanding testimony and your responses to our questions, and we look forward to visiting with you again.

Mr. ALBRIGHT. Thank you.

The CHAIRMAN. The Chair would like to call now our distinguished second panel, which includes Dr. Kenneth Pollack, director of research and senior fellow of the Saban Center for Middle East Policy, Brookings Institution; Mr. Karim Sadjadpour, Iran analyst, International Crisis Group; Dr. Patrick Clawson, deputy director for research at the Washington Institute for Near East Policy; and Dr. Geoffrey Kemp, director of Regional Strategic Programs, The Nixon Center.

We welcome you, gentlemen. And I'll ask you to testify in the order that you were introduced, and that will be Dr. Pollack first. Let me just say at the outset, your full statements will be made a part of the record, and we'll ask that you please summarize those statements. And we'll hear each of the members of the panel and then have a round of questioning by Senators.

Dr. Pollack.

**STATEMENT OF DR. KENNETH M. POLLACK, SENIOR FELLOW
AND DIRECTOR OF RESEARCH, THE SABAN CENTER FOR
MIDDLE EAST POLICY AT THE BROOKINGS INSTITUTE,
WASHINGTON, DC**

Dr. POLLACK. Thank you very much, Mr. Chairman. Thank you, distinguished Senators. As always it is a great pleasure to be back here testifying before this committee on this very important topic.

You've asked us to consider Iran's motives in seeking a nuclear enrichment capability wholly with the intent of at some point acquiring nuclear weapons capability. Like most of my colleagues, I see three principal sets of motives among Iranians, and I will say that I think that different Iranians probably share different mixtures of these motives. The first, the most obvious, I think, is a security motive. As we are fond of saying, Iran lives in a tough neighborhood. It is surrounded by countries that at times have been Iran's adversaries, oftentimes are antagonistic toward the Islamic regime. The fact that in many cases the Iranians provoked the antagonism of these other countries I think is often lost on the Iranians, but nevertheless, the objective fact remains the case that Iran does have significant security problems. Farther beyond its borders there is Israel, and, of course, beyond that is the United States. And I would say that of all of Iran's security considerations, I think that the United States is the overwhelming security threat that Iranians feel, that while they might talk about Israel and its threats to Iran, that in truth what they fear is an American military strike, an American effort at regime change designed to topple their regime.

I would say that the experience of North Korea versus Iraq is probably not one that is lost on the Iranian leadership. The North Koreans are believed to possess nuclear weapons, and so they were not invaded by the United States of America. The Iraqis did not possess nuclear weapons, were believed to be trying to do so, and were invaded by the United States of America. And so just looking at the other members of President Bush's axis of evil, the Iranians could draw some obvious conclusions that if you want to keep the United States from invading your country and trying to overturn your government, you need to have a nuclear weapon.

I think a second set of motivations for many Iranians is prestige. We should never forget that Iranians consider themselves the lineal descendants of a 2,500-year-old civilization which produced the world's first superpower and many great powers after it. Iranians, almost to a man or woman, believe themselves to be part of a nation that ought to be one of the world's great powers. I think that a lot of Iranians do believe that acquisition of a nuclear weapons capability would help boost them to that status that they seek. And here I think the example of India is probably one that is not lost on Iran, that India's acquisition of nuclear weapons, and ultimately the international community's acceptance of India's nuclear weapons program, were critical in India achieving its long-term aspiration to become one of the great powers of the world to be consulted on all of the important matters of the world, something that Iranians themselves seek. And I think that that prestige motive is also one that lies behind many Iranians and their thinking about their nuclear weapons program.

The final motive is one that I would term ideology, although I would here caution that most of the Iranians who would subscribe to this position would not consider their motivation to be ideologically driven, but strategically driven, that when they were to present it, they would present it in strategic terms. But I think from our perspective we can consider it ideological. There are still Iranians who believe in the export of their revolution, who do still believe in the mission that Ayatollah Khomeini preached to them during his time as the leader of Iran, who believe that there is a fundamental battle between good and evil going on in the world, in which they perceive Iran to be the champion of good and the United States to be the champion of evil, and therefore, again, they must acquire a nuclear weapon or some other deterrent to keep the United States at bay and help them to wage this struggle. We've seen Iranian leaders over the last 27 years engage in a variety of different aggressive behavior around the region, oftentimes I would say largely because of this ideological aspiration. Their efforts to subvert friendly governments in Saudi Arabia, in Kuwait, in Bahrain, to subvert governments in Iraq, their efforts in Lebanon, elsewhere, are often driven by these goals. These goals bring them into conflict with the United States, and, again, I think that for some Iranians acquisition of nuclear weapons is important to them because they believe that only by acquiring nuclear weapons will they be able to successfully wage this cataclysmic struggle, this apocalyptic struggle that they see between the United States and the West—or the United States and Iran, or at a more mundane level, simply be able to expand their own power, create governments that are friendly to themselves in the region without fear of American retaliation.

That, I think broadly encompasses most Iranian motives for acquiring nuclear weapons. But that said, I think that a discussion of Iran's motives is at best no more than half of the issue before us. And I think that the other issue, which the previous panel alluded to, at least briefly, is the question of priorities. As all of you know better than any of us on this panel, politics is not so much what you want, but what you're willing to get or willing to take. Politics is mostly about making tradeoffs. And I think the critical question that we need to be asking ourselves is not what do the Iranians want, but what are their priorities. What is their highest aspiration, what is secondary, what they would be willing to give up to hang on to their nuclear program.

A friend of mine, a Swedish diplomat, once said to me in response to exactly this point that if you asked Swedes on the street whether they wanted a nuclear weapon, most of them would probably say yes, too, until you pointed out to them that the acquisition of those weapons would probably entail costs and possibly even international sanctions. Once you start introducing costs into people's calculus, that calculus can change very rapidly. And here I think what's important is that there do seem to be very important divisions, both Iranian leaders and between the Iranian leadership and the Iranian people.

It is always dangerous to start divvying up the Iranian leadership and ascribing some leaders to this group and other leaders to that group, but, of course, there is no alternative to doing so, not,

certainly, in the amount of time that we're allocated today. And so I will go down that slippery slope and divide the Iranian leadership into three different groups. There are pragmatists, typically associated with former President Hashemi Rafsanjani among others, for whom Iran's economy is clearly the highest priority. What's more, these figures seem to recognize that the only salvation for Iran's economy, which is in very deep trouble, is a better relationship with the West and the technology and the investment and the latching with the global economy that would come from that.

For them, therefore, Iran's nuclear weapons I think are desirable. I suggest that most Iranian leaders in this group probably would like to have nuclear weapons if there were no costs involved, but they have consistently suggested that Iran's economic health was a higher priority than the nuclear program, and that Iran might be willing to make accommodations and even sacrifices where its nuclear program was involved if it were important for Iran's economic health.

At the other end of the spectrum are the radical hard-liners, today typically associated with President Ahmadinejad, although he is not by any means the most important member or the only member of that camp. The radical hard-liners seem to believe that nuclear weapons are Iran's highest priority. That's not because in some cases they don't believe that Iran's economy isn't important, in many cases they do, but because they have very different ideas about how to solve Iran's economic problems. In part it's because they don't know very much about economics or how to solve Iran's economic problems, but also because they do, in many cases, ascribe to this ideological motivation. They do believe in the revolution, and they do seem to believe that having nuclear weapons is important for them to ultimately achieve the goals that Ayatollah Khomeini laid out for the Islamic Revolution.

Caught in between are Iran's mainstream conservatives, and here the most important figure by far is the Supreme Leader, Ali Khamenei. I think that the best way I would describe Khamenei's position, as best any of us can tell given the tea leaves that we are forced to read because our sources of information about Iran or Iranian leadership are so limited, is that they see Iran's economy and its nuclear program as perhaps being coequal in importance. Or at least that's the best we can tell given their behavior so far. Khamenei has tried very hard since about 1990 to simultaneously maintain progress on Iran's acquisition of nuclear weapons and maintain good enough ties with the West so that Iran can have enough trade and enough investment to keep its economy from stumbling along. The mainstream conservatives, like the pragmatists, seem to recognize that the greatest problem for the regime is popular dissatisfaction with the regime and that the greatest source of that popular dissatisfaction is Iran's poor economic health.

What we've seen from the regime to support this point, first of all, are very different perspectives on the nuclear program, to the extent of Mr. Ahmadinejad's Foreign Minister rejecting out-of-hand offers for negotiations, for example, from the Russians, only to have several days or weeks later, Mr. Khamenei's people come in and

then accept those very same offers from the Russians and others, suggesting a very serious difference within the Iranian regime.

Beyond that, there is the fact that the Iranian regime has tried scrupulously to maintain that their nuclear program is all about Iran's economic health, even to the extent of throwing out the CNN Bureau when an interpreter mistranslated remarks by President Ahmadinejad where he mentioned nuclear power, and it was mistranslated as nuclear weapons. And this demonstrates the extreme sensitivity of the regime.

Again, as the previous panel suggested, the regime is trying to convince the Iranian people that the reason that they need this nuclear program is to help Iran's economy, that it is the solution to Iran's economic problems, not its security problems. And, again, that speaks to what I think is the fourth factor in all of this, which is the Iranian people. Which, again, I will say we have the least—the worst information on what the Iranian people believe; however, there do seem to be quite a bit of anecdotal evidence that indicates that for the Iranian people, "It's the economy, stupid." The economy is by far the most important priority that they have, and I think that there is every expectation, especially given the regime's own rhetoric, that if the Iranian people were ever forced to choose between their economic health and their nuclear program, they would grudgingly but readily choose their economic health.

Now, what all of this suggests to me is that convincing Iran to give up its nuclear weapons program or its nuclear program will be difficult, but not impossible. Iran clearly does have powerful incentives for acquiring this capability, and I don't think that it is going to be easy for someone to convince them otherwise. By the same token, there is nothing about their priority structure that suggests that it is going to be impossible to do so. And, again, for me, history is an important set of lessons. In the 1960s, especially in the late 1960s, Mr. Chairman, you will remember that it was considered a foregone conclusion that Egypt would acquire nuclear weapons. They, too, had compelling strategic reasons, reasons of prestige, and reasons of ideology for acquiring those weapons. In fact, I think you could argue that Egypt's reasons were even more compelling than Iran's reasons today. But Egypt voluntarily chose to give up its nuclear weapons program, and it did so because Egypt's leadership recognized that nuclear weapons were not its highest priority and that its pursuit of nuclear weapons were undermining its highest priorities.

More recently, Belarus, Ukraine, and Kazakhstan have been convinced to give up their nuclear weapons even though any number of academic strategists believed that they were insane to do so because of their own strategic rationales for keeping the weapons. But what the Ukrainians, Belarusians, and Kazaks realized was that again, their relationship with the West and the health of their economies was far more important to them than their possession of these nuclear weapons.

And as a final example, there is Libya, one of the worst rogues of the Middle East over the last 30 years, which also under the weight of international sanctions was ultimately convinced that its pursuit of terrorism and nuclear weapons stood in the way of its ultimate prosperity and stability.

All of that suggests to me that, again, it will be difficult, but not impossible to convince the Iranians to give up their nuclear weapons program.

Ultimately, in addition, what it points to, to me, is that the goal, the strategy that the West should be employing, the international community should be employing to try to convince the Iranians to cease its nuclear weapons program is to force them to make a choice between their highest priority, their economy, and their nuclear weapons program. And I think that it has been our failure to do so all along that has left us in the conundrum that we face today.

Ultimately, I believe that we need to change Iran's incentive structure, since at the moment they have strategic, ideological, and prestige incentives for pursuing it and few economic and other disincentives to cease pursuing it. And here is a sidebar. I'll point out that this is one reason that I'm also very leery of a military operation against Iran to try to eliminate its nuclear capability, because ultimately, no matter how successful that effort may, or may not, be in the short run, in the long run it will do nothing to change Iran's incentive structure, and in fact will most likely simply reinforce it.

Now, my time is running short, and I'm not going to get into this in greater detail because others have already made the point and it is available elsewhere, but I do believe that the key incentive for Iran is ultimately economic incentives, both positive and negative. As I've said, the one priority that we can clearly identify among the Iranian people and among important segments of its leadership is the health of Iran's economy. And so, therefore, I think that the key for the international community is to make clear to the Iranians that if they continue down this path, if they continue to resist the will of the international community, their economy will suffer and will suffer very markedly and very quickly.

On the other hand, I also think it is critical that the international community, including the United States, also offer a positive set of incentives to the Iranians that the best way out of their current economic impasse is to give up the nuclear program, and ideally their support of terrorism, and that in so doing, they would be rewarded and it would help them to solve their economic problems.

As I suggested, it is going to be difficult to convince them to give up this program, and I think that only a combination of positive and economic—positive and negative economic inducements is going to do so, and what's more, I would suggest that these positive and negative economic inducements are going to have to be very significant. Given the range of Iranian motivations for possessing these weapons, I don't think that we should assume that symbolic sanctions or minor concessions along the lines of what President Bush offered on March 10, 2005, when he offered admission to the WTO and spare parts for Boeing aircraft is going to be sufficient to bring the Iranians around. We're going to have to put some very significant offers on the table, including the lifting ultimately of United States economic sanctions against Iran, and very serious economic sanctions against Iran if they're not willing to comply. And here I think the best way to focus our efforts would be in the

area of investment rather than trade. My own experience with our Iraq sanctions during the 1990s has convinced me that trade sanctions, which can very immediately affect the people of the targeted country, are not in our best interests. They are not sustainable—

[Disruption in the audience.]

The CHAIRMAN. The hearing will come to order.

Dr. POLLACK. They are not the appropriate moral course of action for the United States of America. Investment is an area where Iran is vulnerable and, ultimately, an area where the West can apply significant pressure over the long term in a way that is unlikely to hurt the Iranian people in the short term.

I would also say that I think that we need to brace ourselves, because even if we are willing to put a very significant set of positive inducements on the table, and here I'd make the point that while I do believe that economic inducements need to be at the heart of that package, it cannot be the only thing. Security guarantees, a new security architecture for the Persian Gulf where the Iranians can discuss their legitimate security concerns and perhaps even find a way toward an arms control solution to the various problems of the Persian Gulf should be another element. I would also be very willing to allow the Iranians nuclear energy, access to nuclear technology as the first panel described, and a range of other incentives. But, again, for me I think it is the economic incentives that need to be at the heart of it because that is the one priority that we've identified of the Iranians that seems to stand above even their pursuit of nuclear weapons.

I think that we need to recognize that the Iranians also have a reason to resist even a very compelling package, a package of big carrots and big sticks, and this is because, ultimately, it is going to be—while we are the ones required to put up the big carrots at this point in time, it is our European allies, and hopefully the Russians and Chinese and Indians, who will have to put up the big sticks. And quite frankly, I don't think that the Iranians think that the Europeans are up to it. All throughout the 1990s they saw the Europeans threaten economic sanctions and then back off, often for no reason whatsoever regardless of what Iran's behavior was. And so I think that Iran's current policy of brinksmanship is very much designed to force the Europeans to do something that the Iranians believe that the Europeans just don't have the stomach for. And for that reason as well, I think that even if we do apply a package of carrots and sticks, we're going to have to expect that we're going to have to impose significant sanctions on Iran probably for some period of time before the Iranian regime believes that the Europeans really mean business.

I will conclude with one final thought. I've had a chance to quickly skim Dr. Clawson's testimony, and I know that he is going to advocate a different kind of package, one where the incentives are primarily security related. And I will simply close by saying, Mr. Chairman, that I think we now have in front of us the definition of a hard problem, which is when the security expert on the panel urges an economic solution to the problem, and the economist on the panel urges a security solution to the problem.

Thank you very much.

[The prepared statement of Dr. Pollack follows:]

PREPARED STATEMENT OF DR. KENNETH M. POLLACK, SENIOR FELLOW AND DIRECTOR OF RESEARCH, SABAN CENTER FOR MIDDLE EAST POLICY, THE BROOKINGS INSTITUTION, WASHINGTON, DC

Mr. Chairman, Senator Biden, other distinguished members of the committee, it is an honor to appear here today to discuss a matter of such importance to our Nation.

As with all writing about Iran's political process, it is important to be humble about what we can know. Our sources of information about Iranian decisionmaking are miserable and the Iranian governmental process is labyrinthine and unpredictable even for the most subtle and knowledgeable observers inside Iran and out. Even Iran's public opinion is difficult to discern because the regime works hard to control sources of information, punishes dissent, and hinders the efforts of disinterested pollsters. Consequently, we are all "reading tea leaves" when it comes to trying to predict Iran's behavior, especially on an issue as important and heavily debated as this one. All that any of us can offer is an educated guess as to what the Iranians are thinking and how they may react.

With that caveat in mind, I believe that Iran's interest in nuclear weapons is both wide and deep, but it is not adamant. The issue, as always in politics, is not whether Iran wants to see its nuclear program through to completion but what it would be willing to sacrifice to keep it. On this matter, I believe the Iranians would be willing to sacrifice a fair amount, but hardly everything. What this suggests then is that convincing Iran to give up its nuclear program is going to require very considerable inducements, both positive and negative, but that it is not impossible to do so.

IRAN'S STRATEGIC PERSPECTIVE

Setting aside the question of whether Iran is determinedly seeking actual nuclear weapons or simply the capability to produce fissile material (and thereby be in a position to acquire the weapons themselves rapidly), there is ample reason to believe that Iranians would want nuclear weapons.

Deterrence. It has become a cliché in the United States to note that Iran lives in a tough neighborhood. Iranian leaders in Tehran can objectively look out beyond Iran's borders and see a wide range of potential threats, from chaos and civil war in Iraq or Afghanistan, to a nuclear-armed Pakistan, to Israel over the horizon, to American forces arrayed all along Iran's borders. What's more, Tehran's relations are strained or antagonistic with many of its neighbors, and even those with correct relations with the Islamic Republic tend to view it with considerable suspicion. Thus, the Iranians can honestly point to a wide range of threats and serious concerns for their security, although the fact that their own actions have been responsible for much of the animosity they face is probably lost on most of them.

In other words, possession of nuclear weapons makes sense from an Iranian perspective for purely defensive reasons. While nuclear weapons cannot solve all of Iran's security problems, they can solve some, and in so doing might make dealing with the rest much easier. At the most extreme, Iran is unlikely to be able to deter a determined American military operation without a nuclear arsenal. This lesson has no doubt been driven home to the Iranians by the divergent experiences of Iraq and North Korea, the two other members of President Bush's "Axis of Evil." North Korea is believed to possess nuclear weapons and so the United States has not attacked it and is being forced to engage with Pyongyang. On the other hand, Saddam Hussein's Iraq did not possess nuclear weapons—but was believed to be trying to acquire them—and so the United States was willing to invade and overturn the Ba'athist regime. It is hard to imagine that the leadership in Tehran did not see this as a very simple set of reinforcing conclusions: If you have nuclear weapons, the United States will not dare use force against you, but if you don't, you are vulnerable.

Prestige. We should never forget that the Iranians see themselves as the lineal descendants of a 2,500-year-old civilization that bequeathed to the world its first superpower (the Persian Empire of Cyrus the Great, Darius, and Xerxes), and a long string of great powers from the Parthians to the Sassanids to the Safavids. Only very recently, as measured by the full tale of human history, has Persian power been supplanted in the region by European and eventually American power. A great many Iranians believe that their country's history, experience, and natural resources mandate for it a role as one of the world's great powers and the dominant force in southwest Asia and the Persian Gulf.

To the legacy of Persia's imperial greatness can be added the pride of the Islamic Revolution, which since 1978 has reinforced to many Iranians the sense that their nation has been marked by destiny to play a leading (perhaps "the" leading) role

in the region and the Islamic world. Although many Iranians have soured on the revolution, others continue to see it as vital to Iran's mission in the world and many more still see it as another sign that Iran should be the intellectual, diplomatic, and military hegemon of the region.

Persian pride appears to be another motivation in Iran's pursuit of nuclear enrichment capability, if not actual nuclear weapons. Acquiring nuclear weapons would give Iran a status that only a very few other nations possess. It would immediately catapult Iran into the "big leagues" of world politics. It would likely force other states to pay more attention to Iran's aspirations and wishes. Here the recent model that seems to stand out in the minds of many Iranians is India, whose development of nuclear weapons—and their acceptance by the international community—has been a critical element of New Delhi's acceptance as one of the great powers of the world, whose views should be considered on any matter of importance. Since this is the position to which many Iranians seem to aspire, matching India in the nuclear realm also appears to be a self-evident necessity for Iran.

Export of the Revolution. For at least some Iranians, typically referred to as the "radical hard-liners," Ayatollah Khomeini's dream of exporting Iran's Islamic Revolution to the rest of the Muslim world (and possibly even beyond) is yet another motive. Throughout the 1980s and, to a lesser extent during the early 1990s, Iran attempted to realize this dream by attempting to subvert reactionary Middle Eastern governments and assist would-be revolutionaries in those same countries. Iranian efforts in Iraq, Saudi Arabia, Kuwait, Bahrain, and even Lebanon were all motivated in part or in whole by this goal. But Iran's efforts in these countries triggered the animosity of the United States and in at least one case (Iraq during the Iran-Iraq war) prompted limited but direct American military intervention against Iran. In Lebanon, Iranian actions were part of what inspired American intervention there, and in Saudi Arabia, Iranian activities sparked other aggressive American responses as well as prompting debate in Washington over whether to mount retaliatory military actions against the Islamic Republic.

For still other Iranians, another motivation to acquire nuclear weapons appears to be the related goal of waging war against the United States. This is an offensive version of the deterrence argument above that is also closely related to export of the revolution. Proponents of this motivation continue to see the world as Khomeini described it—as a battle between the forces of good, represented by Iran, and the forces of evil, represented by the United States. In this worldview, Iran will not just face endless attack by the United States but it will also face constant opposition to its efforts to export the revolution from the United States. Therefore, Iran must have the power to drive out American influence from the region and prevent the United States from keeping Iran from achieving its destiny.

For Iranians holding either or both of these more offensive rationales, acquisition of nuclear weapons would also appear to be vital because it would be the only sure way to limit or preclude an American military response for Iranian asymmetric warfare, terrorism, and subversion against the United States and its conservative allies in the region.

MOTIVATIONS VS. PRIORITIES

The Iranians clearly have a range of powerful motivations, strategic, ideological, and psychological, for desiring an arsenal of nuclear weapons—or at least the capability to manufacture such weapons in short order. Nevertheless, it would be a mistake to confuse motivations with a universal and indomitable determination to do so. The history of the past 60 years demonstrates that other states with equal or greater strategic need, ideological justification, and/or psychological desire for nuclear weapons ultimately chose either not to pursue them at all or to give up their pursuit midstream:

- In the 1960s it was considered a foregone conclusion that Egypt would develop a nuclear weapon as its strategic and psychological incentives were even more compelling than Iran's are today. Egypt was locked in a conflict with a nuclear-armed Israel which resulted in four mostly disastrous wars (for Egypt) in 25 years, and Cairo aspired to be the "leader of the Arab world." Yet Egypt shut down its nuclear weapons program entirely of its own volition because the Egyptian leadership concluded that it had higher priorities which the pursuit of nuclear weapons were undermining.
- Leaders in Italy, Australia, Sweden, Japan, and South Korea considered developing nuclear weapons at various points, and the Italians and Australians actually made some considerable progress toward that goal. However, all of them decided that nuclear weapons would be counterproductive to other, higher prior-

ities, and that they could find ways to deal with their security problems (including even South Korea) through other means.

- Belarus, Ukraine, and Kazakhstan went even further in the early 1990s, voluntarily surrendering the nuclear arsenals that they had inherited from the Soviet Union. Although many Western academic strategists believed that they were insane to do so, all three recognized that the security benefits from possessing nuclear weapons were outweighed by the diplomatic and economic benefits of giving them up and strong economies and good relations with the rest of the world were of far greater importance to them.
- Finally, there is the example of Libya, long one of the Middle East's worst rogue states, which agreed to give up its nuclear program in December 2003 after 10 years of U.N. sanctions convinced Muammar Qaddafi that his pursuit of the bomb was not worth the devastation of Libya's economy and international relationships.

What these examples demonstrate is that it is entirely possible for the international community to dissuade states from trying to acquire nuclear weapons and even persuade them to give them up, even when those states have compelling strategic rationales for possessing the weapons. In every case, the key has been to create a powerful set of positive incentives and negative disincentives geared to the priorities of the state in question.

Iran's political leadership is divided over its nuclear program in important ways. While the available evidence suggests that most Iranian leaders would like at least a nuclear weapons capability (if not the weapons themselves), it also indicates that they differ widely in the priority they ascribe to this goal. For instance, in an interview in 2002, then Minister of Defense, Ali Shamkhani, warned that the "existence of nuclear weapons will turn us into a threat to others that could be exploited in a dangerous way to harm our relations with the countries of the region." More important still, former President Ali Akbar Hashemi Rafsanjani has warned that "If there [are] domestic and foreign conflicts, foreign capital will not flow into the country. In fact, such conflicts will lead to the flight of capital from this country." Statements like these demonstrate that important Iranian leaders do not regard possession of nuclear weapons either as an unvarnished blessing or Iran's highest priority.

The same appears to hold true for the Iranian populace, as best we can discern it. When Iranians took to the polls in the spring of 2005 to elect a new President, they did not vote for Mr. Ahmedinejad because he was determined to acquire nuclear weapons. Instead, they voted for him because he promised to reform Iran's economy and curb the rampant corruption that is the principal blight on the economy. Anecdotal evidence has repeatedly confirmed that for the Iranian people, "it's the economy, stupid." Of course, many average Iranians continue to voice their support for Iran's nuclear program and even for acquisition for nuclear weapons, but stated in a vacuum (i.e., without regard for potential tradeoffs) such sentiments are meaningless. As a friend of mine, a Swedish diplomat, put it to me, "If you were to ask Swedes whether Sweden should have a nuclear weapon, most of them would probably say yes, too, until you told them that it would come at the cost of isolation or even sanctions."

What's more, the regime appears to be well aware of this. Supreme Leader Ali Khamenei and his allies have tried hard to steer clear of policy paths that would cause Iran's European and Japanese trading partners to impose economic sanctions on Tehran, even being willing to agree to suspend Iran's nuclear program in 2003 to avoid such a fate. It is noteworthy that while President Ahmedinejad and his hard-line colleagues in Iran's Foreign Ministry regularly reject foreign overtures to deal with Iran's nuclear program, Khamenei's people have just as frequently contradicted the hard-liners by announcing a willingness to negotiate. Thus it was Ahmedinejad's Foreign Ministry that rejected the 2005 Russian proposal to allow Iran to enrich uranium at Russian facilities, but days later National Security Adviser (and Khamenei's protege) Ali Larijani accepted the Russian offer to start a dialog on this proposal, almost certainly in an effort to drag out negotiations, postpone U.N. Security Council action, and possibly harden Russia's support for Tehran's position.

It is also important to note that the regime itself has scrupulously maintained that the nuclear program is about securing Iran's energy needs (so that it can export more oil and gas) and developing a high-tech industry. While there are a number of logical and evidentiary problems with these claims, what is critical is that they are designed to portray Iran's nuclear program as necessary to Iran's economy, not its security. Indeed, Tehran is so paranoid about this that it temporarily evicted CNN's bureau from Iran when a CNN interpreter mistranslated "nuclear power" as "nuclear weapons" in a speech of Ahmedinejad's. This too makes clear that the re-

gime shares the belief that if the Iranian people were ever forced to choose between the nuclear program and economic health, they would choose the latter.

SQUARING THE CIRCLE

This discussion suggests that convincing Iran to give up its nuclear program is going to be tough. The Iranians are not going to do so willingly. But it also tells me that doing so should not be impossible, because there are Iranians—both the bulk of the people and important members of the regime—for whom nuclear weapons are desirable, perhaps even important, but neither essential nor even their first priority.

Another comparison is useful to illustrate this point. North Korea's calculus regarding nuclear weapons was clearly different from Iran's. For Pyongyang, its nuclear weapons program was its highest priority and it was willing to tolerate hardships that few other countries (including even Iran) would be willing to. Ultimately, North Korea accepted the devastation of its economy, the impoverishment of its citizenry, and having 3 million of its people starve to death to hold onto its nuclear weapons program. If the same could be said about Iran then it probably would be impossible to convince Iran to give up its nuclear program; however, there is no Iranian or Iran expert who believes that this is the case. There is absolutely no evidence that Tehran would be willing to tolerate the extremes of sacrifice that North Korea did. Instead, the evidence suggests exactly the opposite, that Iran would be more like Libya: Difficult, but hardly impossible to convince.

The key then is for the United States and its allies to compel the Iranians to choose between their nuclear program and their highest priority—their economic well-being. The way of doing so is now well-explicated, including in my own work. Briefly, it would involve a multilateral sanctions regime that would gradually shut down Western (ideally the OECD, but initially perhaps just the G-7) investment in Iran, particularly its gas and oil sectors, in response to continued Iranian recalcitrance. Even with oil prices above \$60 per barrel, Iran is desperate for Western investment capital because corruption is sucking the oil revenues right out of the system and thus having little impact on the overall economy. Despite the claims of some that Russia and China could make up for any loss capital from Europe and Japan, the fact is that their economies are still roughly a decade away from being in a position to do so. Simultaneously, as we did with the Libyans, in return for Iran agreeing to abandon its nuclear program and do so in verifiable fashion, the West (or the U.N. Security Council) would offer Tehran a package of incentives to include admission to the WTO and integration into the global economy, a lifting of U.S. economic sanctions (assuming that, like Libya, Iran renounced terrorism as well) and a universal settlement of all outstanding claims, investment guarantees to make investing in Iran more attractive for Western companies, provision of properly safeguarded light-water reactors, terms for giving Tehran access to enrichment technology (without the feedstock materials, the equipment, or the spent fuel), security guarantees, and ideally a new security architecture in the Persian Gulf similar to the Organization of Security and Cooperation in Europe that would allow Iran to address its legitimate security concerns through a peaceful process of dialog and, eventually, arms control.

Presenting such a package would make clear to the Iranian people and their leadership that their country really did have just two choices. They could retain their nuclear program (and their support for terrorism) and they would become an international outcast and have their economy slowly crippled by sanctions. Or they could give up these two things and enjoy all of the benefits of the international community that they ever dreamed of.

Two additional caveats suggested by the discussion of Iranian motives and priorities are also in order here. First, the package would have to make very clear that all Iran has to give up is its pursuit of nuclear weapons—not nuclear energy or nuclear technology—to get all of the benefits promised. Any ambiguity here would allow Iran's hard-liners to continue to proffer the canard that Iran's nuclear program is about its economy, thus engaging Iran's highest priority and making it less likely that the Iranian people would favor it.

Second, both the carrots and the sticks employed by the international community are going to have to be very big. Iran has major strategic, ideological, and psychological equities attached to its nuclear program and it will not budge easily. Small carrots, like those offered by President Bush on March 10, 2005 (admission to the WTO and sale of spare parts for Boeing passenger aircraft), or simply deals for nuclear reactors and technology, are probably not going to be adequate. The Iranian people will have to believe that there is a huge pot of gold at the end of the rainbow, especially if they are going to be able to help Iran's more pragmatic leaders defeat

Tehran's hard-liners in what is likely to be a knock-down, drag-out internal political battle. Similarly, no one should be under the misimpression that Iran will accept such a deal without the threat of very serious economic sanctions. Indeed, it seems likely that the international community, or merely the West acting outside the United Nations in multilateral fashion, will have to impose strong sanctions on Iran and keep them in place for some time before Tehran accedes. As noted above, it took 10 years for Libya to come to terms, although the Libya sanctions were relatively light as far as sanctions go.

Moreover, throughout the 1990s the European countries threatened Iran with sanctions for its bad behavior but never, ever followed through on their threats no matter how outrageous Iran's behavior. Consequently, it appears that Iran does not believe that the Europeans will be willing to impose such sanctions, let alone maintain them for very long. This is the root of Tehran's current strategy of brinkmanship: The Iranians seem certain that, in the end, the Europeans will balk and when that happens, the crisis will be over and they can go back to both pursuing nuclear weapons and enjoying trade and investment from Europe. Thus their strategy is to give on nothing and force the Europeans either to make good on their threats or, as Tehran seems to believe, admit that they are bluffing. For this reason, the Iranians are probably going to have see the Europeans actually impose meaningful sanctions and be willing to hold them in place for some time before Tehran actually believes the Europeans mean business.

None of this should be terribly heartening, but neither should it cause us to lose heart. We always knew that convincing states like Iran that have a range of important rationales for pursuing a nuclear capability to give it up is difficult. But few things in the worlds of politics and diplomacy are impossible, and there is good reason to believe that Iran can be dissuaded from its current course if the United States and its allies in Europe and Asia can forge a common position and make clear to Iran that pursuit of a nuclear weapon will cost it what most Iranians value the most.

The CHAIRMAN. Well, thank you very much, Dr. Pollack, for your very comprehensive testimony.

I appreciate that our guests today are enthusiastic about our panel members, but please, if you can, resist too many of these impulses as it would be helpful in terms of the order of the hearing to proceed.

Now, Mr. Sadjadpour, would you please testify.

**STATEMENT OF KARIM SADJADPOUR, IRAN ANALYST,
INTERNATIONAL CRISIS GROUP, WASHINGTON, DC**

Mr. SADJADPOUR. Well, thank you very much, Mr. Chairman. It's a great privilege to be here before you on behalf of the International Crisis Group. It's a great privilege to be a member of such a distinguished panel as well. I thought I would focus primarily on domestic political happenings in Iran, given that my colleagues have not been granted a visa to go to Iran by the Iranian Government.

I think that we are on a collision course here between the United States and Iran with decidedly potentially devastating consequences for the future of nonproliferation, for the future of Middle East peace and security, and for the future of Iran's evolution toward democracy.

These negotiations were once called a game of chess. I believe they've now evolved into a game of chicken. We essentially have a situation where we have two cars moving at each other with increasing velocity, and neither side, meaning neither the United States, nor Iran, believes that it behooves them to either slow down or to get out of the way.

From Washington's perspective there's great suspicion about Iran's intentions to acquire this nuclear capability. There's a sense

in Washington that we should not reward bad Iranian behavior and we should not talk to it by talking to Iran would conferring legitimacy on the regime.

From Tehran's perspective there's also great suspicion about United States intention. Tehran believes that this nuclear issue is simply a pretext for a regime-change approach, and their mentality is that if we succumb to pressure on this nuclear issue, it's not going to get us out of trouble, it's simply going to invite further pressure, and, again, nothing short of a regime change is going to appease the United States.

I thought I would focus on four observations and their implications for U.S. policy. And the first observation—this is in my capacity as an analyst with the International Crisis Group based in Tehran and interviewing Iranian, European, and United States officials frequently. I believe there's very little hope of reaching any binding resolution absent some type of direct U.S. involvement. In 3 years of interviewing the European negotiating team and senior European officials, I've always come away with the notion that there's very little confidence that a binding resolution can be reached absent some type of direct United States role because it is not political security and economic dividends that Iran is seeking from the Europeans, but from the United States.

Iran analysts commonly invoke a paradigm to talk about the situation: Two ticking clocks. There's the regime change clock and the nuclear clock. I believe the dilemma is that when you try to speed up the regime change clock, you simultaneously expedite Iran's ambitions for a nuclear deterrent. I think when it comes to United States policy we should be very clear to the Iranians that a belligerent foreign policy is not going to reap rewards, but at the same time we should make it clear that a more conciliatory and compromising Iranian stance would trigger reciprocal steps from the United States.

The second observation I wanted to address is that we should disabuse ourselves of this notion that dialog is tantamount to appeasement or indifference to human rights abuses, that talking to Iran would be selling out the will of the Iranian people. Empirical studies and anecdotal evidence suggests overwhelmingly that the Iranian people, despite great discontent with their leadership, overwhelmingly want to have relations with the United States. Empirical studies suggest upward of 80 percent of Iranians would support having dialog and relations with the United States. The vast majority of Iranian democratic activists I've come across agree that they believe a United States-Iran diplomatic accommodation would actually be helpful to their cause, not hurtful of their cause. I'm talking about Nobel Laureate, Shirin Ebadi, and brave activists like Akbar Ghanghi.

One thing that's been dismaying for me personally is that human rights, the issues of human rights and democracy have been absent from these EU-Iran nuclear accords that have taken place these last few years, and I do believe that the United States is the only country which, if they were to join the negotiations, would be able to ensure that these issues, human rights and democracy, have a role at the table.

Now, I wanted to nuance some of the comments of the previous panel about Iranian popular sentiment vis-a-vis the nuclear issue. Having been based in Iran intermittently since 2003, this is an issue in which I would engage the vast majority of Iranians I would come across traveling around the country. And I found that this popular sentiment which has been written about in the Western media and, of course, the Iranian media, has been very much exaggerated. It is true that for some Iranians this is an issue of national pride. Iran is an old country, old civilization, and they look around and they say, well, India, Pakistan, Israel can have these projects, why the double standard? But I would argue that at the same time this is a society which experienced a devastating 8-year war with Iraq, which not really one family was left unscathed by this war. And no one romanticizes about the prospect of conflict, about the prospect of militarization, so when they see this nuclear project, there's a lot of concern about the direction in which the country is headed. And quite frankly this is a very technical project, actively enriching uranium indigenously as opposed to importing enriched uranium abroad. So despite the claims of the Iranian Government, I can tell you that the Iranian people don't wake up thinking in the morning what's missing from our lives is enriched uranium.

I would argue that if you were to pose two options to the Iranian people as a referendum: (a) Pursue this nuclear program unequivocally come what may, sanctions, further isolation, potential military confrontation, or (b) make certain nuclear compromises and reintegrate into the international community, this young Iranian population, two-thirds of whom are under 30, would overwhelmingly choose the later option.

Now, lastly, I believe that we need to disabuse ourselves of the notion that a sudden upheaval in Iran or some type of abrupt political change would necessarily be for the better. I would argue that the vast majority of Iranians are in favor of a democratic system, a more tolerant system, a more open society. But unfortunately these peaceful and democracy-loving Iranians are not the ones who are currently organized, and they're not the ones currently with arms. To quote the great United States diplomat and Iran scholar, John Limbert, who was actually a hostage in Iran for 444 days, to paraphrase him, in fact, revolutions are not won by those who can write incisive op-ed pieces. At that time it was won by those who were willing to throw acid in other people's faces. These days it's won by those willing to conduct suicide operations, et cetera. So I think we should be very careful about romanticizing about the prospect of sudden, abrupt change in Iran.

Lastly, I wanted to present two visions for Iran, two possibilities which I believe are equally plausible. The first is of a country isolated from the world, isolated from the international community, but with enough oil wealth to continue to fund its paramilitary groups, 2 million Bassij, 150,000 revolutionary guards, to repress popular will and popular demand for change. And unfortunately I can see this sustainable. I can see an Islamic Cuba with a bomb 10, 15, 20 years from now.

The second vision is of a country reintegrated into the international community, having relations with the United States, hav-

ing a United States Embassy in Tehran, having increased foreign investment, a strengthened middle class, tourists going back and forth, the Iranian diaspora going back and forth. I believe this is a much more fertile ground for democratic change and would certainly expedite Iran's path toward democracy rather than the contrary.

Thank you.

[The prepared statement of Mr. Sadjadpour follows:]

PREPARED STATEMENT OF KARIM SADJADPOUR, IRAN ANALYST, INTERNATIONAL CRISIS GROUP, WASHINGTON, DC

Mr. Chairman and Senator Biden, thank you for allowing me, on behalf of the International Crisis Group, the privilege to discuss before you the fate and relationship of the two countries which I care most deeply about, the United States and Iran.

Mr. Chairman and Senator Biden, I fear we are on a collision course with decidedly devastating consequences for the future of the U.S.'s international standing, nuclear nonproliferation, Middle East peace and security, and Iran's evolution toward a society which respects the human rights and civil liberties of its citizens. What was once described as a game of chess has evolved into a game of chicken: The United States and Iran are like two cars moving head on with increasing velocity. Most concerning is that neither side believes that it serves its interests to slow down or get out of the way.

The policy stances of both sides have the merit of being clear: Washington sincerely doubts that Tehran's intentions are peaceful, and refuses to "reward bad behavior" or "confer legitimacy" on the Iranian regime by talking to it. Tehran, meanwhile, believes that the nuclear issue is simply a pretext used by the United States to cover its regime change ambitions, and that agreeing to compromise on its "legal NPT rights" would not allay U.S. pressure, but on the contrary be perceived by Washington as a sign of weakness that would only invite further pressure. Operating under this premise, Iran's leadership believes it must not relent from its position, especially when oil prices soar, its hand in Iraq is strong, and there is still no indication that a more conciliatory Iranian approach would beget a more conciliatory U.S. response.

I do not believe that a nuclear-armed Iran is inevitable. Nor do I believe that a firm decision has been made in Tehran to pursue the acquisition of a nuclear weapon. Despite current ominous trends I remain hopeful that the Iranian people's aspirations to live in a more open society at peace with the outside world is a worthy goal which will one day be realized. But I believe the probability of achieving either of these two salient goals—preventing a nuclear-armed Iran and forwarding the cause of Iranian democracy—is highly unlikely in the context of current U.S. policy toward Iran.

Over three decades of U.S. attempts to change Iranian behavior by isolating it politically and economically have borne little fruit: 27 years after the 1979 revolution, Iran continues to sit atop the State Department's list of the world's state sponsors of terror, continues to play an unconstructive role in the Israeli-Palestinian conflict, continues to expand its military arsenal, and continues to repress its own population. If U.S. policy toward Iran were a business model, it would have been scrapped long ago for failing to achieve its bottom line.

I. TEHRAN'S CALCULATIONS: THE INTERNAL NUCLEAR DEBATE

Iran's senior leadership has always attempted to project a unified mindset regarding the nuclear issue, but in reality the country's ruling elites are divided into three broad categories: Those who favor pursuit of the nuclear project at all costs; those who wish to pursue it without sacrificing diplomatic interests; and those who argue for a suspension of activities to build trust and allow for a full fuel cycle down the road. Understanding and exploiting these differences should be a key component of any diplomatic approach.

The first group, sympathizers of President Mahmoud Ahmadinejad, comprises ideologues and confrontationists who romanticize the defiance of the revolution's early days. They believe that former President Mohammed Khatami's "detente" foreign policy projected an image of weakness while achieving little for Tehran other than membership in the "Axis of Evil." In contrast, they favor an uncompromising approach, in some cases going as far as to advocate that Iran withdraw from the NPT, unequivocally pursue its nuclear ambitions, and dare the international com-

munity to react. This group advocates measures such as withholding oil exports and cutting diplomatic ties with countries that side against Iran, confident that “the West needs Iran more than we need them.” While 2 to 3 years ago such views were on the fringe, with the recent elections they have gained increased relevance and credibility.

Like the confrontationists, the second group is highly cynical of Western (particularly U.S.) intentions, and argues that Iran is “bound by national duty” to pursue its “inalienable” right to enrich uranium. Unlike them, however, they favor working within an international framework. Iran’s lead nuclear negotiator Ali Larijani is perhaps the best representative of this group, arguing simultaneously, perhaps inconsistently, that Iran must neither succumb to “Western double standards” nor abandon diplomacy. “The West wants two classes of nations,” Larijani frequently says. “Those that have nuclear technology and can be advanced, and nations that must be restricted to produce only tomato juice and air conditioners . . . [But] a country’s survival depends on its political and diplomatic ties. You can’t live in isolation.”

The third, more conciliatory group, arguably most representative of popular sentiment, is currently the least influential. After months of silence, however, they are increasingly beginning to make their voices heard. Former President Khatami and former lead nuclear negotiator, Hassan Rowhani, have criticized their successor’s disregard for diplomacy, and the country’s largest reform party recently urged the government to voluntarily suspend all nuclear fuel cycle work. Believing the costs of nuclear intransigence to be greater than its benefits, they argue that Iran should freeze its enrichment activities in order to build confidence and assuage international concerns. This group welcomes diplomacy and has consistently backed direct talks with the United States, convinced that the Europeans are incapable of providing the political, economic, and security dividends Iran seeks.

Signing off on all major decision in Iran is Supreme Leader Ayatollah Ali Khamenei, whose 17-year track record suggests a leader who wants neither confrontation nor accommodation with the West. Yet decisions in Iran are made by consensus rather than decree, and at the moment Ayatollah Khamenei appears more influenced by advisors who argue—with some plausibility—that nothing short of regime change will satisfy the United States, and that retreating on the nuclear question will only display weakness. If there is to be clash with the United States, Tehran’s hard-liners want it to occur on their terms, when oil prices are high and the United States is bogged down in Iraq.

II. AHMADINEJAD AND THE STRUGGLE FOR POWER

If Mahmoud Ahmadinejad’s election proved anything, it is that the Iranian regime is far from monolithic and Iranian politics are far from predictable. While his triumph last June was widely viewed as a consolidation of power by the nation’s conservatives, differences among conservatives have never been greater than today. And though it was widely assumed that he would focus on domestic economic affairs and have minimal influence over Iran’s foreign policy, in the 9 months since his inauguration, Ahmadinejad’s impact on Iran’s foreign relations has been nothing short of monumental.

Ahmadinejad’s assertiveness and outspokenness has surprised many. During his election campaign he criticized Iran’s previous nuclear negotiating team for being “frightened,” and as President he disbanded it in favor of his own. He is said to have personally authored the provocative speech he delivered at the U.N. Security Council last September, and to have penned his recent 18-page letter to President Bush. Ahmadinejad also has repeatedly issued provocative, bellicose statements on Israel that go beyond what the Supreme Leader or others in the leadership have pronounced.

By most accounts, the President’s style has irked the country’s entrenched political elite. Senior officials have complained that he “doesn’t play by the rules,” and displays a surprising lack of respect for the Islamic Republic’s protocols and hierarchy. Rather than defer to the elders of the revolution on matters as significant as the nuclear issue or United States-Iran relations, he has tried to present himself as a force that cannot be bypassed. Indeed, political rivalries once kept under wraps are now playing out in the open. Last month, for example, Ahmadinejad’s eagerly anticipated announcement that Iran had successfully operated a centrifuge cascade was preemptively leaked by Rafsanjani to the Kuwaiti press. More recently, when news came out that he had written an unprecedented letter to President Bush, former lead nuclear negotiator, Hassan Rowhani, quickly countered by releasing a concise, two-page compromise proposal to Time Magazine—seemingly sending a

message to the West that he is an alternative messenger with an alternative message.

Ahmadinejad's behavior can be explained on two counts. To some extent, it is a function of his ambiguous relationship with Ayatollah Khamenei. The two men have decidedly different post-revolution experiences and responsibilities: Ahmadinejad and his peers' most salient experience was fighting in the battlefields during the Iran-Iraq war whereas Ayatollah Khamenei was serving as President, and faced with the day-to-day dilemmas of governing a country embroiled in a full-blown war and facing near total political, economic, and diplomatic isolation. Wary of repeating this experience, the Supreme Leader has more than once publicly downplayed Ahmadinejad's fiery pronouncements. Yet, at the same time, there is evidence that Khamenei appreciates Ahmadinejad's anticorruption campaign and his commitment to revolutionary ideals, and finds comfort in working with a junior president who is seemingly loyal to him and at the same time makes him look like a moderate. Moreover, Khamenei judges various government officials by their results: In this case, he may well consider that during his relatively short tenure Ahmadinejad has accomplished more progress on the nuclear file than in the previous 2½ years of negotiations with Europe.

While Ahmadinejad's behavior has caused disquiet among the political elite, his standing on the Iranian street is more difficult to assess. On one hand he has failed to deliver on his core electoral promise, namely that he would "put the oil money on people's dinner tables"; since his inauguration last August the country has experienced massive capital flight, foreign investment has dropped precipitously, and Tehran's stock exchange has lost nearly a third of its value. Most noticeably for the Iranian people, inflation has increased dramatically, and unemployment has also risen.

Still, Ahmadinejad continues to enjoy some backing, a result of his populist rhetoric, pious ways, humble lifestyle, and fiery nationalism. Aware that he lacks support among the urban middle and upper classes, he instead has courted economically disenfranchised Iranians in smaller towns and far-off provinces, promising loans and debt-relief. Realizing that he lacks favor among the country's top elite—technocrats, business managers, journalists, academics, and even senior clerics—he curries favor with the country's paramilitary groups, such as the Bassij; has attempted to co-opt the country's military forces by providing numerous projects in the construction and development sector to Revolutionary Guard commanders; and has formed close alliances with powerful hard-line clerics in Qom, such as Ayatollah Mesbah Yazdi. All in all, he has managed through his nationalist rhetoric and postures to set the tone for Iranian foreign policy in a way that few had anticipated beforehand.

III. IRAN'S DOMESTIC EVOLUTION

Despite concerns about Ahmadinejad and his team's desires to return to the early days of the revolution, societal reform in Iran is a train that has left the tracks. While it may be slowed down at times, and will certainly face delays and obstacles, it is a process that will be near impossible to reverse, for sheer demographic reasons: Two-thirds of Iranians are under 33 years old; they increasingly are connected to the outside world via satellite television and the Internet; and they have no special affinity for a revolution they did not experience and a revolutionary government which has not been able to meet their economic expectations.

Indeed, for the vast majority of Iranians the priority is economic rather than political deliverance. This is not to say that democracy and human rights are not important concerns, but that for a majority of Iranians they come second. As a Tehran laborer once explained to me, "When your stomach is empty you don't cry for democracy, you cry for bread!"

While throughout the country Iranians' sense of alienation vis-a-vis their leaders is palpable, despite these socio-economic discontents people have become increasingly disillusioned with politics. In 1997, 2000, and 2001 they went to the polls in overwhelming numbers, twice to elect President Khatami and once to elect a reform-minded Parliament, yet saw insufficient returns on their civic investments. As a Tehran-based intellectual once told me, "People's political frustration is to be expected. It's like exercising every day for 6 years and not seeing any results. Soon you are going to stop going to the gym."

What's more, without a clear alternative model or alternative leadership, the deep-seated desire for economic, political, and social reform among many Iranians is tempered by a strong aversion to unrest, uncertainty, and insecurity. Having already experienced one tumultuous revolution (or in the case of Iran's youth, the aftermath of one tumultuous revolution) and a brutal 8-year war with Iraq, Iranians

have few concrete ideas as to how change should take place other than it ought to occur *bedun-e khoonrizi*—"without bloodshed."

The post-war turbulence and insecurity in next-door neighbor Iraq has made Iranians even wearier about the prospects of a sudden political upheaval or a quick-fix solution. As opposed to the aftermath of the U.S. removal of the Taliban in Afghanistan, when some Iranians could be heard naively romanticizing about the prospects of a swift U.S. intervention in Tehran, today it is rare to find any Iranians who see Iraq as a model for change, or look to their Western neighbor with envy. In the widely echoed words of one middle-class, middle-aged Tehran resident, "When we look at what's going on in Iraq, it seems that the real choice is not one between democracy or authoritarianism, but between stability or unrest. People may not be happy in Iran, but no one wants unrest."

IMPLICATIONS FOR U.S. POLICY

1. To effectively counter Tehran's confrontationists, the United States must simultaneously strengthen its pragmatists

While the United States should make clear that a bellicose Iranian policy will not reap rewards, it should also clarify that a conciliatory and compromising Iranian stance would trigger reciprocal steps. A broader diplomatic accommodation—Iran forsaking domestic uranium enrichment and modifying its objectionable domestic and regional behavior in exchange for improved bilateral relations, security assurances, and a lifting of sanctions—is the preferred option. But given the depth of mutual mistrust and ill will, it may not be possible to achieve this at the moment.

A smaller bargain proposed by the International Crisis Group would be to offer Iran a "delayed, limited enrichment scheme," acknowledging its eventual right, after several years of a total freeze, to operate a small-scale uranium enrichment facility under an intrusive inspections regime, making clear that a military program would not be tolerated.

In both instances the logic is similar: To strengthen the hand of Iranians who are pressing for a more accommodating foreign and nuclear policy, they need to have a realistic and appealing alternative to point to.

2. Dialog does not equal appeasement and certainly not indifference to human rights abuses

It is important that we disabuse ourselves of the notion that dialog is tantamount to appeasement, or would be "selling out" the Iranian people's aspirations for a more representative government. Quite the contrary: Opinion polls suggest that upward of 75 percent of Iranians want their government to have relations with the United States. Iranian democratic activists like female former MP Fatemeh Haghightajou—currently a fellow at MIT—have long argued that a United States-Iran diplomatic accommodation is crucial for domestic change to take place in Iran. Embarking on a comprehensive dialog with Iran would provide the United States with the opportunity to match its rhetorical commitment to Iranian democracy and human rights with action, instead of ineffectively, and at times counterproductively, trying to promote it from afar.

Greater economic and cultural contacts with the outside world, combined with continued international insistence on political reform and respect for human rights, would strengthen Iran's burgeoning civil society; not weaken it, and dilute the conservatives' hold on power rather than fortify it.

3. A sudden upheaval or abrupt political change in Iran is unlikely to be for the better

John Limbert, the erudite Iran scholar and talented former U.S. diplomat (taken hostage in Iran for 444 days) once reflected on the 1979 Iranian revolution that his liberal-minded Iranian friends "who could write penetrating analyses and biting editorials" lacked the stomach to "throw acid, break up meetings, beat up opponents, trash opposition newspapers, and organize street gangs . . . and engage in the brutality that wins revolutions."

Today we should be similarly sober about the realities of a short-term upheaval in Iran. There currently exists no credible, organized alternative to the status quo whether within Iran or in the diaspora. And despite the fact that a majority of Iranians favor a more tolerant, democratic system, there is little evidence to believe that in the event of a sudden uprising it would be Iranian democrats who come to power, especially in a country with nearly 150,000 revolutionary guardsmen and 2 million members of the Bassij, whose livelihood, in many cases, depends on the continuation of the status quo.

4. *The United States should make it clear that it has no intention of undermining Iran's territorial integrity*

While a diversity of opinion exists among Iranians regarding the country's nuclear ambitions, the maintenance of the country's territorial integrity is an issue which unites the vast majority of countrymen of all ethnic, religious, and political persuasions. Amid widespread concern and rumors in Iran that the United States is flirting with a strategy of supporting ethnic Iranian separatists groups, Washington should do its utmost to reassure the Iranian people that such concerns are unfounded.

Mr. Chairman and Senator Biden, I believe there are two equally plausible visions for Iran's future. One is a hostile, backward-looking nation increasingly isolated from the international community, but with enough oil wealth to fund military and paramilitary groups which repress popular demand for change. Despite popular discontent, such a situation could be sustainable in Iran for years if not decades; an Islamic Cuba, with potentially a nuclear weapon.

The second scenario is of a country which has made amends with the United States, is reintegrated into the international community, experiences large flows of foreign investment, a strengthened middle class, a burgeoning private sector, and a free flow of tourists and members of the Iranian diaspora visiting freely. It is this scenario which will provide fertile ground for Iran's transition to a more tolerant and democratic system at peace with the international community.

The CHAIRMAN. Well, thank you very much, Mr. Sadjadpour.
Dr. Clawson.

**STATEMENT OF DR. PATRICK CLAWSON, DEPUTY DIRECTOR
FOR RESEARCH, THE WASHINGTON INSTITUTE FOR NEAR
EAST POLICY, WASHINGTON, DC**

Dr. CLAWSON. Thank you. I'd like to pick up on some of the things that Dr. Pollack referred to about Iran's economic situation and how that could influence its thinking about its nuclear question.

Iran has very serious economic problems of its own making. The country has a growing unemployment which the World Bank warned could, "threaten its economic, social, and political situation." And Iran's per capita income today is 30 percent below that of the prerevolutionary period. At a time when the rest of the world incomes have doubled, Iran's income has fallen. And these serious economic problems create a lot of vulnerability to foreign pressure. Much of the discussion about foreign pressure is about multilateral sanctions imposed by the U.N. Security Council. And, in fact, I would suggest that going that route is a good way of giving Ahmadinejad a rallying point around which to say to his people that the rest of the world is ganging up on us and to feed this populist nationalism that he has been such a master at manipulating. So I'm not convinced by any means that U.N. sanctions route is the best route. Something below the horizon which can impact Iranian business may be a better way to go. In that regard, the de facto sanctions which the governments in Europe and also this government have been talking about may be a good way to persuade businesses to pull out of Iran and to have the impact on the business and economic elite that Dr. Pollack referred to without having to give the red flag that Ahmadinejad can wave around.

The U.S. Government has been quite creative at pushing other governments about how are they going to be implementing the two relevant U.N. Security Council resolutions: 1373, which calls on governments to take action against the financing of terrorism and support for terrorism; and 1540, which calls on governments to take action to prevent the proliferation of weapons of mass destruc-

tion and the financing of this. We've also been quite effective at reminding banks around the world, and industrial companies around the world, that they really do have to go through the U.S. banking system if they want to carry out their economic activities, and do they really want to be doing business with these bad guys? It's going to cause them a lot of problems in their public relations and a lot of problems with the U.S. Government.

We've already seen quite a bit of success about this. That is to say, the three largest European—excuse me, three large European banks—two large Swiss banks and the largest British bank have stopped doing new business in Iran. And recently a state-owned Iranian bank said, and I quote from this report from the Karafarin Bank, "The fear of imposition of sanctions by the United Nations against Iran in connection with the nuclear enrichment issue has reduced the reliability of Iranian banks as international trading partners. . . . This may prove to be for the banks and the country as a whole, one of the most important obstacles to hurdle in the months to come."

So I would argue that going this route of pursuing de facto sanctions fits in well with also European traditions about providing informal guidance to companies about what to do, and that it is something that we can do with a coalition of like-minded countries rather than relying on the Security Council, where there can be grandstanding and, of course, there's always the veto issue. Plus, as the Russians and Chinese remind us, that every time we talk about sanctions at the United Nations, we are also talking about the authority to use military force at the same time; whereas, if we do this, discourage business in Iran through these de facto sanctions, we don't run into these kinds of problems.

Some will counter that putting economic pressure on Iran right now is pretty tough given the state of world oil prices. And it's certainly true that the Iranians are feeling very self-confident at the moment. But, in fact, times in Iran are not so good despite the high oil income. Last year the stock market fell by 26 percent. And, again, quoting from the Karafarin Bank's report, it said that, "The [Tehran] stock market has shown to be hypersensitive to political issues (such as the course of the nuclear enrichment negotiations), as well as domestic economic policy uncertainties."

So I would suggest there is much that we can do even while oil prices remain high, and furthermore, the last couple times around when oil prices were high, that only lasted for 3 or 4 years, and then they came crashing back down again. And so I wouldn't get to be so confident as the Iranians. In 1981 prices went up; they came way back down again in 1985 because of increased production and conservation.

Some will say that economic pressure is not going to dissuade hard-line Iranian leaders, and I would agree with Dr. Pollack that someone like Ahmadinejad doesn't seem to factor economics that much into his calculations. But Ahmadinejad was elected not because of his stance on the nuclear program, but because of his economic populism and all these promises he's been making as he runs around the country offering to build a hospital there and a school there. When he can't deliver on those promises, he's going to have a problem. Now his two predecessors, both Mr. Rafsanjani

and Mr. Khatami, came into office with grand plans for how to remake Iran, and they each got about 2 years into their terms before their plans turned to dust. They ran into a lot of resistance against a system which is really pretty hard to move, and they found themselves undercut by the Supreme Leader, who forced them to throttle way back on their plans. And if I had to guess, I'm going to give Ahmadinejad about the same period, about 2 years where he goes ahead with his plans to rekindle revolutionary fervor before he is going to find that his plans turn to dust, and he gets yanked back by the Supreme Leader once again.

Lastly, as Dr. Pollack mentioned, I'm skeptical about using economic inducements as well as pressure on Iran, and one important reason is that it's a lot easier to pull on a rope than it is to push on it. And if we offer Iran economic inducements, that's not going to have much impact on the Iranian economy so long as they're following the inappropriate and ineffective, and, frankly, stupid policies that were there even before Ahmadinejad came in, and he's only made them worse. So all of our economic inducements aren't going to do very much to the Iranian economic state, and the Iranians will realize that pretty soon and then say, well, what do we get for all this, and the answer is not very much. On top of all this, economic inducements can look like bribes, which just encourage more mischief.

So I am a fan of security inducements, and several of the previous speakers have noted that some of the security inducements that we could offer would be mutually advantageous. Things like confidence and stability building measures would be in the interests of both sides. If we had an agreement about how to prevent incidents at sea, or if we had an exchange of military observers and exercises, both sides would benefit.

There's a lot of talk about one security inducement which concerns me, and that is about a security guarantee for the regime. We don't guarantee the survival of any regime, anywhere in the world. Whether or not a regime survives is up to its own people. But what we can do is provide a conditional security insurance, which is a fancy way of saying if you don't attack us, we won't attack you. And that, really, is what we ought to be talking about, which is, if you give up your nukes then we agree that if you don't attack us, we won't attack you. That, rather than guaranteeing the regime, is a security approach that we could have taken in other situations and could take in this case without compromising our stand in favor of democratic change inside Iran.

Thank you.

[The prepared statement of Dr. Clawson follows:]

PREPARED STATEMENT OF DR. PATRICK CLAWSON, DEPUTY DIRECTOR FOR RESEARCH,
THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASHINGTON, DC

If Iran saw its nuclear program as essential to defending the country's very existence—the way Israel and Pakistan view their nuclear programs—then economic considerations would make little difference to Iran's calculations. But defense is not the principal factor behind the Iranian nuclear program. Rather, Iran's principal motives for its nuclear program are the pursuit of prestige and influence. Iranian leaders consistently present the nuclear program as an accomplishment of Iranian science and as evidence that Iran is an advanced modern industrial power. They also argue that Western opposition to Iran's nuclear ambitions are an effort to keep Iran down, to prevent the country from assuming its rightful place as a leader in

the region and the broader Muslim world. They play to Iranians' national pride, to their sense that Iran is naturally a great power—not to any sense that Iran is so threatened that it must take desperate steps to defend itself.

The challenge for the West is to persuade Iran's powerholders that the nuclear program will not advance Iran's prestige and influence. Economic instruments can play a role in this regard, though they are most unlikely to be sufficient by themselves.

IRANIAN SELF-ASSURANCE

Unfortunately, the West's ability to press Iran has eroded in recent years. Iran's leaders are now remarkably self-assured, given the conjunction of favorable circumstances, including the end to threats to Iran from Iraq and Afghanistan; the United States being tied down in Iraq; and victories by pro-Iranian forces in Iraqi and Palestinian elections. Economic factors play no small part in this self-assurance, as documented by the recent International Monetary Fund report (the source of all the economic figures I cite, unless otherwise noted). Oil and gas exports have shot up from \$23 billion in 2002/03 to \$55 billion this year, driven entirely by higher prices (Iran got \$23 per barrel in 2002/03 and will get \$55 this year). The oil exports have swelled government coffers allowing an explosion of off-budget spending that has sent economic growth shooting up to an average of 6.2 percent a year (discounting for inflation) from 2002/03 to this year. Foreign exchange reserves have shot up to \$47 billion, more than twice the size of all foreign debt, and are expected to rise further to \$62 billion by the end of this year.

In light of the favorable strategic situation, many in the Iranian leadership are no longer convinced that it must maintain strong ties with Russia and Europe, nor do they think that these relationships have brought Iran any benefits to date. To the extent that this self-reliant attitude prevails, it will be harder to persuade Iran to cooperate with the international community. However, if the great powers can remind Iran about the true danger of isolation, the terms of the nuclear debate in Iran will change. Conceding will be difficult for Iran, but the Islamic Republic has in the past made difficult compromises with its revolutionary principles, such as ending the Iran-Iraq war.

Complicating the situation is that Iranian President Mahmoud Ahmadinejad seems to welcome the prospect of an attack on Iran as a means to rekindle the lost fervor of the early revolutionary days. While he represents a dangerous and growing element in the Iranian elite, the real power holder has been the Supreme Leader (who is exactly what the title suggests), Ayatollah Ali Khamenei. For the last 18 years, Khamenei has preferred low-level confrontation with the West—just enough to keep the revolutionary spirit alive, but not enough to risk open hostilities. For now, Khamenei seems to think that the West, despite its tough rhetoric, will do nothing to stop Ahmadinejad, so why not let him push ahead.

ECONOMIC VULNERABILITY

Having pegged his reputation on his ability to help the ordinary man, Ahmadinejad faces serious problems: The economy is a mess, his policies are disastrous, and Iranians' expectations are sky-high. The World Bank's 2003 report about Iran noted, "Despite the growth in the 1990s, GDP per capita in 2000 is still 30 percent below what it was in the mid-1970s, compared with a near doubling for the rest of the world." Iranians are galled to find that their country has slipped badly behind the Arabs on the south side of the Persian Gulf, whom they traditionally have regarded as their social inferiors. Thanks to the tens of thousands of Iranians living in Dubai, Iranians know full well that Dubai is booming because it has embraced globalization, while their country falls ever farther behind, trapped by its suspicion of the West.

Ahmadinejad's policy is based on producing everything at home and creating barriers to trade—he has no use for globalization. His government has been discouraging foreign investors, for instance, refusing to allow Renault to use the billion-dollar facility it built in Iran to build an inexpensive car for the Asian market. The recent Iranian boom has been based almost entirely on profligate government spending which cannot last forever. Despite the flood of oil money, government policies are such that the IMF warns the budget will fall back into deficit again within 2 years even if oil prices remain sky-high.

The recent massive government spending has led to several years of solid growth, yet it has barely dented the country's long-term economic problems. While reported unemployment fell to an 8-year low of 10.3 percent last year, job creation remains insufficient to absorb the 700,000 young people entering the job market each year. The IMF forecasts that even if oil prices remain at their present high level, unem-

ployment will steadily increase in years to come. In its 2003 report, the usually sober and understated World Bank summed up the “daunting unemployment challenge” with strong words: “Unless the country moves quickly to a faster path of growth with employment, discontent and disenchantment could threaten its economic, social, and political system.”

Economic and political frustration is feeding social problems. One is chronic drug problem, with the Iranian Government acknowledging that 2 million people use narcotics, mainly opium; other estimates are higher. Divorce is on the rise; one study found that 30 percent of newlyweds got divorced within 3 years. Another is increasing prostitution; the official estimate is 300,000 prostitutes. There have been a number of corruption scandals involving judges and government social workers involved in prostituting young girls. Instead of making reforms that would allow entrepreneurs to create jobs, the political elite is more comfortable with the “solution” of rising emigration rates, especially among the well educated. In sum, many of Iran’s best and brightest are leaving the country, and a growing number of those remaining are at risk of becoming an underclass.

BUSINESS CONFIDENCE: THE ACHILLES’ HEEL

Given that inappropriate government policies are already making the Iranian business community nervous, international pressure on the economy could have a major impact on business confidence. “The [Tehran stock market has shown to be hypersensitive to political issues (such as the course of the nuclear enrichment negotiations), as well as domestic economic policy uncertainties,” writes the state-owned Karafarin Bank in its Survey of the Iranian Economy for October–December 20. In 2005, the stock market index fell 26 percent. At the same time, the banking system was hit by a crisis from dishonored promissory notes, primarily by big firms unable to pay their debts.

With even Iranian fans nervous about business conditions, there are excellent opportunities to press foreign firms to reduce their presence in Iran. There have already been some notable successes in this regard. Strict U.S. Treasury application of existing rules about fund transfers—such as those to prevent transfer of funds to terrorists and weapons of mass destruction proliferators—led the two largest Swiss banks (UBS and Credit Swiss) and a large British bank (HSBC) to decide recently that Iran was not an attractive place to do business, so they stopped taking new business. The impact that this is having was well described by the state-owned Karafarin Bank in its Survey of the Iranian Economy for October–December 2005:

Most probably, the fear of imposition of sanctions by the United Nations against Iran, in connection with the nuclear enrichment issue, has reduced the reliability of Iranian banks as international trading partners. In other words, despite [an] important balance of payments surplus, Iranian banks have been facing difficulties dealing with their otherwise cooperative correspondents. This may prove to be for the banks and the country as a whole, [sic] one of the most important obstacles to hurdle in the months to come.

There is much scope for working with U.S. allies to more vigorously apply restrictions on financial transactions and trade with Iran. U.N. Security Council Resolutions 1373 and 1540 call on countries to adopt and enforce effective controls on funds and services that would contribute to terrorism and WMD proliferation respectively. The United States and its allies can approach countries to ask what are they doing to implement these resolutions regarding Iran, especially in light of the International Atomic Energy Agency (IAEA) decisions finding Iran has violated its safeguards agreements with the IAEA. Industrial firms can be warned about the many items which could be diverted from their declared peaceful intentions to be used instead in the nuclear program. Banks can be cautioned about the negative publicity as well as regulatory complications if they were found to be facilitating shady businesses. European governments excel at using such quiet warnings, which can be very effective at persuading firms that the Iran market is not worth the risks; indeed, a number of European governments seem already to be passing such warnings. The U.S. Treasury has a well-oiled machinery for implementing restrictions, and its warnings to banks can be particularly effective since few banks in the world are willing to risk being cut off from dealings with the U.S. financial system. That same machinery could be extended to press firms considering investments in the Iranian oil and gas industry.

Tighter restrictions are “de facto sanctions” which have many advantages over formal sanctions imposed by the U.N. Security Council. Russia and China have no veto over tightening restrictions. In the best of cases, obtaining Security Council con-

sensus for action takes a long time, whereas tightening restrictions can be done much more quickly. Action by the Security Council provides Ahmadinejad with a banner around which he can rally nationalist reaction, claiming that the country is under attack. By contrast, tighter restrictions operate under the public's radar screen, while their impact is fully felt by the business community—which in Iran means first and foremost the revolutionary elite which behind the scenes controls the economy as fully as it does the political system.

OIL'S MIXED ROLE

Given that Iran's goal is to use its nuclear program to achieve influence and prestige, fewer instruments would seem better suited to that task than its oil exports. It has been suggested that were Iran to make good on threats to cut off its oil exports of 2.5 million barrels/day, this action would hurt the West so much it might have to back off on its pressure against Iran's nuclear program.

Perhaps—but perhaps not. The present tight world oil market will not last forever. Production outside of OPEC is increasing, not least under the stimulus of high prices, and the return of Katrina-damaged facilities will only add to the higher output. Despite the red-hot Chinese and Indian economies, world demand is growing more slowly as price influences consumption. It is not beyond the realm of possibility that within the next few years, oil markets could become much more slack. After all, that was the experience after both the 1973–74 and 1980–81 price increases: Within 4 years, the oil market got soft. In short, the more time that passes, the less may be Iran's strategic leverage regarding oil.

Indeed, the world oil situation is already changing, though that fact is obscured by the fears of consumers and speculation of traders. In April 2006, world oil production was 1 million barrels/day higher than demand, according to the prestigious Petroleum Intelligence Weekly. Plus OPEC countries—principally Saudi Arabia—had excess production capacity of about 1.5 million barrels/day, and the world refinery situation is changing such that the heavier Saudi crude oils could be more readily absorbed (last year when Saudi Arabia wanted to sell additional oil to offset post-Katrina price spikes, refineries were unable to take advantage of the exceptionally low prices offered). Those two factors alone could have made up for a cutoff in Iranian oil exports, even without the use of the West's approximately 1.4 billion barrels in strategic reserves, which are the equivalent of 560 days of Iranian exports (figures from the International Energy Agency).

Were Iran to cut off its oil exports, the impact on the Iranian economy would be considerable. To be sure, Iran's ample foreign exchange reserves would cushion the impact, but those reserves would only be sufficient to pay for a year's imports (or, if Iran cut back imports to the bone, for 2 year's imports at that low level). And the Iranian Government relies on oil revenue to fund 75 percent of its expenditures, according to Karafarin Bank (the IMF reports are not much help on this issue, because the government has taken to conducting so many of its operations outside the budget through various shady accounts).

Perhaps the most immediate Iranian vulnerability regarding oil is its dependence on imported gasoline, which provide about 40 percent of the 350,000 barrels of gasoline sold daily. However, this vulnerability is less than meets the eye. The price of gasoline at the pump is 800 rials per liter, or about 35 cents a gallon. Such a ridiculously cheap price encourages rampant smuggling of gasoline to neighboring countries, such as Turkey and Pakistan, where gasoline prices are more than 10 times higher than in Iran. Plus the low pump price leads to excessive gasoline consumption that gives Tehran some of the world's most polluted air; schools frequently have to close because it would be unhealthy for children to go outside. And the low gasoline price results in a massive loss of government revenue; just the cost of distributing the fuel after it leaves the refinery gate is more than what the customer pays. The IMF and World Bank have spent years documenting in great detail the pernicious economic and health impact of the excessive gasoline consumption. In short, there are few steps which would help the Iranian economy more than forcing a reduction in gasoline consumption. And the Iranian Government is well along with plans to ration gasoline from September 2006—plans which would allow a quick response in the event of a gasoline import cutoff.

A final word about the role of oil in thinking about Iran's nuclear program. It is tempting to assume that Iran can use its oil riches to influence the decisions of other governments. However, there is remarkably little evidence that Iran has successfully used oil to induce other countries to turn a blind eye to its nuclear violations. Consider for instance that the great power most reluctant to press Iran has been Russia, which is a fellow oil exporter and could, therefore, benefit if Iranian oil were kept off the market. Indeed, there is little reason to think that Moscow's

approach has been affected by any economic consideration, which is not surprising given the remarkably favorable economic circumstances Russia finds itself in, with the main dilemma facing the government being how much of the vast budget surplus to spend and how much to save. As for Iranian efforts to use oil projects to influence China, Japan, or India, they seem to have had little impact, in part perhaps because Iran has been unwilling to offer particularly attractive terms to foreign investors. The eye-poppingly large deals announced with great fanfare have all run into serious difficulties over the terms and conditions.

THE LIMITATIONS OF ECONOMIC INSTRUMENTS

Economic instruments alone are unlikely to be sufficient to persuade Iran to freeze its nuclear program. The principal levers of power in Iran are in the hands of revolutionaries who are not motivated primarily by economic concerns, while those who care about the state of the economy do not have sufficient influence on their own to persuade the real powerholders to change policies. Success at influencing Iranian policy is much more likely if action on the economic front is combined with action on other fronts. In particular, the security apparatus—especially the Revolutionary Guards—are a vital power center in Iran. They need to be convinced that the current nuclear policies are threatening Iran's security, because Iran's neighbors and the great powers will react in ways that will hurt Iran. If Iran makes the gulf a more dangerous place, then the United States and other powers will need to deploy more powerful military assets to the region, if for no other reason to protect shipping from Iranian threats to close the Strait of Hormuz. And Iran's nuclear program could start an arms race, which the gulf Arab monarchies and Turkey would win, since compared to Iran they are both richer and have better ties with the world's principal arms suppliers.

Much as pressure should be applied on several fronts rather than just on the economy, so inducements offered Iran should take multiple forms rather than only being trade and investment incentives. Indeed, economic inducements look suspiciously like bribes paid for bad behavior. Besides being odious, such bribes give the impression that bad behavior is more profitable than good behavior. Pro-Western reformers were unable to secure a trade agreement with Europe or substantial U.S. relaxation of its economic sanctions despite their obvious interest in improving relations, but now it appears that anti-Western hard-liners may achieve those objectives—which suggests that Iran would be well advised to be obnoxious rather than cooperative. No matter how creatively one designs or packages economic inducements, they will inevitably look like reward for bad behavior.

A much more appropriate form of inducement would be security inducements. Such security inducements should be designed to counter the argument that Iran needs nuclear weapons for its defense. There are many confidence- and security-building measures and arms control measures that would provide gains for both Iran and the West, similar to the way such steps reduced tensions between the old Warsaw Pact and NATO during the cold war. One example would be an agreement to reduce the risk of incidents at sea between the United States and Iranian navies.

A further security inducement which the United States could offer would be to address the reported concern that the Bush administration's real goal is regime change in Iran and that the Bush administration will use force to that end. Such complaints sound peculiar coming from an Iranian Government whose President lectures President Bush on why the United States should abandon its liberal democracy and who sponsored a conference last fall on the theme "The World Without Zionism and America"—a government which regularly organizes mass demonstrations filled with the chant "Death to America." Perhaps we should take as a compliment that Iran's hard-liners expect the United States to be more restrained than they are; we certainly do not organize terror attacks to blow up their barracks the way they did at Khobar Towers in 1996 or in Beirut in 1983.

It would of course be inappropriate for the U.S. Government to offer any security guarantees to the Iranian or any other government; what government is in power in another country is up to the people of that country to decide. But what Washington could offer Tehran would be a "conditional security assurance"—jargon for the simple proposition, "We will not attack you if you do not attack us." To clarify what that means, the U.S. Government should spell out:

- "Just as you criticize us for our liberal democracy, we will remain free to criticize you for your undemocratic violations of human rights.
- "Just as you spend tens of millions on radio and television broadcasting to our country to propagate your views, so we will remain free to support broadcasts to Iran.

- “Just as you tightly restrict trade with America, we will remain free to restrict trade with Iran.”

Such a conditional security assurance might not be all that Iranian hard-liners want, but at the very least, it would help in the battle to influence European and Middle Eastern opinion that the United States is being reasonable and Iran is not. Since Iran's main objective in pursuing its nuclear program is to gain influence and prestige, Washington's strategy should be to show that Tehran's obstinate nuclear stance is undermining Iran's influence.

The CHAIRMAN. Thank you very much, Dr. Clawson.
Dr. Kemp.

STATEMENT OF DR. GEOFFREY KEMP, DIRECTOR OF REGIONAL STRATEGIC PROGRAMS, THE NIXON CENTER, WASHINGTON, DC

Dr. KEMP. I'm the last speaker, Mr. Chairman, so how do I make this interesting? [Laughter.]

I was asked to talk about three issues: Russia and China, the attitudes of Iran's neighbors, the opportunities for containing Iran by the neighbors, and a fourth issue that I think is very important, the necessity for United States-European cooperation to continue.

On Russia and China, Mr. Chairman, I am convinced that Russia is a key player, that Russia could have played a much tougher role in containing Iran's nuclear program, and that if it had done this, the Chinese would have gone along. They do not want to be the lone dissenter. But, frankly, in my judgement, we've not handled the Russian portfolio with great skill on this particular issue.

Russia sees Iran as a cooperative partner in an unstable part of the world, straddling the Caucasus and Central Asia. In contrast, the Russians see American policy toward the near abroad as provocative. And while the laudatory objectives of the Bush administration to nurture more freedom in Eurasia and develop more pipeline routes are sensible, this does not help the Russians in their decisions on Iran.

And I think that those of us who've talked to Russians, and many of us have, what you hear, is that if you want us to take the step of leaning very hard on our partner, Iran, then you have to offer us some quid pro quos. And the quid pro quos that you normally hear discussed have to do with our efforts to get Ukraine into NATO. In my judgement, the Russians and the Chinese are both playing power politics on the issue of Iran, and I don't think they see any reason to help us on the particular nuclear issue unless there is something in it for them. And, frankly, aside from the broad goals of nonproliferation, I don't think we are offering them very much.

Now, to change the subject, what about the neighborhood that Iran finds itself in? What do the neighbors think about this current regime and its behavior, particularly on the nuclear front? The neighbors of Iran all have specific problems with the leadership, but I think they all share a concern about the nuclear program. The dilemma is, of course, that Iraq's Shi'a leaders owe a great deal to Iran and have nurtured very close ties with the mullahs while also making it clear they do not want to see the establishment of a Shi'a theocracy in Iraq.

Turkey and Iran share common concerns about the evolving problems in the Kurdish region in northern Iraq, and we've seen

reports of Iranian troop movements in the north and Turkish troop movements in the north, suggesting that this tranquil area may not be tranquil forever.

The key Sunni states of the region are very, very fearful about Iran's hegemonic tendencies, and, as you know, there's this talk throughout the Arab world about a "Shi'a Crescent" emerging from Iran through Iraq into Syria and Lebanon. We can dispute that, but there's no doubt that is a concern.

The smaller gulf states plus Saudi Arabia worry about the impact of Iranian hegemony on their own Shi'a populations. The UAE has longstanding territorial disputes with Iran. Qatar has become perhaps our most reliable military ally in the region apart from Kuwait, and, therefore, has certainly taken sides on this issue. I think Oman is probably the least worried country in the gulf about what the Iranians are doing.

Now, how do we assess, therefore, the development of an Iranian nuclear program on gulf security? Here I think there is a major difference between Saudi Arabia, the large country, and the smaller countries that are basically going to have to depend on us for their security no matter what the Iranians do. In the case of Saudi Arabia, they have the money and the wherewithal, not the technical wherewithal but the political wherewithal, to essentially buy themselves some form of deterrence if the Iranians get the bomb. You will remember in the 1980s that when we, the United States, refused to upgrade the Saudi F-15 fleet with conformal fuel tanks because that would extend their range deep into Israel, they, unknowingly to us, turned to China for medium-range surface-to-surface missiles, which they still have in their inventory. How good they are, we don't know, but they have them there. And there's no doubt in my judgment that if the circumstances arose where Iran had a nuclear program, they could do likewise, and there are countries who I think would be prepared to be very supportive of them. Pakistan immediately comes to mind.

If the Iranians crossed the threshold and actually produced some form of nuclear device what would be the major concern? At this point in time, in the Arab Gulf at least—the concern would be that there would be a preemptive United States and/or Israeli strike, which they believe would be highly destabilizing, not only because of their own internal problems, which I alluded to, but because of the impact that could have on the oil market, and, of course, they're all there together in this highly vulnerable gulf infrastructure.

The problem also is that there's huge suspicion about how much we really know about the Iranian weapons program. The failure of the intelligence on Iraq has had an enormous impact on our credibility.

I go on in my testimony to talk about opportunities for containing Iran, even if it goes as far as a nuclear weapon. And indeed there are many things we could do in bolstering the security of the region, not only with our own forces, but in providing more capabilities to the local countries to defend themselves, so that at the end of the day, when the Iranians look around at their strategic environment if they get the bomb, they may find themselves even less

secure because the neighbors have responded with upgrading their own military capabilities.

Let me end, Mr. Chairman, since it's getting late, with my overview of where we stand today, diplomatically. I think the Iranian Government, as my colleagues have also been inferring, feels supremely confident at this point in time that neither the United Nations, nor the IAEA is going to really do anything to hurt them. And, therefore, I think what we have to fall back on is the issue as to whether or not this coalition of the willing that Dr. Clawson alludes to, mainly the United States and the Europeans, will be prepared in the last resort to use strong economic and diplomatic measures against Iran, irrespective of what the United Nations, Russia, China decide to do. And here the real pressure is on the Europeans. Don't forget we've had Iran under sanctions now at full speed since the mid-1990s. The Europeans keep avoiding the discussion of imposing sanctions similar to ours, in part because they haven't yet agreed among themselves about whether they think this is a wise idea or whether they can get consensus among themselves. But there's no doubt in my judgement that if the European Union were to do to Iran what we are currently doing in the economic arena, it would have a very serious impact on the Iranian economy for all the reasons that my colleagues have pointed out. It would not, however, change the Iranian behavior on the specific issues that we are most concerned about at this point in time: The nuclear threat, terrorism, and their treatment or attitude toward the peace process in Israel.

So while I think that European and American and Japanese economic sanctions against Iran would have a long-term impact on the regime, and that might in turn bring about much more discontent with the current leadership, we should not kid ourselves that this is going to change anything in the short run.

The Iranians are showing, at this point in time, sort of almost gleeful defiance, not only at ourselves but at the international community. Mr. Ahmadinejad's statements about Israel have actually stimulated a lot of support in certain Islamic countries, and once he saw this happening, he's then been repeating it time and time again. But I think, as my colleagues have pointed out, the Iranians would be unwise to assume that things will go their way indefinitely. And in this regard I agree with most of my colleagues that Iran's vital national interests would be helped by ending the stand-off with the United States. I believe that we should have a dialog. I think we have far more to gain than to lose if we have a coherent and pragmatic policy toward the Islamic Republic, and I think in the long run that will benefit everybody.

Thank you.

[The prepared statement of Dr. Kemp follows:]

PREPARED STATEMENT OF DR. GEOFFREY KEMP, DIRECTOR OF REGIONAL STRATEGIC PROGRAMS, THE NIXON CENTER, WASHINGTON, DC

Mr. Chairman, I am grateful for the opportunity to speak to you and your colleagues about a matter of grave importance to the United States, namely Iran's behavior and its nuclear program. The committee has asked me to comment on three subjects:

- Can Russia and China be helpful in pressuring Iran to change its present course?

- What are the attitudes of Iran's neighbors to the current regime and the course it has chosen to pursue?
- Do opportunities exist in the region for those seeking to contain Iran?

I will add a fourth issue:

- The need for continued U.S.–EU cooperation

Can Russia and China be helpful in pressuring Iran to change its present course?

There is no doubt, in my opinion, that Russia is the key player on this matter and that with adroit diplomacy it would have been possible to obtain the cooperation of the Putin government to put far more pressure on the Iranian regime to put limits on its nuclear program. In the event of Russian cooperation it is unlikely that China would be the lone dissenter to joint pressure against the Islamic Republic.

However we have not handled the Russia portfolio with skill. Russia sees Iran as a cooperative partner in an unstable part of the world straddling the Caucasus and Central Asia. In contrast the U.S. policy toward Russia's "near abroad" is seen in Moscow to be provocative. The laudatory objective of the Bush administration is to nurture more freedom in Eurasia and to develop multiple pipeline routes in the context of energy security. However in the specific context of persuading Russia that it is in its interests to turn on one of its partners, Iran, it must be asked what it is we are offering the Russians to make this difficult choice worthwhile? Russians privately tell you that if the Americans want to deal on Iran then it would require some quid pro quo, such as not encouraging Ukraine to join NATO or not deliberately making provocative speeches in the region a few weeks before the G–8 summit in St. Petersburg. I would have to conclude that while there are good arguments for being critical of Russia and being supportive of neighbors such as Ukraine and Georgia, the Baltic States, and Kazakhstan, such pronouncements are counter-productive in the context of Iran policy.

Seen from the Russian point of view, not only are we interfering in their backyard, but if we eventually improve relations with Iran as part of some ultimate "grand bargain" and remove economic sanctions then Russia stands to lose a great deal of economic leverage in that country while witnessing the return of the United States and all that entails for the region.

A similar set of tradeoffs could be made in the context of China. China is not unhappy to see us struggling in the Middle East, even though it does not want to see a failure in Iraq. Neither does it want to see an Iranian nuclear program. Yet China, too, would need some quid pro quo to put serious pressure on Iran.

What are the attitudes of Iran's neighbors to the current regime?

Iran's neighbors have different specific problems with the current leadership in Tehran but all are concerned about its nuclear program. Most of Iraq's Shi'a leaders owe a big debt to Iran and have nurtured close ties with the mullahs while making it clear that they do not wish to establish a Shi'a theocracy in Iraq. Turkey and Iran share common concerns about the evolving Kurdish region in northern Iraq. The Sunni Arab States are all fearful of Iran's hegemonic tendencies and talk about a "Shi'a Crescent" running from Iran, through Iraq into Syria and Lebanon. The Gulf States with significant Shi'a populations, notably Saudi Arabia and Bahrain, worry about domestic pressure. The UAE has a longstanding territorial dispute with Iran. Qatar has become a firm military ally of the United States. Oman is probably the least worried about Iran, though this could change.

How to assess the impact of Iran's nuclear program on gulf security? There is a major difference between Saudi Arabia and the smaller GCC countries, because of Saudi Arabia's size, budget, infrastructure, and regional aspirations. For instance, unilateral options open to the smaller Gulf States in the event of an Iranian bomb are very limited. Saudi Arabia, however, has the capacity and the wealth to consider some form of nuclear deterrent, most likely in cooperation with another country, such as Pakistan. Saudi Arabia already has Chinese SS–2 medium range missiles in its current inventory. It is not unreasonable to assume that Saudi Arabia could engage in nuclear purchases, either the basic fissile materials to make a bomb or a finished product. Furthermore, it is not only an Iranian bomb that could motivate Saudi Arabia to consider such an option. The propensity of Saudi Arabia to think about a nuclear option is related to the state of its relationship with the United States, which, until recently, was always considered the protector of the kingdom in the last resort.

Aside from Saudi Arabia's reaction, the most likely initial response of the gulf countries to the news of an Iranian nuclear weapons program will be concern about possible United States and Israeli preemptive military actions. The Bush administration and Israeli leaders have both made it clear that the Islamic Republic's possession of the bomb will be an intolerable threat.

However, since the Iraqi war and the unreliability of Western intelligence concerning Iraq's WMD programs, the case for preemptive war against supposedly proliferant states has been weakened and, therefore, the political costs of undertaking such action in the future have become much higher. If there is uncertainty with intelligence about an Iranian bomb, the United States and Israel will have problems garnering support for military action. Even if the evidence is overwhelming and highly convincing (i.e., Iran either tests a nuclear device or announces it is building the bomb), there will be reluctance to endorse United States-Israeli military action for fear of the chaos this could bring to the gulf and the region.

Do opportunities exist in the region for those seeking to contain Iran?

An Iranian nuclear program means the United States will have strong reasons to maintain its military presence in the Gulf States. The nature and purpose of enhanced military cooperation between the United States and the Arabian Peninsula could take many forms. The most important component would be a counterdeterrent to indicate to Iran that any efforts to use nuclear weapons to intimidate or blackmail would be challenged by the United States. The credibility of this counterdeterrent would be linked to the vulnerability of U.S. forces and U.S. targets themselves to Iranian intimidation. And here we are referring to regional targets. Iran is not expected to deploy an intercontinental ballistic missile capable of striking the continental United States for many, many years. It is difficult to see under what circumstances Iran could use its nuclear weapons in anger, except for in some suicidal spasm similar to the scenarios that were heard so frequently with respect to Saddam Hussein and his capacity for a glorious *Gotterdammerung* ending to his fiefdom.

Need for continued U.S.-EU cooperation

The Iranian Government feels sufficiently confident of its diplomatic position on the nuclear program, at both the United Nations and the IAEA, to run the risk of a major confrontation with the United States and Europe. The key test will be whether the United States and Europe can continue to address this issue from the same set of principles and talking points. Much will depend on whether the Europeans are now finally prepared to join the United States on imposing economic sanctions on Iran if pressures from the IAEA at the Security Council fail. The Iranian nuclear issue will be a test not only of U.S.-European relations, but of European resolve as well. It is important to note how far out on a limb the European governments, particularly Britain, France, and Germany, have gone in proposing this agreement and what a challenge they face if the Iranians continue their nuclear enrichment program.

Iran's leaders appear to have calculated that they can withstand the diplomatic pressure they are likely to face and that even if sanctions are imposed Iran has the will and financial resources to ride them out. It remains to be seen what the long-term implications of this are for both Iran's domestic politics and its actions in Iraq. If the United States and Europe increase their rhetoric against the Iranians, and if sanctions begin to hurt Tehran, Iran may use its bargaining chips in Iraq at a critical moment in its post-Saddam political evolution. The linkage between the Iran's nuclear issue and its role in Iraq is becoming clearer.

Despite Iran's gleeful defiance of the international community on the nuclear issue, it would be unwise for Iran's leaders to take their current good luck for granted. The Islamic Republic faces significant social and economic challenges that can only be made more difficult by alienating the West. The embarrassing and unacceptable statements by its new President calling for Israel's destruction, while a popular theme in many Islamic countries, have harmed Iran's international image and caused further anxiety with his behavior at home. Regionally, Iran has poor relations with its Arab neighbors, and it cannot be assumed that Iraq's Shiite community will remain friendly and grateful indefinitely. Iran's vital national interests could be helped by ending the standoff with the United States. Likewise, the United States has more to gain than lose if it adopts a more coherent and pragmatic policy toward the Islamic Republic.

The CHAIRMAN. Thank you very much, Dr. Kemp. We'll have a round of questions and once again we will have an 8-minute period for Senators.

Let me commence by asking you, Mr. Sadjadpour, frequently persons talk about working with elements inside of Iran, presumably persons, groups that might be helpful in creating a dialog some-

what different from the official dialog that many witnesses have suggested today at the highest levels, conceivably with youth, even I understand that an Iranian congressional delegation went to London recently and met with legislators over there. But let me just ask you as a student of who is in Iran and who might talk and who could make any difference, Are there other avenues here, or are these sort of wishful thoughts by many Americans who somehow are still looking for persons who want peace and who want a different situation, maybe who resist the mullahs, have any other views? Are we able to identify those people, and would even contact with them be dangerous for them, maybe not useful to be identified as friends with whom we might talk?

Mr. SADJADPOUR. Well, that's a great question, Mr. Chairman. I think in the current context of United States-Iran relations, not only with the military option not being taken off the table, but also with \$75 million recently earmarked for supporting change in Iran, what is perceived in Tehran as a passive or covert regime change approach, I think it's very difficult to have official interaction with these types of elements within Iran. The example I will give you right now is a very dear friend of mine called Ramin Jahan Begloo, a prominent secular intellectual who was imprisoned 3 weeks ago and has been in solitary confinement since. He was a fellow at the National Endowment for Democracy about 4 years ago, and he has a great track record of being an apolitical, secular espouser of non-violence, et cetera. And I see in the current context one of the wishes from his family, one of the first wishes from his family, was that the U.S. Government doesn't release any statements on his behalf, that it would be counterproductive to his cause when he's currently being tried on charges of—bogus charges of espionage.

So I think in the current context it's very difficult to support these actors within Iran, simply because the costs for them are tremendous, and then the United States has very little leverage, if at all, to help their cause. But I would argue that any types of interactions in terms of easing of visa restrictions for Iranian students, as you said, congressional delegations, both from the United States and Iran, interacting with each other, scholars going back and forth, every time I've seen these interactions take place, I always come away with both—I see that the Iranian officials and the members of the political elite who come and spend time in the United States come away with a far more nuanced and understanding position of the United States and vice versa. United States scholars and academics and analysts who go to Iran come away with a much better understanding of Iran's perspective. So I do believe that interaction is definitely a plus, something that we should push for, but in the current context it's very difficult to support any types of political actors within Iran because by helping them I think we're doing far more to hurt them.

The CHAIRMAN. Let me ask you, Dr. Kemp—
[Disturbance in audience.]

The CHAIRMAN. Please. I'm sorry. The committee will come to order.

We will be in recess until the police have removed the demonstration.

[Recess.]

The CHAIRMAN. All right. The committee will come back into session.

Dr. Kemp, let me ask you, what can the United States say to China or to Russia that might bring a ray of cooperation with them? Are there things that we can say to them, offer them? How do we enhance our dialog with partners that we've all said might well be around the table, I think. Would one suggest six-power talks with Iran, maybe comparable to the North Korean effort?

Dr. KEMP. Not easy. I think what we have to do is get our priorities straight. I mean, if indeed we all agree that the Iranian crisis is right up there with Iraq as a priority for the administration and the country, then we have to make tradeoffs. And it seems to me that in the case of Russia, we are doing things in diplomacy that are not only unhelpful, but seem to me to be somewhat provocative. And, therefore perhaps, the first thing we should do is to lower our own rhetoric at this point in time about some of the issues on which this particular Russian Government feels extremely sensitive.

Now, you know, that of course means upsetting those who want to hear us speak out more loudly for the extension of democracy and freedom in Russia and in the near abroad and in Central Asia, but we have to make some hard choices. And my judgement is that it's not just that we're not offering the Russians, or for that matter, the Chinese, any real incentive to help us on Iran; in the case of Russia we seem to be going almost in the opposite direction.

The CHAIRMAN. Let me just ask you, Dr. Clawson, quickly, you suggest in your written testimony that Iran has had little success using oil projects to influence China, Japan, and India. Why is this? One has the impression reading the press every day that given the sizeable contracts that are signed and the oil that's to be delivered, that Iran has considerable leverage over these countries.

Dr. CLAWSON. Well, a good example is what's happened this last week. Iran signed a contract with India when President Ahmadinejad went to India for shipping natural gas to India, and Iran insisted on a price which was 40 percent higher than what India is paying for the natural gas that it imports from Qatar. And this week the Iranians said, well, you know we've rethought this matter, and we've decided that's not good enough—we want an extra 57 percent more in the price. So, in other words, we want to get a price which is more than twice what you're paying Qatar. And the Indians are saying, wait a minute here—this deal's no good. We would have to be paying much more than we could get the gas from other sources.

So the fact is that the Iranians have been insisting that they're going to get every last penny out of these deals, and they're not particularly attractive. So the Indians, in fact, have said if you don't back off, we're going to, in fact, tear up this deal because it's just not attractive. So, in other words, while Iran has been prepared to sign big deals, it hasn't been prepared to put even small bucks on the table to make those deals attractive, and most of those deals are in very serious trouble.

The CHAIRMAN. That's fascinating testimony because the general impression is that the price is right, that essentially there's a cohesion of effort here, but as you're pointing out, the price isn't right,

and apparently there are still alternatives for the Indians, thank goodness, at least in terms of their economic security. And I appreciate it. Senator Biden and I just chatted for a moment when you talked about the stock market in Iran going down 26 percent. It raises all sorts of curious issues about the market, what's listed there and what, in fact, happens in their economy. The fact that that market might be sensitive to its foreign policy and actually reflect that and be reported is interesting all by itself.

Well, let me cease for the moment and recognize my colleague, Senator Biden.

Senator BIDEN. Well, you've asked some of the questions that I wanted to raise, particularly with Dr. Kemp about what we can essentially offer or forgo with regard to Russia and China. The thing that surprises me the most, Dr. Kemp, is of the seven administrations that have been here when I've been here, this is the only one that doesn't seem to connect dots very well. I mean, everything is bilateral. There doesn't seem to be any ability to be able to figure out what may be in our mutual interest if we offer A or B to Country X or Y that they may change their policy with regard to a priority we have. I don't get a sense—I mean, we really don't. In 6 years, I've not gotten a sense there's any of that kind of thinking.

[Disturbance in the hallway.]

Senator BIDEN. Catchy tune. [Laughter.]

But you've answered that question. Here's what I take away from your collective testimony—and any one of you jump in here—that there is, the economy is critically important to the regime to be able to have a prospect of not preventing a rebellion, but providing some stability; that you vary in your sense from Dr. Pollack to you, Dr. Clawson, and others in between, as to whether or not the oil revenues that are available now are enough to sort of satiate that or hold over any kind of, if not eruption, any, you know, genuine discontent within the country. And this notion that if given choices, as one of you said, if given choices of sanctions or reintegrate, they'd choose to reintegrate, but that requires you to have some credible sanctions. Right now it seems to me the real choice is they get a nuclear program, there are no sanctions, and they're not denied from—they don't have total integration. I think they can see their way through to integration once they break through this nuclear piece and actually accomplish it or get the rest of the world to back off. And so the central question for me is, No. 1, who's really in charge? Who gets to call the final shots? Is it the radical hard-liners? Is it the mainstream? You know, Khamenei, is that where it is? What influence do the Iranian people have on this process?

And the second big question I have—Dr. Clawson, you piqued my interest in a way I hadn't thought about it, that a coalition of the willing dealing with sanctions that affect the banking industry, and/or an ability to encourage their domestic companies to cease and desist from operations in Iran is fairly powerful. And so I have two questions.

One, Dr. Pollack, What do you think about Dr. Clawson's notion that if, in fact, the European Union would engage in the same kind of sanctions that the United States is engaged in it would have a material impact on attitudes in Iran?

And to ask all of you, in a sense what difference does it make if the hard-liners are really calling the shots at the end of the day, because they do not have any fear of this grand bargain like was made in China. You let us continue our despotic oligarchy and maintain the control over foreign policy and your lives, we'll let you have economic growth. And this grand bargain is going on where growth is occurring in China. I think the game is to sort of satiate the desire for what we call freedom. Is there any such dynamic going on in Iran?

So, first question, and maybe my only question in the 3 minutes I have left here, is, you know, who's in charge, and do the sanctions that Dr. Clawson—assuming we could get them—do they—would they matter, Dr. Pollack?

Dr. POLLACK. Thank you, Senator. And my response will also have to be brief. As the chairman is aware, I'm going to have to leave to make an event at the University of Delaware, which I know you would not want me to miss. [Laughter.]

Senator BIDEN. Get going. I'll go right to Clawson. [Laughter.]

Dr. POLLACK. I will answer quickly. First, with regard to who rules, who's going to make this decision, the honest answer that we all have to say is we don't really know. The Iranian regime is, as Winston Churchill once said about Russia, a riddle wrapped in a mystery inside an enigma. And even the Iranians themselves, high-ranking Iranians in the government often have difficulty predicting what's going to happen. I think what we would all agree on is also though that the most important figure in the regime is clearly the Supreme Leader, Ali Khamenei, who has had the most decisive impact on Iranian policy over the last 15 years. That said, he has typically, as best we can tell, exerted that influence by balancing his two camps off and coming up with very clever compromises that give each of them half a loaf.

The policy which we are all more or less subscribing to in one way or shape or form would ultimately be about driving Mr. Khamenei to make a decision he doesn't want to make, which is to say to him, you can't give each side half a loaf; one side gets the whole loaf. Which side is it? And I think what we're all betting is that, based on his prior behavior and the fact that the regime, as Karim pointed out, is quite sensitive to public opinion, we're betting that he ultimately, if faced with that dilemma—faced with that choice—would say, I don't like it, but the pragmatists, the economy get the whole loaf.

With regard to Dr. Clawson's idea, as always I think it is a very clever one. I certainly agree. It is actually consistent with something I wrote a number of years ago about the importance of perhaps pursuing these sanctions in a multilateral forum outside the Security Council because of the problems we were likely to have in the Security Council. The one caveat I would attach is, is that I think it is absolutely critical that there be formal sanctions. As Dr. Clawson pointed out, all of this kind of informal sanctioning that is going on, this capital flight, the fear of doing business in Iran, is all predicated on the expectation of sanctions, and if it, at some point in time, it were clear that those sanctions were never going to occur, I think all this informal pressure would go away. So I

think it is important, but I think it is entirely possible to do it in a multilateral framework.

Senator BIDEN. Is that your—is that the context as you see it, Dr. Clawson, that the threat of sanctions is the mover behind the actions taken by various banks and others of not investing or withholding or withdrawing? Are they connected? I mean, tell me what you think about that.

Dr. CLAWSON. We've got a powerful helper in this process, and his name is Ahmadinejad. With his stupid economic policies and his discouraging foreign investment, and his imposing price controls here, there, and everywhere, and announcing that the way he's going to help the automobile companies is freeze the prices that cars are sold at in a country with 20 percent per year inflation, I mean, his stupid economic policies are making the place a bad place to do business, and he's helping us a lot, therefore, on this front.

Senator BIDEN. Well, let me ask you another way. The threat of sanctions out of the Security Council or wherever, formal sanctions, how much of a factor is that in the broader point you made about sanctions that are less formal but coherent?

Dr. CLAWSON. For the key actors involved in the Iranian economy at the moment, not very. So for instance, you've got Renault and Total, two companies which have historically been owned by the French Government. The French Government can provide some pretty impressive informal guidance through the social networks that link together the business elite with the government elite in France, and Total and Renault can get the point and scale back their activities.

So this sort of informal guidance fits in with how France does business usually, and let's build on it. And, if I may say so, it was a French Government official who told me about their interest in these de facto sanctions.

So I'm optimistic that right now Ahmadinejad is living on a cloud because he's done the easy part, he's promised everybody things. And now he's got to deliver, and I don't think he's going to be able to. When, in fact, people discover that he's not delivering, there's going to be a real drop in his popularity. And right now the Supreme Leader, who's letting Ahmadinejad run free, is going to yank his chain back and this guy's not going to get what he wants. That's what happened to the last two Presidents. We shouldn't go around assuming that this President is somehow Superman. We thought that about Khatami with his talk about dialog of civilizations. We thought that 16 years ago about Rafsanjani with his talk of economic reform. And they both came crashing down to earth pretty fast. So it's a question of how can we postpone this nuclear issue long enough until Ahmadinejad crashes and burns.

Senator BIDEN. Thank you very much.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman, and thank all of you. You've really given terrific testimony and most informative. I appreciate it immensely. And, again, thank you, Mr. Chairman, for doing this. It's tremendously helpful.

A couple of quick questions. I presume the previous two panelists when I raised the issue to lay out a scenario of exercising nuclear—

or rather the military option. And there was, I think, general consensus that this would be a very complicated process, to put it mildly, that there would be a significant—it would make it difficult to have any kind of permanent solution here on the nuclear weapons capability of Iran, even if you were successful with a military option, and the collateral fallout of it would be pretty significant. I wondered if any of you disagreed with anything that was said there. I don't want to dwell on it. Would you add anything to that question I raised, or would you disagree with anything that was said by the two previous witnesses?

Dr. CLAWSON. I would say that we should certainly operate on the assumption that that's what's going to happen, because it's a cautious assumption and we should plan for very bad cases. But I would just point out that the last time the United States and the Iranians really mixed it up was back at the end of the Iran-Iraq war in 1988. And at that time, after some initial belligerence by the Iranians, the fact is that when they decided that the United States was entering this conflict on the side of Iraq, they had no choice but to back down. And Ayatollah Khomeini, in fact, had to give up what had been for him one of the most precious aspects of the revolution, the war with Iraq. And he described it as like worse than drinking a cup of poison, but he did that.

It would be a bad idea for us to plan that that's going to happen, but there is that possibility that it could happen. But we certainly, certainly should not assume that that is the case.

Dr. KEMP. I don't disagree with that, but I do think that we have to be very specific about the circumstances under which we would contemplate any military action. I mean, there are things the Iranian Government could do to provoke not just ourselves but the rest of the world that would make it much more legitimate to consider the use of force. But absent getting a much broader agreement and a consensus on the use of force than we have today, I think the most immediate consequence would be in the energy sector at a very critical time, and I think that is something that I think any administration would have to pay attention to. And it's not just the fact that the oil prices would spike significantly, but that there could be serious damage to the infrastructure, not just of Iran's oil facilities, but those of the neighbors, including Saudi Arabia.

Senator DODD. Mr. Sadjadpour.

Mr. SADJADPOUR. I know Senator McCain has spoken on this before, saying that the only thing worse than military strikes on Iran would be Iran acquiring a nuclear weapon. I would slightly disagree with that, and I would put it into three different contexts. First, there's a domestic context. I would still make the argument that the Iranian people are the most pro-American people in the Middle East. But I can tell you that the United States has lost considerable political capital on the Iranian streets in the aftermath of the Iraq war. Daily broadcasts of the chaos, tumult, and insecurity in Iraq I think have taken their toll on the Iranians, and there is increasing skepticism about what the United States has planned for the region. So I think the fallout in terms of soiling this oasis of goodwill which currently exists vis-a-vis the United States would take place. I think that people like the confrontationists like

Ahmadinejad would actually perhaps welcome some type of military encounter. It would give them further pretext to clamp down on popular will.

From the regional perspective, I would argue that it's going to be very difficult to confront Iran while simultaneously trying to tranquilize and democratize Iraq. I would argue that the most plausible Iranian reaction will be in Iraq, but it won't be, I would argue, what Iran was doing in Lebanon in the 1980s, which is conducting suicide operations and killing United States troops. I would argue perhaps a more plausible Iranian response would be to mobilize and incite their Shiite friends in Iraq to, say, mobilize a 2-million-man march against the United States occupation. When you have Iraq's newly elected leadership telling the United States to leave, it's going to be very difficult to stay, and I would argue that that's going to be a much greater blow to United States interests in the region rather than the killing of more United States troops.

Lastly, from a proliferation perspective, I believe the fallout would be tremendous and it would actually be counterproductive. I once played out this military option with a Navy captain, a retired Navy captain, who said to me, well, let's assume that we bomb Iran's facilities, and admittedly we don't have very good intelligence on where these facilities are, some of them are buried underground, Iran's likely reaction is going to be, well, you've now proven to us that we need a nuclear deterrent, so in fact we are pursuing the nuclear option and tells the IA inspectors to get out. International public opinion I think will sympathize with Iran's stance, and at that point, if they are pursuing a nuclear weapons program clandestinely, and there's no inspectors present, and the intelligence is very small, you're going to have to send in ground troops to go and prevent this production of nuclear weapons, and where are ground troops going to come from when we have 140,000 troops in Iraq and we're quite spent.

So I think the fallout from a military encounter would be tremendous, and would actually be in my opinion the greater of the two evils of Iran acquiring a weapon or bombing it.

Senator DODD. Very good. Thanks. Let me jump. I'm curious as to how you would—what you think the U.S. response—official response—ought to be to the letter, which I've read several times, and my reaction is forget about the content—it was a letter, and you react to the letter. The fact that it was sent has more value to me, in many ways, than what was in the letter. And, in fact, if you read the letter and sort of disregard each of the major paragraphs about Christianity and the like, there are certain sentences in there that certainly sympathizing, expressing a sense of condolence and solidarity with the United States regarding the 9/11 attacks and how any nation has a right to respond when its security is jeopardized. So I wonder what you think we ought to be doing about that, if anything at all.

Mr. SADJADPOUR. I'm certain we all have views on that.

Dr. CLAWSON. That letter was not for President Bush; that letter was to the Iranian people and to make an argument for Ahmadinejad to the Iranian people. And I think we should respond in kind with a letter to the Iranian people, which I would address to Ayatollah Khamenei, who is the Supreme Leader, who really

holds power. But my aim would be to influence Iranian opinion and world opinion and to heck with the Iranian Government. I mean, that letter was not designed to persuade President Bush to do anything; it was designed to be part of the battle of ideas. And we should take advantage of this to wage the battle of ideas. I frankly think our diplomacy is going pretty well with regard to Iran, but I think that our public diplomacy, our waging the battle of ideas, is not going particularly well, and we're not spending a lot of time and effort on it. And so I thought it was unfortunate that we looked at this and said, well, this is silly if it's diplomacy, which diplomats around the world will recognize that's the case. That's not the purpose of this. This was a propaganda ploy vis-a-vis his own people, and we should respond in kind.

Senator DODD. Dr. Kemp.

Dr. KEMP. I think we should have responded to it. I think we should respond to it. I would be open to suggestions to who the addressees are. We can make it to both the President and to the Supreme Leader and to the Iranian people, but I think there are things that we could say in a letter that would put us on the high ground. There are many issues that he raised about liberty and justice that I think we could certainly ask about the situation in Iran. I think the letter was quite deferential, actually, to religion, particularly to Christianity and that there's no reason why we should ignore or snub the letter. We just have to craft a wise and careful response.

Mr. SADJADPOUR. I think President Ahmadinejad was trying to take a page out of the play book of his idol, Ayatollah Khomeini, who wrote a letter to Gorbachev in, I believe, 1989, was it? And he wrote to Gorbachev that he should embrace Islam or risk the downfall of the Soviet Union. And many Iranian radicals to this day believe that Khomeini was very prescient in his analysis, and I think Ahmadinejad was trying to take—in fact, yeah, he caused the downfall of the Soviet Union. So he was trying to take a page out of his idol's play book. But I would also agree with Professor Kemp and Dr. Clawson that we should respond to this letter. We could have a debate about who the letter would be addressed to: The Iranian people, to the Supreme Leader, et cetera. But there were particular lines from the letter which I found quite astounding and really lacking of any type of self-awareness when Ahmadinejad criticizes human rights abuses in the United States or unfair detentions in Guantanamo Bay, lack of representation, lack of legal progress. As I said, when I have a very close friend of mine who's detained right now in an Iranian prison in solitary confinement for 3 weeks without any legal representation and without any contact with his family, I think the United States would be wise to call Ahmadinejad on this type of rhetoric.

Senator DODD. Let me jump to another letter, though, that's a bit more substantive, and that is, of course, this piece that appeared in the May 9 edition of Time, and it's "Iran's Nuclear Program: The Way Out," written by Hassan Rhoani, who is one of the chief negotiators for Iran and its nuclear programs, but also very close as an advisor to the Supreme Leader. And this was a far more substantive piece. I don't know if you've seen this. Have you seen this? Well, it lays out some suggestions as to how Iran might

be willing to respond to this nuclear question. Could you address this, and, by the way, just in the context of it, and I think you answered it with Senator Biden's question, but I didn't really see this as a debate between an economic approach or a security approach, but rather probably having some mix of the two would make the best sense in a way here, taking your suggestions.

But I wonder if you might comment on these suggestions. They're far more, obviously, substantive than the letter that was sent to President Bush.

Dr. CLAWSON. To quote a senior State Department official, there's a reason he only sent that letter after he got fired. If Iran's really interested in exploring these things, there are quiet channels through which these things can be passed. A former official publishing in the pages of Time is again more aimed at showing the American public and the European public that Iran is reasonable than it is at actually trying to resolve things, because I don't think there's a bat's chance in hell that the current Iranian Government would agree to those proposals at the present.

Dr. KEMP. I think that what the letter demonstrates is that, you know—and Rhojani is not the only one who could write that sort of letter—there are some extremely sophisticated ex-Iranian officials, some of them may still be in the government, who are quite capable of negotiating a reasonable deal under the right circumstances, but they've been shoved aside by the rhetoric of the current President, and that we should, therefore, try to find a way to nurture relations with these former officials, one way or the other, because at some point, if the pendulum swings the way some of my colleagues think it will, back to the Supreme Leader, then it is people like Mr. Rhojani who ultimately, I think, we are capable of talking to.

Senator DODD. I find your answers, Dr. Clawson, rather cavalier. I mean, I don't disagree it's a publication, but it seems to me that this is something that ought to be pursued. I mean, I don't disagree there's a way of channeling these ideas in a more sophisticated way, but possibly the reaction has been so negative that this is one opportunity.

Dr. CLAWSON. I would pursue it by indeed trying to write in various places a similar offer which looks very very attractive to the Iranian people and looks very moderate. And I would also pass back channel the kind of message that Professor Kemp was suggesting, saying, look, if you're back in charge here, then we can work out a deal on this one. But let's be honest that this is unlikely to be a breakthrough at the moment.

Senator DODD. Oh, no. This is a game of—I understand what's going on.

Dr. CLAWSON. It's a battle of ideas.

Senator DODD. But this is vastly different than what happened with North Korea, for instance.

Dr. CLAWSON. The negotiating style is vastly different, which is to say the Iranians have a divided government that makes our system of check and balances look modest by comparison. And they have a style of doing politics which makes our partisanship look modest by comparison as well. And at some point, as Professor

Kemp was saying, and we could be dealing with a different group again.

Senator DODD. I don't want to leave you with any misimpressions. I certainly have said over and over again I don't think you ought to take a force option off the table at all, and I don't necessarily believe this is necessarily going to work, but it seems to me that it ought to be pursued. Any comment on this?

Mr. SADJADPOUR. Yeah. You know, Dr. Clawson's comment about Rhohani being an ex-official, I think he would agree that in Iran personalities are more important than positions, so Hassan Rhohani is definitely a very relevant official. He's very close to both former President Rafsanjani and the current Supreme Leader, Ayatollah Khamenei, and I think this letter from Rhohani is indicative of these deep splinters taking place among Iran's leadership.

When Ahmadinejad won the Presidency in 2005, it was widely assumed that the conservatives had now consolidated power. As we see now, they've never been more divided. And the timing of this letter was very interesting. As soon as there was word out that Ahmadinejad had written an 18-page letter to President Bush, Rhohani quickly released this letter. And it was, in my opinion, he was presenting both an alternative message and an alternative messenger to the Americans, that don't think you just have to deal with this crazy President of ours, and I'm sure he would agree with that statement, but there's other more pragmatic minds. But I would argue that in the very broad sense we should make it clear to you all that a belligerent foreign policy is absolutely not going to reap rewards, and if you want to take this bellicose, uncompromising belligerent approach, you're just going to reach a brick wall. But at the same time, I think we should make it clear that there is an alternative path, that a more conciliatory approach, a more compromising approach, will trigger reciprocal steps from the United States. I think to quote President Bush, Sr., good will begets good will.

Senator DODD. That's terrific. Mr. Chairman, I can't thank you enough. We could go on, I'm sure, another couple of hours. We hardly touched on this, and the subject is very important. I think it's right there at the top. It should be at the very top of our foreign policy agenda. And I deeply appreciate your thoughts and observations. Very, very helpful.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, I join my colleague, Senator Dodd, in thanking you for your wisdom, and likewise for your stamina. We appreciate the hearing, and the hearing is adjourned.

[Whereupon, at 12:50 p.m., the hearing was adjourned.]

IRAN'S POLITICAL/NUCLEAR AMBITIONS AND U.S. POLICY OPTIONS

THURSDAY, MAY 18, 2006

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

The committee met, pursuant to notice, at 9:30 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the committee) presiding.

Present: Senators Lugar, Coleman, Biden, Nelson, and Obama.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order. The committee meets today to continue our examination of the United States policy toward Iran. This is the second hearing of our two-part series. Yesterday, we focused our attention on the status of Iran's nuclear program and on analysis of Iran's motivations and strategies. Today, we will evaluate the options available to deal with these challenges.

The Bush administration has been attempting to build a cohesive international coalition capable of applying economic and diplomatic pressure on Iran that would have the potential to dissuade it from continuing its drive toward a nuclear weapons program. Though efforts to attain a Security Council consensus on a firm response to Iran's actions have not been successful—primarily because of resistance from Russia and China—diplomacy backed by multilateral sanctions remains the focus of United States policy.

Our witnesses yesterday judged that Iranian acquisition of nuclear weapons is not inevitable, though they underscored that a nuclear weapons capability is an extremely important Iranian goal that would be given up only grudgingly. They noted that the Iranian leadership is pursuing nuclear weapons for a number of reasons, including self-defense, Iranian national pride, and regional influence. But as several of our witnesses asserted, the Iranian leadership is faced with economic problems that could be exacerbated by multilateral sanctions and international isolation. In contrast, a verifiable resolution of the nuclear problem could result in long-term economic benefits flowing to Iran, including much-needed Western investment in the energy sector. Our witnesses also emphasized that Iran's Government is far from monolithic. Factions and personalities in Tehran have varying priorities that could lead to diplomatic opportunities.

The witnesses generally shared the view that no diplomatic options, including direct talks, should be taken off the table. Direct talks may in some circumstances be useful in demonstrating to our allies our commitment to diplomacy, dispelling anti-American rumors among the Iranian people, preventing Iranian misinterpretation of our goals, or reducing the risk of accidental escalation. Our policies and our communications must be clear, precise, and confident, without becoming inflexible.

I noted a comment by Dr. Henry Kissinger in an op-ed on Iran that appeared in Tuesday's Washington Post. Dr. Kissinger wrote: "The diplomacy appropriate to denuclearization is comparable to the containment policy that helped win the cold war: i.e., no preemptive challenge to the external security of the adversary, but firm resistance to attempts to project its power abroad and reliance on domestic forces to bring about internal change. It was precisely such a nuanced policy that caused President Ronald Reagan to invite Soviet leader Leonid Brezhnev to a dialog within weeks of labeling the Soviet Union the 'evil empire.'"

Dr. Kissinger's analogy, as well as the testimony that we heard yesterday, reinforce the point that Iran poses a sophisticated policy challenge that will require the nuanced use of a range of diplomatic and economic tools.

To discuss how such tools might be applied, we are joined by four distinguished experts. We welcome Mr. Frank Wisner, former Ambassador to India and currently vice chairman for External Affairs at the American International Group; Dr. Vali Nasr, a professor of National Security Affairs at the U.S. Naval Postgraduate School in Monterey, CA; Ms. Julia Nanay, a senior director at PFC Energy in Washington; and Mr. James Phillips, a research fellow in Middle Eastern Affairs at the Heritage Foundation.

We thank our witnesses for joining us today, and we look forward to their insights on the policy options open to the United States.

Before calling upon our witnesses, I'd like to call upon our distinguished ranking member, Senator Biden, for his opening statement.

**OPENING STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S.
SENATOR FROM DELAWARE**

Senator BIDEN. Mr. Chairman, in the interest of saving time and not being redundant—because much of my statement reflects what you've already said—I ask unanimous consent that my statement be placed in the record.

The CHAIRMAN. It will be placed in the record in full.

Senator BIDEN. I just want one brief addendum, one comment. The headline in the New York Times today in the David Sanger piece about a new approach, I think it's 3 years too late, but a new approach of this administration to North Korea, is one that I hope permeates through the tundra, the frost down there, and makes it clear that what Dr. Kissinger referenced, the article you referenced what experience has demonstrated, and the abject failure of the policy thus far of once identifying the "axis of evil" judged by their own measure, we are worse off in every circumstance of every nation that we identified as part of that access.

I hope this causes a stirring of at least some intellectual debate in the administration about how to proceed. I hope they conclude that it is equally reasonable to follow some version of the recommendations of you, of Dr. Kissinger, me and others, all slight variations. And I'm anxious to hear from the witnesses. Yesterday we heard about the nature of the threat, the imminency of the threat, and about motivation on the part of the Iranians. Today I hope our very distinguished panel speaks to options available that they would discuss forthrightly, whether or not what you have suggested or I have suggested or as recently as, I guess, yesterday or whatever day it was, Dr. Kissinger's op-ed piece—I'd be very interested to know what their views on that specific proposal are, that course recommendation is.

So, I thank you, Mr. Chairman, and I look forward to hearing the testimony of our witnesses.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM
DELAWARE

Thank you, Mr. Chairman. I welcome our witnesses.

Yesterday, we heard from several well-informed witnesses on Iran's nuclear program. We also heard about Iran's motivations, the attitude of its population, and its vulnerability to economic sanctions. Today, I look forward to hearing about the options before us.

This hearing is timely. Our European allies are crafting a package of incentives and, if they fail, sanctions that will be presented to Iran.

Their first objective is to secure Chinese and Russian support for the entire package, so that Iran will understand that it faces U.N. Security Council mandated sanctions if it rejects the offer.

If Russia and China balk at supporting the package, there is talk of the United States and Europe forming our own sanctions coalition. We heard yesterday that Iran is already feeling some pressure as investors and banks pull back from Iran in anticipation of sanctions.

But achieving broad-based agreement on sanctions cannot be the sum total of a diplomatic strategy for Iran. Sanctions are at best one tool to achieve our broader objectives, including ending Iran's uranium enrichment activities.

We need greater clarity on our precise goals—clarity the Bush administration has, thus far, failed to provide.

If our goal is regime change, then that argues for an aggressive set of policies that will likely alienate most of our friends, particularly in the wake of Iraq.

If our goal is to see Iran's threatening behavior end in the short term—while working for long-term change—then that argues for a policy that many could likely support.

Yesterday, I recommended that President Bush respond to the recent letter sent by the Iranian President, but he should write to the man who has the final say in Iran—Ayatollah Khamenei.

I would make the letter public and I would include a call for direct talks with Iran—anywhere, anytime, with everything on the table.

We should be willing to talk about all the issues that divide us: The nuclear program, terrorism, Iraq, Afghanistan, Israeli-Palestinian peace, sanctions, and security.

We should lay out for Iran's leader—and especially for its people—what the future could look like if Iran renounces its nuclear ambitions and support for terrorism—and what the future could look like if it does not.

As I said yesterday, I don't know for certain how Iran would respond, but I believe that an offer of direct dialog would place enormous pressure on the Iranian leadership—from their own people and from the international community.

Iranian leaders would face a stark choice—reject the overture and risk complete isolation and an angry public, or accept it and start down a path that would require Iran to alter its nuclear ambitions.

Talking to Tehran would not reward bad behavior or legitimize the regime. Talking is something we have done with virtually every other country on earth, including unsavory regimes like the ones in North Korea and Libya.

Demonstrating that we made a serious attempt at diplomacy is also the best way to keep others on board for tougher actions if Iran fails to respond.

If the administration wants to convince our allies and others to place serious pressure on Iran, it must walk the extra diplomatic mile.

I look forward to the testimony.

The CHAIRMAN. Thank you, Senator Biden.

Senator Coleman, do you have any opening comments?

STATEMENT OF HON. NORM COLEMAN, U.S. SENATOR FROM MINNESOTA

Senator COLEMAN. Very briefly, Mr. Chairman. First, thank you for this hearing, for this focus, I think it's critically important. Just three observations.

One, it is clear that Iran cannot be allowed to develop nuclear weapons, that is, that's the bottom line. How to ensure that, is the great challenge; this is perplexing.

Two, regime changes in the best interest of this country. This is a regime in which you've got a President openly talking about the destruction of Israel. Hitler in "Mein Kampf" told us what he was going to do and we didn't listen. Ahmadinejad says what he's going to do, and throughout I would just urge that, I would—and I've read Dr. Kissinger's piece, and I think we have to look at it carefully. He is talking about new diplomatic initiatives, he's not talking about engagement, he's not talking about fully working with this regime, and lines of communication, if they can be done in a way that doesn't provide support for this regime I think would make sense, and the last comment is just, you know, today's Washington Post, and quoting Ahmadinejad, they say they talk about the Europeans trying to work something out with them, and as a response, they say that they want to offer us incentives, Ahmadinejad says we'll tell them, "Keep the incentives as a gift for yourself, we have no hope of anything good from you." This is a perplexing issue. And I think this forum is very, very helpful, so thank you.

The CHAIRMAN. Thank you, Senator Coleman.

Let me indicate to the witnesses that your full statements will be made a part of the record, and we will ask you to either recite from those or to summarize. So that it will not be disconcerting to you or to those who are following the hearing, I would note that we anticipate a rollcall vote at or about 10 o'clock. We will have an interruption and recess the committee so the Senators can vote, and then return so that none of us will miss anything. We always regret that there will be a break in the action, but that is the nature of our debate on the floor today. We may have one or more votes during the morning.

I want to call upon you now in the order that I introduced you in my opening statement. That would be first of all, Dr. Wisner. If you would proceed.

STATEMENT OF HON. FRANK G. WISNER, VICE CHAIRMAN FOR EXTERNAL AFFAIRS, AMERICAN INTERNATIONAL GROUP, INC., NEW YORK, NY

Ambassador WISNER. Senator Coleman, it's a privilege to be able to return to the committee, and to discuss a topic of such moment, Iran and the nuclear enrichment crisis that we face.

I have submitted, as you suggested, my written testimony for the record and therefore I won't read it.

I come today before you with some modest background in the subject we're discussing. I've been part of a "track two" dialog with Iran since 2002 with thoughtful Iranians meeting under the auspices of the United Nations Association of the United States of America, generally in Sweden occasionally, and Austria.

I represented the United States in 1997 in discussions in Moscow over the illegal transfer of missile technology—from Russia to Iran. But I guess, principally, I come today reflecting on 37 years of experience in this Nation's diplomatic service.

For openers, let me make four points. These points reflect, substantially, the starting point that Senator Lugar mentioned in his opening remarks.

My first point is, to me it is not clear that Iran has decided to develop a nuclear weapon. I believe its house is divided, and its program is not at a stage where the choice between a nuclear weapon and another option needs to be made. I recognize, saying that, that the enrichment program, which leaves Iran capable of developing a nuclear weapon, is extraordinarily dangerous for the United States. But I rest my argument on the fact that there is ambiguity in Iranian intentions, and, therefore, space for the United States to work.

My second contention is that we have time. Time to think through our choices. There are a variety of estimates of when an enrichment program will reach term, and those estimates vary sharply. We are not in an immediate decision.

Third, I would argue that when speaking about Iran, it is wrong to conclude that there is a united Iranian point of view. There isn't on most national decisions. There are even sharp disagreements with the way that Mahmoud Ahmadinejad has conducted himself as President.

That said, he is a key figure, and we're going to have to take him into account. And his skill in manipulating Iranian politics has not run course.

My fourth contention is that the United States does not stand alone. Our European allies are dead opposed to Iranian nuclear enrichment. Russia and China are on record as well. Not only on the nuclear issue, but on other issues related to Iran. The history of the use of terror; issues related to Israel and Palestine provide common ground.

At heart, however, our allies want us to engage with the Iranians politically—to explore with Iran leadership, a basis of restraint. So then, Senator Lugar, as you Senator Biden, suggested—what are the choices before the United States?

Many have talked about military action, I find it one without particular promise. I believe that military action would tip Iran over the edge, and we would have a nuclear weapon in Iran's arsenal. I also believe there would be direct retaliation against American interests, including our exposed position in Iraq. There would be a violent eruption in the Muslim world—there would be a most severe impact on oil markets—and most of all I can't believe that military action, as I've heard it described, is decisive, that it would deliver a knock-out blow.

Similarly, sanctions don't offer a decisive outcome. They can be costly, they can be disruptive—they will produce a political reaction from Iran, that's to be anticipated. But the most effective sanctions, and we've used many of them up in deploying our policies toward Iran, are those that are short-lived, that are multilateral and targeted.

Now, I therefore argue that both military options and sanctions are arrows in our quiver—they are the backdrop to effective diplomacy. But our real leverage over Iran is Iran's isolation. For now, decades, the country has stood on the margins of international life, its people and its policies without allies, a young population demanding economic progress that cannot be achieved until Iran is accepted into the mainstream of the global economy, and has access to capital and technology. That leverage is our greatest point of salience in dealing with Iran.

I conclude, Senator Lugar, Senator Biden, Senator Coleman, that the time is right to engage Iran—not just on the nuclear issue, but much more broadly—on the issues of terror, Iraq, Afghanistan, the Palestine-Israel equation, on Iran's security, and fundamentally, on her place in the international community.

But I argue most carefully that trying only to engage Iran on one issue is bound to fail. There is a record of American diplomacy with Iran where we have directed ourselves at one question, only to find that unlinked to other questions, and complicated by the political dynamics in our respective societies those initiatives have achieved a short-term benefit in some cases, but have always ended in not producing a spreading agreement to others.

I would argue, furthermore, that Iran may be ready to talk. There is a new circumstance in Iran, the clerics are more closely behind Ahmadinejad than was the case with his predecessor Khatami. They also see Iran on a more equal footing with the United States. The letter that Ahmadinejad sent to the President was bizarre in its formulations, but a sense of Iranian confidence that they can engage the United States, and in that there is moment to pause and consider.

The United States doesn't have to apologize for a political dialog, diplomacy, or engagement—we've used those devices in the past. We engaged the Soviet Union over many, many years as Senator Lugar in referring to Secretary Kissinger's statement pointed out; we did with China in the context of the Shanghai Declaration—both examples of engagement where we have profound differences of ideology, of national interests, and of principle.

But, I would argue, engagement has to begin at the top. It must begin, if it is to work, right at the top on this side, with the President. It cannot begin with a lower level administration initiative, unless it's identified on both sides with the most senior figures in the regimes, it won't work.

I also believe it's important to think of an engagement setting aside the rhetoric of "axis of evil" and even of legislative considerations aimed at funding regime change in Iran.

Senator Coleman, you'll forgive me if I disagree with you. I believe the essential national interest of the United States is to contain Iran's national security threats, and the external threat the country poses. Iran's domestic order is a matter that—while impor-

tant to us as a matter of principle—is not a threat to the United States. And therefore, as Iran has proved countless times over its history, it changes regimes. And I'd like even to argue that we've seen other cases in the past where less pressure on an international crisis produces space within which politics take root and changes—political changes—within a society occur even more rapidly.

Now, therefore, what do I recommend? I don't say that I have, Senator Lugar, a neat formula to resolve the nuclear crisis—I doubt Iran will renounce enrichment—but we would enter into cooperative, international-based arrangements for the production and supervised production of enriched fuel. Is it possible to find common ground? Is it possible to find common ground with Iran over Iraq and Afghanistan, where I know Iranian interests have been served by the elimination of Saddam Hussein and the Taliban? I believe so. Especially if we make it clear that the United States does not intend to be a permanent fixture in Iraq and Afghanistan, and we will not use our position in either country to threaten Iran.

Can the concerns of our friends in the Sunni Arab world be addressed? I contend there is room for a regional conference, to elaborate security guarantees. Can Iran address the dangers posed by Hezbollah and Hamas, and can Iran be brought to be a more responsible player in the Israeli-Palestinian equation. Perhaps, but it will be difficult.

But it is reasonable to conclude that Iran sees in Hamas victory in the Palestinian elections, its own vindication. And because Hamas is now in power, a two-state solution may be pursued.

Are there any guarantees? No. But then, diplomacy is not only the art of the possible, diplomacy is about exploring what might be possible. To repeat, therefore, I argue for the option of engagement—not taking any of our other options off the table—engagement starting at the top. For anything less, I believe, that fails to be broad will end in failure and dangerous frustration for the United States.

[The prepared statement of Ambassador Wisner follows:]

PREPARED STATEMENT OF HON. FRANK G. WISNER, VICE CHAIRMAN FOR EXTERNAL AFFAIRS, AMERICAN INTERNATIONAL GROUP, INC., NEW YORK, NY

The United States, the international community and Iran are in crisis. The crisis broke out last year in the wake of Iran's decision to proceed with its nuclear enrichment program and limit its cooperation with the International Atomic Energy Agency. But the crisis runs deeper. It is rooted in broad international concern over Iran's clandestine efforts to develop an enrichment program, which have put into question the spirit of Iran's compliance with the Non-Proliferation Treaty.

In fact, the origins of the crisis are longstanding. For over a quarter of a century and as a result of the overthrow of the Shah's regime, Iran's clerically dominated government has been at odds with the United States and frequently with its neighbors. The regime's aggressive assertion of its religious identity has frightened Sunni Muslim nations in the gulf, the Middle East and elsewhere in the region. Iran's espousal of Hezbollah and Hamas has put the country on the front lines of the war against terror. The Iranian leadership's unwillingness to accept the existence of the State of Israel has further undermined the ability of the United States to find common ground with it.

In response to the Iranian Government's policies and the principles it espouses, the United States, during the Bush administration, has identified Iran as an opponent of the United States and a candidate for "regime change." The Congress' involvement in legislation to fund activities which would undermine clerical rule in Iran has sent the strong signal of aggressive American intent. To a nation histori-

cally under siege and more recently at odds with the United States, these threats have hit hard and have stirred broad Iranian insecurities.

I come to this meeting over the future of American policy toward Iran, having read Iran's history closely and having followed attentively its recent actions and our relationship. I bring to this session my 37 years of experience in our Nation's diplomatic service as well as a 4-year association with "track two" discussions with knowledgeable Iranians. These discussions have been organized under the auspices of the United Nations Association of the United States (UNA-USA). The results have been regularly shared with officials of the U.S. Government.

In addition, I represented the United States Government in 1997 in discussions with Russia's authorities over the transfer of missile technology from the Russian Federation to Iran. This said, I have no access to official intelligence on Iran, its nuclear program nor the workings of Iranian domestic politics.

In presenting my conclusions today, I do not speak for the American International Group, where I serve as vice chairman, external affairs. My views are entirely my own.

I intend, in the course of my testimony, to answer four questions: (1) Will Iran develop a nuclear weapon? (2) Is that outcome imminent? (3) Is Iran's leadership united behind the development of a nuclear weapon? and (4) What is the way ahead for the United States?

Will Iran develop a nuclear weapon?

The answer to that question is not obvious. It is clear Iran believes it has the right to enrich uranium and fuel a nuclear power system. Iran further argues that this right is part of its commitment to the NPT. It is also true that Iran has pursued a nuclear ambition since the days of the Shah. Finally, it is obvious that Iran has developed its fuel enrichment system clandestinely and in violation of its international obligations.

It is my view that Iran has not made a nuclear weapons decision and that its house is divided on the subject. There are Iranians who believe Iran would be better off with a nuclear weapon; there are others who argue that a weapon will increase the dangers which Iran faces. Virtually all Iranians, including those who live outside the country, share the opinion that their country needs nuclear power and that an enrichment program is a legitimate assertion of the nation's right. Moreover, the nuclear program has become in Iranian eyes a question of national honor and prestige.

It is possible that Iran will proceed down the path of enrichment, stopping just short of a nuclear weapon, leaving open the option to acquire such a capacity. Given Iran's dangerous record on other fronts and the lack of confidence in its government's behavior, that outcome is unacceptable to the United States and our friends in Europe. In a word, we must deal with the nuclear issue and seek to contain it.

Is a weapon imminent?

Again, I advise caution in concluding that the United States faces an immediate, threat. Estimates of the time it would take Iran to assemble adequate amounts of fissionable material vary sharply. Like you, I have seen figures that range from 3 to 10 years, depending on the urgency with which Iran pursues the goal, the technology and resources available to it and the international environment. The design and weaponization of a nuclear device is another matter but not one for "tomorrow morning." I argue, therefore, that we have time to consider, carefully, our strategy for dealing with the very real threat which Iran's enrichment program poses. There need be no rush to judgment; and we have time to explore and exercise the option of diplomacy.

Let me make this point in a different way.

Is Iran's leadership united behind the development of a nuclear weapon?

Once again my experience leads me to be careful about concluding Iran's leadership and political class are united. Those, who state with confidence that they know Iran's intentions, have been consistently wrong. Our insights into the politics of the clerical regime are limited; our estrangement from Iran has impeded serious analysis of political trends and developments. This state of affairs is regrettable and I suggest it is in the interests of the United States to increase the attention we pay to Iran, its politics, economics, and social trends—within government and in academic and research communities.

It is my view that Iran's leadership, broadly defined, is not united on a wide range of issues of national importance, including nuclear weaponization. Power is divided. The Supreme Leader retains control over Iran's Revolutionary Guards, its intelligence services and the nuclear program. Mahmoud Ahmadinejad—the President and author of deeply offensive and inflammatory statements about Israel, the

region, Iran's nuclear intentions, and the United States—does not directly control these institutions and programs. But he won the election to the Presidency with a solid majority and with clerical sympathy. Today he is playing Iranian politics with consummate skill. Ahmadinejad will be a significant factor in Iranian politics for years to come. He has developed a strong base among young Iranians and he appeals effectively to the street's instincts. Moreover he enjoys substantial standing with the Supreme Leader and the Guardians. In the election campaign and his brief time in office, Ahmadinejad has eclipsed the reformers; his leverage in Iranian politics is rising. This said, so are his opponents who are questioning the President's assertions about national security policy and his profligate interventions in the economy.

Finally, it has been my experience that the exercise of power has the potential of educating its holders in the realities of international and domestic life. This has been Iran's recent experience. The country's original revolutionary fervor has run thin. We are in Ahmadinejad's early days. There is more to come, but the present situation of crisis strengthens the Iranian President's hand. There is reason, therefore, to lessen, if we can, the intensity of the present crisis.

What are the United States choices?

I suggest that the nuclear standoff with Iran will play out over a period of time—months if not years. There are no quick fixes and we need the time to examine, select, and pursue our options. The U.N. Security Council is divided. Our European friends, deeply opposed to Iran's nuclear program, seek a diplomatic resolution.

Is there a military solution to enrichment? There is no obvious way to deal with Iran's intention to proceed with nuclear enrichment. It is my view that military action can only disrupt Iranian facilities. Worse yet, the consequences of an American attack on Iranian intentions will be severe. If Iran's leaders have not crossed the nuclear threshold, they would in the wake of American military action. We would have to anticipate direct Iranian retaliation against our forces in Iraq and other American targets in the gulf and the Middle East—if not beyond. I have not seen any evidence that our intelligence is adequate to pinpoint Iran's nuclear enrichment system and make it vulnerable to a decisive military strike.

The political consequences of an American attack would be even more devastating. I can assure you that there will be an eruption of protest across the Muslim world; public opinion in allied nations would be hostile and our standing in international fora would be undermined. We must also calculate the economic consequences. I have no way to predict where the price of oil will go in the wake of military action against Iran or countermoves which impeded the Strait of Hormuz.

Military action should always be the last choice—and never excluded. But I do not believe that we have reached the end of the road and can, therefore, justify or appropriately use military force to stop Iran's enrichment program.

Will economic sanctions deter Iran?

The United States has committed the majority of its sanctions arsenal against Iran in the past and has few decisive instruments left. While the possibility of greater allied cooperation in the face of a nuclear threat is somewhat better, our allies have been hard to bring along in the past. Ordinary trade sanctions will be very difficult to enforce, given Iran's long borders and proximity to trading entrepôts, like Dubai. Financial sanctions come at the cost of disruption of our complicated, international financial system. Sanctions against the movement of Iranian officials are hardly significant. Sanctions generally work when they are targeted, short term and multilateral. It is hard to imagine the Iranian nuclear crisis being either of short duration or subject to resolution only through the imposition of sanctions.

The case for engagement

The first choice in conflict resolution should be diplomacy. There are diplomatic options available to the United States.

Does this mean that military means or sanctions have no place in addressing the crisis we face with Iran? Of course not. They are and must remain arrows in our quiver. Diplomacy, without strength and the ability to deliver pressure, is rarely successful. For the moment, military force and additional sanctions are more effective as threats which its leaders must contemplate.

Our leverage lies elsewhere. Iran is an isolated nation. Apart from a few states, like Syria, whose association with Iran is based on tactical considerations, Iran has few friends and no allies. If the international community, notably Russia and China, are divided from us about how to deal with Iran, there are no divisions over the issue of Iran's nuclear pretensions nor her historic sponsorship of violence in her region. Cut off from acceptance within the international community, Iran is also iso-

lated in the mainstream of world economics. She sells oil but she receives virtually no investment. Existing sanctions, especially those put in place by the United States, limit foreign capital flows. And these sanctions can be deepened. Iran receives little to no technology and will not as long as she continues to stand outside the norms of acceptable international behavior.

Iran's isolation, born of her policies of confrontation, aggravates her perception of threat and preoccupies her leaders and intelligentsia. At heart, they know that Iran cannot force her way into respectability, partnership, and security. Sooner or later, Iran must meet all of us "half way" or she will remain threatened and denied the capital flows, investment partnerships, and technology her lagging economy and highly dissatisfied and deprived population requires. In a word, Iran's understanding of her isolation and our capacity to sustain and intensify it are powerful weapons in addressing the nuclear crisis we face and the other threats Iran poses to our interests. Equally, our willingness to offer a path away from isolation is a powerful tool.

Then how do we deal with Iran?

Our ability to respond militarily is "on the table" and it should remain there. Sanctions are in place and selectively, for example, a multilateral agreement aimed at the denial of official credits, can be added over time. We have drawn our "lines in the sand" and the time is right to move on and engage Iran politically.

The time is right, moreover, to signal that the United States not only seeks agreement which will contain the nuclear crisis but that we are prepared to consider normalizing relations, provided, of course, that Iran is similarly disposed and acts accordingly. Engagement, through diplomatic dialog, means addressing the broad array of issues that divide Iran from us and the international community—the issues that leave her marginalized and insecure—in other words, the issues that undergird distrust of Iran.

The questions, which we and Iran must address, are obvious and they deal with subjects of vital importance to the United States—Iran's nuclear pretensions; the future of Iraq and Afghanistan; the security of the gulf; the prevalence of terror in the Middle East; political instability in the Arab East; and peace between Israel and Palestine. The United States plays a very special role in Iran's thinking. The questions she wishes to address with us are her isolation; the sanctions' regimes she faces; her search for acceptance in the international community and her insecurity in a deeply troubled region. In particular, Iran needs access to the international economy if she is to provide employment for her young.

Our record of engagement with Islamic Iran is a poor one. Past attempts, born of initiatives to address a single issue, have failed. They will fail again if we and Iran do not address the totality of our relationship and if we and Iran are not prepared to set, as an ultimate objective, the normalization of our relationship. And that means, simply stated, a reciprocal readiness to live in peace and mutual respect, no matter how sharply divided we are over our view of each others' political systems.

History is replete with examples of the United States finding a working basis for our relationships with those from whom we were sharply divided over ideology, national ambition, and questions of vital national security concern. I have in mind our ability to find common ground, through détente, with the erstwhile Soviet Union and through the Shanghai Communiqué, with the People's Republic of China.

Engagement begins with a commitment at the top of our political system. On our side, it starts with an undertaking by the President to a normalized relationship. It means a willingness to set aside the rhetoric of "axis of evil" and measures legislatively mandated to undermine Iran's regime. Our concerns are legitimately with Iran's external ambitions and absent any confidence in those ambitions, its nuclear intentions. Its domestic orientation is another question. Iranians have changed their regimes in the past and they will do so again. In a situation of greater peace and security, that day may even come sooner. Our objective must be the stability of the region and our interests there—not Iran's domestic order. We have our principles; the clerics have theirs. Let's see on whose side history sits.

I believe there is an opportunity today to pursue engagement with Iran. Based on my assessment of Iran's policies, I conclude that Iran's clerical leaders are more comfortable with the country's elected government and are willing to give it the freedom to maneuver internationally, including with us. This was not the case in Khatami's time. In addition Iran's leaders are less intimidated by our ability to deliver on the threats they feel we have articulated. They know we are bogged down in Iraq. Therefore they feel they can approach us on a more equal footing. Our European allies want us to enter the dialog; Russia and China clearly share that view.

I suspect they would welcome a signal the United States is ready to seek normalized relations with Iran and to live in peace.

Ahmadinejad's recent letter, as bizarre and objectionable as its contents are, is based on a sense of self confidence. It deserves an answer—not rejection. We are under no obligation to reply to the terms which the letter offers. We are free to state our case and spell out our objectives for a dialog.

I do not have a neat formula to resolve the nuclear crisis. I doubt Iran will renounce enrichment but will it enter into cooperative, internationally based arrangements for the production and supervision of enriched fuel. Is it possible to find common ground over Iraq and Afghanistan where Iranian interests have been served by the elimination of Saddam and the Taliban? I believe so, especially if we make it clear the United States does not intend to be a permanent fixture in Iraq or Afghanistan and that we will not use our position in either country to threaten Iran. Can the concerns of Sunni Arabs be addressed? I contend there is room for a regional conference to elaborate security guarantees. Can Iran address the dangers posed by Hezbollah and Hamas and can Iran be brought to be a more responsible player in the Israeli-Palestinian equation? Perhaps, but it will be difficult. But it is reasonable to conclude Iran sees in Hamas' victory in the Palestinian elections a vindication and because Hamas is now in power, a two-state solution can be pursued.

This said, I return to my core contention: The starting point in negotiations with Iran is our willingness to seek normalization.

The United States must deal with the nuclear crisis. We have time, leverage, and the authority to do so. But to repeat, our approach should be a broad one; aimed at a full exploration of the several issues of concern to us and with the objective of a normalized relationship. The history of America's dealings with Iran should make it clear that anything less will lead to frustration.

The CHAIRMAN. Well, thank you very, very much, Ambassador Wisner, for that comprehensive statement.

We appreciate having you, Dr. Nasr, with us today, and ask that you proceed.

STATEMENT OF DR. VALI R. NASR, PROFESSOR OF NATIONAL SECURITY AFFAIRS, NAVAL POSTGRADUATE SCHOOL, MONTEREY, CA

Dr. NASR. Good morning, Senator Lugar. Senator Lugar, Senator Biden, Senator Coleman it's a privilege being here and contributing to these proceedings.

I would limit my comments to discussing the role that democracy promotion as a policy fits into the context of dealing with Iran's nuclear threat. It is safe to say that between 2001 and 2005, the United States has looked to regime change and democratization as a way of solving the outstanding issues between the United States and Iran, and particularly the nuclear issue at some point. It was hoped that the example of Iraq would undermine the bureaucratic regime in Iran, and some expected that the Presidential elections that happened in June 2005 would exacerbate tensions within Iran, and would provide for a Ukrainian moment.

However, the elections defied expectations, and the United States now faces a much more aggressive and overconfident regime in Iran. Despite significant change in the direction of Iranian politics, United States policy still continues to look at democracy and regime change as a solution to the immediate problems that Iran poses. There are a number of inherent problems in this approach.

One is that the scope of intensification of Iran's nuclear program over the past year, and the escalation of the rhetoric around it, requires a much more direct and focused policy to address the specific threats in areas of concern that the United States has. Democ-

racy and democratization does not amount to such a policy—it's a blunt instrument.

It's also increasingly doubtful—at least to me, who has observed these things for awhile—that there is actually a credible democracy movement in Iran right now. It is unlikely to have an impact on the regime behavior or its decisionmaking in the small window of opportunity that exists to correct Iran's path on the nuclear issue. It is also likely that the policy of conflating democracy promotion with the nuclear issue is not likely to be compatible together, and is likely to interfere with one another. First of all, it confuses the United States message, as it debases democracy as a means to deal with a nuclear issue—and this has impact, not only on Iran, but actually on the broader region, and its perception of the meaning of the United States promotion of democracy.

And it also makes it less likely that Iran will abandon its nuclear program if it believes that it's the cover for regime change. As a number of Iranian senior leaders have expressed, this is a veiled effort to change a regime, and, therefore, why compromise?

There is no doubt that Iran has many of the ingredients of democracy—it has a young population, viable civil society—we all have seen the positive statistics. But these social factors have not produced democracy in Iran.

The Iranian society, to many of us, may look like Eastern Europe in the 1980s, but the Iranian Government does not look like the Eastern European governments of the 1980s. The conservative leadership in Iran today—unlike Eastern European governments of the 1980s—is confident, it's in control, and it's not completely alienated from its society—it is confident in the fact that it won the 2005 elections, at least in its own estimation, relatively comfortably.

The rise in the price of oil has allowed it to combine nationalism with radicalism, with anti-Americanism, and with populism in a manner that's also evident in Hugo Chavez's Venezuela or even Morales' Bolivia.

Now, since the 2005 election the prodemocracy voices in Iran have been demoralized and marginalized. They have lost their access to power by losing the Presidency in Iran, they don't have political parties, they are saddled with infighting and they don't have a program. There is no issue around it with which they can galvanize, and there are no election dates on the horizon in the next 5 years that they can rally around. An escalation of tensions between Iran and the United States, and especially the prospects of sanctions and military action against Iran has created a "rally to the flag" phenomenon in Iran. War and nationalist favor does not favor democracy. A strong demand for democracy in Iran should not be confused with a strong democratic movement in Iran.

It is fair to conclude, in fact, that democracy in the short run is not the solution to the pressing problems in United States-Iran relations. There is no credible democratic partner to work with, there is no clear opening, there is no clear elections to rally around.

At the same time it is possible that contending with the pressing issues facing United States-Iran relations, as Ambassador Wisner has mentioned, may require engaging Iran directly. And that engagement inevitably will lead to the Iranian Government demand-

ing security guarantees which would involve that regime change should be off the table.

United States policymakers must realize that democratization is a long, long process in Iran. It is not a solution to short-run problems. At a time of escalating tensions between the United States and Iran, overt support for democracy in Iran will be counter-productive. It will cast democracy advocates as “unpatriotic” and is likely to be futile. In a time of war and nationalism, democracy will surely lose to nationalism.

The imperative of solving the short-run crisis in Iran-United States relations requires that democracy be specifically decoupled from the long—the short-run policies and the requirements of dealing with the nuclear issue be specifically decoupled from the long-run goal of democracy promotion.

Democracy promotion should remain the U.S. objective, and the United States should continue to lend its moral authority to advocating its cause. However, it should not be a substitute for, or interfere with, directly dealing with the problems at hand, including the question of engaging Iran. In the case of the Soviet Union, we ought to remember that the overt policy of pushing for democracy followed the diplomatic engagement phase, and did not substitute it. Thank you very much.

[The prepared statement of Dr. Nasr follows:]

PREPARED STATEMENT OF DR. VALI NASR, PROFESSOR OF NATIONAL SECURITY AFFAIRS, NAVAL POSTGRADUATE SCHOOL, MONTEREY, CA

Iran, today, presents a serious foreign policy challenge to the United States. The growing prominence of security concerns: Escalation of tensions over Iran’s continued development of a nuclear capability, the country’s role in Iraq and Afghanistan and support for Hamas and Hezbollah have preoccupied United States foreign policy. The election of a hard-line President in Iran in 2005, who has adopted a belligerent rhetoric, has added urgency to contending with these challenges.

The U.S. policy between 2001 and 2005 was focused on promotion of democracy in Iran with the hope that such a transition would result in a breakthrough in United States-Iran relations, and that in turn would solve the above-mentioned challenges. It was hoped that the example of democracy in Iraq would undermine theocracy. Many observers looked to the Presidential elections of 2005 in Iran as an opening: Expecting that it would exacerbate internal tensions in Iran and produce a “Ukrainian moment.”

The election results defied expectations. The reformist lost, and the most radical conservative forces won. The turnout was higher than expected, and despite electoral irregularities there were no wide-spread protests and a new militant and hard-line President assumed power, and quickly escalated tensions with the West. The United States now confronted a more aggressive Iran at a time when the Iraq war was taxing America’s military capability, constricting its ability to deter Iran.

Iran in particular intensified its campaign to acquire nuclear capability, and after the breakdown of negotiations with the EU3 became less cooperative with IAEA and less willing to compromise. It, in fact, adopted a policy of deliberately escalating tensions, believing that it had ample room to push for maximum gains.

It became clear that the priority for U.S. policy in its relations with Iran would have to be first and foremost, containment of its nuclear program; and in addition, contending with Iran’s regional role—in particular in Iraq and Palestinian territories.

United States policy has, since 2005, continued to look to democracy as a solution to the Iranian challenge. There are inherent problems in this approach:

1. The scope of intensification of Iran’s nuclear program requires a more direct and focused policy to address specific threats and concerns. Democratization does not amount to such a policy.

2. It is increasingly doubtful that there is, in fact, a credible democracy movement in Iran, and if it is likely to have an impact on regime behavior or decisionmaking

in the small policymaking window that is available to the United States to deal with the nuclear issue.

3. It is also likely that democracy promotion and contending with security concerns regarding Iran may not be compatible with each other, and, in fact, may interfere with one another.

PROSPECTS FOR DEMOCRACY IN IRAN

Iran, today, has many ingredients of democracy. It has an educated youth (some 70 percent of the population), who are receptive to Western ideas, thousands of activist NGOs, more women in universities than men, and the level of cultural dynamism that is unique in the Middle East. Persian is today, after English and Mandarin Chinese, the third most popular language on the Internet, and there are over 80,000 Iranian blogs. There are hundreds of widely read newspapers, magazines, and periodicals, and there is relatively easy access to outside sources of information. One third of Iranians listen to BBC Radio, and BBC's Persian Web site, at one point, received 450,000 hits a day. Iranians watch everything from CNN to Al-Jazeera on satellite TV. Although unelected authorities screen election candidates, and there are deep flaws in electoral politics, still Iranians are more familiar with the rudiments of elections than their neighbors. Iranians take the campaigning and voting seriously. The voting age is 15. An entire generation has now grown up with ballots and electioneering, promises from politicians, and the ideals of democracy as well as its mechanics.

These social factors, however, have not produced democracy. Conversely, over the past 5 years Iran has witnessed growing power of conservative forces that since the 2005 elections are consolidating their hold on power. The conservative leadership comprise of clerics and Revolutionary Guards commanders, and their allies in the bureaucracy, media, and private sector. They now control all institutions of power—the executive, legislature, and judiciary—and are in command of key decision-making bodies. Their political ethos combines loyalty to the ideals of the revolution with an ascendant nationalism that sees Iran as a regional power. Although Iranian society may look like Eastern Europe of 1980s the Iranian Government does not.

The conservative leadership in Iran unlike Eastern European governments of 1980s is not completely alienated from society, and hence isolated and vulnerable. The ruling regime in Iran is confident and in control, and has a base of support of around 20 percent (a steady number in election after election), and far from feeling under pressure is confident of its own legitimacy and ability to govern. It sees itself as capable to confronting social opposition. The conservative leadership has proven itself capable to defending its own prerogative to power. It combines nationalism with revolutionary ideology with populism to mobilize the poor in its own support and marginalize the more affluent middle classes that demand democracy. The rising price of oil has made such an approach possible. In this regard the Iranian regime resembles Hugo Chavez's regime in Venezuela or Evo Morales' in Bolivia.

Since the 2005 elections Iran's prodemocracy forces are demoralized and marginalized. They have lost their access to power and are excluded from all state institutions. They are disorganized. They lack political parties, and infighting has prevented them from forming a united front before the regime. They do not have a program of action or a platform that could challenge the current government's foreign policy or populist economic policies. In addition there is no wedge issue around which they could mobilize their followers, organize demonstrations, and build a movement. There is no major election on the calendar for the next 5 years—nothing to rally around. Escalation of tensions between United States and Iran—and especially the prospects of sanctions and a military strike on Iran—has moreover, created a rally to the flag phenomenon in Iran—war and nationalist fervor do not favor democracy. As strong as the demand for democracy is in Iran the democracy movement is weak. It poses no palpable threats to regime stability.

CONTENDING WITH THE CHALLENGE

In the past 5 years the challenges posed by Iran to U.S. policy have not gone away, they have in fact grown. The prospect for democracy has in the meantime faded. It is fair to conclude that democracy is not in the short run a solution to the pressing problems in United States-Iranian relations. There is no democratic partner organization, no clear opening, or an election to rally around.

At the same time it is possible that contending with pressing issues in United States-Iranian relations will require engaging Iran more directly. Any conversation between the United States and Iran that yields results will have to contend with security guarantees that will be sought by Iran. A key element of such a guarantee is likely to be a removal of a U.S. threat to regime survival in Iran. Such a guar-

antee will run counter to the goal of democracy promotion. Hence, not only will democracy not solve the security challenges facing the United States, but rather, the solution to those challenges will adversely impact democracy promotion. Three considerations are important at this juncture:

1. U.S. policymaking must realize that democratization is a long-run process in Iran. It will not address short-run problems.

2. At a time of escalating tensions between the United States and Iran overt U.S. support for democracy in Iran will be counterproductive. It will cast democracy advocates as unpatriotic. It is also likely to be futile as prodemocracy forces are unlikely to engage the United States at a time when the United States and Iran are in conflict. Faced with a choice between democracy or nationalism the Iranian population will likely choose nationalism, and prodemocracy forces will likely follow the same trend.

3. The imperative of solving short-run crises requires that policies directed at solving them be decoupled from the long-run goal of democracy promotion.

Democracy promotion should remain a U.S. objective, and the United States should continue to lend its moral authority to advocating its cause. However, the United States should not see this as a short-run policy or a solution to the nuclear crisis. Democracy promotion should not be a substitute for diplomacy.

The CHAIRMAN. Thank you very much, Dr. Nasr.

Let me suggest at this point—the vote has just commenced—that we take a recess before beginning with our next testimony so we may then hear it in full, without apprehension. I apologize to you.

Senator BIDEN. This is highly unusual. I'm going to have to—from 10:15 to about 20 minutes of—not be present. Would it be appropriate if you allowed me, in the first half of this, to just ask two questions to the two witnesses who have already spoken? Because I may not be able to get back, and I'm anxious to hear the other testimony as well, but if I could just, there are two thoughts I have and I just want to ask the two witnesses now, would that be appropriate?

The CHAIRMAN. That would be fine.

Senator BIDEN. I probably won't take more than 7 minutes and I will recess until you come back, and then I'll try to come back by quarter of.

The CHAIRMAN. Fine, very good. I will vote while you're raising your questions.

Senator BIDEN. I appreciate it very much.

The CHAIRMAN. And then I'll come back.

Senator BIDEN. Thank you, thank you very much.

Again, I apologize to the other two witnesses—I hope I get back in time to be able to follow up with questions to you as well.

Dr. Nasr, I am very, very impressed with your testimony, as would not surprise you, since it coincides with my thinking, but you expressed it in a way that is more, I think, concise and coherent than anyone I've heard do it.

I'd also point out that I've listened to you a long time; a year ago you predicted that the Sunni problem in Iraq would be the problem that we would be having to confront. I think you were prescient there, unfortunately, and so, I want to ask you about the democracy movement and then, Mr. Ambassador, if you could chime in, I'd appreciate it as well, because they don't seem to be at odds, they seem to be convergent here.

More than a few witnesses pointed out that—I try to figure out what's going on and what the thinking of the administration is as it deals with a whole range of foreign policy problems. I try because we only have one President at a time, we have one foreign policy

at a time, and the success of that foreign policy is critical to the interest of all Americans, so I try very hard to understand the underpinning of this approach that the administration is taking with regard to both North Korea and Iran and they're different.

But you mentioned something that no witness has that I can recall thus far—and that is that the underlying thesis here was, and I mean this in a positive way, now this is not a criticism. The neoconservative intellectuals argued that by the demonstrable show of force, also the shock and awe of going into Iraq, and doing it almost in the face of the moral disapprobation of the world—most of the world, anyway—would have a salvatory impact upon world regimes which we consider rogues, and I would argue not incorrectly, North Korea and Iran. And prior to us going into Iraq, there was in Iran a vibrant—not pro-Western—but vibrant democratic movement that the clerics were fearful of crushing in the cold view of the whole world for the previous 6 or 7 years.

And then along came our effort in Iraq—and my view and I would like you both to comment on this—my view was it had the exact opposite impact. Once it was clear that we were occupied in Iraq and would be for some time, in the clear light of day, for all the world to see, there was almost a challenge that you had the clerics in Tehran saying, “Watch us crush this movement. Everybody looking? Take a good look at what we’re about to do.” And they purged the list of those who could run. They purged the moderates of anybody who appeared to have any genuine small “d”, democratic instincts, again, I’m not confusing democrat with pro-Western. And now this policy of democratization, to use your phrase, being used as a blunt instrument—we don’t have a whole lot to work with. And, it seems as though it’s read, specifically, as a means by which you change regimes.

My observation of having gotten deeply involved in trying to become educated on Persian culture, on Iran—in particular over the last 30 years, I was a product of Dr. Fatimi and others—I’ve observed that there is a pretty wide consensus in Iran that they live in a dangerous neighborhood, and even those democrats with a small “d” think having nuclear weapons is not a bad idea. And the only thing I’ve ever observed that unites Iranians is a direct assault on, or a perceived threat, to their national unity, their nationalism.

And so having said all of that—why is it different, why can the administration make, if it’s true, a shift in a policy on North Korea, if this New York Times article by Sanger is correct—including beginning negotiations on a peace treaty, a peace treaty—that’s what it says. How can they argue that any direct discussions—not even negotiations—with Tehran is antithetical to U.S. interests when North Korea is a nation that has 400 percent more fissile material than they had just 5 years ago. A nation that has a nuclear capacity, a nation that has engaged in proliferation, a nation that has, in fact, been at war with us? How can you square that circle? Talk to me about the sort of—we’re missing something here in terms of the rationale. The foreign policy imperatives of this administration. Or do we have two different administrations? Do we have one group focusing on Korea, and another group focusing on Iran?

I realize that's a very broad statement as well as question, but talk to me a little bit about—what are these guys thinking?

Dr. NASR. Thank you, Senator Biden. Since I haven't been part of the decisionmaking, I cannot speak for what leads to the current position. But what I can say is the confusion that is core of having to achieve what we want within the nuclear issue and promotion of democracy is actually hampering us. But I think the point, if I may push further, you mention regarding where the people of Iran will stand in terms of a response to a United States position, and I think a critical issue is that we have to realize that the people of Iran are a strategic asset in that region for the United States. Because it is the only population in the region that does not carry, or harbor, deep-seated ideological anti-Americanism.

Senator BIDEN. And that's the amazing thing.

Dr. NASR. That's the amazing thing, absolutely. And we should think that our policy should not be focused only on what the regime does, but whether or not we will keep or lose that population.

Second, I think whether or not the people of Iran will rally to the flag, support their government or not, depends on whether they think the policies of the international community are reasonable, just, and legitimate. And therefore, even if it were to come to a military action, if they were to assume that the United States did not exhaust every possible option, it did not pursue a course that, in their mind, was reasonable, then they will support that government. And I think to support Ambassador—

Senator BIDEN. That's an interesting nuance difference.

Dr. NASR. I do believe to support Ambassador Wisner's position—one of the wisdoms of at least engaging in Iran is that it makes our case with the people of Iran much stronger.

Senator BIDEN. Ambassador, do you have any comment? And by the way, I'd invite any comment from any—I know you haven't testified yet, but if you want to—and I really want to apologize for going out of order like this, but this is such an important hearing, I'm being selfish here, trying to get information.

Ambassador WISNER. Senator, thanks. I think I find myself as constrained as Dr. Vali Nasr in trying to interpret a policy that at heart I don't agree with. But, I start from the premise that Dr. Vali Nasr laid out, and that is that there really isn't a democratic opposition to be worked with, even if you are an advocate of regime change—it's divided, dispirited, and the assault on the nuclear issue is an assault on national honor that has a habit of unifying Iranians.

But when I look at the administration's response, I detect two quite different courses of thinking. The first is a matter of principle, and a reading or misreading—I would assert—of our own history in the cold war. And that is: If one states American principles, a deep belief in democracy, over time that by standing firm, the walls will crumble and the regimes hidden behind them will fail. And that is one reading of what happened at the end of the cold war. I don't happen to share that view. But it is deeply viewed as an outgrowth of American principle, if you stand firm on eternal truths like democracy, eventually those standing behind the walls will take heart, and we will have kept the faith with young Iranians for the future.

The second view that I sense inside the administration is much more tactical. What is the right way to engage Iran today? Is it by being extremely firm, of showing very little light until Iran makes categorical statements about its enrichment program? To stand firm in order to put backbone in the allied position and to bring Russia and China on board by a strong view of American intention—it's a tactical view, not an ideological view, in the expectation that in seeing strength, Iran will then move toward that strength and try to accommodate it. Again, I remain to be persuaded this is the effective way—

Senator BIDEN. I thank you very much, the Chairman is back and I only have a few minutes to vote. Ms. Nanay and Mr. Phillips, I read your testimony, I'm anxious to get back and engage you—I know the views are not uniform here, and I'm very—I have an open mind about, I'm just perplexed as to what's—anyway, I thank you. Thank you very much.

The CHAIRMAN. We'll now proceed to Ms. Nanay.

STATEMENT OF MS. JULIA NANAY, SENIOR DIRECTOR, PFC ENERGY, WASHINGTON, DC

Ms. NANAY. Good morning, again, thank you for letting me testify before this committee. PFC Energy, the firm that I work for, is a strategic advisory firm, and we advise the petroleum industry on the oil markets and various aspects of investment risk related to the global petroleum environment.

Let me say that I'm coming before the panel as a petroleum expert and I know the committee has other issues that override this sector, but I'm not here to address those.

Let me start with the fact—and this is very important—that Iran is an important oil producer and supplier of oil to world markets. At a time when oil supplies are tight and prices are high, Iran is a significant source of oil for world markets.

The timing of today's hearings is important because the industry is troubled by difficulties in many parts of the world in oil, including the nationalization trends which we're watching in Latin America. Lower oil production and exports being forecasted for Venezuela, production disruptions in Nigeria, and slowing production in Russia and so on—this is an extremely volatile period for oil markets and for oil prices.

Now, uncertainty over the ability of the markets to supply the world's oil requirements, if Iran's oil supplies were disrupted, has kept the oil markets on edge.

If you see the day-to-day volatility, which is what we watch closely, it's driven by news about Iran. The more that Iran is in the news and the more that the United States presses for sanctions and holds out the threat of military action, the higher that oil prices stay. Any news about the easing of tension leads to a price drop. Any news that military action takes place will drive oil prices up over \$90 or \$100 a barrel. In fact, estimates of the Iran premium in today's oil price run as high as \$15 a barrel, and oil prices have been hovering around \$70 a barrel.

Another point is that sanctions work if everyone participates, but it's difficult to impose sanctions on crude oil and petroleum prod-

ucts—like gasoline imports to Iran, because there can be leakages, and not all countries or companies observe sanctions.

Short of disrupting Iran's oil trade with sanctions on oil exports, which would drive up oil prices and certainly negatively impact the United States economy, there's really limited impact to be gained for the world's community from any other additional sanctions on Iran's oil and gas industry.

In a market where companies and countries seek to secure their economic lifelines through access to oil and gas, the idea that you can create a foolproof sanction system targeted at any oil and gas producer today is just a nonstarter. There will always be those who violate the sanctions.

If we talk about cutting off gasoline imports to Iran, we have to remember that Iran has demonstrated extraordinary resiliency over the last 25 years when it comes to outside pressure and sanctions. It would find a way around the gasoline sanctions. At the very least, the gasoline that is currently smuggled to neighboring countries—because Iran's domestic gasoline prices are heavily subsidized and very low—these smuggled amounts would be eliminated, and they're very substantial. Energy subsidies in Iran amount to as much as \$11 billion a year. The government, of course, would be forced to address this already controversial subsidy program which imposes high costs on the country's economy. So, in fact, if we try to attach sanctions to gasoline imports, you could have side effects which probably could be useful for Iran.

Unless there are major disruptions caused by some sort of military intervention or sanctions on Iran's exports, I don't see Iran itself as stopping or cutting back the flow of oil to its customers. Iran would be reluctant to jeopardize contractual relationships, nor would they want to lose the revenues. Iran's oil exports of 2.4 million barrels per day fetch over \$50 a barrel for the government, and this results in huge revenues for the budget. Iran will earn over \$50 billion on oil exports this year alone.

The United States buys no oil from Iran. Japan may be Iran's largest customer, followed closely by China. In fact, Japan and China take about a third of Iran's oil exports. Any disruption in oil supplies from Iran would probably hit Japan the hardest.

In conclusion, the United States has to weigh carefully what it wants to gain from additional sanctions. The cutoff of gasoline imports could be just another item on another long list of sanctions already imposed on Iran. This certainly creates problems for the government, but then as we've seen the government adjusts, and its power isn't seriously undermined, its behavior isn't changed, and certainly it doesn't do what the United States wants it to do because of sanctions. In fact, it may not even affect the government's position on nuclear enrichment. Therefore, when I look at the oil sector, I see that the United States has very few options, or none, that it can pursue.

Thank you.

[The prepared statement of Ms. Nanay follows:]

PREPARED STATEMENT OF JULIA NANAY, SENIOR DIRECTOR, PFC ENERGY,
WASHINGTON, DC

Good morning. Senator Lugar and distinguished members of this committee, it is a pleasure to come before you today to address such an important topic. My name

is Julia Nanay and I am a senior director at PFC Energy. PFC Energy is a strategic advisory firm, based in Washington, DC. We are advisors to the petroleum industry on oil markets and various aspects of investment risks related to the global petroleum environment.

IRAN IS A MAJOR RISK FACTOR DRIVING ENERGY PRICES HIGHER

The timing of today's hearing is important as it occurs in an extremely volatile period for oil markets. Here are some of the headlines from the news over the course of just a few days May 3–May 12: Oil hovered near \$75 a barrel, within striking distance of record highs, because of mounting tension over Iran's nuclear plans; oil held steady near \$70 a barrel after major powers failed to come up with a strategy for containing Iran's nuclear ambitions; oil fell below \$70 a barrel on hopes tension over Iran's nuclear ambition will ease after Iran's President made an unprecedented move to contact Washington.

Uncertainty over the ability of the markets to supply the world's oil requirements if Iran's oil supplies were reduced has kept oil markets on edge. The day-to-day volatility in today's oil markets is driven by the news about Iran. The more that Iran is in the news and the more that the United States presses for sanctions and holds out the possibility of military action, the higher that oil prices stay. Any news about the easing of tensions and possible talks between the United States and Iran causes the price to drop. Estimates of the Iran premium in today's oil price run as high as \$15 a barrel.

IRAN'S PRODUCTION AND EXPORTS

Iran's oil production capacity today is about 4 million barrels per day. Its oil production is estimated to average 3.8–3.9 million barrels per day. The country's OPEC quota is 4.11 million barrels per day. Iran's oil exports have held steady at 2.4–2.5 million barrels per day, without any significant drops related to tensions over the nuclear problem. Iran's oil export policies have not changed.

Since President Ahmadinejad was elected in June 2005, however, no new contracts for oil or gas development have been signed. Production from Iran's existing old oil fields is being depleted and without significant new investment, oil production declines of at least 200,000 bbl/d per year are foreseen. Iran has been unable to meet its OPEC quota because of the lag in capacity expansion plans. The Iran Libya Sanctions Act (ILSA) prohibits U.S. investment in Iran's oil and gas sector and has discouraged many Western companies from investing.

One solution being promoted by the Government of Iran is to dip into the Oil Stabilization Fund to finance oil and gas developments. One idea floated in Iran is to take loans from the Oil Stabilization Fund to spend on oil and gas fields, using future revenues to repay the loans. Information on the actual level of this fund is difficult to come by since the government has been drawing against it for various purposes. The Oil Stabilization Fund does not show up in Iran's national budget. It is run as an account at the Central Bank by a handful of senior government officials. A better way to look at the Oil Stabilization Fund would be to refer to it as a hard currency reserve account.

The threat of additional sanctions on Iran's oil and gas sector and the rumors about possible military action are keeping foreign investors away from Iran. This could lead to less oil being available from this country over time, depending on how long the current standoff continues. In a period of increasingly tight oil markets, this will keep a floor under oil prices.

COUNTRIES THAT BUY OIL FROM IRAN

The United States buys no oil from Iran. According to a report from the Joint Economic Committee of Congress in March 2006, 56 percent of Iran's oil exports are to Asia and 29 percent to Europe. The remainder goes to Africa, the Middle East and Latin America. Japan and China together buy over 800,000 bbl/d of Iran's oil exports or over one-third. Japan is particularly dependent on Iran and the Middle East in general since it imports every barrel it uses and over 90 percent of its imports come from the Middle East. China purchases less oil from Iran than Japan and its oil import sources are more diversified. Angola and Russia are both large suppliers of oil to China. Japan, therefore, is most vulnerable to any supply interruptions from Iran.

Worries about oil disruptions from Iran are forcing Japanese and Chinese buyers to try to diversify their import sources. Japanese refiners have changed their purchasing patterns to reduce Iranian volumes. Both Japan and China are making overtures to Russia to open up East Siberia to their companies and to allow them to help finance and build new East Siberian export pipelines. This could pose a chal-

lenge to Western buyers of Russian crude and gas as these resources could be diverted from the West to feed Asian buyers clamoring for non-Middle East supplies. Chinese companies are also becoming increasingly active in Africa. In a recent bidding round in Angola, China's Sinopec offered a signature bonus of \$1.1 billion for two deepwater blocks offshore significantly outbidding U.S. companies in a region that in the past was the preserve of the United States and European oil industry. U.S. efforts to further isolate Iran are being felt in ways big and small in global petroleum markets as international investors scramble to diversify away from the Middle East.

Still, unless there are major disruptions caused by some sort of military intervention or sanctions on Iran's oil exports, Iran itself is unlikely to stop or cut back the flow of oil to its customers. For one thing, it would be reluctant to jeopardize its contractual relationships; for another, it would not want to lose the revenues. For every barrel of the 2.4 million barrels a day that Iran exports, it earns over \$50 a barrel. Iran's net oil export revenues in 2005 were close to \$47 billion and it will earn over \$50 billion in 2006.

IRAN IMPORTS GASOLINE

Despite being OPEC's second largest oil producer, Iran has a deficit in refining capacity to manufacture gasoline. Iran uses about 422,000 bbl/d of gasoline and imports 170,000 bbl/d of it, paying upward of \$4 billion in 2006 for these imports. Gasoline is heavily subsidized in Iran, with the price set at under 40 cents per gallon; \$2.6 billion was withdrawn from the Oil Stabilization Fund last year to pay for gasoline imports.

Again according to a report from the Joint Economic Committee of Congress in March 2006, an estimated 25 percent of Iran's gasoline imports come from Persian Gulf countries, 15 percent from India, and the remainder from a variety of sources, including France, Turkey, Singapore, the Netherlands, and China.

At the same time, volumes equivalent to as much as half of the amount of Iran's gasoline imports are being smuggled abroad. Subsidized prices at home make it lucrative for smugglers to move this product out of the country, with Iraq being a favored market along with Pakistan. Many people in border areas earn a living from smuggling gasoline.

Iran is looking into rationing gasoline, so that low prices would apply to a certain level of purchases by each car owner after which the full cost of the gasoline would be paid. This two-tier pricing system is still being discussed but it could be implemented later in 2006.

If gasoline import sanctions were imposed, one affect would be to cut down on smuggling and another, to alleviate the traffic pollution problems in Tehran. Gasoline import sanctions might cast the United States in a negative light since unlike other oil and gas sanctions, their impact would fall directly on Iran's people.

U.S. POLICY OPTIONS IN THE OIL AND GAS SECTOR

About 60 percent of Iran's export earnings come from the oil and gas sector and 40 to 50 percent of the government's revenues. Investments in Iran's oil and gas sector are already dramatically reduced and timetables delayed due to the sanctions currently in place, as well as weak terms on offer under the buyback contract model. Short of disrupting Iran's oil trade with sanctions on oil exports, which would drive up oil prices and negatively impact the U.S. economy, there is limited impact to be gained for the world community from any other additional sanctions on Iran's oil and gas industry. In a market where companies and countries seek to secure their economic lifelines through access to oil and gas, the idea that you can create a fool-proof sanctions system targeted at any oil and gas producer is a nonstarter. There will always be those who violate the sanctions.

Sanctions on gasoline imports would be disruptive and would result in creating dislocations in Iran's economy. However, their impact would be offset to some extent by the likely elimination of the smuggling of gasoline to neighboring countries. Such targeted sanctions will have their own unintended consequences of probably encouraging the smuggling of gasoline from such offshore sources as Dubai from where many products already enter Iran.

The United States has to weigh carefully what it wants to gain from such sanctions. The cutoff of gasoline imports could just be another item on a list of sanctions already imposed on Iran, which certainly creates problems for the government but then results in adjustments without seriously undermining the government's power or changing its behavior with regard to nuclear enrichment.

IRAN-PAKISTAN-INDIA GAS PIPELINE

Finally, just a few words about the status of this pipeline. This is a project that has been talked about for many years and it is still being discussed. Let's put it in the context of the Baku-Tblisi-Ceyhan oil pipeline which at 1,780 km is 1,000 kms shorter than the 2,775 km Iran-Pakistan-India pipeline. It took almost a decade for BTC to be realized from first project appraisal and this is a pipeline that had private oil company investment and where BP took a strong lead. Constructing and financing such multibillion dollar projects is difficult and expensive and it takes serious commitment from all parties. With an estimated \$7 billion price tag, the Iran-Pakistan-India pipeline still has a long way to go before it can be considered a serious project. While the energy is clearly needed by Pakistan and India, there is no agreement in place yet among the three countries to build the pipeline, with the question of who would pay for it not even addressed.

The CHAIRMAN. Thank you very much for your testimony.
Mr. Phillips.

**STATEMENT OF JAMES A. PHILLIPS, RESEARCH FELLOW FOR
MIDDLE EASTERN AFFAIRS IN THE DOUGLAS AND SARAH
ALLISON CENTER FOR FOREIGN POLICY STUDIES, THE HER-
ITAGE FOUNDATION, WASHINGTON, DC**

Mr. PHILLIPS. Thank you, Mr. Chairman, for this opportunity to testify today. I think the efforts of the United States and its allies to dissuade Iran from pursuing its long-sought goal of attaining nuclear weapons have so far failed to yield satisfactory results. Iran made temporary tactical concessions in October 2003 under strong international pressure—to temporarily freeze its uranium enrichment operations and enter into diplomatic negotiations led by the EU3 to temporarily diffuse the crisis. But Tehran later dropped the charade of negotiations after it apparently concluded that the international situation had shifted in its favor for reasons that those testifying before me have mentioned—rising oil prices, the United States commitment in Iraq and Afghanistan—and I think the incoming Ahmadinejad government which had bitterly criticized previous Iranian governments for those negotiations.

Thus far, Iran has escaped paying any significant price for its apparent violations of its commitments under the Nuclear Non-Proliferation Treaty, and failure to fully cooperate with the IAEA, and I would contend that it won't negotiate seriously on the fate of its programs until its started to pay a price.

Therefore, the United States should mobilize an international coalition to raise the diplomatic, economic, and domestic political—as well as potential military—costs to Tehran of continuing to flout its obligations under its nuclear safeguard agreements. This coalition of the willing should seek to isolate the Ahmadinejad regime, weaken it through targeted economic and other sanctions, and explain to the Iranian people why their government's nuclear policies will impose economic costs and possible military risks on them.

Yes; we should contain Iran's military power, but I don't think we should abandon the possibility of democratic change. If Tehran persists in its drive for nuclear weapons, despite these escalating pressures, I think then the United States should consider military options to set back the Iranian nuclear weapons program.

I think the United States must continue to push in the strongest possible sanctions in the U.N. Security Council. But experience has demonstrated that Washington can not rely on the United Nations to halt the nuclear program. Russia and China—who have exten-

sive economic, military, and energy ties to Iran—may veto, delay, or dilute any effective resolution. The United States should, therefore, make fallback contingency plans to work with the EU3, the broader EU community and Japan—other interested countries—to work on sanctions outside the U.N. framework, if necessary.

An international ban on the import of Iranian oil is a nonstarter for reason that Ms. Nanay has mentioned. It's unrealistic to expect oil importers to stop importing Iranian oil in a tight, high-priced oil market. I think, instead, the focus should be on denying Iran loans, foreign investment, and favorable trade deals. Washington should cooperate with other countries to deny Iran loans from international financial institutions, such as the World Bank, and try to block proposed pipelines out of Iran, such as the one considered for India and Pakistan.

In addition to economic sanctions, the United States should press its allies and other countries to ban nuclear assistance, arms sales, and the export of dual-use technology to Iran. Symbolic sanctions, such as travel ban on Iranian officials or a ban on Iranian participation in international sports events would be important to drive home to the Iranian people that the international opposition to Iran's nuclear program is widespread and not just an artificial issue created by the United States as their government claims.

The United States should also support Iran's democratic opposition. Iran has a well-educated group of young reformers who seek to replace the current monarchy with a genuine democracy that is accountable to the Iranian people. Yes; they are weak and divided, but they constitute, I think, Iran's best long-term hope, and the United States should not turn its back on them. The United States should not try to play favorites among the various Iranian opposition groups, but it should encourage them to cooperate under the umbrella of the broadest possible coalition. And I think we have to be really humble about our ability to spark democratic change, but in the long run, I think it's something that cannot be ruled out.

The United States Government should also launch a public diplomacy campaign to explain to the Iranian people how the regime's nuclear weapons program and hard-line policies hurt their economic and national interests. Iran's regime has tightened its grip on the media in recent years, shutting down more than 100 independent newspapers, jailing journalists, closing down Web sites and arresting bloggers. The United States and its allies should work to defeat the regime's suppression of the independent media, by increasing Farsi broadcasts by government-sponsored media such as the Voice of America and Radio Farda, and other information sources. The free flow of information is an important prerequisite for the free flow of political ideas, and the Iranian people need access to information about the activities of the democratic opposition groups both within and outside Iran, and the plight of dissidents.

Finally, I think the United States must be prepared for the use of military force as a last resort. There's no guaranteed policy that can halt the Iranian nuclear program short of war, and even a military campaign may only delay Iran's acquisition of nuclear weapons. But United States policymaking regarding the Iranian nuclear issue inevitably boils down to a search for the least bad option, and

as potentially costly and risky as a preventative war against Iran would be, allowing Iran to acquire nuclear weapons would result in far heavier potential costs and risks.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Phillips follows:]

PREPARED STATEMENT OF JAMES A. PHILLIPS, RESEARCH FELLOW FOR MIDDLE EASTERN AFFAIRS, THE DOUGLAS AND SARAH ALLISON CENTER FOR FOREIGN POLICY STUDIES, THE HERITAGE FOUNDATION, WASHINGTON, DC

Thank you, Mr Chairman and distinguished members of the committee, for this opportunity to discuss U.S. policy regarding Iran's nuclear program.

The efforts of the United States and its allies to dissuade Iran from pursuing its long-sought goal of attaining a nuclear weapons capability have so far failed to yield satisfactory results. Iran made temporary tactical concessions in October 2003 under strong international pressure to temporarily freeze its uranium enrichment operations and submit to increased inspections of its nuclear facilities by the International Atomic Energy Agency (IAEA). Tehran feared that referral to the Security Council could result in diplomatic isolation, economic sanctions, or possible military attack. It undoubtedly also was motivated by the examples set by the rapid overthrow of the Taliban regime in Afghanistan in 2001 and Saddam Hussein's regime in Iraq in early 2003 by U.S.-led coalitions.

Tehran made enough tactical concessions to stave off international sanctions and engage the European Union in diplomatic negotiations led by Britain, France, and Germany (the EU3) to temporarily defuse the crisis. But Tehran later dropped the charade of negotiations after it apparently concluded that the international situation had shifted in its favor. It now apparently believes that it is in a much stronger position due to the continued need for U.S. military forces in Iraq and Afghanistan; the rise in oil prices which has given it greater bargaining leverage with oil importers; and its diplomatic cultivation of China and Russia, which can dilute or veto resolutions brought before the U.N. Security Council.

The installation of a new hard-line government led by President Mahmoud Ahmadinejad in August 2005 also was a major factor that led Tehran to renege on its agreement with the EU3. Iran's new President is firmly committed to Iran's nuclear program and vehemently criticized Iran's previous government for making too many concessions in past negotiations with the EU3. Shortly thereafter Iran resumed operations at the Isfahan uranium conversion facility, converting yellowcake into uranium hexafluoride, a preliminary step before enrichment. In January 2006 Iran announced its intention to resume uranium enrichment activities and removed IAEA seals at its Natanz facility. Iran remains determined to develop a complete nuclear fuel cycle, which would eventually give it the fissile material for a nuclear weapons capability. Thus far, Iran has escaped paying any significant price for its apparent violations of its commitments under the NPT and failure to fully cooperate with the IAEA.

The United States should mobilize an international coalition to raise the diplomatic, economic, domestic political, and potential military costs to Tehran of continuing to flout its obligations under its nuclear safeguards agreements. This "coalition of the willing" should seek to isolate the Ahmadinejad regime, weaken it through targeted economic sanctions, explain to the Iranian people why their government's nuclear policies will impose economic costs and military risks on them, contain Iran's military power, and encourage democratic change. If Tehran persists in its drive for nuclear weapons despite these escalating pressures, then the United States should consider military options to set back the Iranian nuclear weapons program.

THE GROWING THREAT OF AHMADINEJAD'S IRAN

Mahmoud Ahmadinejad rose up through the ranks of the Islamic Revolutionary Guard Corps (IRGC), the praetorian guard dedicated to advancing and exporting the revolution that Ayatollah Ruhollah Khomeini inspired in Iran in 1978-1979. Ahmadinejad is a true believer in Khomeini's radical vision of Iran's role as the vanguard of a global Islamic revolution. He has lambasted the United States as "a failing power" and a threat to the Muslim world.

In sharp contrast to his predecessor, former President Mohammad Khatami, who advocated a conciliatory "dialog of civilizations" but was blocked by the strong opposition of the ideological hard-liners, Ahmadinejad has returned to the fiery rhetoric of the Khomeini era. In September he delivered a truculent speech at the United Nations, warning foreign governments against meddling in Iranian affairs. On Octo-

ber 26, he made a venomous speech attacking Israel in which he quoted Khomeini: "As the Imam said, Israel must be wiped off the map."

Ahmadinejad's vehement return to Khomeini's radical line has been accompanied by a purge of pragmatists and reformers within the regime. Forty of Iran's senior ambassadors have been recalled from overseas posts, including diplomats who were involved in the EU3 negotiations in Britain, France, Germany, and at the United Nations in Geneva. Ahmadinejad has appointed many of his IRGC cronies to key positions throughout the government.

Iran also has been increasingly aggressive in stirring up trouble inside Iraq. In October, the British Government charged that the Iranians had supplied sophisticated bombs with shaped charges capable of penetrating armor to clients in Iraq who used them in a series of attacks on British forces in southern Iraq. Iran also has given discreet support to insurgents such as Moqtada al-Sadr, who twice has led Shiite uprisings against coalition forces and the Iraqi Government.

Iranian hard-liners undoubtedly fear that a stable democratic Iraq would present a dangerous alternative model of government that could undermine their own authority. They know that Iraq's preeminent Shiite religious leader, Grand Ayatollah Ali al-Sistani, whose religious authority is greater than that of any member of Iran's ruling clerical regime, rejects Khomeini's radical ideology and advocates traditional Shiite religious doctrines. Although Iran continues to enjoy considerable influence with many Iraqi Shiites, particularly with Iraq's Supreme Council for the Islamic Revolution in Iraq and the Dawa Party, the moderate influence of Sistani dilutes their own revolutionary influence. Therefore, Tehran plays a double game in Iraq, using the young firebrand al-Sadr to undermine Sistani and keep pressure on the U.S. military to withdraw, while still maintaining good relations with Shiite political parties who revere Sistani and need continued American support.

In addition to its destabilizing role in Iraq, Iran continues to be the world's leading sponsor of terrorism. Secretary of State, Condoleezza Rice, recently called Iran "the central banker" of international terrorism. It has close ties to the Lebanon-based Hezbollah terrorist group, which it organized and continues to finance, arm, and train. Tehran also has supported a wide variety of Palestinian terrorist groups, including Fatah, Hamas, and Palestinian Islamic Jihad, as well as Afghan extremists such as Gulbuddin Hekmatyar. Iran was involved in the 1996 Khobar Towers bombing, which killed 19 American military personnel deployed in Saudi Arabia. Moreover, Iran reportedly continues to give sanctuary to elements of al-Qaeda, including at least one of Osama bin Laden's sons, Saad bin Laden, and Saif al-Adil, a top operations coordinator.

This long and deep involvement in terrorism, continued hostility to the United States, and repeated threats to destroy Israel, provide a strong warning against the dangers of allowing such a radical regime to develop nuclear weapons.

LEADING AN INTERNATIONAL RESPONSE TO IRAN'S NUCLEAR CHALLENGE

Diplomatic efforts centered on the United Nations to pressure Iran to abandon its clandestine nuclear efforts are unlikely to solve the problem, in part due to the institutional weaknesses of the U.N. Security Council, where a lack of consensus often leads to paralysis or lowest common denominator policies that are not effective. Nevertheless, the Bush administration must resolutely press the diplomatic case at the Security Council to set the stage and improve the U.S. position in the push for possible diplomatic and economic sanctions targeted at Iran's recalcitrant regime, or, as a last resort, possible future military action.

Another goal should be to make sure that the end result of the Security Council's interactions with Iran clearly lays the responsibility of any failure on Tehran, not Washington. Washington should seek to focus the Security Council debate on the critical issue—the threat posed by Iran's nuclear program—not the broader question of whether to seek a multilateral "grand bargain" with an untrustworthy revolutionary power that exploited and sabotaged past American efforts to stage a rapprochement under the Carter and Reagan administrations and failed to respond to the tentative détente offered by the Clinton administration. Getting drawn into a multilateral dialog with Iran through the auspices of the United Nations would allow Iran to divert attention from its safeguard violations and history of terrorism, while subjecting the United States to growing international pressure to bribe Iran with diplomatic carrots to comply with international legal commitments that it already has violated and could renege on again in the future.

Iran already has provided ample evidence that it has no intention to fully cooperate with the IAEA or end the uranium enrichment activities that eventually will give it a nuclear weapons capability. If it merely seeks a nuclear power capability for economic reasons, as it insists, then it would not have rejected the Russian offer

to enrich uranium at facilities in Russia, which would have saved it considerable costs in building and operating uranium enrichment facilities. Moreover, Iran also would have received additional economic benefits from the EU3 if it had not broken off those negotiations.

Under these circumstances, the EU3's recent undertaking to put together a new package of incentives for Iran is the triumph of wishful thinking over experience. Beginning a new round of negotiations while Iran continues to work to perfect its uranium enrichment technology will enable Tehran to buy time for its nuclear weapons program, forestall sanctions, and weaken the perceived costs of violating the nuclear nonproliferation regime in the eyes of other countries who may consider following Iran's path. To change Iran's course, the EU3 should be considering larger disincentives, not just larger incentives.

Forge a coalition to impose the strongest possible sanctions on the Iranian Regime

Although it has greatly benefited from the recent spike in world oil and natural gas prices, Iran's economic future is not a promising one. The mullahs have sabotaged economic growth through the expansion of state control of the economy, economic mismanagement, and corruption. Annual per capita income is only about two-thirds of what it was at the time of the 1979 revolution. The situation is likely to get worse as President Ahmadinejad follows through on his populist promises to increase subsidies and give Iran's poor a greater share of Iran's oil wealth.

Iranians are sending large amounts of their capital out of the country due to fears over the potentially disastrous policies of the new government. Shortly after Ahmadinejad gave his October 26 speech threatening Israel, Iran's stock market plunged to its lowest level in 2 years. Many Iranian businessmen understand, even if Ahmadinejad does not, that Iran's economic future depends on access to world markets, foreign investment, and trade.

The United States should push for the strongest possible sanctions at the U.N. Security Council. But experience has demonstrated that Washington cannot rely on the United Nations to halt the Iranian nuclear program. Russia and China, who have extensive economic, military, and energy ties to Iran, may veto or dilute any effective resolution. The United States, therefore, should make contingency plans to work with Britain, France, Germany, the European Union, and Japan to impose sanctions outside the U.N. framework if necessary.

An international ban on the import of Iranian oil is a nonstarter. It is unrealistic to expect oil importers to stop importing Iranian oil in a tight, high-priced oil market. Instead, the focus should be on denying Iran loans, foreign investment, and favorable trade deals. Washington should cooperate with other countries to deny Iran loans from international financial institutions such as the World Bank and to deny Iran loans for a proposed natural gas pipeline to India via Pakistan.

Although Iran is one of the world's leading oil exporters, it is also an importer of gasoline due to mismanagement and inadequate investment in its refinery infrastructure. An international ban on gasoline exports to Iran would deprive Tehran of approximately 40 percent of its daily gasoline consumption. This would significantly drive up the price of Iranian gasoline and underscore to the Iranian people the shortsighted policies of Iran's ruling regime.

In addition to economic sanctions, the United States should press its allies and other countries to ban nuclear assistance, arms sales, and the export of dual-use technology to Iran. Symbolic sanctions, such as a travel ban on Iranian officials or ban on Iranian participation in international sports events, would drive home to the Iranian people that international opposition to Iran's nuclear program is widespread and not an artificial issue created by the United States, as their government claims.

Support Iran's democratic opposition

The Bush administration has correctly aligned the United States with the Iranian people in their efforts to build a true democracy, but it has held back from a policy of regime change, partly in deference to the EU3 negotiations with Iran about its nuclear program. However, now that it is clear that Iran has reneged on its promises to the EU3, Washington should discreetly aid all Iranian groups that support democracy and reject terrorism, either through direct grants or indirectly through nongovernmental organizations. The Iran Freedom and Support Act of 2005 (H.R. 282 and S. 333), currently under consideration by Congress would authorize such aid and tighten U.S. economic sanctions on Iran.

Iran has a well-educated group of young reformers who seek to replace Iran's current mullahcracy with a genuine democracy that is accountable to the Iranian people. They have been demoralized by the failure of former President Khatami to live up to his promises of reform and his lack of support for the student uprisings of

1999, but are likely to be reenergized by a brewing popular disenchantment with the policies of Ahmadinejad's hard-liners.

The United States and its allies should discreetly support all Iranian opposition groups that reject terrorism and advocate democracy by publicizing their activities internationally and within Iran, giving them organizational training indirectly through Western NGOs, and inviting them to attend international conferences and workshops outside Iran, preferably in European or other countries where Iranians could travel relatively freely with minimal fear of being penalized upon their return to Iran.

Educational exchanges with Western students would be an important avenue for bolstering and opening up communication with Iran's restive students, who historically have played a leading role in Iran's reform movements. Women's groups also could play a key role in strengthening support for political reforms among young Iranian women, a key element opposing the restoration of harsh social restrictions by Iran's resurgent Islamic ideologues.

The United States also should covertly subsidize opposition publications and organizing efforts, as it did to aid the anti-Communist opposition during the cold war in Europe and Asia. But such programs should be strictly segregated from the public outreach efforts of the United States and its allies, to avoid putting Iranian participants in international forums at risk of arrest or persecution when they return home.

The United States should not try to play favorites among the various Iranian opposition groups, but should encourage them to cooperate under the umbrella of the broadest possible coalition. But Washington should rule out support for the People's Mujahideen Organization (PMO), which is also known as the Mujahideen Khalq, or its front group, the National Council of Resistance. The PMO is a nondemocratic Marxist terrorist group that was part of the broad revolutionary coalition that overthrew the Shah, but was purged in 1981 and aligned itself with Saddam Hussein's dictatorship.

While this cult-like group is one of the best-organized exile organizations, it has little support inside Iran because of its alliance with arch-enemy Iraq during the Iran-Iraq war. Moreover, the PMO resorted to terrorism against the Shah's regime and was responsible for the assassinations of at least four American military officers in Iran during the 1970s. It demonstrated in support of the Soviet invasion of Afghanistan in 1979 and against the release of the American hostages in 1981. The United States cannot afford to support an organization with such a long history of terrorism, if it expects Tehran to halt its own terrorism.

Launch a public diplomacy campaign to explain to the Iranian people how the regime's nuclear weapons program and hard-line policies hurt their economic and national interests

Iran's clerical regime has tightened its grip on the media in recent years, shutting down more than 100 independent newspapers, jailing journalists, closing down Web sites, and arresting bloggers. The United States and its allies should work to defeat the regime's suppression of independent media by increasing Farsi broadcasts by government-sponsored media such as the Voice of America, Radio Free Europe (Radio Farda), and other information sources. The free flow of information is an important prerequisite for the free flow of political ideas. The Iranian people need access to information about the activities of Iranian opposition groups, both within and outside Iran, and the plight of dissidents.

The Internet is a growing source of unfiltered information for many Iranians, particularly Iranian students. Farsi is reportedly the fourth most popular language used online and there has been a proliferation of political blogs devoted to Iranian issues. The United States should consider ways of assisting Iranians outside the country to establish politically oriented Web sites that could be accessed by activists and other interested people inside Iran.

Mobilize allies to contain and deter Iran

The bellicose resurgence of Iran's hard-liners, Iran's continued support for terrorism, and the prospective emergence of a nuclear Iran pose threats to many countries. President Ahmadinejad's belligerence gives Washington greater opportunity to mobilize other states, particularly those living in the growing shadow of Iranian power. The United States should maintain a strong naval and air presence in the Persian Gulf to deter Iran and strengthen military cooperation with the Gulf States.

The United States and its European allies should strengthen military, intelligence, and security cooperation with threatened states, such as Iraq, Turkey, Israel, and the members of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), which was founded in 1981

to provide collective security for Arab States threatened by Iran. Such a coalition could help contain the expansion of Iranian power and possibly would cooperate in facilitating military action, if necessary against Iran.

Washington could also offer to deploy or transfer antiballistic missile defense systems to threatened states, enhance joint military planning, and step up joint military and naval exercises. In particular, the United States and its allies should stage multilateral naval exercises to demonstrate the will and capability to defeat Tehran's threats to block the Strait of Hormuz, through which flow about one-fifth of the world's oil exports.

Prepare for the use of military force as a last resort

A strong U.S. military posture is essential to dissuading and deterring Iran from fielding nuclear weapons and supporting terrorism, and when necessary responding decisively and effectively to Iranian threats. To deal with a nuclear or terrorist threat from Iran several military capabilities are particularly important. They include (1) expanding and strengthening the proliferation security initiative; (2) theater missile defense; (3) robust special operations forces and human intelligence (HUMINT) assets; (4) assured access to bases and staging areas in the theater for both special operations and conventional ground, air, and sea forces; and (5) energy security preparations.

Proliferation security initiative (PSI). PSI is a multinational effort to track down and break up networks that proliferate chemical, biological, and nuclear weapons technologies and materials. The administration should field more modern capabilities that can provide the right intelligence, reconnaissance, surveillance, and interdiction assets for the U.S. military. In particular, modernization of Coast Guard and Naval forces that can help prevent seaborne trafficking of weapons material is vital.

Theater Missile Defense (TMD). TMD is also essential. Missile defenses provide the means to intercept a ballistic missile in flight and destroy it before the missile can deliver a nuclear warhead to its target. The United States should work with its friends and allies to provide theater missile defense to countries in the region. The United States should continue to pursue a mix of air, land, and sea-based missile defense systems.

Special Operations Forces and HUMINT. These military and intelligence assets provide the capacity for focused operations against specific targets. Today, these forces are overstretched, performing many missions in the global war on terrorism. The Pentagon must end the use of special operations for training foreign militaries and other tasks that can be done by conventional military units. In addition, the administration must bolster the ranks of the special forces and HUMINT assets that might be required to operate in Iran, ensuring they have the right language skills, area knowledge, and detailed, actionable intelligence.

Theater Access. The United States must ensure it retains the means to deploy and sustain forces in the theater. The Pentagon should work to secure a variety of basing options for staging military operations. In addition, the military must have robust means to ensure its ability to operate in the gulf and defeat "antiaccess" weapons that Iran might employ such as cruise missiles, sea-based mines, terrorist attacks, and biological or chemical weapons.

Energy Security Preparations. In the event of a military clash with the United States, Iran undoubtedly will try to follow through on its threats to close the Strait of Hormuz to oil tankers and disrupt oil exports from other Persian Gulf oil exporters. Washington should take immediate steps to limit the future impact of such oil supply disruptions by working with the Arab Gulf States to help them reduce the vulnerability of their oil infrastructure to Iranian military and terrorist attacks; pressing U.S. allies and other oil importers to expand their strategic oil stockpiles; encouraging Saudi Arabia to expand its excess oil production capacity; and asking Saudi Arabia to upgrade the Trans Saudi Arabian pipeline to increase its capacity and make preparations to bring the Iraq-Saudi pipeline back online to reroute oil exports away from the Persian Gulf to the Red Sea oil export terminals.

THE NIGHTMARE SCENARIO OF A NUCLEAR IRAN

There is no guaranteed policy that can halt the Iranian nuclear program short of war, and even a military campaign may only delay Iran's acquisition of a nuclear weapons capability. But U.S. policymaking regarding the Iranian nuclear issue inevitably boils down to a search for the least bad option. And as potentially costly and risky as a preventive war against Iran would be, allowing Iran to acquire nuclear weapons would result in far heavier potential costs and risks.

The United States probably would be able to deter Iran from a direct nuclear attack on American or Israeli targets by threatening massive retaliation and the assured destruction of the Iranian regime. But there is a lingering doubt that a

leader such as President Ahmadinejad, who reportedly harbors apocalyptic religious beliefs regarding the return of the Mahdi, would have the same cost-benefit calculus about a nuclear war as other leaders. The bellicose leader, who boldly called for Israel to be “wiped off the map” before he acquired a nuclear weapon, might be sorely tempted to follow through on his threat after he acquired one. Moreover, his regime might risk passing nuclear weapons off to terrorist surrogates in hopes of escaping retaliation for a nuclear surprise attack launched by an unknown attacker.

Even if Iran could be deterred from considering such attacks, an Iranian nuclear breakout would undermine the NPT and trigger a nuclear arms race in the Middle East that could lead Saudi Arabia, Egypt, Turkey, Iraq, and Algeria to build or acquire their own nuclear weapons. Each new nuclear power would multiply the risks and uncertainties in an already volatile region.

Iran also may be emboldened to step up its support of terrorism and subversion, calculating that its nuclear capability would deter a military response. An Iranian miscalculation could easily lead to a future military clash with the United States or an American ally that would impose exponentially higher costs than a war with a nonnuclear Iran. Even if it could not threaten a nuclear missile attack on U.S. territory for many years, Tehran could credibly threaten to target the Saudi oil fields with a nuclear weapon, thereby gaining a potent blackmail threat over the world economy.

I believe that Senator John McCain was correct when he concisely stated: “There is only one thing worse than the United States exercising a military option, and that is a nuclear-armed Iran.”

The CHAIRMAN. Well, thank you very much, Mr. Phillips. We will now have a round of questions. We’ll have a 10-minute round at this point. Let me commence by asking a general question. Several of you have made comments, but I want to explore this further.

We have been discussing in the Senate, and I gather similar conversations have occurred in the House, as to what kind of support the United States ought to give to so-called prodemocracy forces in Iran. In fact, \$75 million has been appropriated for activities of this variety, but it’s not at all clear exactly with whom we should be interacting, and how these people are selected.

We had some testimony yesterday that if, in fact, we were bold enough to identify persons in Iran, they, themselves, might be targets of the Iranian Government and persecuted for their interests in cooperating with us. There has been a diaspora of Iranians in the United States. Sometimes suggestions are made that we ought to be working with them, and helping their efforts that they may have some contact. We have talked about our public diplomacy efforts. Mention has been made of the BBC and likewise our own radio and television broadcasts. There are conflicting views as to the effectiveness of our public diplomacy. Suggestions have been made about the nature of who listens to BBC in Iran—what effect this may have. I raise these issues to begin with because there are currently many Americans who believe that we ought to be proactive, that we ought not to leave those in Iran who are interested in democracy simply to their own activities without the ability of our communication or even our money or our organizational ability.

Mr. Nasr, you addressed this a good bit in your testimony, so let me start with you and ask you again, because you’ve touched upon this, what advice do you give to Americans who want to work in a prodemocracy way with Iranians, or more distantly through public diplomacy?

Dr. NASR. Senator Lugar, I think it’s an important issue. I think we have to separate clarifying and broadcasting our message to the

Iranian people from trying to become a part of their domestic political engagement in Iran.

First of all, I don't think access to information is a problem in Iran. Over a third of the Iranian population already listens and gets its news from BBC. I've been on McNeil-Lehrer news hour and I've had comments from Iran of people who've seen it on satellite television. Iran is very different from Eastern Europe. The issue is not to get information to it, it is to get the correct information to it. And that is part of my argument; that it requires a clarity of purpose and message here.

I do agree that identifying partners in Iran will put them in harms' way. A prominent intellectual was arrested earlier in April and he's being charged with being involved in dissemination of that \$85 million in Iran because, at one point, he was a fellow of the National Endowment for Democracy in Washington, DC. I also think that as we move into the area of sanctions and possibly military action, credible prodemocracy forces in Iran will shy away from overtly cooperating with the United States, because like all politicians, they will not want to be associated, at a time of war, with what would be seen in Iran as the adversary.

I think, therefore, we should support democracy in multiple ways, but we should be much more precise in terms of how we go about it, and I think the first step is actually to work on the kind of message we want to convey to the Iranians.

The CHAIRMAN. Ambassador Wisner, you've dealt with several governments in your career on important democracy efforts, and I'm deeply interested in your views on this.

Ambassador WISNER. Senator, I have very little to add to Vali Nasr's point, save a core contention—and that is it depends where you start. If the starting point is that the United States seeks, over time and in a reciprocal manner, to normalize its relations with Iran, and live in peace with Iran, and develop the normal connections between nations, then engagement with Iranian forces, academics, intellectuals has a context, it can work.

If, on the other hand, your declared political purpose is to see an end to the regime, if you make it a key, cardinal point that you want to blunt its national security, then you don't have a basis. You don't have a political basis on which you can engage civil society or any other number of institutions, and you will be looked at as intrusive and hostile.

So, I believe that engagement with Iran in a manner that would promote democracy over the long run is a direct result of the political posture we take, and we'll have a lot better luck if we're seen to be approaching normalization. Now, that ain't going to happen tomorrow morning, so what else can we do?

I have the gravest reservations about trying to find groups and put money into them, for the reasons, Senator, you cited. I do believe that sensible news programs that have good debating content about different aspects that are listened to by Iranians using the Voice of America, other intermediaries, makes perfectly good sense.

I also believe that it makes a lot of sense for Iranians who want to study in this country—and there are a number—to find opportunities to do so. Right now we have an absolutely bewildering array of visa restrictions that deny the access to this country of Iranians,

whether they are businessmen or individuals or family trying to come for family reunification purposes and visits, or students. I'd like to see a relaxation of travel to give Iranians a chance to meet, think with us in dialog, and even scholarship assistance.

My last thought is that over many years of the estrangement that's existed between the United States and Iran, a once modest force in this country, Iranian studies in our universities and think-tanks have lapsed, and shriveled around issues like just the nuclear question at the cost of serious analysis of Iranian society, the political dynamics. So if there is money to be spent, I think some could be spent at home on revitalizing and strengthening Iranian studies and analysis in American institutions.

The CHAIRMAN. Mr. Phillips, let me ask you your take on this same issue.

Mr. PHILLIPS. Well, I think the primary responsibility—the absolute responsibility—to build democracy in Iran is up to the Iranian people and we shouldn't think that we're going to be able to build it from the top down from outside, it's not something that can be militarily imposed, it must grow organically from the ground up. But I think there are substantial consensus in Iran that they want change, and they want to see their regime evolve into a more accountable form that represents their interests. So I think it's important that, although Iranians are getting information from the BBC, that they also get information from the United States, that we're aware of their struggle and that we supported the peaceful democratic change there. Also to make it clear that their government which claims this nuclear issue is a dispute over peaceful nuclear power, that it's much more than that. Let them know that their government has been dealing with A.Q. Khan, who is not someone who sells nuclear reactors; he's someone who sells nuclear weapons. Let them know their government is harboring al-Qaeda terrorists, and do they really think that's a responsible position for a group that is very anti-Shiite, that has killed Shiites in Afghanistan and Iraq—including many Iranians, and do they really want to bear the risks of what would happen if an operation against the United States came out of al-Qaeda in Iraq, as apparently happened to Saudi Arabia in 2003? I think those are the kinds of wedge issues that public diplomacy would be important in setting the stage for.

The CHAIRMAN. Thank you.

Senator Coleman.

Senator COLEMAN. Thank you, Mr. Chairman.

I'm going to probe a little bit deeper, Mr. Chairman, into the question you raise, because I really think that's the core issue, one of the core issues here. And I have grave concern about folks in Washington, bureaucrats saying we've got \$75 million—whatever the figure is—and here's how we're going to spend it, and here's the impact. So, I want to probe a little deeper.

Before I go, just a couple of questions. Ambassador Wisner, you started off by saying, not clear that, in kind of the underpinnings of your approach—one of them was it's not clear that Iran has decided to develop a nuclear weapon ambiguity. If it were clear, if there wasn't ambiguity, would you still advocate the same course of action? If, in fact, it was clear that Iran wants to develop and

use nuclear power for a nuclear weapon, would you advocate for the same course of action you're advocating today?

Ambassador WISNER. I shorthanded my testimony, if you have a chance to look at it, it goes into it in a bit more detail. The point I wanted to make is whether Iran, has at the end of the day, the intention to produce a weapon, or to enrich to a degree that would make civil nuclear power the outcome—both absent any confidence in what Iran is doing and how it intends use—are unacceptable outcomes from the United States and must be opposed. We are correct in trying to oppose an enrichment program.

Now, the question is, How do you oppose it? And my answer, if in the hypothetical circumstance, that Iran took a decision that I don't think she will take because the program of enrichment hasn't evolved to that state, and there is a disagreement in Iranian society, political society, over the wisdom of a nuclear weapon.

But if Iran, if you want to put the hypothetical question on the table, I would still argue that our options—military and sanction options—are not likely to be decisive. And however we come at it we've got to find a political way to engage and think through what causes Iran to produce, to develop a policy of confrontation, how else can you address that, how do you create a basis of a broader coalition internationally—we don't have that coalition today—therefore a political approach would still suggest itself to me if the hypothetical were to exist, and I argue we're not at that stage yet.

Senator COLEMAN. One thing—I tried to stay through Senator Biden's question, I didn't get through the whole thing, we had a vote and it was a long question. But I do want to, at least, make one point for the record. The sense I got from the question was that somehow that our engagement of Iraq is kind of a, some kind of cause, has an impact on Iran's openness to work with democratic forces. And I would note, Mr. Chairman, that in 1999 before Iraq, there was a student uprising and it was crushed; it was crushed. I think this regime's intentions have been very clear. To have some linkage between what we did in Iraq that somehow that's empowered a movement against democracy is—at least history doesn't reflect that.

Dr. Nasr, I very much agree with your vision, and it's clear that democracy is not a short-term effort, and I don't believe that those in this body—I can't speak for all my colleagues—but I don't think that there's a sense that the movement toward democracy is a short-term effort, it's a long term.

But I want to probe a little deeper into the chairman's questions. You said that we should support democracy in multiple ways—could you outline a little more specifically what are some of the multiple ways that we can support democracy, understanding that this is a long-term objective?

Dr. NASR. The first way in which we should support democracy is by clearly asserting and pursuing the moral imperative and using the United States moral authority to do so. And I think that is best done by decoupling it from any other objective we might have. In other words, I do agree with the other comments that it is in the interest of Iran, it is in the interest of the United States, and the people of Iran deserve democracy, and that should be the

political objective. But it should also be clear that this is not part and parcel of any other policy objective.

There are, I do believe that the United States should put its views on multiple issues on the table, and communicating these to the people of Iran are important. I don't think they, by themselves, will make any difference because as I said, information is not the problem in Iran.

I want to add also, much of our efforts always are directed—including engaging expatriate Iranians—are on the more affluent middle-class Iranians which already agree with everything you are saying. The problem is reaching the supporters of Ahmadinejad among the poorer, much more religious, much more—if you would—provincial population in Iran which are the ones who support him, and the ones who voted for him. And that actually requires thinking much more imaginatively with how you communicate with that population. It is a problem that's not only unique to Iran, we have the same problem also, say, with Venezuela in terms of how you go past the population that you already know agrees with you, to the one that doesn't.

Senator COLEMAN. Let me ask the other, Dr. Phillips, to respond again with a little more specificity, are there diaspora groups out there that have that connection, who should we be listening to? Who should we be talking to who has a good sense of what's going on in Iran today who has the capacity to reach out beyond the middle-class to those who are more susceptible to Ahmadinejad's message.

Dr. NASR. Well, the diaspora group in the United States is very diverse—

Senator COLEMAN. I would say internationally, not even in the United States, if we were reaching out, there's a group in France, in Germany, in Britain—who's out there who we should be talking to? Listening to?

Dr. NASR. There are multiple groups—they range from monarchists to Marxists to Islamic dissident groups—they're often, a factor that we often overlook is the academic group. Having no population in the United States which is more in touch with what happens in Iran than actually Iranian and American academics who spend time in that country.

For instance, during the Iranian elections, other than American journalists, academics from the American universities were the larger population on the ground who was observing things that were happening. And it's important if you are aggregating information that those views be channeled into the way in which we think about policy.

Senator COLEMAN. Dr. Phillips, again, a little more specificity and also the second question of who we should get, other than the MEK, or I think the PMO, but other than the Ahmadinejad cult—who else should we be engaging, and a little more specificity in responding to the chairman's questions about what is it that we can do to promote democracy?

Mr. PHILLIPS. I think we should be speaking to all the Iranian groups, with the exception of the MEK's as you mentioned. In my longer testimony, I think they're a terrorist group and they're identified with the Iraqi regime by many Iranians, but I think we

should be not trying to pick favorites, we're really bad at that—so we should be helping or talking to all of them. Also, I would add, perhaps clerics in Khom who are increasingly exasperated with the regime, some of whom never bought into Ayatollah Khomeini's radical vision of the Supreme Guide or Supreme Leader. There may be back channels there, women's groups, labor unions—I think that could loom large in the future of Ahmadinejad's support, because he came to power promising an anticorruption drive, which he hasn't delivered on and there is increasing labor unrest inside Iran because of that.

I think we should be publicizing wherever possible, the corruption of the regime, the wealth of the families around leading clerics. I think the Iranian people recognize this—according to a recent visitor there that I talked to—he said before taxis wouldn't pick up mullahs in clerical garb, but now it's come to the point where buses won't even stop at the bus stop if they see a mullah there and I think that's an important sign that there is increasing disenchantment with this regime.

But I would be very humble about the U.S. ability to spark or provoke an immediate democratic regime change. I think this is definitely a long-term process and it probably won't come about until after Iran has a nuclear capability, but it's something that we should seek to encourage in the long run.

Senator COLEMAN. Ms. Nanay, I apologize, I missed your testimony and I know you were talking about the energy side, my time is just about up but if I could just ask very quickly—I understand Iran's infrastructure has not had a lot of investment, I presume they have great needs. Is that a—how strong of a bargaining chip is that in any discussion with Iranians? Any of that investment?

Ms. NANAY. I think it's clear that for Iran the future will be gas. They have the second largest gas deposits in the world after Russia. That gas is not being developed efficiently today, and it's certainly not being developed for exports.

But that being said, I think that where I agree with some of the other testimony is that while Iran would like those investments, I think the real question here is: Is U.S. policy regime change or not? And if it is regime change, I think they're willing to sit back and live with what they have today, with high oil prices, and go along with the investments that they can make as it is, and their production is at about 3.9 million barrels a day, some say it's a little less, some say it's a little more—but that's substantial. And as I say, they're getting substantial revenues from exports.

So, that's on the oil side, now the gas side, as I said, is being developed inefficiently, and maybe they'll just wait. The United States has very few options, I think, in terms of convincing Iran that they need investments in the energy sector right now, so just let us change your regime and then those investments will come—I think, if we take a policy of negotiations and then accept that the regime stays, and we negotiate with this regime, then potentially, yes, you can use that as a bargaining chip.

Senator COLEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Coleman.

Senator Nelson.

Senator NELSON. Mr. Chairman, thank you. I would like you all to tell me to what extent you think that the relationship between Iran and Hezbollah will continue and to what degree is there the chance that as we confront Iran on all of these other issues that we could get Iran to start backing off its support of Hezbollah, particularly to such a large degree in Lebanon?

Dr. NASR. The relationship, Senator, is likely to continue, but it has been changing. Partly because Hezbollah has its own interests now that it's following within Lebanon itself, it's relations with Iran and Syria have been viewed as a, now as a handicap in terms of its popularity in Lebanon, but it also relies significantly on financial assistance from Iran, if not other assistance in terms of managing its social services and political operations.

Iranians view Hezbollah as a strategic asset, it is the only large political movement in the Arab world that is specifically pro-Iranian, and it is a channel for Iranian influence in Lebanon. Whether or not Hezbollah will be willing to fight Iran's fight if it comes to that, if there is, say, a military confrontation, is open to question. There are segments within Hezbollah, particularly paramilitary segments, are likely to be mobilized in terrorist operations. But whether the broader Hezbollah is willing to jeopardize its current position in the Lebanese Parliament and the Lebanese Government, is open to question.

Mr. PHILLIPS. Yes, I would agree, and it's generally underestimated the ideological component of support for Hezbollah, especially President Ahmadinejad who came out of the Revolutionary Guards which was the link with foreign revolutionary and terrorist groups—I think it's going to be very difficult to separate his regime from Hezbollah and I don't see economic incentives coming into that, because I think a lot of the decisions made by Tehran are not for economic reasons, and it does see Hezbollah as not only a useful club against Israel and other Middle Eastern states, but a potential weapon against the United States.

Senator NELSON. How does the Lebanese Government perceive the Iranian influence of Hezbollah?

Dr. NASR. I think it's, Senator, at least part of it is tied to the larger issue in the region which has to do with the Sunni governments in the region now viewing developments in Iraq as a threat to their internal stability, because it is encouraging Shiites to demand more rights and privileges. The Lebanese Government has repeatedly renounced views that the Shiites are connected with Iran within Lebanon, whether they are Hezbollah or not, and that Iranian involvement in Lebanon has become part of the domestic fight, if you would, within Lebanon. It is very similar to the comments that were made of President Mubarak in Egypt of the Shiites being loyal to Iran.

So I think the Lebanese Government is looking to limit Hezbollah's political power in Lebanon and it views Iran as providing financial, and political and foreign policy support to Hezbollah, and it would like to limit those powers, its way of managing the Shiite vote in Lebanon.

Senator NELSON. Is there an oppor—

Ambassador WISNER. Would you permit me, Senator Nelson to just add a thought? My experience with the Lebanese Government

over the years is that it is an extraordinarily weak institution and it is based, fundamentally, on sectarian balances. No Lebanese Government in my lifetime has been willing to take on any sectarian element, any ethnic or religious component of Lebanese society because it is so closely balanced. Therefore, the Lebanese Government is not going to pick a fight with Hezbollah, or Hezbollah's Iranian connections.

But I think the opposite is also true, that Hezbollah is part of Lebanon's corpus and the country has a way of assimilating politically over time, its political elements. And that includes Hezbollah. I think Vali Nasr made a very important point—Hezbollah is changing. It is no longer the militant—only the militant—group that faced Israel. It's also competing for seats in the Lebanese Parliament and for influence in the hitherto fore downtrodden population. So an attack on its connections with Iran from the outside will neither galvanize other Lebanese communities, or the Lebanese Government, or is likely to have a decisive sway inside of Shiite politics domestically. But working to strengthen the Lebanese polity, get the Lebanese to agree on common purposes—that's the way over time, I think, you'll see Hezbollah begin to mitigate the role, continue to mitigate the role it's played in the past.

Senator NELSON. And so, the United States should approach this conundrum how, in your opinion?

Ambassador WISNER. Cautiously, quietly, and without laying demands on our relationship to a Lebanese State that can't bear those demands, that it take actions that are violent or disobliging or disciplinary. Versus Hezbollah in the south, we can make our choices about how much money we want to give, but to publicly condition it is something that will produce an impossible political circumstance for the Lebanese Government, and indeed, other Lebanese political forces.

Senator NELSON. Is there any daylight between the Lebanese Shiites and Hezbollah, that we can lessen the influence of Hezbollah?

Ambassador WISNER. I will be honest with you, Senator Nelson, I don't know why we have to pick enemies? There is, of course, a contending force, there is Amal. I would not argue that you have to pick friends, either. The United States can stand above the interplay, the fray of Lebanese politics, and encourage directions, as opposed to try to pick one side or another. They're all filled with defects.

Senator NELSON. You all are familiar with the Hezbollah-sponsored television station, Al-Manar, which spews out a good bit of hate. Just recently the administration declared this television station as a specially designated terrorist organization. It was sponsoring hate and violence and terrorism. And as a consequence—one consequence that I know that happened was that the sister radio station, which was up on a Spanish satellite system, was knocked off the satellite by the Spanish.

Now, this is a television station and a radio station that's really doing some pretty bad things—they're out there broadcasting how to do a self-destructive vest and all of that. I'd like your comments on this. Both of you.

Dr. NASR. That is true. Al-Manar has been broadcasting not only contentious programs like the one you mentioned, but also has been having an impact on public opinion on a host of issues, and it's actually a very popular television site, it's the second most popular after Al-Jazeera in the region. And dealing with it is a public diplomacy, it's a media challenge, and not only just for the United States, it's actually a challenge for some of the other media outlets in the region as well. There has to be a sort of—United States should follow a policy of demanding that its content be curtailed—but it will be difficult to completely shut it off, mainly because it's very well tied to all the political and social operation of Hezbollah, and it has a wide viewership, not in Lebanon itself alone, but also in the Palestinian territories, in Iraq and all the way into the Persian Gulf as well.

Senator NELSON. Are the changes in Hezbollah ultimately going to change the message of hate that is being broadcast over Al-Manar, in your opinion?

Dr. NASR. Ultimately, it will. This process may be slow. Over the period of elections that occurred in Lebanon in the past year, Hezbollah had to build a coalition with more moderate Shiite forces, particularly with Amah, the two of them ran under one umbrella, and won about 80 percent of the Shiite vote in Lebanon, which is probably 40 percent of the vote in the country as a whole.

It had to make certain compromises, at least in its message within the community. Part of the reason Hezbollah is reluctant to do that was Hezbollah's popularity among the Palestinians is very closely attached with its very strong anti-American and anti-Israeli position. And when Iraq occurred, Hezbollah came under attack from other Arabs in Lebanon and the region for being complicit in Shiite empowerment in Iraq, in a vague way, being responsible for the loss of power by the Sunni population. And some days Hezbollah is trying to compensate for that loss of face by shoring up its credentials by toughening its stance on the United States and Israel and trying to divert attention from the fact that its sympathies in Iraq lies not with the insurgents, but with the Shiites.

The CHAIRMAN. Thank you very much, Senator Nelson.

Senator Obama.

Senator OBAMA. Thank you, Mr. Chairman, and thanks to the panel. I apologize for having missed your initial presentations, but I have read them and I appreciate you being here.

A lot of the questions that I would have asked have already been put to the panel, but I want to just touch on a couple of things to amplify them, if I could. The first question I'll direct to Dr. Nasr.

I continue to be interested in our approach to democratization, and it strikes me that in an environment like Iran that it is possible that our funding of reformists make them a target, or make them actually distance themselves from the general population that, ultimately, they would need support from, to accomplish change. I know that some of these questions were touched on, so I don't want you to repeat yourself at length, but I'm just wondering if you could comment on the general assessment, and if that's the case, can you tell us what would be an appropriate way in which we're encouraging human rights, intellectual freedoms,

and so forth without being heavy handed and actually undermining the very groups that we are trying to empower?

Dr. NASR. Thank you, Senator. Part of the problem rests in the fact that we've approached this issue in the way—based on the experience we had in Eastern Europe, where I believe that, fundamentally, the context was different.

First of all, there were much more clear-cut political forces on the ground to partner with and channel the money to. The governments were more alienated and isolate, but also we had embassies and operations on the ground that could actually manage the money and know that it is going to the appropriate sources.

We do not have a presence in Iran. It is not clear how we would establish a channel with the right people to send them money. Second, unlike Eastern Europe, or other cases like Asia and Latin America, the major push for democratization, at least through this appropriation, is coming right at the time of heightening tensions between the United States and Iran, with threat of sanctions and possibly military action on the table. That makes it very difficult for democrats to be able to cooperate with the United States overtly.

I remember, one reformist told me that we want support, but we don't want it put on a bumper sticker, because it stigmatizes them. And they do not want to be put in a position politically to have to choose between nationalism and democracy. And that's exactly the way in which the Iranian Government is posing the issue. That democracy is not supported by the country that could eventually be the adversary of Iran or be dropping bombs on Iran. And the regime has begun to legitimate its crackdown on intellectuals and human rights voices in Iran by no longer saying they are putting them in prison because they're criticizing us, but by saying they are distributing this money, and, therefore, they are "foreign agents." In that sense it could be counterproductive, you could actually squash that movement rather than help it.

Senator OBAMA. So is there anything we can do that would be useful? Or should we just keep a hands off policy until some of the larger geopolitics have been resolved?

Dr. NASR. I think, Senator, now that the appropriation has been declared, in other words, money has been put on the table, it is very important to have very clear transparency and accounting of what the money is being spent on. Because the very ambiguity of where the money is going or who might get it, allows the Iranian regime to argue that the money's being spent on subversive activities or is being channeled to particular groups that it wants to stigmatize. So, if the money is being spent on broadcasting that should be clarified, if it's being spent on academic material, as Ambassador Wisner suggested, that should be clarified as well.

Senator OBAMA. Ambassador, I think it was in your testimony, and correct me if I'm wrong here, that you were suggesting that engagement would be a wise course of action. You know, I've had conversations with folks in the State Department, and previously their feeling was, ironically, that politics inside Iran oftentimes prevented engagement. It wasn't just an unwillingness on the part of the United States, but, in fact, there was some resistance from the Iranians because it caused them problems if interlocutors seemed

to be too friendly to the United States. You seemed to indicate in your testimony that may have shifted, because you actually think there's greater confidence, politically? I'm wondering if you can expand on that, and if there are particular openings—are you suggesting here that now is the time for us to, for example, in response to the letter from the Iranian President—to write back, see if we can get some sort of direct talks? Do you think the model that we're using with North Korea, the six-party talks, is a way to help the thaw, and again, I'm sure that some of these questions were asked before, so I apologize, but if there's anything you either want to reiterate, or expand upon?

Ambassador WISNER. Senator, there is a long history of American attempts to engage Iran and a respectable history of Iranian attempts to engage the United States. It's my conclusion that these attempts have failed in the past. Obviously, over sharp differences of points of view, but, principally, because they were not linked coherently within a political objective, they were individual initiatives.

Senator OBAMA. Can you explain what you mean by that?

Ambassador WISNER. An individual initiative, for example, we and the Iranians talked about the American hostages in Lebanon, we found a basis to solve that particular problem, but it had no spillover effect on the range of disagreements. And as soon as it clashed with our electoral cycles—we were going into an election—the initiative dried up. We opened a multilateral channel of dialog with the Iranians, inside—over the issue of our hostages in Iran. And the Iranians took a number of steps that were, frankly, helpful to the United States over Afghanistan. That didn't lead anywhere, because it was in isolation.

I would argue that solely a discussion of Iraq, in Baghdad, with our Ambassador in Baghdad, may reveal some interesting outcomes, but ultimately it's not going to effect the totality of the relationship, unless there's a political decision at the top on both sides, to aim for a different construct, to aim for a normalization between the two sides, and then—as we did with China—once we link at the top, between our President, the Iranian leadership, a desire, a determination to live in peace with one another, than you can address the subordinate portions of the puzzle: Iraq, Afghanistan, Palestine, Israel—but if you try to go at the bottom up, you will fail. You will be frustrated. That was the core of my contention.

Now, do I believe that the letter should be answered? No and yes. The letter is very complicated for an American mind to get around—it's a strange formulation is about the nicest thing you can say. But I believe it offers the United States an opportunity to state our case.

Senator OBAMA. Right.

Ambassador WISNER. To put on the table what we want to talk about, and what we believe is important. So, I would hope that a way can be found to signal back that we're open for dialog, but here are the issues that have to be talked about. Not try to answer line by line the contentions that all of us would disagree are well founded.

Senator OBAMA. Is it fair to say that such engagement, though, would necessarily be premised on the idea that we are not pur-

suing a regime change in Iran—as long as that is, at least, on the table here in Washington, then presumably we couldn't—it would be contradictory.

When we engaged China, the presumption was that, for all their flaws, we did not have it within our power to change regimes, and as a consequence we approached it somewhat differently. It seems to me that, up until now, the administration's posture has been that we might, we might just replace the folks.

Ambassador WISNER. Senator, you have certainly stated my view that a policy of regime change runs countercurrent to an ability to engage on the issues of vital importance to the United States, which are issues of national security importance to us. I argued that the domestic dispensation in Iran, while important, as a level of principle is not a national security threat to the United States. Therefore, we can find a way to live in peace—though not in agreement on principle—with the Iranian regime. And until you make the point that you are prepared to seek peace, then engagement on issues of enormous importance—nuclear or any other others—won't be possible.

The CHAIRMAN. Thank you very much, Senator Obama.

Let me commence the second round of questioning and simply note that we come together in large part today because we believe that there is the potential threat of nuclear weapons in Iran, a threat of this sort.

Now, you have testified, at least some of you, that we ought to decouple the democracy objective from any other objective—in other words, if our situation is one in which the threat of a nuclear development is the major thing we're looking at, then we should look at that. The suggestion is, in fact, that there probably is a degree of normalization between our country and Iran or other countries in the world and Iran. It is going to be a requirement before vigorous dialog on democracy is likely to be productive. Furthermore, you've testified, Ms. Nanay, that that probably is going to be the case before the natural gas industry in Iran is more fully developed, or energy resources are available to the world. More dialog on democracy is productive if we are to have a degree of normalization. It's not easily come by, this engagement that brings a sense of normalization. On the other hand, a call for normalization is a different thing than a call for regime change. So, an argument could go on on that one, but at least some of you come down on the side that probably you talk about normalization as productive on the democracy scene, the energy scene, and maybe even with discussion of the nuclear business.

We had some testimony yesterday that in order for serious thoughts about normalization to occur, there has to be at least some degree of economic sanction, and not just the threat of it, but the actualities. It was suggested by some witnesses yesterday that this can be more subtle than overt—specifically, for example, with bank account changes in which all sorts of things get dropped in the background—likewise, withdrawal of foreign investment or failure of projects to proceed. There has been some testimony today that on those grounds alone, Iran is unlikely to change its mind.

On the other hand, they offer some credibility that the world is not helpless in these respects, and that we can take steps that do

not overtly harm ordinary Iranian people in the process of attempting to make our point.

I ask you, first of all, Mr. Wisner, if there is any sort of parallel with our experience with Libya. I can recall from an earlier term in the Senate, being summoned by President Reagan to the White House. Senator Byrd and Senator Dole were there, and I have a photograph of us. That's why I remember who all was sitting around the table. President Reagan comes in and informs us we're going to have consultation about military action. That, while we are sitting here, there are American planes flying toward Libya, and that they were going to be over Libya in 3 hours. So, our conversation would have to be less than 3 hours, because, in fact, something's going to happen then.

The implication is—although it's not a promise—that if we come to the conclusion that it's not a good idea, then the planes might be called back. They've already gone around France because they had difficulty getting across there and all of these other machinations of the time. And so we discussed this for about 2½ hours, and it was not a lay-down hand, because it was an act of war. The reason we're doing this is because an American soldier—or maybe more—had been killed in Germany, and we attributed that to Libyans. And we felt that that was a sufficiently hostile act to, in fact, bomb what could have been Muammar al-Qaddafi and his family, in addition to other targets that were there.

So, that's pretty serious stuff, and as people are talking about overt military action, I can recall this.

In any event, we did attack and the bombs were dropped and there was damage, Muammar al-Qaddafi's family suffered some casualties, as a matter of fact. He, himself, lived.

I thought about that when I was asked by the State Department and the NSC to visit with Libya in August. I was invited by Muammar al-Qaddafi to come into the middle of the desert. And given an Air Force plane and the proper escorts, we got there and we had a 1¼-hour-long conversation about life in the times. It was a productive conversation. It might not have been. There was no reason for him to invite me, no reason for the State Department to ask me to go over to Libya and see what you can do.

But I mention this because this is the same man that we were talking about in the White House about 20 years ago. So times change. Libya had changed. And we can't go through all of the negotiations that led to their renouncing of their nuclear program or their chemical program. There's still cleanup to be done, although most of it has been carted out to Oak Ridge, TN.

And just this week we have set up an embassy there. We are removing Libya from the terrorist list. This is not without dispute, I might add. On the other hand, my recommendation reflected American interests in Libya presently given Chinese and Indian workers populating the Corinthian Hotel in Tripoli and going after every last acre of the country. Lybia has demonstrated a change in attitude toward the Bulgarian medics, toward the Saudi Government, toward a whole list of things that were previously very legitimate foreign policy issues.

There always has to be credibility. I would not suggest that an attack upon Iran is one way of establishing that, a way in which,

perhaps, we did so in other times, but I'm asking—after we settle the fact that we are credible—and I say we, the Europeans, the Russians, the Chinese, who are busy negotiating with them to get into a common posture—at the end of the day, what is your judgment that the Iranians might take the Libyan path? In other words, that they might decide that they want to be a part of the world, that they want to develop resources that could, in fact, enable a great deal of wealth to come to all of their citizens?

Or, in fact, is there such an obsession to have nuclear weapons—come hell or high water—that there is really nothing on earth that can change their view? I will ask you, Ambassador Wisner, to have a try at that.

Ambassador WISNER. Senator, it's fascinating and I listened with rapt attention to your memories of the past—

The CHAIRMAN. You were on duty during that period.

Ambassador WISNER. I was, and I remember the circumstances, but also your more recent engagement with the Libyan leader.

I would be the first to argue that drawing parallels at one level between Iran and Libya would be a dangerous exercise—they're such very different societies. Libya, Muammar al-Qaddafi is the government—Iran's political realities are infinitely more complicated. The nuclear programs are different, there's so much you could draw as differences.

But what I think is encouraging, and I believe you put your finger on it perfectly, with great accuracy, is that we have indicated there is a way forward with the United States, it's not just a regime of perpetual confrontation. And the same, if I follow Senator Biden earlier in his reference to the front page of the New York Times and hints—intriguing hints about where we might be able to go with North Korea that we are a nation that engages diplomatically, we look for outcomes and solutions.

Now, I believe the ability of the United States to conceive of and use military force is without question. And I really warn any country that assumes we're bogged down in Iraq and can't use military force—we can. It's a reality and it's on the table. If we're defied, or threatened, or most particularly, if action is taken against the United States.

Second, sanctions. We have a long list, elaborated painfully, of sanctions over some 20 years with Iran. Also my memory contains many of those features. Our ability to deal in sanctions is not open to question. And if, in the time ahead, you've got to find a new sanction, I think there are a couple, multilaterally, for example, the use of official credits—that offer some merit, if you're looking for and need fresh sanction.

But I believe my colleague on the stand today put her finger on the key—it's not what further punishments you can deliver, but how you can help Iran escape a quarter of a century of isolation, a quarter of a century of denial in which she has not been able to deliver for her people the promises of what Iranians said was their own revolution. And that engagement with the United States is—in the minds of Iranians we play such an important role in their calculations and thinking at a popular level, and at a government level—engagement with the United States is a real inducement.

Not what punishments we can do, but what can come out in a positive way. And that, I feel, is the moment we are understating.

My formula that I argued with you today, Senator, is not normalization as the starting point, but a determination that we're prepared to live in peace. And to pursue a course that could end in a normalization of diplomatic relations. In which we address, systematically, those points of difference. In the region, what Iran needs economically, and at the end of the day arrive at a point where diplomatic relations are normalized.

But the starting point is one of respect, not challenging the others' legitimacy to hold office, but rather to sit down and work through toward the objective of a comprehensive solution.

The CHAIRMAN. I thank you.

Senator Coleman.

Mr. PHILLIPS. If I could just add something on that point. I think a Libyan model demonstrates that the use of force and strong diplomacy are not mutually exclusive. In fact, when dealing with rogue regimes, the credible threat of force greatly bolsters diplomacy. And I think one of the reasons that Colonel Qaddafi made his decision to give up WMD and disavow terrorism was his experience with the Reagan administration way back when, and also with the conclusions he drew from the Bush administration's intervention in Iraq, and Colonel Qaddafi told Prime Minister Berlusconi of Italy that the reason he gave up his WMD was the example of Saddam Hussein.

So I think the disincentives are extremely important when dealing with these kinds of regimes. Not that they're necessarily similar—Iran is much more complex, much more difficult to ascertain which multiple power center to deal with, but I'd be willing to accept the Libya model in Iran if the Iranians would follow through the way Qaddafi did, which is to surrender two of his intelligence agents for trial—one of them is in jail. If Iran is willing to surrender Mr. Ahmad Sharifi, who was involved in the bombing of the 1996 Cobart Towers, then I'd be willing to talk to Iran further on that also. But I think it's important that we not just talk about incentives, because as President Ahmadinejad said just yesterday, was quoted in today's Washington Post, "Do you think you are dealing with a 4-year-old child to whom you can give some walnuts and chocolate and get gold in return?" He sees that nuclear program as gold, and until he's convinced it's going to cost Iran a lot of gold, he's not going to give that up. So I think we need to talk about disincentives and not just incentives.

[Interruption.]

The CHAIRMAN. Let me just issue a warning, once again. I'm sorry. We had this problem yesterday, and we'll have it again today, apparently. But we cannot have these interruptions. It's not fair to the witnesses nor to the dialog of the Senators. So please, just be quiet.

Please remove the persons so we can continue with our hearing.

The CHAIRMAN. Continue, Senator Coleman.

Senator COLEMAN. I see regime changes and promoting democracy as, to me, the same concept. I mean, how do you get there? As Dr. Nasr says, it's a long-term process, but I think it's certainly in our best interest and the Iranian people.

Dr. Nasr, your point—and a couple of times you indicated that—in building and promoting democracy, what it does is that it kind of fuels the flames of nationalism in Iran. So my question is, Is your sense that we should not be promoting democracy? That if we want to deal with the issues of Iranian nuclear capacity, if we want to deal with the range of other things that Ambassador Wisner has talked about—do we step back from promoting democracy?

Dr. NASR. We should continue to support democracy, and we should demand human rights for Iranians, freedom of conscience for intellectuals, we should demand that the political process in Iran move in that direction. But looking at democracy, or parceling democracy into our current efforts to change regime behavior, specifically regarding the nuclear issue—it just confuses, essentially, the purpose of democratization.

I think as relations are becoming increasingly tense, with sanctions and military threats on the table—and you can look at political debates in Iran that within the regime and society, people are taking these extremely seriously—and that's partly why there probably is the letter writing that has begun on that side. The population is reacting, obviously by a rally to the flag phenomenon. Now, if democracy is combined into the policy that they are reacting to, into a policy of confrontation with the outside forces, it will immediately complicate and hurt the democracy future in Iran. And it's very likely that most of the prodemocracy forces will shy away from being put in that kind of a bind.

Senator COLEMAN. Mr. Phillips, I assume you've had a chance to read Dr. Kissinger's article—do you have any reaction to his sense that it might be possible to devise multilateral venue talks with Iran on the nuclear issue and that we should participate?

Mr. PHILLIPS. I think we should definitely leave open the possibility of talking directly to Tehran, but I would be hesitant to involve the United States in U.N.-centered public talks. I would prefer Kissinger's own model—secret diplomacy—because that would limit the ability of the Ahmadinejad regime or whatever interlocutors we have in Iran to posture and try to drive a wedge between the United States and its allies. I think direct talks—secret talks—could reduce the possibilities of Iran just using it as public relations purposes and kind of talking down the clock and involved in endless negotiations, kind of whipsawing the United States between its allies who believe more in the carrots than talking about sticks, which I think Iran pays more attention to.

We've opened the possibility of talking to Iran, but I would draw the line at actually engaging in the sense of economic engagement because I think the problem there is, this is a state-dominated economy, it strengthens the clique in power and also the semi-quasi-state bonyads or foundations are the ones who profit from any opening to the West, not the Iranian people, and economic engagement like that would strengthen the regime, not weaken it, in the long run.

Senator COLEMAN. And isn't that the window we have, we have a regime—which is a repressive regime, which does sponsor terrorism around the world, kills Americans, kills people—and so the challenge we face is that if we engage and normalize, we strengthen a regime which is probably the largest state-sponsored

supporters of terrorism in the world today. And yet, we don't always want to be in this position, can we move it forward? Can we move it forward, and the challenge is how do you do that? Can we move it forward externally or even internally, not us directing, but making resources available to those who are seeking democracy, pushing democracy. The challenge is how you get there.

Ambassador Wisner, as I listen and I've read your material, this kind of push ultimately into normalization—at a certain point there's got to be something from Iran, something from the regime. If the regime—and I get back to my hypothetical and I agree with you, it's not absolutely clear the intention—but there are those who would say that the discussion now is simply an opportunity to buy time to allow Iran to develop a nuclear weapon. And Iran now has a nuclear weapon, and their actions of supporting terrorism and, are such that that would be dangerous to stability in the region, and then you have Ahmadinejad and his comments—and I take it he's not a sole actor out there, he's not going solo, that his comments reflect the thinking of the mullahs or others in Iran, though it may not be uniform thinking.

So the question is, What do we have to see—what would you think that we should see from Iran to give some indication of an approach other than what Ahmadinejad is quoted as saying in the paper yesterday?

Ambassador WISNER. First of all, I listened very carefully about what you had to say about Iran being the principle state-sponsor of terrorism around the world. I respect you have access to much more information than I do, but my assessment of the Iranian terrorism connection is that this connection has changed, metamorphosed, and over time, in some interesting ways that are material to us, that the threats that the United States is most directly faced—time of 9/11, al-Qaeda, and even threats of military forces with some significant, some Shiite sectarian groups with Iranian connections have been involved—that the great majority are not connected to the Iranian Government.

Just exactly where we and Iran stand in our views on terror and the connections and the groups that are involved would, to my judgment, be a legitimate subject for a political dialog with Iran.

Let me return to the core of your contention. I've argued that to find out where we are with Iran, to create a political framework within which you can address issues of terror, nuclear, regional differences, Iraq, Afghanistan—you have to have a political vision. You have to be able to go to the Iranians and say, "Hey, what's the starting point? What are we trying to accomplish?" And I've argued, we're trying to live in peace, one with the other. And if that's the case, then how do we demonstrate it?

Now we have issues that need to be addressed by the Iranians—they're the several we've talked about. And before we end up at the end state of normalization and the resumption of a normal relationship, and investment and a relaxation of sanctions, we have to get through this list of disagreements, and the Iranians will have to match us step for step.

But we can't start until we lay down the core premise, see if there's an Iranian acceptance of it, agree on the agenda, and then outline what our considerations are, and what the Iranian recip-

rocal gestures we're looking for, and let them put their view on the table.

I ended my remarks this morning to you saying the diplomacy of engagement is also about the exploration of what might be possible. And that's where I would like to see our policy heading now.

Senator COLEMAN. And is the approach that you're advocating one because of Iran and the history and the people or is it—in other words, would you take the same approach with Kim Jong-Il?

Ambassador WISNER. Let me start back—I think there is a respectable history of American engagement, I cited the two principle examples. We had the gravest differences with the erstwhile Soviet Union, and yet through détente, we engaged and figured out the areas that divided us and reduced tensions on those, and found common positions.

With regard to China, Senator, when President Nixon sat down, he didn't try to resolve the Taiwan Straits issue, the first question—he created a political view—we in China would live side by side with each other, with respect. And then from there we addressed the issues that divided us. I'm suggesting the same approach is necessary with Iran. I would argue that if we're going to find our way through—if we're going to find our way through the nuclear thicket with North Korea, the starting point is a willingness to live in peace. No. 1, to not have on our list of pretensions, regime change in North Korea. That will come when it comes. But our problem is an external military threat posed to our troops, to our allies, and that you have to turn for the story, or the front page piece Senator Biden referred to this morning—to me is a good starting point, that we're prepared, after 50 years, to begin to talk about negotiating peace with North Korea as a handmaiden on engaging on the nuclear issue that divides us.

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

The CHAIRMAN. Thank you very much, Senator Coleman. We thank the witnesses for your excellent testimony, and the statements that you have made. They are a part of our permanent record. We look forward to your forthcoming responses to our additional questions for the record.

We will continue to pursue this area in additional hearings, and we look forward to a continued dialog with each of you. The hearing is adjourned.

[Whereupon, at 11:40 a.m., the hearing was adjourned.]

