

IRAN NUCLEAR NEGOTIATIONS: FROM EXTENSION TO FINAL AGREEMENT?

HEARING BEFORE THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED THIRTEENTH CONGRESS SECOND SESSION

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IRAN NUCLEAR NEGOTIATIONS: FROM EXTENSION TO FINAL AGREEMENT?

TUESDAY, JULY 29, 2014

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 2:08 p.m., in room 2172, Rayburn House Office Building, Hon. Ed Royce (chairman of the committee) presiding.

Mr. ROYCE. This hearing will come to order.

This afternoon we assess the past 6 months of nuclear diplomacy with Iran and ask if a viable agreement is achievable by November 24th.

The administration, along with the United Kingdom, France, Russia, China, and Germany, has been seeking to negotiate a long-term comprehensive solution to Iran's nuclear program since last fall. With these negotiations, Iran has agreed to limit its nuclear program in return for some sanctions relief. Should a final agreement be reached, it would permit Iran to maintain a mutually defined enrichment program and be treated like any other nonnuclear weapons state party to the nonproliferation treaty.

At the outset of these negotiations, the administration aggressively pushed back on Congressional attempts to give our negotiators more leverage with added sanctions to go into force should negotiations fail. The legislation that Ranking Member Engel and I authored and, frankly, was passed with 400 votes out of the House of Representatives would have given Iran's leadership a choice between compromise and economic collapse. We will never know if that prospect would have made a difference over the past 6 months. But we do know that talks haven't accomplished much to date without this pressure. Indeed, just days before the recent deadline, the Iranian foreign minister was offering an Iranian freeze of its current 19,000 centrifuges for several years. Is the status quo the best Iran is offering after 6 months of negotiations, a status quo, by the way, that has Iran enriching more uranium?

The committee has continued its intense focus on Iran, holding a series of hearings. And, among the challenges, nonproliferation specialists told us that, even if the number of Iran's centrifuges were drastically cut to 4,000, Iran would still have a breakout capacity of just 3 months. Of course, Iran's Supreme Leader is pushing for some 190,000 centrifuges.

Experts stressed that an effective verification regime would require measures that go well beyond those in the standard safeguards agreement and the additional protocol.

Former U.S. and IAEA officials noted that failing to understand the possible military dimensions of Iran's nuclear program would make it impossible to verify that Iran's nuclear program is completely peaceful in nature. It took 17 years for the IAEA to conclude that South Africa's nuclear program was entirely peaceful, and that was with the cooperation of its new government. Iran is mightily resisting this critical transparency.

Former Secretary of State Clinton warned this weekend that any enrichment inside Iran will trigger an arms race in the Middle East. Also, many don't realize that any limits placed on Iran's nuclear program as part of the comprehensive solution will expire. In this respect, the final agreement is just another interim step with the real final step being the treatment of Iran as any other non-nuclear weapon NPT state. That means no sanctions, no restrictions on procurement of nuclear items, and certainly no restrictions on the number of centrifuges it can spin or the level to which it may enrich uranium. With such status, Iran could enrich on an industrial scale, claiming the desire to sell enriched uranium on the international market, as does France. Iran could also enrich uranium to levels near the weapons grade, claiming the desire to power a nuclear navy. That is what Brazil is doing.

Of course, Iran isn't France or Brazil. That was evident when the committee examined Iran's behavior across the board.

We heard from one former Iranian political protester and former prisoner that at least 750 people have been executed in Iran without due process in the past year.

Today Iran's work—work of the regime is on full display, as hundreds of rockets and missiles have rained down on southern Israel, from 2,500 in total. It is Iran that provides the weapons, provides funding, provides training to Hamas and other Palestinian terror groups. As one former intelligence official testified, "Iran's nuclear program is just the tip of a revolutionary spear that extends across the world and threatens key U.S. interests."

Ambassador Sherman, you have your work cut out for you. I am not sure how we reach an agreement that advances U.S. national security, given Iran's deep commitment to an extremely dangerous nuclear program. But one thing is clear. Come November there will be additional sanctions if there is no deal that is struck.

But as the administration charts its course, I trust that you will be in close touch with this committee. That is especially important, given the significant changes to our Iran sanctions policy that are to be considered.

And, as you know, Mr. Engel and I recently sent a letter to the President signed by 342 of our colleagues expecting such close coordination. America is stronger when we work together.

And I now recognize the ranking member for any opening comments he may have.

Mr. ENGEL. Thank you very much, Mr. Chairman, for holding this important hearing.

Let me thank our witnesses for appearing today, Ambassador Sherman, Under Secretary Cohen. We have met with you many

times, and America thanks you for the good work both of you have done and continue to do.

After 6 months of talks between the P5+1 and Iran under the Joint Plan of Action, the parties have agreed to an extension for 4 months. I support this extension, but not indefinitely.

Over the next 4 months, Iran will continue to abide by all the restrictions in the JPOA and undertake two new commitments. First, converting its 20 percent enriched uranium oxide into nuclear fuel rods—these rods are very difficult to convert back into a form that could be used for a nuclear weapon. Secondly, diluting its up to 2 percent stockpile. In exchange, Iran will have access to an additional 2.8 billion in frozen assets.

The JPOA has led to some positive outcomes. Iran's economy continues to feel the pressure of international sanctions. Limitations on enrichment have lengthened the period of time to Iran's nuclear breakout point.

If the United States and our allies think there may be a light at the end of the tunnel, then it is worth pursuing this track for a little bit longer. But, as we move forward, I am reminded of what Secretary Kerry said at the start of the process: "No deal is better than a bad deal."

What was true 6 months ago is true now. So today I hope we can take a hard look at some of the remaining concerns. No deal is better than a bad deal. I hope, though, that we will all agree on what a bad deal is and what is good deal is.

First, I want to reiterate my disappointment that Iran has been allowed to continue enriching under the JPOA. Especially after negotiating the nuclear gold standard deal with the United Arab Emirates, Iran doesn't seem like the best candidate for even a civil nuclear program. I am curious what we would need to see from the Iranians in order for them to prove that their nuclear program is exclusively peaceful.

In addition, the JPOA deals with declared facilities. What concerns me more is the possibility that there are undeclared facilities. We all know that Iran excels in keeping its nuclear program under a cloak of secrecy.

They built their Fordow Enrichment Facility into the side of a mountain. So while Iran has given the IAEA access to their declared facilities, I worry that there are other facilities that we don't know about. They have done it before, and they could do it again.

Looking down the line, I am also concerned about what Iran could get in return for a comprehensive deal. Iran currently has over a \$100 billion in frozen assets abroad and that doesn't even include the money that Iran could make if oil sanctions were lifted and business life were to return to normal. Money could still be used to finance Iran's destabilizing activities across the region, even if sanctions relief were to come in phases.

You know, you look at the Israeli-Gaza war, the Israeli-Hamas war right now and—Hamas being a terrorist organization, they have gotten nearly all of their weapons and missiles from Iran. So it is not only a matter of Iran's nuclear problems, it is a matter that Iran continues to be the largest supporter of terrorism around the world.

Iran continues to be the leading state sponsor of terrorism, providing support to Hamas and Hezbollah. Iran continues to prop up the murderous Assad regime and continues to oppress its own people. We will need assurances that sanctions relief doesn't just mean funneling more money into the hands of terrorists.

I would be delighted if the Iranians agreed to a deal that foreclosed any pathway to a nuclear bomb. But just as President Obama put the chance of success at 50/50, I too remain skeptical. We can't afford a bad deal that will threaten our allies and our interests, and we must be prepared to walk away, if necessary. And if negotiations go south, we must be prepared to level additional sanctions to squeeze Iran's economy. Iran must understand that all their actions have consequences.

As the chairman just pointed out, the bill that both of us authored passed with over 400 votes—or 400 votes, the entire House, and passed unanimously out of this committee. All Democrats and all Republicans voted for the bill. The Congress feels very, very strongly that sanctions should be right there so that Iran will understand what it faces if it doesn't negotiate in good faith.

And, of course, when we look at the bottom line for these negotiations, we want to see the timetable pushed back so it will take Iran a longer time to have breakout in producing a bomb. Obviously, that is something that we are all concerned with and must be ironclad into the negotiations—into the final agreement.

So, Mr. Chairman, let me say this. There is no difference between Democrats and Republicans on this issue. We understand that Iran is a bad player. We understand that Iran doesn't negotiate in good faith. And we understand that Iran must understand that all options remain on the table and that those are not mere words, that those words have teeth.

If the Iranians believe all options are on the table, perhaps they will begin to negotiate in good faith. If they really don't believe that, there is little incentiveness for them to negotiate in good faith.

So, again, I thank our witnesses for being here today, and I look forward to their testimony.

Mr. ROYCE. Thank you, Mr. Engel.

This afternoon we are pleased to be joined by senior representatives from the Department of State and the Department of Treasury.

It is good to have Under Secretary Wendy Sherman with us. And she has held numerous positions throughout the years in the Department of State, and Ambassador Sherman served as vice chair of the Albright Stonebridge Group prior to that.

David Cohen is the Treasury Department's Under Secretary. He is focused on fighting money laundering and the financing of terrorism. And prior to his Senate confirmation in 2011, he served as the assistant secretary for terrorist financing. And he practiced law prior to that in Washington.

So we welcome you back. And, without objection, your full prepared statements will be made part of the record.

And members here will have 5 calendar days to submit statements or questions or extraneous material for the record.

And, of course, we will begin with Ambassador Wendy Sherman.

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

Ambassador SHERMAN. Thank you very much, Chairman Royce, Ranking Member Engel, and distinguished members of the committee.

I am very pleased to be here this afternoon along with Under Secretary Cohen to discuss the status of negotiations related to Iran's nuclear program. You have my written statement; so, I will summarize some key points.

Mr. Chairman and members, our goal all—of our goal is to prevent Iran from obtaining a nuclear weapon. The diplomatic process in which we are currently engaged was designed to achieve that goal peacefully and durably.

We have a basic metric for a good agreement, one that cuts off all of Iran's potential paths to a nuclear weapon, the plutonium path with the current Arak reactor, the path through the underground facility at Fordow, the path through swift breakout at the Natanz enrichment plant, and the path that would occur in secret, which we will deal with through intrusive monitoring and transparency measures.

And we will tie our sanctions relief to Iran's performance, only providing relief to Iran after it has taken verifiable steps as part of a comprehensive agreement and maintain the capacity to tighten the pressure if Iran fails to comply.

I cannot tell you today that our diplomacy will succeed because I am not sure that it will. I can tell you that, in the past 6 months, we have made significant and steady progress. We have exchanged ideas, narrowed gaps on key issues, and identified areas where more hard work is required.

For instance, we have had productive discussions about how to reduce the dangers posed by the facilities at Iraq and Fordow, about the protocols necessary for transparency, and about the disposition of Iran's stockpiles of enriched uranium.

No issues have been neglected, but none have been finally decided, because nothing is agreed until everything is agreed. And, on some, we still have substantial differences, including the overall question of enrichment capacity.

As you know, Mr. Chairman, there is some limit to how detailed I can be in this open session and still preserve the leverage we need in support of the goal we seek. However, the bottom line is that all serious obstacles remain. We have been moving in the right direction.

For that reason, roughly 2 weeks ago, the parties to the negotiation agreed to extend our deliberations for 4 additional months. We agreed to this extension because we had seen significant progress in the negotiating room and because we can see a path forward, however difficult, to get to a comprehensive plan of action.

We will use this time to continue working toward that comprehensive plan for ensuring that Iran does not obtain a nuclear weapon and that its nuclear program is exclusively peaceful.

I note that a year ago Iran's nuclear program was growing and becoming more dangerous with each passing day. That is no longer

the case. Last November, as the first step in this negotiation, we reached consensus on a Joint Plan of Action.

In return for limited and targeted sanctions relief, Iran agree to freeze and even roll back key elements of its nuclear activities. In fact, the JPOA has temporarily blocked each of the paths Iran would need to go down to build a nuclear weapon.

Many observers openly doubted whether Iran would keep its commitments under the Joint Plan of Action. But according to the IAEA, Iran has done what it promised to do during these past 6 months. The result is a nuclear program that is more constrained, more transparent, and better understood than it was a year ago, a program that has been frozen for the first time in almost a decade.

Meanwhile, as Under Secretary Cohen will make clear, sanctions relief for Iran will remain limited to amounts that will do little, if anything, to heal Iran's deep-seated economic problems. Over the next 4 months, the valuable safeguards that freeze Iran's nuclear program will remain in place as we strive to negotiate a comprehensive and longer-term plan.

I will be blunt and say that we will never rely on words alone when it comes to Iran. We have and we will insist that commitments be monitored and verified and that the terms of access and inspection be thoroughly spelled out. Our goal is to structure an agreement that would make any attempt to break out so visible and so time-consuming that Iran would either be deterred from trying or stopped before it could succeed.

Speaking more generally, I want to emphasize that engagement on one issue does not require and will not lead to silence on others. The United States will not hesitate to express its views and to put pressure on Iran when that is warranted, whether in relation to the government's abysmal human rights record, its support for terrorism, its hostility toward Israel, its defense of political prisoners, journalists, and American citizens.

Mr. Chairman and members of the committee, on this issue, we are united in our goals. We are determined that Iran not obtain a nuclear weapon. It is only because of the leverage, created by the executive and legislative branches of this government, by our allies and partners and by the United Nations Security Council, that Iran has come to the negotiating table in what we believe to be a serious way.

But we all know that sanctions are a means, not an end. We are now in the process of determining whether the end we seek can be achieved through a diplomatic process. That effort is worthwhile because a positive outcome would be preferable to any alternative.

A comprehensive agreement would ease anxiety and enhance stability throughout the Middle East. It would reduce the likelihood of a regional nuclear arms race. It would eliminate the potential threat of nuclear blackmail. It would contribute to the security of Israel and our partners throughout the region. And it would make our own citizens safer.

Between now and November, we will continue our pursuit of these welcome ends, and it is with those high purposes in mind that I respectfully ask your continued support.

Thank you, once again, for the opportunity to be here. And I will be pleased to respond to questions in as much detail as I possibly can in this open session.

Thank you, Mr. Chairman.

[The prepared statement of Ambassador Sherman follows:]

WRITTEN STATEMENT
WENDY SHERMAN
UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS
U.S. DEPARTMENT OF STATE

HOUSE COMMITTEE ON FOREIGN AFFAIRS
“Status of Negotiations with Iran”
July 29, 2014

Good morning, Mr. Chairman, and Congressmen. I am pleased to be here and appreciate the opportunity to discuss with you the status of negotiations related to Iran’s nuclear program.

Although there are many aspects of these deliberations that I will discuss today, the participants have agreed that, to give this process the best chance of success, we will refrain from speaking in public about the specific details of the negotiation. With that caveat, I will be as frank as possible. President Obama, Secretary Kerry, and the entire administration understand how vital a role Congress and this Committee play in shaping U.S. policy towards Iran. We remain committed to regular consultations, to hearing from you, and to sharing ideas. We all have the same goal, which is to make the world a safer place both in the near future and for generations to come.

To that end, we seek to negotiate a comprehensive plan of action that, when implemented, will ensure that Iran cannot acquire a nuclear weapon and that Iran’s nuclear program is exclusively peaceful. A good deal will be one that cuts off the various pathways Iran could take to obtain a nuclear weapon: a uranium pathway, through its activities at Natanz and Fordow; a plutonium pathway, through the Arak heavy water reactor; and a covert pathway. It will therefore need to include tight constraints and strict curbs on Iran’s program, and enhanced monitoring and transparency measures to ensure that any attempt to break out will be detected as quickly as possible.

In Vienna, two weeks ago, we decided to continue our work towards our goal by extending the terms of the previously-negotiated Joint Plan of Action for four more months – until November 24. I will have more to say about that decision in a minute, but first let me review how we arrived at this juncture.

Rallying the International Community

In 1968, Iran signed the Nuclear Non-Proliferation Treaty, which required it to allow International Atomic Energy Agency (IAEA) inspections and to develop nuclear power only for peaceful purposes. However, over the past 20 years, it became apparent that Iran's government had engaged in a variety of undeclared nuclear activities. As detailed in numerous IAEA reports, these activities covered the full spectrum of the nuclear fuel cycle and suggested an intent that was far from peaceful. Iran also built a secret enrichment facility at Fordow and, in Arak, a heavy water reactor ideal for producing weapons-grade plutonium. Meanwhile, Iran was conducting research of a type that could facilitate the eventual construction of a bomb. These actions placed Iran in clear violation of its international nonproliferation obligations.

In 2009, when President Obama took office, he indicated America's willingness to engage directly with Iran to find a diplomatic solution, but Iran failed to respond positively, thus demonstrating clearly that the obstacle to a comprehensive resolution was in Tehran, not in Washington. Working together, the administration and Congress then constructed a much tougher bilateral and multilateral sanctions regime, even as we continued to offer Iran a diplomatic pathway to resolve our concerns about its nuclear program. The international community, having witnessed our decision to give diplomacy a chance, was increasingly supportive, and their efforts to comply with – and amplify – our sanctions have proved crucial in ramping up the pressure on Iran.

In June 2010, the Security Council approved stricter curbs on Iran's nuclear and shipping activities and barred Tehran from purchasing heavy weapons such as attack helicopters and missiles. In July of that year, the European Union (EU) prohibited joint ventures with Iran's petroleum sector and banned the sale of equipment used in natural gas production. In subsequent months, the EU tightened sanctions on banking, energy, and trade; outlawed transactions involving Iran's financial institutions; and embargoed the purchase of Iranian oil.

These stiffer multilateral sanctions were complemented by additional bilateral measures – imposed by the United States and a number of other countries – that targeted Iran's economy in general and its financial and energy industries in particular. The cumulative weight of these restrictions contributed in Iran to more than halving oil exports, rising inflation, a sharp decline in the value of the local currency, and higher unemployment.

Sanctions, however, are a means, not an end. The key question was what impact they would have on Iran's decision makers and whether they would choose to engage.

The Joint Plan of Action

In June 2013, Hassan Rouhani was elected president of the Islamic Republic with a popular mandate to fix the economy, a goal that will only be fully achievable if nuclear-related sanctions are lifted. Last September, a telephone conversation between Presidents Obama and Rouhani – spurred in part by earlier and direct diplomatic contacts at a lower level – set the stage for a restart of formal negotiations between Iran and the P5+1.

On November 24, 2013, after several rounds of intensive negotiations with Iran, we reached consensus on a Joint Plan of Action (JPOA), a mutual set of commitments that halted the advance and even rolled back parts of Iran's nuclear program. The implementation of the JPOA started in January and was originally scheduled to last six months. In that time, Tehran pledged to cap its stockpile of low-enriched uranium. It agreed to stop enriching uranium to 20 percent and to convert or dilute its stockpile of uranium that had already been enriched to that level. It promised not to fuel or install remaining components at the research reactor in Arak. It consented to increase its transparency by providing additional information and managed access to key sites by the IAEA. And it allowed inspectors to have daily access at the Natanz enrichment facility and the underground plant at Fordow. In these past six months, the IAEA has verified that Iran has complied with its commitments; it has done what it promised to do. In addition, the JPOA has provided time and space to negotiate a more comprehensive, long-term solution by keeping Iran's program from making more progress during that period.

Vienna

Meanwhile, from January to July, the negotiating teams were hard at work in search of a durable and comprehensive settlement. Based primarily in Vienna, our discussions on all issues were serious and exhaustive. Our experts spent hundreds of hours engaged in dialogue about the technical details. We made tangible progress in key areas, including Fordow, Arak, and IAEA access. However, critical gaps still exist on these and a number of other important elements – including the pivotal issue of uranium enrichment capacity – that must be part of a comprehensive plan.

Under the current four month extension, the commitments under the JPOA will remain in effect. And, in fact, Iran has agreed in the time ahead to substantially increase the pace at which it is turning its stockpile of 20 percent enriched uranium oxide into fuel plates, including 25 kilograms over the next four months. That will make it much harder for that material ever to be used for a weapon. Iran will also mix depleted uranium with its inventory of up to two percent enriched uranium. The result is essentially a dilution of approximately three metric tons of material to its natural state and a step further away from the kind of highly enriched uranium that could be employed in a nuclear weapon.

In return, the P5+1 and EU will continue to suspend the narrow group of sanctions that we committed to suspend when the JPOA was negotiated and will allow Iran access to \$2.8 billion dollars of its restricted assets, the four-month prorated amount of the JPOA.

To sum up, under the JPOA, instead of becoming more dangerous over time, Iran's nuclear activities have been more constrained, more closely inspected, and more transparent. This is the first true freeze in Iran's nuclear program in nearly a decade.

Meanwhile, sanctions relief for Iran will continue to be targeted and limited to amounts that will do little, if anything, to heal Iran's deep-seated economic ills. From the perspective of international investors, Iran will remain closed for business. The overall sanctions regime will still be in place. Iran will continue to be cut off from the global financial system. Iran's oil sector will still be negatively affected by sanctions, as will Iran's currency. All told, we have sanctioned nearly 680 Iranian individuals and entities under our Iran sanctions authorities. And as we have demonstrated in the past few months, and throughout the past half dozen years, the Obama Administration will continue to enforce sanctions rigorously and thoroughly.

We will also not hesitate to put pressure on Iran when that is warranted -- whether in relation to the government's abysmal human rights record, its support for terrorism, its hostility towards Israel, or its detention of political prisoners. Engagement on one issue does not require -- and will not lead to -- silence on others. As I have noted repeatedly, we continue to press Iran to allow U.S. citizens Amir Hekmati and Saeed Abedini to return to their families as soon as possible, and to help us locate Robert Levinson, who went missing in Iran in 2007. We are also concerned about reports of Washington Post reporter Jason Rezaian's

detention in Iran, along with two other U.S. citizens and the non-U.S. citizen spouse of one of the three. We call on the Iranian government to immediately release Mr. Rezaian and the other three individuals as soon as possible.

Let me emphasize that the decision to extend the nuclear negotiations was taken only after careful thought. Each of the countries represented in Vienna, when weighing both sides of the issue, believed that it continues to be in our interest to identify a mutually acceptable framework. We did not want to allow impatience to prevent us from doing all we could to contribute to the future security and safety of the Middle East.

America's Commitment

I stress that these negotiations are fully in keeping with the administration's fundamental position. As President Obama has affirmed on numerous occasions, the United States will not allow Iran to obtain a nuclear weapon. That policy was in place prior to this negotiation; it is in place now; and it remains our solemn commitment. Because of the manner in which these negotiations have been structured and the pressure Iran continues to feel, Iran's leaders have a strong and ongoing incentive to reach a comprehensive resolution. If they cannot do that, then we will respond with greater pressure and with greater backing from the international community to do so because of our consistent and good faith efforts to resolve this situation diplomatically.

Looking Ahead

Mr. Chairman, our purpose in entering these negotiations was to test Iran's unambiguously stated and often repeated commitment to an exclusively peaceful nuclear program. Accordingly, we have proposed a number of pathways whose elements would, in fact, give the world confidence that Iran's program is and will continue to be exactly that. As we have said from the beginning, this is a negotiation where every element of a resolution must come together in order for any aspect to work. It would not make sense to foreclose one route to a nuclear weapon and leave a second avenue untouched; nor would it be sensible – given Iran's history of illicit conduct – to equate Iran's promises with actions. We need far-reaching and tangible commitments on all fronts. That is the only way.

Final Thoughts

The next four months will allow us to determine whether a diplomatic solution is possible. As we have said many times, from the perspective of the United States, no deal is better than a bad deal. And yet, let us not forget that a comprehensive resolution, if we are able to arrive at one, will benefit people everywhere. It will ease anxiety and enhance security throughout the Middle East. It will reduce the likelihood of a nuclear arms race in the region. It will eliminate the potential threat of nuclear blackmail. It will contribute to the security of Israel, the Gulf states, and our partners throughout the region. Compared to any alternative, it will provide a more comprehensive, lasting, and peaceful solution to the concerns generated by Iran's nuclear activities.

Mr. Chairman and members of the committee, after our intense deliberations in Vienna these past six months, we believe strongly that it is worth taking additional time to pursue these very complicated and technical negotiations. We wouldn't have agreed to an extension if we did not have an honest expectation that we have a credible path forward; but we would have finished long ago if the task were simple. We still have work to do. We still have time to determine whether we can close the gap between what Iran has said it intends and what it is willing to do.

From the outset, these negotiations have been about a choice for Iran's leaders. Officials in Tehran can agree to the steps necessary to assure the world that their country's nuclear program will be exclusively peaceful, or they can squander a historic opportunity to end Iran's economic and diplomatic isolation and improve the lives of their people.

Meanwhile, all of our options remain, as does our determination to resolve one of the most pressing national security issues for America, for the region, and for the world.

In closing, I want to say to you on behalf of the entire administration that we welcome your thoughts, thank you for giving diplomacy a chance to succeed, respectfully solicit your support, and will be pleased to respond to any questions you might have.

Mr. ROYCE. Thank you, Ambassador Sherman.
We go now to Mr. Cohen.

**STATEMENT OF THE HONORABLE DAVID S. COHEN, UNDER
SECRETARY FOR TERRORISM AND FINANCIAL INTEL-
LIGENCE, U.S. DEPARTMENT OF THE TREASURY**

Mr. COHEN. Thank you, Chairman Royce, Ranking Member Engel, and distinguished members of the committee. Thank you for your invitation to appear before you today alongside my colleague, Ambassador Sherman, to discuss the extended Joint Plan of Action.

I will focus my oral testimony this afternoon on our efforts to maintain intense pressure on Iran to help achieve a successful outcome in the negotiations over its nuclear program and the ever-mounting pressure that Iran will continue to face during the extended Joint Plan of Action period as the P5+1 seeks the comprehensive and long-term resolution to the international community's concerns over Iran's nuclear program.

When we announced the Joint Plan last November, we said that we did not expect the relief package in the Joint Plan of Action to materially improve the Iranian economy. And it hasn't. The depths of Iran's economic distress, distress that resulted, in large measure, from the collaborative efforts of Congress, the administration, and our international partners, dwarf the limited relief in the Joint Plan of Action.

And so today, as we start to implement the extended Joint Plan of Action, Iran remains in a deep economic hole. The value of Iran's currency, the rial, has declined by about 7 percent since the Joint Plan of Action was announced last November.

Since 2011, Iran has lost about \$120 billion in oil revenues. It lost \$20 billion in revenues in the first 6 months of the Joint Plan of Action and stands to lose an additional \$15 billion in oil revenues during the next 4 months alone. And Iran's economy today is 25 percent smaller than it would have been had it remained on its pre-2011 growth trajectory.

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

The \$3 billion to \$4 billion worth of relief that the extended Joint Plan of Action may provide Iran pales in comparison to what Iran needs to dig itself out of its deep economic hole. And we expect that firms will continue to shun Iran, as was the case during the first 6 months of the Joint Plan of Action. Firms have good reason to remain reluctant about doing business in Iran.

The overwhelming majority of our sanctions remain in place. Iran continues to be cut off from the international financial system and is largely unable to attract foreign investments.

Iran is still shut out of the United States, the world's largest and most vibrant economy, and precluded from transacting in the dollar.

And our sweeping set of nearly 680 Iran-related sanctions designations, developed in concert with partners around the world, remains in place.

Throughout the Joint Plan of Action period, we have also vigorously enforced our sanctions, recognizing the essential role that financial pressure played in the lead-up to and now during the Joint Plan of Action, and how important maintaining that pressure will continue to be during this extended JPOA period.

Indeed, since the joint plan was negotiated, we have imposed sanctions on more than 60 entities and individuals around the world for evading U.S. sanctions against Iran, aiding Iranian nuclear and missile proliferation, supporting terrorism, and for abusing human rights.

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

While this 4-month extension will provide additional time and space for the negotiations to proceed, it will not change the basic fact that Iran's sanctions-induced economic distress has not receded.

And over the next 4 months, my colleagues and I within Treasury and throughout the administration will continue to echo President Obama's clear message, namely, that we will come down like a ton of bricks on those who seek to evade our sanctions. That will help provide our negotiators leverage as we explore the possibility of a comprehensive and long-term resolution to the international community's concerns over Iran's nuclear program.

I am happy to answer any questions the committee may have.

[The prepared statement of Mr. Cohen follows:]

**Written Testimony of David Cohen
Under Secretary for Terrorism and Financial Intelligence
United States Department of the Treasury**

**Committee on Foreign Affairs
U.S. House of Representatives
“Iran Nuclear Negotiations: From Extension to Final Agreement?”**

2:00p.m., July 29, 2014

Chairman Royce, Ranking Member Engel, and distinguished members of the Committee: Thank you for your invitation to appear before you at this important time to discuss our implementation of the extended Joint Plan of Action (JPOA).

I will focus my testimony today on our efforts to continue to maintain pressure on Iran in order to achieve a successful outcome in the negotiations over its nuclear program. I will also provide an overview of the limited, temporary, and reversible relief in the extended JPOA. And, finally, I will discuss the ever-mounting pressure that Iran will continue to face as the P5+1 seeks a comprehensive and long-term resolution to the international community's concerns over Iran's nuclear program.

The State of the Iranian Economy

When we announced the JPOA last year, we said that we did not expect the relief package in the JPOA to materially improve the Iranian economy. And it has not. The depths of Iran's economic distress – distress that resulted in large measure from the collaborative efforts of Congress, the Administration, and our international partners – dwarfed the limited relief in the JPOA. And so today, as we start to implement the short-term extension of the JPOA, Iran remains in a deep economic hole.

It is useful to focus on three key indicators of Iran's economy, the rial (Iran's currency), its revenues, and its reserves. Judging by these three measures, the Iranian economy is doing worse today than it was at the outset of the JPOA.

- **Rial:** Iran's currency, the rial, has depreciated by about 50 percent since January 2012 and has declined by about 7 percent since the JPOA was announced last November. Iran's central bank governor earlier this year bemoaned the fluctuations in the value of the rial in light of persistent costs and delays in obtaining hard currency and the limited tools available to intervene effectively in the currency market. In this regard, I would note that it remains sanctionable to provide U.S. dollar banknotes to the Iranian government.
- **Revenue:** The cumulative impact of our sanctions since 2011 has caused Iran to lose about \$120 billion in oil revenues – the key driver of Iran's economic growth. Iran will forego an additional \$15 billion in oil revenues during the next four months alone as the sustained impact of our oil sanctions, which took effect in early 2012, continue to exact

their toll on Iranian earnings. Moreover, Iran will only be able to use a small fraction of the revenue it earns from crude oil sales during the extended JPOA period, because its oil revenue continues to go into overseas accounts restricted by our sanctions.

- **Reserves:** And the vast majority of Iran's approximately \$100 billion in foreign reserves remain inaccessible or restricted by sanctions. This money can only be used for permissible bilateral trade between oil-importing countries and Iran and for humanitarian trade.

Iran's economy is 25 percent smaller today than it would have been had it remained on its pre-2011 growth trajectory; it will not recover those losses for years to come. Meanwhile, Iran's annual inflation rate, at about 26 percent, is likely to remain high, and is one of the highest in the world. Unemployment also remains high, and Iran is cut off from the foreign investment that it needs to promote job growth and infrastructure development.

At the time we entered into the JPOA, some made dire predictions that our sanctions regime would crumble, and that Iran's economy would rebound dramatically. It is now clear, that did not happen. To the contrary, Iran's experience under the JPOA has reinforced its knowledge that real economic relief can come only if it obtains comprehensive sanctions relief, and that can only come about if it is prepared to enter into a comprehensive plan of action that ensures that Iran cannot acquire a nuclear weapon and that its nuclear program is exclusively peaceful.

Sanctions Relief in the Extended JPOA

The P5+1 has committed in the JPOA extension period to continue the limited, temporary, and reversible sanctions relief of the JPOA, and to authorize the release to Iran of a small fraction of its restricted overseas assets in return for Iran's commitment to continue to abide by the conditions on its nuclear program as set out in the JPOA, and to take a number of additional steps to constrain its nuclear program.

Over the four-month period of the extended JPOA, and provided that it satisfies its commitments under the extension, Iran will be allowed to access, in tranches, \$2.8 billion worth of restricted funds. This amount is the four-month prorated amount of funds made available under the original JPOA.

Other aspects of the JPOA sanctions relief also will remain in effect for the next four months, including sanctions related to Iran's petrochemical exports, its crude oil exports to current purchasers at current average levels, its automotive sector, the purchase or sale of gold or precious metals, the licensing of safety-related repairs and inspection for certain airlines in Iran's civil aviation industry, and the facilitation of a financial channel for humanitarian trade, tuition payments, UN payments, and medical expenses incurred abroad.

Altogether, we value the sanctions relief in the JPOA extension at about \$3 to \$4 billion. This is comprised of the \$2.8 billion worth of restricted funds that Iran will be permitted to access plus the value that we assess the other elements of the sanctions relief are worth.

Extended Relief in Context

We do not expect this minimal relief to alter the underlying negative fundamentals of Iran's troubled economy. We are confident in this assessment for the same reasons that we were confident in December that the JPOA would not undermine our sanctions regime: Iran is in a deep economic hole and we will continue to enforce our sanctions to send a clear message that now is not the time for businesses to re-enter Iran.

The value of this limited relief pales in comparison to the aggregate macroeconomic effects of our sanctions to date and Iran's revenue losses, both of which will continue to accumulate during the next four months. Even with the diminished value of Iran's gross domestic product – valued at about \$360 billion today using the open market exchange rate – the \$3 to \$4 billion or so in relief over the next four months pales in comparison.

In short, Iran's economy will remain under great stress. Remaining sanctions and their substantial structural problems will undercut key industries and contribute to persistent budget deficits and sustained high unemployment. Moreover, until a comprehensive solution is reached, we anticipate that most foreign firms will decline to re-enter Iran, as was the case during the first six months of the JPOA.

The International Sanctions Regime Remains Robust

Firms have good reason to remain reluctant about doing business in Iran. The overwhelming majority of our sanctions remain in place, and we firmly intend to continue enforcing our sanctions vigorously.

Iran continues to be cut off from the international financial system with its most significant banks subject to sanctions, including its central bank. All the Iranian banks designated by the EU remain cut off from specialized financial messaging services, denying them access to critical networks connecting the rest of the international financial sector. And the fact remains that any foreign bank that transacts with any designated Iranian bank can lose its access to the U.S. financial system.

Investment and support to Iran's oil and petrochemical sectors also is still subject to sanctions. And there are severe restrictions on providing technical goods and services to the Iranian energy sector.

Broad limitations on U.S. trade with Iran remain in place, meaning that Iran continues to be shut out of the world's largest and most vibrant economy and precluded from transacting in the dollar.

Our sweeping set of designated Iran-related actors – developed in concert with partners around the world, including in the EU, Canada, Australia, Japan, South Korea, and Singapore – remains in place. We have used our Iran-related authorities to sanction nearly 680 persons, a number that

is complemented by the hundreds of Iranian individuals and entities against which our partners have also taken action. This multilateral effort to target those involved in Iran's illicit conduct remains the cornerstone of the unprecedented sanctions regime that we have built in recent years.

Finally, we remain vigilant in our efforts to counter Iran's support for terrorism, its abuse of human rights, and its destabilizing activities in the region. We are committed to maintaining those sanctions and have an active diplomatic campaign aimed at persuading other jurisdictions and financial institutions to cut them off as well. Nothing in the JPOA, the extended JPOA, or in a comprehensive deal that may come, will affect our efforts to address Iran's malign activities in these areas.

Vigorous Enforcement of Existing Sanctions

Throughout the JPOA, we have demonstrated vigorous sanctions enforcement, recognizing the essential role that financial pressure played in the lead-up to, and now during, the JPOA, and how important maintaining that pressure will continue to be during this extended JPOA period. We are determined to continue to respond to Iran's evasion efforts, wherever they may occur.

Since the JPOA was negotiated, we have imposed sanctions on more than 60 entities and individuals around the world for evading U.S. sanctions against Iran, aiding Iranian nuclear and missile proliferation, supporting terrorism, and for carrying out human rights abuses. This amounts to nearly 10 percent of all of our Iran-related designations and listings since we first took action against Iran's Atomic Energy Organization in 2005. We have also continued to enforce our sanctions against entities and individuals that violate Iran-related prohibitions, resulting in penalties and settlements for violations of the regulations enforced by the Office of Foreign Assets Control of more than \$350 million during the past six months. We have been very clear to both our international partners and to Iran that these targeting and enforcement efforts will continue throughout the next four months of the JPOA extension.

In addition to our designations and enforcement actions during the JPOA, my colleagues and I have made clear to banks, businesses, and governments around the world that the sanctions relief provided to Iran is limited, temporary, and reversible, and that the overwhelming majority of our sanctions remain in place. The simple fact remains that foreign banks and companies still have to decide whether to do business with Iran, or with the United States. They can't do both. Nothing in this respect has changed.

These actions have sent a resounding message to the international business and financial communities: Iran is not open for business today, nor will it be until it ensures the international community of the exclusively peaceful nature of its nuclear program.

Throughout this short-term extension of the JPOA, I can assure you that we will continue to make certain that businesses and governments around the world understand this. I personally plan to travel to several countries in the coming weeks to meet with government and private sector counterparts to explain the continued limitations of the sanctions relief under the JPOA extension. And I know my colleagues within Treasury, at the State Department and elsewhere in

the administration will do so as well. We will all echo President Obama's clear and firm message – namely, that we will come down “like a ton of bricks” on those who evade or otherwise facilitate the circumvention of our sanctions.

Conclusion

While this four-month extension will provide additional time and space for the negotiations to proceed, it will not change the basic facts and numbers on the ground. The Iranian economy is in deep distress and an additional four months of limited sanctions relief will not change that. In the meantime, we will not let up one iota in our sanctions enforcement efforts, and we are prepared to take action against anyone, anywhere who violates, or attempts to violate, our sanctions.

Thank you.



Mr. ROYCE. Thank you. Thank you.

I had a couple of questions, and one I was going to start with is this sunset clause. I am very concerned about the way this clause would work.

Once this agreement expires, Iran's nuclear program would be treated just like Japan's or just like Germany's. With such status, it would be very easy for Iran to produce material for many nuclear weapons.

One witness we had before this committee characterized this provision as "converting Iran from a nuclear pariah," in his words, "to a nuclear partner, a giant get-out-of-jail-free card for Iran," in his words.

Do you dispute this characterization?

Ambassador SHERMAN. Thank you, Mr. Chairman.

I believe that any comprehensive agreement with Iran must have an extremely long duration. It has been decades that the international community has had concerns about Iran's nuclear program.

The United States had a public National Intelligence Estimate that said, until 2003, Iran was attempting to build a nuclear weapon and had such a program. We have maintained our concerns about Iran's program even since 2003, and that is the whole reason for this negotiation.

So I believe that any comprehensive agreement must have a very long duration before Iran would, in fact, meet the standards required under the U.N. Security Council resolutions to be treated as a nonnuclear weapons NPT state.

Along that road, they would be the subject of quite intrusive monitoring, transparency, and verification measures carried out by the IAEA. During that time, they would have, if they end up with an indigenous enrichment program, very small, very limited, to practical needs, very focused on intrusive monitoring, to ensure that there were no covert operations. Their issues concerning possible military dimensions would have to be addressed. Their research and development would have to be constrained in quite significant ways.

So we would, in essence, be slowing down their ability to get to that kind of industrial-scale capacity that the Supreme Leader spoke of in his aspirational speech.

Mr. ROYCE. And the Ayatollah—his views may evolve over time, but he just called again for the end of Israel. And I saw that, on Friday, they orchestrated and the government printed out these "Death to Israel" placards and "Death to America" placards.

And from—converging in nine different parts of the city, you had this group meet at the city center. 700 towns and cities. The government orchestrated this rally—"Death to Israel" rally.

So, clearly, we are up against an attitude here that is pretty pronounced. And you have heard me comment before about some of the Ayatollah's statements about the ICBM ballistic missiles.

A central component of a nuclear program is that delivery capability. He is talking about mass-producing these, the basic duty of every military man to be involved in this.

Will a long-term agreement include limitations on their ballistic missile production? And will it include robust monitoring and verification on that front?

And why did the interim agreement not explicitly require Iran to follow U.N. Security Council resolutions to stop its effort to develop a nuclear-capable ballistic missile, which, as we know, they are testing?

Ambassador SHERMAN. What we have said in this negotiation and what is under discussion is that Iran must address all the provisions of U.N. Security Council resolutions.

And, in 1929, there is a specific reference to any kind of delivery mechanism, long-range ballistic missile, for delivery of nuclear weapons. And so that has to be addressed in some way in this agreement. And it is under discussion, but not yet resolved.

Chairman ROYCE. Thank you.

I am going to forgo the rest of my time. We are going to hold everybody to 5 minutes and get down to some of our junior members for their questioning.

Mr. Engel, you are next.

Mr. ENGEL. Thank you. Thank you, Mr. Chairman.

What do we estimate the time for Iran to achieve breakout now? And what would we consider a good deal? How far would we have to push them back to have this considered a good deal?

Ambassador SHERMAN. I think, Mr. Engel, that it would be best to discuss breakout times with the intelligence community in a classified briefing.

But I will tell you that most analysts out in the public say that right now Iran's breakout time is about 2 months. And, by that, I mean how much time, if they decided to go for it, they could produce enough highly enriched uranium for one nuclear weapon.

There are two paths to a nuclear weapon in terms of fissile material, which I know you well know. But for all members, one is highly enriched uranium. That is Natanz and Fordow. And one is plutonium. That is the current configuration of the Arak reactor. And we want to stop and block both of those pathways as well as the covert pathway.

I have said publicly that we believe that we need to go many months beyond that to achieve the kind of assurance that we are looking for that Iran cannot obtain a nuclear weapon.

Mr. ENGEL. We voted on an agreement with the United Arab Emirates, which for a long time was considered the gold standard in civil nuclear cooperation, in which we agreed to allow them to have nuclear power for peaceful purposes in exchange for not enriching on their soil.

If we are indeed going to have an agreement with Iran which allows them to enrich on their soil, how can we ever get countries that come after Iran to agree to an agreement—a one-two-three agreement similar to the one that the UAE agreed to?

Ambassador SHERMAN. This is obviously an area of concern, as you point out, Congressman. We have discussed this with UAE and many other countries, in fact.

But what we are looking at here, if we are able to achieve a comprehensive agreement—and, as I said, I don't know whether we will or not because Iran has to make some very difficult decisions,

and I am not sure whether they will or not—is that it will be a very small, highly constrained, intrusively monitored program.

And they will have years of that kind of intrusive monitoring. I don't think that is a road that will be attractive to anyone else to go down, but it is something on which we are having continuing conversations.

We believe, quite frankly, as you know, that Iran would be better off without any enrichment program. You can get fuel on the open market. They have argued, in fact, that they should be able to fuel Bushehr, which the Russians currently fuel and have made a guarantee for life. We believe that Russia should continue to fuel Bushehr and Iran has no need to do so.

So anything that ends up in this agreement, if it does, on the enrichment side will be very small, very limited to a practical need, intrusively monitored, and not a path that we think will be attractive to anyone else.

Mr. ENGEL. You mentioned that Iran has been keeping some of its promises and has shown some flexibility, but in terms of the question of their enrichment capacity, there has been less flexibility.

Can you elaborate on that at all? Or, if you can't, what would make us think that they would suddenly see the light and have some flexibility?

Ambassador SHERMAN. Well, what I would say is that we have said that their current capacity has to be severely limited and that where their program would begin in any agreement would have to be much smaller than what they currently have.

We are approaching this in quite a holistic way. We are looking at all the ways in which Iranian enrichment capacity could be misused. Any arrangement in which we reach will be designed to address any problem that might come along the way.

So we will look at capacity. We will look at advanced centrifuges, which could increase their capacity over time. We will deal with R&D. We will deal with their separate work units, which is the measure of the energy in their production. We will deal with stockpiles. We will deal with facilities. We will deal with the monitoring quite intrusively.

And any arrangement that we might get to an agreement on will ensure that, if we close the front door, that Iran cannot enter through a back door. It is very complicated. It is highly technical.

Some of my colleagues who are part of our expert team sit behind me. Quite frankly, it is a whole-of-government effort. The Department of Energy has been a tremendous partner, as have our labs, to make sure that, should we get to an agreement, we know exactly what we are getting down to the finest technical detail.

Mr. ENGEL. Under Secretary Cohen, let me just ask you a very quick question.

The sanctions relief would be based on a phased system, including waivers. Will the Iranians, do you believe, accept a deal that relies on waivers, not permanent relief? And how would you think that Congress—anticipate Congress' involvement in this?

Mr. COHEN. Congressman, I am not going to venture a guess on whether the Iranians will accept a deal based on waivers. Perhaps Under Secretary Sherman wants to address that.

In terms of Congress' role, as you say, the notion for a comprehensive deal is one where whatever relief is offered to Iran is phased in over time and is tied to Iran taking verifiable steps along the way.

It is very important that we maintain pressure during the course of that period so that, initially, what we have is sanctions that are suspended, not lifted, and then eventually, perhaps, move to lifting the sanctions.

But in the near term, the notion would be that we would suspend sanctions through the exercise of our authorities.

Mr. ENGEL. Thank you, Mr. Chairman.

And I would just reiterate what the chairman said before. Our letter to the President signed by three-quarters of Congress, we feel very strongly that Congress must be involved.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Mr. Engel.

We go now to Ileana Ros-Lehtinen, chairman of the Middle East Subcommittee and a leader on Iran sanctions efforts.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Ambassador Sherman, last year, before this committee, you testified that, "The ultimate goal of any negotiations is that Iran come into full compliance with U.N. Security Council resolutions."

Those Security Council resolutions demanded that Iran suspend all enrichment-related and reprocessing activities and that Iran ratify and implement the IAEA's additional protocols to strengthen safeguard measures.

This morning, in front of the Senate Foreign Relations, you said that the administration's preference is that Iran not have enrichment capabilities but then conceded that President Obama and your team have admitted that there is likely going to be an enrichment program.

Has Iran come into compliance with the U.N. Security Council resolutions, including the implementation of the additional protocols? Will it be in compliance when a comprehensive agreement is reached? If they don't, have U.S. negotiators failed to meet our goal, as you stated it was last year?

You also said that this was also about verification, monitoring, and assurances to the international community. Of course, this is all based on the assumption that Iran has fully disclosed its program, a program that it kept covert for 2 decades, and that it is what will likely be proven to be the fatal and faulty assumption in these talks.

DOD has assessed earlier this year that the U.S. isn't able to detect or locate undeclared or covert nuclear activities.

So how confident can we be that this regime, that has operated a covert nuclear program for decades, that has ignored U.N. Security Council resolutions, that has openly bragged about deceiving the West while in nuclear negotiations, has declared all of its facilities, activities, and programs to us, specifically its suspected military programs?

And would any potential comprehensive agreement encompass anything that may be disclosed or detected after an agreement is signed or are we just dealing with these very specific facilities?

As part of the extension agreement, we have agreed to another \$2.8 billion in sanctions relief for Iran as well as allowing Iran to continue to export oil at a restricted level.

And at our subcommittee hearing last month with Deputy Assistant Secretary for Energy Diplomacy, Amos Hochstein, I had asked him about reports that Iran was sending hundreds of thousands of barrels of oil to Assad to keep that thug and his war running; yet we are not counting this against Iran's restricted levels.

We were all shocked to hear that we don't count that against Iran's limits because Syria isn't actually paying for the oil. And you repeated that this morning in the Senate.

But what I had suggested to Mr. Hochstein was that this issue was bigger than just Iran sending oil to Assad and us not counting it for the JPOA. It goes to the heart of our policies as they relate to Iran and Syria, and it is about our U.S. national security interests.

How much is Iran sending? How do we allow this to continue while we still negotiate a comprehensive agreement? How do we justify allowing Iran to send oil to Assad to keep his brutal regime afloat? And what else is Iran sending that we are ignoring? And if this were against the terms and Iran was caught in violation, who is in charge and what mechanism do we have to enforce the terms?

Ambassador SHERMAN. Thank you, Congresswoman.

Indeed, all of the U.N. Security Council resolutions will have to be addressed if we are to get to a comprehensive agreement.

Indeed, Iran would have to agree to the additional protocol—and I believe that they will—as well as modified code 3.1 and, in addition, specific enhanced monitoring and verification mechanisms that will be attached to each of the elements as they get agreed to in a comprehensive agreement.

Part of the reason for the additional protocol and for enhanced monitoring even beyond that is to deal with the covert path, to make sure that there aren't undeclared facilities.

And, in fact, one of the things the IAEA does after a country signs onto the additional protocol—and it takes some time to do—is to create what is called the broader conclusions that, in fact, there are no undeclared sites.

That will take the IAEA some time to do. And some of our sanctions relief will be tied to reaching that benchmark, among other benchmarks, as we put together a comprehensive agreement. So we are quite concerned to make sure that we cut off the covert pathway.

There is no way, 100 percent, to ensure that any country in the world doesn't have a covert site. But what we can do is put the mechanisms in place to do two things: One, detect it if it's happening, and, two, stop it before it can become a problem to us and to our national security.

In terms of the \$2.8 billion, let me make one comment and then let Under Secretary Cohen mention this.

The 4-month extension was really just a continuation of the JPOA. And, as such, the prorated amount for those 4 months is \$2.8 billion in their restricted funds. It is not U.S. taxpayer money. It is restricted money that is frozen in accounts that Iran has that

they will now have access to. So it was simply a straight piece of arithmetic.

However, because we have such great concerns, we did get Iran to agree to take two additional steps that go beyond the JPOA. That is to take some of their 20 percent oxidized enriched uranium, which was part of the JPOA, and take 25 kilograms of it, which is about the amount they can get done during this 4-month period, and turn them into metal plates for the Tehran research reactor, which make it virtually impossible for that to be converted back into enriched uranium.

And we got them to agree to dilute all of their up to 2 percent enriched uranium stockpile, which is over 3 metric tons of up to 2 percent enriched uranium. So these are two important steps that we got in addition to this as well.

As for Syria, I will be glad to come back to that in someone else's question.

Chairman ROYCE. Very good. Very good.

We go now to Mr. Brad Sherman, ranking member of the Terrorism and Nonproliferation Subcommittee.

Mr. SHERMAN OF CALIFORNIA. I will start with some comments, and I will ask our witnesses to respond for the record as they would like to these comments.

Iran's economy may not have grown as fast as China's since 2011. Mr. Cohen pointed out that it would be 25 percent smaller if it had kept growing at that rate.

Keep in mind—it is 2011—that we in Congress passed the banking sanctions over the objection of the administration, and that point correlates with the decline in the growth of the Iranian economy.

But the Iranian economy doesn't have to grow at China's rate in order to avoid regime endangerment. The fact is their economy is growing at 2 percent now. In America, we call that a recovery, not a regime endangerment.

As the—I believe, the chairman brought up, we have this sunset clause so that, even if you are able to negotiate for really good controls, they all fade away in a decade and, at that point, Iran becomes unsanctioned and unlimited. Not sure that is a good deal.

Mr. Cohen, you have talked about coming down like a ton of bricks. I think you need more bricks.

In the first half of 2013, we had 83 companies sanctioned. Since Rouhani's election, when the Iranians went from Ahmadinejad, who was honest enough to tell us what he was thinking, to Rouhani, who is very sneaky, we have had only 61, which means we have been going at one-quarter the rate, half the companies sanctioned in double the amount of time.

Now, I don't think we are going to negotiate a good enough deal, not because Ambassador Sherman is a bad negotiator, but because I don't think you have enough leverage. We should pass sanctions now that go into effect in January or February.

And I know that Secretary Kerry is reported in the press to have thought that that was a good idea, but needed to check with the White House. He checked with the White House, and then the reports in the press was that he never said it to begin with. In any case, you need that additional leverage.

The other additional leverage you need is for Israel not to just have 2,000- to 5,000-pound bunker-buster bombs, but the truly massive 30,000-pound bombs and the B-52s, which we have in our boneyard necessary to deliver them.

I am not saying you make that transfer immediately, but you begin efforts toward that transfer and I think you will see a much better response between now and November.

All options need to be on the table. And, frankly, the military option comes more out of Jerusalem than it comes out of Washington.

I want to pick up on Mr. Engel's comments about how Congress needs to be involved.

Mr. COHEN, is it your interpretation of existing law that the administration, without Congress, can use the power we have given you to waive individual transactions and, instead, waive whole classes of transactions? Do you need Congress or can you just stretch the existing law so as to give the Iranians the ability to operate sanction-free? Mr. COHEN?

This is a legal interpretation question.

Mr. COHEN. And let me answer that question in two parts. First of all, I am not a lawyer—at least not a practicing lawyer. So I will defer on the legal interpretation to those who are charged with—

Mr. SHERMAN OF CALIFORNIA. What is the position of the administration on the amount of power it has?

Mr. COHEN. The position of the administration is, as we look forward, in a comprehensive agreement, if one is to be had, to involve Congress in every step of the way, close consultation—

Mr. SHERMAN OF CALIFORNIA. Look, you are going to talk to us all we want. Let's say we say "no" to this deal.

Are you going to be able to implement it anyway by stretching the statutes and using your case-by-case waiver to make blanket waivers that deliver to the Iranians? And do you realize, and do the Iranians realize, that the next President may be elected on a platform of no more waivers?

Mr. COHEN. Congressman, I am reluctant to predict what the position might be in a circumstance where Congress has expressed disapproval for an agreement.

I can tell you that, under the existing legislation, the way we are approaching this is that we can proceed in close consultation with Congress to suspend and waive certain provisions of law—

Mr. SHERMAN OF CALIFORNIA. "Consultation" means we will tell you "no" and you will do it anyway. Let's say we say "no" in every meeting and every vote on the floor.

Are you going to do it anyway or do you have the right to do it anyway.

Mr. COHEN. Congressman, I am not in a position to answer that question.

Mr. SHERMAN OF CALIFORNIA. In other words, the imperial presidency grows further.

Finally—and I realize I am out of time—we were told with the original deal that, once you take uranium and make it uranium oxide, it was effectively neutralized. And we gave the Iranians \$4.2 billion for that.

Now we are being told that oxidizing the uranium does not neutralize it, but it will be really neutralized if we give them another \$2.8 billion to turn it into fuel.

The fact is I don't think it is neutralized either way, but we are paying for it twice and they still have it in their hand.

Ambassador SHERMAN. Congressman, if I may, we did not give Iran \$4.2 billion and now \$2.8 billion to dilute or to oxidize their stockpile. That was part of an entire package.

And that package is a list of about 15 or 20 commitments that Iran made, including stopping enriching up to 20 percent enriched uranium, diluting and oxidizing that stockpile.

It did, indeed, because they don't have the conversion facilities to turn it back, put it in a state that made it quite difficult, if not impossible, for them to enrich it to highly enriched uranium.

But, that said, we did not pay \$4.2 billion for just one item. It was for an entire package of items that the IAEA has said they have, in fact, carried out.

Mr. SHERMAN OF CALIFORNIA. Well, we are paying twice, whatever the amount is.

I yield back.

Mr. ROYCE. We need to go to Mr. Smith of New Jersey, chairman of the Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations.

Mr. SMITH. Thank you, Mr. Chairman. Thank you for calling this very timely and important hearing.

And welcome to our witnesses.

Let me ask you a couple of questions beginning first with: What happens at midnight, November 25th, if there is no agreement? How firm is the 25th deadline? Are you contemplating scenarios if that deadline slips?

Secondly, has the gap between the two sides on centrifuges actually widened with Iran's Supreme Leader Khamenei's recent statements that Tehran needs 190,000 centrifuges over the long term and that the P5+1 objectives, as he put it, are not realistic?

Khamenei has also characterized the requirement that, as part of a final agreement, Iran end its ballistic missile program as "stupid, idiotic expectation" on our part.

Thirdly, let me ask you—Khamenei, on Reuters—it is on the wire right now—has called Israel a rabid dog and has urged more arms to Hamas.

Now, are the Iranians in a better position to provide arms to Hamas as a result of the easing of the sanctions, especially the \$2.8 billion that they will get as a result of the July 18th extension?

And, finally, number 4, if I could, Andrew Natsios testified here at my subcommittee on North Korea, and we were talking about human rights and the ever-deteriorating situation in North Korea.

He made a very important point. And, as you know, he is a very accomplished diplomat, having been U.S. Special Envoy to Sudan, head of USAID in the past, and now he is working on behalf of human rights in North Korea.

He said de-linking human rights with the Six-Party Talks was a colossal mistake because, when the collapse of those talks happened, certainly the deterioration that we have seen on human

rights just continued. There was no stoppage. There was nothing that was gained during those talks.

I and many others have urged that human rights be integrated with the talks on the nuclear issue with Iran and especially now with Abedini. Yesterday was the 2-year anniversary, July 28th, of Pastor Abedini being brought to prison, and his enduring of torture began on that day.

Hekmati, Levinson, and now a Washington Post reporter that we are all very concerned about. You mentioned it, Madam Ambassador. Jason Rezaian continues to be a concern. We don't know much about him.

Since negotiations began and extensions in monies have been given to Iran by way of an easement on their sanctions, have human rights in Iran improved, stayed the same, or deteriorated?

Ambassador SHERMAN. Thank you, Congressman.

First of all, I want to bear witness, Congressman, to your leadership on human rights issues. You have been a long-standing leader in that regard for many years, all the way back to when I worked up here on Capitol Hill, which, looking at my hair, was quite some time ago. So I know of your passion and I share it, as does this administration.

As I said in my opening remarks—and let me elaborate—where Iran's human rights record is concerned, where—its acts of terrorism and instability, it is putting Israel's security at risk on a daily basis. And certainly many of the original rockets that Hamas had came from Iran. They now make many of their rockets, if not most of them, themselves. But there is no doubt Iran played a part.

We condemn Hamas' actions of raining rockets down on Israel. We condemn Iran's support for state-sponsored terrorism for acts of human rights. Indeed, our own human rights report, our own religious freedom report, shows that, indeed, there have been summary executions in Iran. And there is no doubt.

I have met with all of the families—Pastor Abedini, Amir Hekmati, Christine Levinson—and I spend—every time that I meet with the Iranians, I have a session separately on Americans of concern to us and certainly have added the journalist to that list. There is absolutely no reason for such detentions whatsoever, and they do nothing, of course, to help create a climate that would make a nuclear negotiation successful.

As to the Supreme Leader's comments about 190,000 SWU, or centrifuges, this doesn't help the negotiation climate either. I realize that he said this was aspirational and nothing that would happen today.

But there is no question right now Iran has 9,000 centrifuges that are enriching, another 10,000 that are installed. We believe that, if there is an enrichment program, it needs to be a fraction of that.

Mr. SMITH. What happens if that deadline slips?

Ambassador SHERMAN. What I said this morning—and I know this will get asked by many—our intention is that November 24th is the end of this negotiation. It could have gone for 6 months. We decided only to do 4. We don't want to talk for talk's sake.

That said, I try to be very straightforward with Members of Congress. I think that kind of clarity is important. I know from nego-

tiations, you know from your own negotiations up here on the Hill, you never know where things are going to turn out. So I cannot tell you for an absolute certainty on the 24th we will end, but that is certainly our intention.

Mr. ROYCE. So we go now to Mr. Gerry Connolly of Virginia.

Mr. CONNOLLY. Thank you, Mr. Chairman.

And, Ms. Sherman, I believe your career began here on the Hill on the Senate side. I hope my friend Ileana—

Ambassador SHERMAN. On the House side. On the House side, Mr. Connolly.

Mr. CONNOLLY. Oh.

Ambassador SHERMAN. I never worked in the United States Senate. I only worked in the House.

Mr. CONNOLLY. Oh. All right.

Ambassador SHERMAN. I did help elect a congresswoman—

Mr. CONNOLLY. Mikulski.

Ambassador SHERMAN [continuing]. To the United States Senate.

Mr. CONNOLLY. Yes. All right.

Ambassador SHERMAN. I never worked in the Senate.

Mr. CONNOLLY. Well, she sends the best over there. All right.

Thank you so much for being here and correcting the record.

I was listening to my friend from California, Mr. Sherman, and I must say I am a little fearful that we may be making perfect be the enemy of the good and—especially when we talk about a military response from Israel as if that is the only solution.

I am sure my friend didn't mean that. But when we talk about 30,000-pound bunker busters—

Mr. SHERMAN OF CALIFORNIA. Will the gentleman yield?

Mr. CONNOLLY [continuing]. And taking airplanes out the boneyard to deliver them, that certainly sounds like we favor a military option before we have completed the diplomatic process.

Mr. SHERMAN OF CALIFORNIA. Will the gentleman yield?

Mr. CONNOLLY. Of course.

Mr. SHERMAN OF CALIFORNIA. Just for the record, I said no actual transfer, just begin the process until after November.

Mr. CONNOLLY. Yeah. I appreciate my friend. Thank you.

But I would just caution that we are in the middle of a diplomatic process and, if Congress decides to intervene that way, it sends a clear signal that we have given up on the diplomatic process. And at least this Member of Congress—and I believe there are others—is not quite ready to make that judgment just yet.

Ambassador Sherman, in your opinion, is Iran sincere in the negotiation process to stand down with respect to the development of its nuclear weapons?

And you are going to have to be real succinct, but having come from the House, I know you know how to do that.

Ambassador SHERMAN. Congressman, I believe Iran has come to these negotiations seriously. I believe they intend to get to a comprehensive agreement. But I do not yet know whether they can take the decisions they must to reach a comprehensive agreement to which we would agree.

Mr. CONNOLLY. Have you—you cited the IAEA.

Is there any evidence of the Iranians having cheated on the Phase 1 interim agreement?

Ambassador SHERMAN. The IAEA says they have completely complied with their obligations, as have the P5+1.

Mr. CONNOLLY. Do we sense tension or disagreement or even game-playing between the Supreme Leader and the new President Rouhani?

Ambassador SHERMAN. You know, I think I would ask in a closed session for our intelligence community to give you their assessment of what the internal dynamics of—

Mr. CONNOLLY. I am only referring to public statements. I have seen public statements that seem to contradict each other.

Ambassador SHERMAN. I have seen those public statements as well, but I think it is very hard for us to know what happens in such an opaque system.

Mr. CONNOLLY. So we don't know, really—

Ambassador SHERMAN. I don't think we actually know.

Mr. CONNOLLY. All right. Have sanctions degraded because of the interim agreement—Phase 1 interim agreement?

Ambassador SHERMAN. I don't believe they have at all. And I defer to Under Secretary Cohen on that.

Mr. COHEN. I agree with Under Secretary Sherman. I don't think we have seen the sanctions architecture degrade at all in the course of the—

Mr. CONNOLLY. I think that is really important testimony because we have heard members assert otherwise.

And it is really important for the administration, if that is true, Mr. Cohen, to be crystal clear and to have documentary evidence to counter it. Because, otherwise, it gets out there unchallenged, that somehow the sanctions have just all gone away and we are letting them off easy and Iran can now return to happy days again because they have just extended this agreement, and we have been played for fools.

Mr. COHEN. The sanctions architecture, which includes our financial sanctions, our banking sanctions, our oil sanctions, as well as a host of other ancillary sanctions, that are not suspended in a Joint Plan of Action, haven't been carried forward into the extended Joint Plan of Action, remain in place.

We have been enforcing them. And what we have seen in the marketplace is not that the sanctions architecture is crumbling, but it is holding firm. We have seen—and I am sure members of this committee are aware of trade delegations and others who have gone to Iran and sort of tested the waters.

But what we have not seen are deals getting consummated, of people taking actions to defy the sanctions or to test our willingness to enforce. And, in fact, where we have seen actions that violate the sanctions we have responded.

Mr. CONNOLLY. Good.

Final question, Ambassador Sherman. Why the extension? Why couldn't we consummate the final deal or the next phase in the deadline we set for ourselves and the Iranians? And would you address, in answering that, are they just playing for time? Because that is the other implied and sometimes explicit criticism, they are just playing for time here while they proceed with their development.

Ambassador SHERMAN. I understand that concern, and we don't want talk for talk's sake. As I said, we could have gone for all 6 months. We thought that was not useful. They would wait until month 5.

We think, quite frankly, with the U.N. General Assembly meeting in September and people convening in New York, it will create a fulcrum for some of the decisions that need to get taken here.

As to why we didn't get there in 6 months, this is a highly technical agreement. I rely on all of these fine experts and many, many more because all of the devil is in the details. And each commitment that is made has to be detailed in quite extensive annexes, and it just takes an enormous amount of time.

Mr. ROYCE. Thank you, Mr. Connolly.

We now go to Steve Chabot of Ohio, chairman of the Asia Subcommittee.

Mr. CHABOT. Thank you.

Madam Ambassador, first of all, let me just make this point. I think some would argue that it is logical to assume that, if we were unable to reach an agreement in the first 6 months, that it is not very likely that we are going to be able to reach an agreement just giving us 4 more months.

Would you comment on that.

Ambassador SHERMAN. I can understand that because it is hard when you are not inside the room to know whether, in fact, there is any reality to the extension.

Secretary Kerry came to Vienna, as did some of the other foreign ministers, had very extensive and quite direct conversations with Foreign Minister Zarif and all of the members of the Iranian team. So he could assess for himself whether there was any "there" there. He had gotten daily reports, as had the President, of what was occurring in the negotiation.

And, in fact, we were making tangible progress on some of the key elements on how to deal with Iraq; how to deal with Fordow, that it not be an enrichment facility, which was agreed to; what kind of transparency measures; the additional protocol, as I mentioned, in 3.1; what should happen at Natanz; what should—some of the other transparency measures should be.

We have other issues we still have to resolve, and we obviously have a gap that is significant on enrichment capacity. But the trajectory was in the right direction. The talks were quite detailed, quite specific, and, really, so he—

Mr. CHABOT. Okay. Let me cut you off there, if I can.

Ambassador SHERMAN [continuing]. Go back and make some political decisions.

Mr. CHABOT. Thank you.

Former Secretary of State and maybe future President, Hillary Clinton, was recently quoted as saying something along the lines that no deal is better than a bad deal. I think Prime Minister Netanyahu and others have made basically the same point.

Would you agree with that comment?

Ambassador SHERMAN. I would. The President of the United States has made that statement—

Mr. CHABOT. He said the same thing, too.

Ambassador SHERMAN [continuing]. As has Secretary Kerry.

Mr. CHABOT. Okay. Let me ask you this: Would you describe the deal that we are ultimately likely to end up with here, if there is a deal reached—I think a lot of people are skeptical for good reason that any good deal would ever be reached—but that the deal will be closer to Iran continuing or having a nuclear capability with inspections or dismantle and remove? What do you think it is more likely that we will come up with?

Ambassador SHERMAN. I don't know the answer to that question, Congressman, because this agreement is not about any one element. It is how all the elements come together in a package that cut off all of the pathways to a nuclear weapon.

Mr. CHABOT. Would we agree with something less than dismantle and remove?

Ambassador SHERMAN. We will only agree to an agreement that cuts off all of the pathways to a nuclear weapon. We will only agree to an agreement that assures us that Iran will not obtain a nuclear weapon. There are many ways to get there.

Mr. CHABOT. Okay. Well, let me go back again one more time.

As far as that specific terminology, dismantle and remove, are you suggesting that something less than that would be acceptable to this administration?

Ambassador SHERMAN. Congressman, with all due respect, we would have to talk about each element of the program and what of that you would want to see dismantled, what of that you would want to see removed.

Mr. CHABOT. Okay. Thank you.

The U.S. has committed to refrain from further reductions of Iran's crude oil exports. However, China has been consistently violating the limit.

What efforts has the U.S. made to curb China's Iranian oil imports? And will there be any repercussions for China exceeding the acceptable limit over the last 6 months? And is the administration working to place sanctions on China if the limits are again exceeded over the next 4 months?

Ambassador SHERMAN. Congressman, what we told the Congress and what we set out to do in the Joint Plan of Action was to set an aggregate range of 1 billion to 1.1 billion barrels per day of the five remaining countries plus a small amount to Taiwan that is still allowed to be imported from Iran. We believe in looking at the data that we will meet that aggregate.

In terms of China, there have been some months where they have stayed pretty much at where we had hoped they would be and some months they have gone a little up and some months they have gone a little bit down.

President Obama has had direct conversations with President Xi about keeping the sanctions in place and China, particularly since they are a member of the P5+1 negotiating group, keep to the commitments that we made in the Joint Plan of Action.

Secretary Kerry raised this himself during the strategic and economic dialogue just a couple of weeks ago. I have raised it constantly with my interlocutors.

China has made a commitment to keep to an average rein—these tend to fluctuate up and down over the months—that will be in keeping with the commitments that were made in the Joint Plan

of Action. Obviously, if that does not occur, we will have to decide how to address it.

Mr. CHABOT. Thank you.

My time has expired.

Mr. ROYCE. Mr. Deutch of Florida, ranking member of the Subcommittee on Middle East and North Africa.

Mr. DEUTCH. Thank you, Mr. Chairman.

And thanks to Under Secretary Sherman and Cohen for appearing today. We do appreciate your willingness to consult with Congress in the weeks leading up to the July 20th extension. We appreciate you being here as well.

Mr. Smith referred to the case of Hekmati, Abedini, and Levinson. Today marks 2,699 days that Bob Levinson has not been with his family, and I want to raise it because, as the negotiations started and then an extension came, he remains still in captivity.

I appreciate your efforts, Ambassador Sherman. I know you raise this issue every time, and I encourage you to continue doing so on behalf of my constituent, Bob Levinson, and his family.

Now, at the outset of these negotiations, we heard a lot from our partners in the region about concerns about the P5+1 sitting down with Iran. And when the JPOA was announced, we heard again that our allies were unhappy that the interim deal may have blindsided them.

And, Secretary Sherman, I know that you spent a lot of time traveling throughout the region to try to allay those concerns.

Now, this weekend we heard similar complaints after Secretary Kerry met with Turkey and Qatar on a potential cease fire in Gaza. And I understand the need to work with those who can exert leverage on Hamas, but to do it without including Israel, the PA, and other regional partners can give those partners a reason for concern. Now, taken together, these two instances raise some concerns.

And I want to put aside this weekend's back-and-forth about cease-fire offers and the details. But I would like to focus on what my constituents reach out to me about, what they want, which is the same thing that our allies want, which is the same thing that Congress wants and it is the same thing the world expects, and that is clarity on these issues.

In the case of Gaza, that means being unmistakably clear and without reservation why Israel has taken the action that it has taken. The footage of civilians that have been killed is horrific, and we mourn the loss of any innocent life.

But we have to recognize the threat that Israeli faces, why they are responding, why, if you believe in human rights, you must condemn Hamas' use of civilians as human shields, and why any cease-fire agreement must include the issue of tunnels, destruction of the tunnels, and the demilitarization of Gaza. And anything that detracts from that clarity, in word or in deed, in statement or in video, can invite questions. Clarity avoids those questions.

Likewise, in these negotiations with Iran, the clarity that we are looking for is to remind people that this is not just about getting to a deal with Iran. It is a reminder that seven times the United Nations said no enrichment for Iran. That went for years.

The IAEA and others have pointed to military dimensions of Iran's program when Iran continues to be the largest sponsor of terrorism, including Iran's claims just this weekend that it is responsible for helping to build Hamas' rockets, that the United States remains committed to these core principles in negotiations—stopping Iran's nuclear program—because, ultimately, Iran with a nuclear weapon capability is the biggest threat to international security.

It is not just about making a deal, as I said. And I commend you for all that you have said already to make that clear. It is about a historic opportunity and obligation that we have to stop Iran from acquiring nuclear weapons. Our national security interest is at stake. Everyone is just looking for clarity.

The countries that raise concerns about the current crisis in Gaza are the same countries that are most concerned about Iran with a nuclear weapons capability: Israel, Egypt, Jordan, and the Gulf States.

And let me be clear. I am not questioning the United States' commitment to stopping a nuclear-armed Iran. I am not questioning the United States' commitment to Israel. As Ambassador Rice reminded the world yesterday, there is one thing that you never have to worry about. That is America's support for the State of Israel.

But I am simply raising perceptions that sometimes arise to ensure that perceptions never become reality. This hearing gives you—gives us the opportunity to provide the world with that clarity on the issue of Iran.

Now, with all of that said, I would ask the question just about the military dimensions of the program. There are lots of issues that remain to be in—remain to be resolved, including what Iran did at Parchin.

And the question is: Will Iran have to come clean on its past activities in order for the P5+1 to reach a final agreement with Iran? And, if not, how do we have a baseline to know how close Iran ever is to achieving that military capability?

Ambassador SHERMAN. Thank you very much, Congressman.

Let me say with absolute clarity what Ambassador Dermer, Israel's Ambassador to the United States, said. And that is that he knows that there is no better friend to Israel than the United States, that any of the attacks that have been made in any of the newspapers on Secretary Kerry are "completely," to use his words, "unwarranted." And Ambassador Dermer said he was speaking on behalf of the Prime Minister of Israel.

I and all of my colleagues and the President of the United States and Ambassador Rice are immensely proud of Secretary Kerry. He went to the Middle East and he went to the region because he believes wholeheartedly in the need to do everything he possibly can as Secretary of State on behalf of the President and the interests of our country to protect the security of the Israel, to stop the rockets from raining down on Israel, to allow Israel to make sure that no tunnels can come into the State of Israel with terrorists and kidnappers and people who would do harm.

And the Secretary obviously saw that there were civilian deaths that were happening all over the place, and there is not a person

in this room who, as you said yourself, is not just heartbroken to watch children die, to watch people die, in any country anywhere in the world, in any territory anywhere in the world.

But the Secretary of State's commitment to Israel's security, the President of the United States' commitment to Israel's security, my commitment to Israel's security, could not be stronger.

While I was in Vienna, I consulted on a regular basis with both the National Security Advisor and the Minister for Intelligence in Israel and will continue to do so, as I also consult with Gulf partners, with partners in Europe, with Australians, with everyone throughout the world, but, most particularly, because we understand, from Israel's perspective, Iran's actions are existential for them. And we do understand and appreciate that.

Where the Iran negotiation is concerned, we have only one objective, and that is that Iran not obtain a nuclear weapon. The President of the United States got a Nobel Peace Prize because he believed that this world should not have nuclear weapons.

And he was going to make that a commitment of his administration, and he has done that at every turn, which is why we are engaged in this negotiation as well. As he said, we may not see that in certainly my lifetime—perhaps yours, Congressman, but not in mine—but it is an effort that we all must make to keep our country secure.

So I thank you for offering this moment of clarity. I don't think there should be any doubt whatsoever about it.

Mr. ROYCE. We go now to Mike McCaul of Texas, chairman of the Committee on Homeland Security.

Mr. MCCAUL. Thank you, Mr. Chairman.

And, Ambassador, thank you so much for being here today. I certainly don't envy your position, and it must be a very challenging job, to say the least, and we wish you the best.

I have always had some fundamental concerns about the premise, in general, and that is that we could ever negotiate with the Supreme Leader, the Ayatollah, in good faith to give up his nuclear weapons program.

Call me a skeptic, but I think we have to have a healthy amount of skepticism going into this process, as I am sure you do. They are a state-sponsor of terrorism.

The right to enrich uranium violates six U.N. Security Council resolutions. The Ayatollah is now demanding, I think, 190,000 centrifuges. That is 10 times the number that Tehran currently possesses. I don't understand that.

We don't address the military dimensions with respect to ICBM capabilities, which we have been told they could have by the year 2015. And so I just have several concerns.

I mean, I think—I asked Secretary Kerry this question. I mean, I think, fundamentally, what you want is for them to give up their enrichment program altogether and then we could provide that to them if it is truly a peaceful nuclear program.

What are the chances of that?

Ambassador SHERMAN. Well, thank you, Congressman.

I agree that the best road for Iran, from our perspective, is that they have no enrichment program whatsoever. They will never get rid of their capability because they have already mastered the nu-

clear fuel cycle and, once someone has learned how to do something, you can't sort of take it out of their brain.

So, quite frankly, even if we, you know, took military action, got rid of all of their facilities, dismantled everything, got rid of everything, they could rebuild it again because they know how to do so.

So what we have to do is figure out a way to ensure that they have no pathway to a nuclear weapon, so no way to get highly enriched uranium to then turn it into a bomb and then put it on a delivery mechanism and deliver it, no way to have a plutonium pathway, no way to have a covert facility. And that is what we are attempting to do here.

Part of that is, indeed, addressing the possible military dimensions of their program, to have access by the IAEA to those sites where we want to make sure there aren't undeclared facilities. All of that will have to be part of this agreement.

And, finally, you are right to be skeptical. I am skeptical. The President is skeptical. He has said 50/50. The Secretary has said, others have said, as was mentioned earlier, no deal is better than a bad deal.

Mr. MCCAUL. I certainly agree with that.

Ambassador SHERMAN. That is what we are trying to do here.

Mr. MCCAUL. And I think everyone agrees with that assumption.

I don't see—there is not one single centrifuge dismantled, not 1 single kilogram of enriched uranium being stopped, and they—nothing to dismantle the heavy-water reactor, which a former administration official called it a plutonium bomb factory.

This question has been asked twice, and I don't know—well, there are two questions I have in the limited time I have.

One is: I know you want to be optimistic. But if November comes and goes and there is no agreement, what will this administration do?

Ambassador SHERMAN. This administration will have had ongoing consultations with the United States Congress, with our partners around the world, and we will all make the best judgment we can about what we need to do next.

Mr. MCCAUL. I would argue, Mr. Chairman, that sanctions would be certainly appropriate, the ones that we passed out of the House.

And then the second one: What assurances—we have lifted, in terms of the sanctions, between \$6 billion to \$7 billion in frozen assets, and the extension of this negotiation frees up another \$2.8 billion.

What assurances do we have that this freed-up money is not going to fund the rockets that Hamas is firing into Israel?

Mr. COHEN. Congressman, Iran, as others have noted, is the leading state sponsor of terrorism in the world today and has been for quite some time. It has supported Hezbollah. It has supported Hamas. It did so long before we entered into the negotiations that led to the Joint Plan of Action. It has continued to do so.

The funds that are being made available to Iran in the course of the Joint Plan of Action, now in the extended Joint Plan of Action—their assets—there are no safe harbors regarding that money. The sanctions that we have, the efforts that we have, to disrupt Iran's provision of material support to Hezbollah, to Hamas, remain as intense as ever.

And so we will not ease off one iota in trying to ensure that Iran does not—

Mr. MCCAUL. So none of the money freed up by the lifting of sanctions are going to fund rockets to go into Israel?

Mr. COHEN. Congressman, I cannot give you that guarantee. What I can guarantee you, however, is that we will do everything in our power to disrupt Iran's support for terrorism around the world and continue to do so.

Mr. MCCAUL. I hope we all know what we are dealing with here. Thank you.

Mr. ROYCE. Brian Higgins of New York.

Mr. HIGGINS. Thank you, Mr. Chairman.

Last year, when Hassan Rouhani was running for President, he was one of six candidates. He was viewed as the reform candidate. He ran against the policies that created for Iran international isolation. He ran against the policies that impose sanctions on Iran.

And he won, and he won with over 50 percent of the vote, meaning that there would be no runoff. And the only way he could have done that is with the support of the Supreme Leader, Ayatollah Khamenei.

Khamenei used to say that, you know, "The sanctions don't hurt Iran. They make us stronger. They make us self-sufficient." Well, last year Khamenei was saying that the sanctions are brutal. He characterized them as economic warfare.

And when you look at sanctions, what you are trying to do is impose economic sanctions toward having a psychological impact. And last July the Iranian economy was a mess.

You had 45 percent inflation, meaning that whatever you had prior to—or whatever you purchased prior to the inflation surge you were paying double within a couple of months.

The Iranian currency had lost half of its value. Iranian officials were pointing fingers not at the United States, but at each other, as to who was to blame for all of this. You couldn't get chickens during Ramadan because there was no money to buy chicken feed.

And then the International Monetary Fund said in February 2014 in a report that the temporary agreement to ease sanctions have helped to stabilize the American economy. It seems as though we took away our own leverage. We took away our own leverage when we had the Iranians on the run.

When you look at the context of this negotiation with the P5+1, we want to reduce Iran's centrifuges, which are the machines that mix at supersonic speeds to enrich uranium, to weapons grade while Iran currently has 19,000, up from 163 10 years ago, to 50,000.

You know, I don't know that we got a good deal here. By weakening the sanctions, albeit temporarily, albeit a small percentage overall, it seems like the Iranians are moving and are committed to moving an entirely different direction. You have next-generation centrifuges. You have knowledge that you can't destroy.

I mean, they have tremendous leverage here, and the leverage that we have, seemingly, given the deplorable economic conditions in Iran last summer, we gave into in a process where it seems as though the two sides aren't maybe in agreement, but not even nar-

rowing the differences. They are going two entirely different directions.

I would ask you to comment.

Mr. COHEN. Congressman, the Iranian economy is still a mess. The rial is still highly devalued. It has lost value during the course of the Joint Plan of Action.

Iran's inflation is still among the highest, if not the highest, in the world. It still does not have access to almost all of its foreign reserves. Its economy, as I noted in my oral testimony, is 25 percent smaller today than it would have been had we not imposed the sanctions that you spoke of.

The Joint Plan of Action did not fix the Iranian economy, won't fix the Iranian economy, and there is no sense in which—looking out over the next 4 months, that Iran will be, you know, at the end of this period, I think thinking that their economy has rebounded.

The pressure that comes from the sanctions, sanctions developed with Congress, with the administration, with our partners around the world, remains quite robust, and the impact on Iran's economy continues to bite. That provides leverage to our negotiating team to try and pursue the comprehensive agreement.

And, with that, I will turn it over to Under Secretary Sherman to follow up.

Ambassador SHERMAN. Congressman, the Joint Plan of Action for the first time in a decade froze Iran's nuclear program and rolled it back in specific ways.

Iran halted all of its near 20 percent enriched uranium and halted, disabled, the configuration of centrifuge cascades that they have been using to produce it. They have diluted and oxidized that stockpile of 20 percent.

They have not enriched uranium in roughly half of the installed centrifuges at Natanz and three-quarters of the installed centrifuges at Fordow, including all next-generation centrifuges.

They have limited centrifuge production to those needed to replace damaged machines. So they cannot stockpile centrifuges during these months, including these 4 months of an extension.

They have not constructed any additional facilities. They have not gone beyond its current enrichment R&D practices, as described in the IAEA report of November 14, 2013.

They have not proceeded in any way, shape, or form on the Arak reactor. It is frozen in place. They have halted the production and additional testing of fuel for the Arak reactor.

They have not installed any additional components at Arak. They have not transferred fuel or heavy water at the Arak reactor site. They have not constructed a facility capable of reprocessing and, without reprocessing, Iran cannot separate plutonium from spent fuel.

And I could go on and on. Those are the highlights of what came out of the Joint Plan of Action. For the first time in a decade we are in a better place than we were.

We have much further to go, and I don't know if we will get there, but it was a worthwhile thing to freeze their program.

Mr. ROYCE. The gentleman is out of time.

And so we have to go to Mr. Tom Cotton of Arkansas.

Mr. COTTON. And I would simply say that perhaps we would be in an even better place if we had not relaxed the sanctions in November, but increased them, as this committee attempted to do last summer, followed by House action, or perhaps if we had taken a different course in 2009 during the green movement, but that is neither here nor there.

Some of you may know the parable of the frog and the scorpion. The frog is at the river. The scorpion approaches him and asks for a ride across the river.

And the frog says to the scorpion, "But you will sting me and kill me."

The scorpion says, "I would not do that because then we would both drown."

And the frog says, "That is a good point."

So the frog gives the scorpion a ride across the river, and half-way across the scorpion stings the frog.

And the frog looks to the scorpion and says, "Why did you sting me? Now we will both drown."

And the scorpion said, "Because it's my nature."

The problem here is not the nature of the weapon, but it is the nature of the Iranian regime. They continue to be the world's number one sponsor of state terrorism, whether it is Hezbollah or Hamas, that not just attacks our allies, like Israel, but tries to launch attacks on the United States, assassinating Ambassadors, if they could have executed their plan of friendly countries in restaurants just a few miles from here, or killing soldiers with whom I served in Iraq in 2006 by importing fighters and bombs and other material.

I am deeply skeptical, as are my colleagues here on this committee, that any of this will ever change, no matter how skillful our negotiations, unless the regime in Iran changes. It has been like this for over 30 years. And, unfortunately, I think it will continue to be like this until the people of Iran have a legitimate, democratic representative government.

Now, all that said, there are issues related to Iran besides this nuclear negotiation, such as their meddling in Iraq or their support for Bashar al-Assad in Syria, their ongoing support for Hezbollah and Hamas.

One of our negotiating partners, Russia, has ongoing issues as well, such as their invasion of Ukraine and supplying thugs that shot down the civilian airliner and their support for the Bashar al-Assad regime in Syria.

So I would like your brief assessment on whether they bring those issues to the negotiating table on this and, if so, how.

Ambassador SHERMAN. Thank you, Congressman.

So far, everyone has been focused on what goes on in the negotiating room around this comprehensive Plan of Action or the possibility of a comprehensive Joint Plan of Action.

And although we were in Vienna at the time of the horrific events in Ukraine, my Russian colleague, Sergei Ryabkov, who is a long-time professional diplomat in Russia, stayed very focused on what could be done to try to move this comprehensive negotiation forward.

I cannot tell you that all of these issues won't come into the room at some point, and it certainly does create strains around the margin. We are all human beings. And that was just beyond deplorable and shocking and, you know, we were all just completely stunned at what was occurring.

Similarly, I think that what is happening in Iraq with ISIL, or ISIS, if one looks at it in Syria, is something of concern and, in that instance, ironically, Iran is probably as interested as we are in getting rid of ISIL.

But it is not something on which we make common calls because there are so many other areas in which we have vast and unbridgeable disagreements in terms of their state sponsorship of terrorism, their human rights record, and what they do to foment instability around the world and, as you say, their relationship with Iraq is a long and complicated one.

And I thank you for your service to our country not only here, but in Iraq, in what is now a very difficult circumstance for that country.

So right now everyone stays focused. It is a constructive, serious negotiation. I hope it remains that way, but I can't tell you for sure that it will. The world is a pretty complicated place at the moment.

Mr. COTTON. Well, thank you.

Again, I remain deeply skeptical of the Joint Plan of Action, but I do wish you the best of success that we can reach an agreement that completely eliminates Iran's nuclear weapons program and ancillary programs not just for our sake, but for the sake of peace and safety around the world.

Mr. ROYCE. We go to Mr. Juan Vargas of California.

Mr. VARGAS. Thank you very much, Mr. Chairman. Again, thank you very much for bringing this item before us once again and, also, the ranking member.

As you know, I have been very skeptical of this process from the beginning. I think that we are negotiating with a regime that has no intention of giving up its nuclear weapons program. It only wants to go dormant for a few years, then restart. And, so far, everything that they have done confirms that, in my mind. They haven't destroyed their centrifuges. They haven't given up enrichment, even though they can buy the fuel, as you know, on the open market.

And I don't think they want to in any way bar themselves from having a nuclear program. I think they are trying to figure out a way to get around the world. The world has spoken through the U.N. that they shouldn't have enrichment, they shouldn't have those capabilities. And, in this process, I think they are trying to earn that.

I also have to say that I remember 1979, when the regime came into power. That is 35 years ago. I think that they are trying to wait us out. I think that they want a—we call it a final agreement, a long-term agreement. The reality is I think they only want the shortest time possible, not one that bars them forever.

So I have been very, very skeptical. I thought that the better way was to continue to ratchet down the sanctions. And I have to say again kudos to the administration. This is the first administration that took the sanctions seriously, for God's sake. Before we hadn't

and, thank God, this administration did. But then we let them off the hook when I think we should have ratcheted it down. And so here we are now.

I also remember very clearly saying I thought that they were going to skip the 6 months, that it was going to slide, and it has slid. And, again, I hear today that it won't slide—more likely, it won't slide. It could slide.

But, so far, everything that they have done has confirmed, in my mind, they don't really want to stop their nuclear program. They just want to waste some time.

Convince me that that is not the case.

Ambassador SHERMAN. Congressman, the only thing that will convince you is what will convince me and what will convince the administration and our country, and that is if Iran takes the steps that it must to ensure that all of its pathways to a nuclear weapon are cut off and that their program is exclusively peaceful.

And that means a comprehensive agreement that, as a package, accomplishes those metrics. And I don't know whether we will get there or not. But the only way I will be convinced is if Iran takes the difficult decisions that it must to do exactly that.

Mr. VARGAS. But two of the most important pathways is enrichment. I mean, enrichment is a way, obviously, to get a weapon. We are allowing them, it sounds like—and, again, I don't know this, but it seems to me that we haven't said they will have absolutely no enrichment. We haven't said that. That is a pathway.

Ambassador SHERMAN. It is a pathway. But what we are talking about, if we get to this comprehensive agreement, would be an incredibly small and limited enrichment program under intrusive monitoring such that they would not have a pathway to highly enriched uranium for a nuclear weapon. If we cannot do that, then we will not have a comprehensive agreement.

Mr. VARGAS. The second pathway that I believe is very dangerous is the issue of time. If this final agreement is 5, 7, 10, even 20, years—it was 35 years ago when they came into power. I mean, I still think they will have the same desire.

I mean, I don't think that their nature is going to change. I kind of believe in that same issue of this frog and the scorpion. I think that they do want to sting. I don't think their nature is going to change.

And what can you tell us—if you can't tell us in open session, I understand. But what can you tell us about the duration?

Ambassador SHERMAN. Duration is a critical element and, in our view, it has to be quite a long time for the very reason you said. It has been decades that the international community has had no confidence in what Iran is doing.

And so it is going to take a considerable period of time for us to gain that assurance and that confidence. And I am happy to discuss specific numbers with you in a closed session. Certainly double digits.

Mr. VARGAS. Okay. I look forward to that, because that is a great concern of mine.

And, lastly, I guess I would say this, that I really appreciate the statement that you gave about Israel. And many of us who are devote Christians have a very strong feeling for the State of Israel

and its people and an unequivocal statement of support for Israel. Especially during this time it was very important. I appreciate it.

Thank you.

Mr. ROYCE. We are going to go to Mr. George Holding of North Carolina.

Thank you, Mr. Vargas.

Mr. HOLDING. Thank you, Mr. Chairman.

Mr. Cohen, you mentioned in your testimony that additional sanctions relief under the extension of the interim agreement includes keeping Iran's crude oil exports to current purchasers at current average levels.

So if you could just answer succinctly, have Iran's crude oil buyers kept their purchases or acquisitions of Iranian crude oil to December 2013 levels at present?

Mr. COHEN. Congressman, the best information that we have, which is current to within the beginning of July—so we don't have the last 20 days of the Joint Plan of Action period—indicates that the aggregate amount of oil going to the five purchasers of Iranian oil is within the limits that we set out in the Joint Plan of Action of the 1 million to 1.1 million barrels per day.

Mr. HOLDING. So is that at the levels of December 2013?

Mr. COHEN. Yes, sir.

Mr. HOLDING. And do you agree with that, Ambassador Sherman?

Ambassador SHERMAN. Yes. Within that range, yes.

Mr. HOLDING. All right. The administration has committed to comprehensively lifting nuclear-related sanctions as part of the final P5+1 agreement with Tehran.

So my question, Ambassador Sherman, to you: What sanctions in the current law specifically, which provisions of the current law, does the administration consider nuclear related? And why?

Ambassador SHERMAN. Congressman, as I think you know—because you have asked this question—our laws are very complicated, and several of our laws cover a number of things all in the same law.

We believe that there is a way to address the portions of the laws that relate to nuclear-related sanctions, and I am very glad to have our staff come up to sit with you or your staff and brief you in detail law by law what we are thinking about.

I would prefer not to do that in an open session because how we are thinking about suspending and then, ultimately, if Iran complies with all of the things that they would need to comply with, coming to you to lift those sanctions, is part of our negotiations. And so I would rather discuss that in a closed setting than in an open setting.

Mr. HOLDING. I appreciate that.

You know, many of these sanctions that are imposed are for things including, you know, not only, you know, their nuclear program, but for all the other bad acts.

I mean sanctions aimed at preventing Iranian banks involved in proliferation, terrorism, money laundering, any other activities, you know, the state-sponsored terrorism, you know, ballistic missile programs. It is a myriad of things, and the sanctions are all intertwined.

And so, even if you come to an agreement, you know, on the nuclear program, you know, it doesn't ameliorate—or, you know, it doesn't alleviate nor does it come close to ameliorating the fact that Iran is quite a bad actor, and these sanctions have other purposes as well.

Ambassador SHERMAN. Absolutely. And we believe there is a way to proceed forward so that our sanctions enforcement on terrorism, on human rights, on other issues not covered by a comprehensive agreement, should we get to one, remain in place. And we are happy to come up and delineate that in the best way we possibly can.

Mr. HOLDING. All right.

Mr. Chairman, I yield back.

Mr. ROYCE. Thank you. Thank you very much, Mr. Holding.

We are now going to go to Brad Schneider of Illinois.

Mr. SCHNEIDER. Thank you, Mr. Chairman. And thank you again for calling this hearing, for you and the ranking member for staying vigilant in all you have done to make sure that we do all we can to make sure Iran cannot acquire—not just acquire a nuclear weapon, that they cannot acquire the capacity or capability.

I want to thank the witnesses for coming here today and sharing their perspectives.

As you have heard today, there is a—on both sides of the aisle a lot of skepticism. I think there is great concern about the negotiations from the start, great concerns about the sanctions relief provided to Iran, and the path that we are headed down.

It is imperative—and I will repeat myself because I think it bears repeating—that Iran cannot be allowed to have the capability to get a nuclear weapon.

Ambassador Sherman, you have used the language in your written testimony and in some of the answers that we want to cut the paths for Iran's nuclear programs. My concern is it is not just that we cut the path, but that we close that path and eliminate it permanently.

Can you tell me the distinction here. Because they have cut the pathways, for example, to cascades on the centrifuges, but there are still 19,000 installed centrifuges. That path may be cut, but it is not closed.

Ambassador SHERMAN. Yes. I think we are talking pretty much about the same thing, Congressman. I do want to make a distinction, though—and it is hard for all of us to have all of the detail on all of this, particularly in this open session.

We can never get rid of Iran's capability. They have already mastered the nuclear fuel cycle. They can't unlearn it. As I said previously, we could destroy every facility they have and they could reconstitute them all.

Mr. SCHNEIDER. But with all due respect, that is know-how, and know-how is one piece. Capability and having the assets in place is a different thing.

Ambassador SHERMAN. Correct. So their centrifuge capacity can be attacked in a myriad of ways. Their centrifuges, their facilities, their stockpiles, how they are installed, how they are taken apart or not taken apart—all of those are elements of a package that would give us the confidence that, in fact, they did not have a path-

way to highly enriched uranium where Natanz and Fordow are concerned, that they would not have a pathway to plutonium where Arak is concerned. There are a number of ways to get to that metric. That is the metric that matters. And I think we are in agreement.

Mr. SCHNEIDER. And I know that some of these details like the specifics on Arak and specifics at Fordow would have to be in a closed session. I would like to have that closed session as soon as possible.

Let me take it another direction. We are looking at November 24th, not that far away at this point—

Ambassador SHERMAN. No.

Mr. SCHNEIDER [continuing]. 3 months, 4 months.

What are you telling Iran in the negotiations will happen if we don't have a satisfactory negotiated settlement by November 24th?

Ambassador SHERMAN. Iran is quite well aware that all of our options and the world's options are on the table. Iran is quite well aware that, if we cannot get to a comprehensive agreement, that they will likely face even more sanctions than they are currently facing and that—

Mr. SCHNEIDER. But are we making clear the magnitude of those sanctions? We can't go back to the sanctions regime of November 24, 2013. It has to be orders of magnitude greater than what we had, even greater than what we passed last summer.

Ambassador SHERMAN. They are very well aware.

Mr. SCHNEIDER. What do you think they believe?

Ambassador SHERMAN. I think they believe that, if we do that, they have a lot of things they can do in return.

Mr. SCHNEIDER. Do you think that they believe we actually will raise the sanctions, that we have the capacity?

Ambassador SHERMAN. Oh, I think—

Mr. SCHNEIDER. What do they think our partners believe? And what do our partners believe will happen?

Ambassador SHERMAN. There is no doubt in my mind that Iran understands the power and prerogatives of the United States Congress, the actions that you have taken, and the actions that you would take.

And if, in fact, we could not reach a comprehensive agreement and we are sure that we cannot reach a comprehensive agreement, we have stated publicly as an administration that we would expect there to be more sanctions.

Mr. SCHNEIDER. Would the administration support Congress taking action and stating very clearly in a resolution or in a law that, if there is not an agreement by November 24th, these are the sanctions they will face, so there is no doubt. That clarity that my colleague talked about earlier is so important.

Ambassador SHERMAN. We actually do not support such action, Congressman, and the reason is very simple. We believe that, if this comprehensive agreement does not work, it should be because Iran cannot make the commitments that it needs to.

We don't want there to be any other basis, any other excuse. We don't want them to say, "We couldn't get there because Congress, you know, pushed our hardliners to the wall," whatever kind of narrative they put on the table.

We want it to be crystal clear to the world that we tried diplomacy as far as we could take it and Iran could not do what it needed to do. Because, if we do that, then the entire world will stay together in the enforcement not only of the existing sanctions, but sanctions to come.

Mr. SCHNEIDER. Well, I am out of time. But let me just close by saying I disagree, respectfully, but I think we need to be clear. And I think, if we do tell Iran what their options are so there is no doubt, we have a better chance of getting to a successful resolution on negotiations.

And let me also say that that successful resolution can't be for a few years. It shouldn't even be measured in years. It should be measured in generations. Because, as you said, it is an existential threat not just for Israeli, but for many countries around the region, and a threat to the world. Thank you.

And I yield back.

Mr. HOLDING [presiding]. Thank you.

Go next to the gentleman from Texas, Mr. Weber. Recognized for 5 minutes.

Mr. WEBER. Ambassador Sherman, do you consider all of those involved in these negotiations reasonable people?

Ambassador SHERMAN. That is a hard question to answer.

I believe that everybody who sits around this negotiating table is serious. I think they want to try to achieve a comprehensive agreement. But it is hard to use the word "reasonable" for all of the actions that are occurring in this world.

Mr. WEBER. Do you consider me reasonable?

Ambassador SHERMAN. I don't know you, but I am sure you are.

Mr. WEBER. How about do you consider yourself reasonable?

Ambassador SHERMAN. I hope so. My husband and my daughter may not from time to time.

Mr. WEBER. Is it reasonable for terrorists to strap on themselves dynamite and go blow up innocent women and children?

Ambassador SHERMAN. Of course not.

Mr. WEBER. Is it reasonable for terrorists to have 12-year-old kids strapped-on dynamite and go blown up—

Ambassador SHERMAN. Of course not.

Mr. WEBER. Is that a blatant disregard for human life?

Ambassador SHERMAN. Of course.

Mr. WEBER. Is it reasonable for Iran—the leadership of Iran to espouse the need for the complete destruction of Israel?

Ambassador SHERMAN. Of course not. And, as I said in my opening statement, where it comes to the destruction of Israel, which they have espoused, the human rights abuses, the summary executions that take place, the detention of journalists and American citizens, their disregard for human rights, the fomenting of instability around the world, none of this is reasonable, of course, Congressman.

Mr. WEBER. See if you agree with this following statement: You cannot reason someone out of a position that they didn't use reason to get into.

Ambassador SHERMAN. You know—

Mr. WEBER. That is "yes" or "no."

Ambassador SHERMAN. It is actually not, with all due respect, Congressman. I don't think their positions are reasonable, and I don't think they have come—

Mr. WEBER. You have—

Ambassador SHERMAN. Let me finish.

I don't think their positions are reasonable in any regard on all of those scores—

Mr. WEBER. I am talking about killing women and children and the complete destruction of Israel.

You don't think that is an unreasonable position?

Ambassador SHERMAN. Of course not.

Mr. WEBER. And so we can't—you think we can reason them out of that position, do you?

Ambassador SHERMAN. Of course not.

Mr. WEBER. Okay. Let me ask you: Is it reasonable, as reasonable people—let's just assume for argument's sake that we on our side are reasonable. That may be a stretch for some of us, but let's just assume that it is. I am talking about me.

Is it reasonable to assume that Iran, with a blatant disregard for life, will continue to mislead us and the international community at every step of the way, at every chance they get, in order to concentrate on destroying Israel and, I might add, the United States? Is that reasonable to assume?

Ambassador SHERMAN. Congressman, our negotiation with Iran is not based on trust.

Mr. WEBER. It is not based on reason.

Ambassador SHERMAN. It is not based on trust. It is not based on the reason in way that you are describing it. It is based on understanding that, if they want the economy they want in the future, if they want to end their isolation in the world, if they want to rejoin the community of nations, then they have to take specific steps that will be monitored and verified to give the international community—

Mr. WEBER. Then, under that scenario, is it reasonable to assume that, if they get the economy that they want, that they will cease to seek the destruction of Israel? Is that reasonable?

Ambassador SHERMAN. What I can say to you, Congressman, is that the United States of America under this President, I believe under any President of the United States, will do whatever we need to do to ensure the security of Israel in the Middle East. It is a solemn responsibility that I think we all feel.

Mr. WEBER. I am going to ask you one more time.

Do you believe that you can reason people out of a position that they did not use reason to get into?

Ambassador SHERMAN. Congressman, I think what you are trying to lead me to is how can we sit down with Iran and have this negotiation and expect that we will get to any good end.

Mr. WEBER. Mr. Chairman, I yield back.

Mr. HOLDING. The gentleman yields back.

We now go to the gentleman from New York.

Mr. MEEKS is recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman.

Let me thank Chairman Royce and Ranking Member Engel for facilitating this important hearing.

Let me just state at the outset that I supported the interim agreement that allowed the Joint Plan of Action to move forward, but I also support the extension that would allow the negotiations to continue.

Many critics have said that these negotiations are risky, we can't trust Iran, and we didn't get enough in the interim agreement. Well, you know what. Many of those things in some way are true. Many of those things in some ways are true.

And I believe strongly that it is even—but more risky—it would be more risky for us if we did not negotiate. We would be worse off without concessions gained in the interim agreement. Much work remains. No question about it. And there are certainly many political pitfalls.

But taking on one of our Nation's largest foreign policy and security issues could never be easy. No one said this would be easy. No one said there would be no risks. There has to be. In any foreign policy, there are risks. There are dangers. But to not sit down, the risk is even greater to all of us.

Six months have gone by, and I consider the framework where we are—I consider it a success—a multilateral success achieved in close collaboration with our allies, which I believe is extremely important.

Because if you look at sanctions, we have had sanctions on Iran for a long time on a unilateral basis. That did not cripple their economy. That did not hurt their economy.

Their economy began to hurt and we crippled them when we were able to do it collectively with our allies. And that is why the P5+1 is together, because that is the only way that we could inflict the kind of sanctions that would hurt their economy.

If that goes away and the United States is doing it only by themselves, that is not going to bring down the Iranian economy. That is not going to be successful. That is not going to cause the kind of hurt that people are talking about.

It is only going to happen if we do it collectively. And I think where the administration should take strong credit is that they were able to get this coalition together to implement these sanctions and keep them together.

And the biggest threat to Iran is knowing that we are together because, if they could divide us, they would. They would. That would be to their benefit. They could then resume their economy and say, "Forget the United States by themselves."

What makes the sanctions work is that they are multilateral sanctions with our allies. Tremendously important. Nobody just says you automatically trust when you get into these negotiations.

So I think that we have to utilize and take advantage of everything. And I would say, in short, that better access that we now have to Iran's nuclear facilities is a huge plus for us. I wouldn't want them running around without us having any access to their facilities.

Its dilution of medium-enriched uranium is a huge plus for us. We want them out there in the blind or we don't want to be working with our allies, you know, let them run around. That puts us all in danger.

Now, I don't trust—you know, they say—I think—but I think that we have got to do the hard work. It is easy to go the other way. You know, we say—talk about kids all the time that, you know, it is easier to fight than try to at least negotiate something.

If you have to fight, then you will. I know that is how I was raised. If I had to fight, I will. But, first, let's try and—and we have got something, a leverage. Talk about losing leverage? We would lose the leverage that we currently have in Iran if we lose our partners. That is part of what our leverage is.

So I didn't mean to go off on that tangent, but I just felt that that was just important to say.

In regards to—and I am out of time. So I don't even have time for a question because you wouldn't have any time to answer it. But I would love to have a closed-door session so that we can have more talk.

But I just want to say I thank the administration for keeping us together, keeping the world together. It is not—so it can be all of us together—not just the United States against Iran, but all of us together—to try to make sure that we force them to conform. We will see what the results will be. We don't know. But we have got to try.

I yield back.

Mr. HOLDING. Gentleman's time has expired.

The chair recognizes the gentleman from Illinois, Mr. Kinzinger, for 5 minutes.

Mr. KINZINGER. Thank you, Mr. Chairman.

Thank you both for being here, and thank you for your service to your country. And sometimes I am sure it is not always fun to be sitting where you are sitting.

I am also sure that some of the things I am going to ask you and say probably have already been done. And so I apologize for beating a dead horse if, in fact, that is what I do.

Just to respond to my colleague on the other side of the aisle, the point is made that if—you know, we can't do this by ourselves, we have to bring our allies with us. And I agree with that, that it exists in what we see in Ukraine and other places.

But I would just remind folks that we have the lead on this. And when the United States entered some pretty strict and pretty tough sanctions against Iran, the rest of the world followed. When we decided that we were going to do an interim agreement, the rest of the world follows. We are uniquely capable in terms of who we are to be able to lead the world to this.

So, you know, this idea that, if we don't extend another 6 months, the coalition is going to fall apart, maybe that is true. I don't think it is. But if it is true, it is probably because we entered this interim agreement in the first place.

And I will mention that I remember, as I am sure others have said, that 6 months ago, you know, we were told, "Just trust us on this. We are going to have this interim agreement, and we are going to get where we need to be. You are going to be really proud of the result. And if you aren't, we are going to be the first ones back here asking for tougher sanctions and to re-implement the sanctions."

I promise you I could have told you 6 months ago we would be right here where we are, looking for another extension. It is like we are repeating itself.

I worry about the message to our allies in Korea, to the United Arab Emirates, who are asking for the right to enrich and we say, "Well, look, we are committed to a nuclear-free Korean Peninsula. We are committed to a nuclear-free Middle East," but, yet, we will give this. I mean, the final agreement is going to have some enrichment. We know that. We are going to give this to our worst enemy.

So the message we send is, "If you are the worst enemy of the United States, you can pretty much do what you want with agreement. If you are our best friend, we are going to keep our thumb on you and control what we want."

Let me just ask, Ambassador, what are we going to be able to solve in 6 months that we haven't been able to in the first 6? So there are these gaps that still exist between the two countries in terms of what we want in the final agreement.

If we couldn't get them there in 6 months, what's the next 6 months going to do, especially after getting \$2.8 billion released into their economy to buy their continued cooperation, which I think is bad negotiating, but whatever.

What is another 6 months going to do that we couldn't do in the first 6? I don't think it is a lack of time. It is something else.

Ambassador SHERMAN. Thank you, Congressman.

Let me make a couple points.

First of all, I agree that the United States of America is uniquely positioned on most things in the world and, because we have the finest military in the world, we bear and, in particular, both—burden and opportunity in the world to lead.

That is not always an easy thing to do, and it is best done when we can do it collectively so that the world shares some of the burden, both in cost and treasure and in our people.

In the case of sanctions, Under Secretary Cohen may want to comment as well.

But, quite frankly, the European Union sanctions were also quite critical to the collective effort here, as were the U.N. Security Council sanctions. It was all of them coming together that really created the collective that was necessary to really bring Iran to the table.

Mr. KINZINGER. If I might interrupt, I agree. But I believe the interim agreement broke that bond we had and it kind of was the hole in the dam now to where, if we want to go back to where we were, it is going to be very difficult. Maybe I am wrong, but it seems to me that way.

Ambassador SHERMAN. Well, I'll let—why don't you—

Mr. KINZINGER. And if you could be really quick because I have another—

Ambassador SHERMAN. Then I will come back to the other points you made.

Mr. KINZINGER. Okay. Very quickly, sir.

Mr. COHEN. Congressman, it is just the contrary. The fact that we have proceeded with our close partners in both imposing sanctions on Iran and in agreeing in the Joint Plan of Action to the very limited, very targeted, sanctions relief that we agreed to I

think makes it all the more likely that, if Iran is not prepared to take the steps it needs to take to get a comprehensive agreement, we will have our partners with us not just to reinstate, but to ramp up.

Mr. KINZINGER. But why couldn't we have tested that now? I mean, it has been 6 months. Now is the time when we say the sanctions are back on. And now all of a sudden Iran gets religion and says, "Okay. You know what. Whoa, whoa, who. The places we are apart we want to be with you because you did that."

One last thing. And I apologize. Deterrence is will plus capability. I think we have the capability to deter. Right now I think what is in question is the will, and that is important for the negotiations.

Last question: How important is it to the administration that a final nuclear agreement with Iran restricts Iran's ballistic missile program?

Ambassador SHERMAN. So couple of points to what you have said. We are going to negotiate for 4 additional months, not 6.

Mr. KINZINGER. Okay.

Ambassador SHERMAN. We decided not to do all 6. We don't want to talk just for talk's sake.

November 24th was 1 year from when the Joint Plan of Action was negotiated. So we decided to make that the time and to actually use the fact that many players will be in New York for the U.N. General Assembly as to fulcrum to try to move this along at a rapid rate.

We would not have agreed to an extension if we didn't believe we had made tangible progress and we did not see a path to a—

Mr. KINZINGER. And I don't mean to interrupt, but I am over my time.

Just how important is the restriction of ballistic missiles?

Ambassador SHERMAN. We have said that the U.N. Security Council resolutions must be addressed. And in that it says that somehow we must address long-range ballistic missiles capable of carrying nuclear warheads.

So it is not ballistic missiles, per se. It is about when a missile is combined with a nuclear warhead. That is the issue here.

Mr. KINZINGER. Thank you.

Yield back.

Mr. HOLDING. Gentleman's time has expired.

We go now to the gentleman from Pennsylvania, Mr. Perry. Recognized for 5 minutes.

Mr. PERRY. Thank you, Mr. Chairman.

Ambassador Sherman, are you familiar with the CRS report that cites substantial information regarding the collaborative programs with Iran and Syria and North Korea aimed at producing nuclear weapons?

Ambassador SHERMAN. I am not familiar with that specific report. But I have certainly seen reports about potential collaboration.

Mr. PERRY. So, then, you would agree that there has been collaboration with North Korea and—

Ambassador SHERMAN. I would agree I have seen those reports. And I think any future discussion of that probably should take place in a closed session.

Mr. PERRY. Fine.

Based on that, how—if that were true, and getting away from the closed-session stuff, how does this current arrangement ensure compliance such that Iran doesn't just comply with an agreement on their own soil while outsourcing to North Korea various components and then assembling back in Iran or what have you? How does this address that?

Ambassador SHERMAN. We agree that that issue of what they are doing, what they are trying to do, whether they do it by themselves or with others, is all part of ensuring that they do not have a pathway to a nuclear weapon.

So I would agree with you that, in some way or other, in a comprehensive agreement that issue has to be under discussion as well.

Mr. PERRY. It has to be or it is—it is part of it now?

Ambassador SHERMAN. It is and it has to be.

Mr. PERRY. Okay. Would you—how would you characterize the outcome of your negotiations with North Korea? Would you characterize them as a success?

Ambassador SHERMAN. We could spend an entire day discussing those negotiations.

Mr. PERRY. Sure.

Ambassador SHERMAN. I think we will never know.

What I will say is, during the Clinton administration, Congressman, not 1 additional ounce of plutonium was produced and the only plutonium that existed for nuclear weapons took place before President Clinton ever became President. And during his entire administration, not 1 additional ounce of plutonium was created.

Mr. PERRY. That is fine. But we are where we are now.

And I am reading some of your comments where you recommended that the only way the U.S. could deal with North Korea's disputed programs and prevent—and it is important to use the word “prevent”—you did—prevent them from achieving a nuclear capability was through diplomacy.

So that having been said—you were the lead negotiator, right, 2001?

Ambassador SHERMAN. I was the Special Envoy. Yes.

Mr. PERRY. Yes.

So based on that, I mean, the goals as I understand them, were to bring North Korea back into NPT compliance and freeze their nuclear weapons program, which is—permanently, which is essentially prevention. But, yet, in 2003, as we all know, they declared that they had nuclear weapons.

So based on the close relationship currently with Iran and North Korea and the negotiations you personally led, knowing that you are leading negotiations now with Iran and that Korea, you know, announced in 2003 that they had nuclear weapons, when our job, your job, was to prevent them from getting them, most Americans throughout the course of that saw it as appeasement. I think most Americans see what is currently happening as appeasement. I think most Americans would agree, if they are educated about

what the history is and what happened, that we failed. North Korea has nuclear weapons, as far as we know.

I mean, why should Americans consider these negotiations to be anything but appeasement and have any confidence that this is going to end up any different than North Korea?

Mr. SHERMAN. Congressman, as I said, we could spend an entire day discussing what happened in North Korea and at what point and for what reasons North Korea, in fact, did obtain a nuclear weapon. That did not occur on President Clinton's watch when I was responsible for that negotiation.

That said, this is an entirely different situation. The only metric should be whether, in fact, the pathways to a nuclear weapon are closed off to Iran, including the potential for a covert program such that we would know either in time to stop it or to deter it, as well as their current uranium enrichment and plutonium pathways to a nuclear weapon.

And you will be able to judge that on its own merits should we get to a comprehensive agreement. And, as I have said, I don't know that we will.

Mr. PERRY. Listen, I appreciate your passion for it, and I appreciate the verbiage, this pathway and cutting off their pathways and so on and so forth.

But it seems to me we were doing the same thing with North Korea. And pathway or not, at the end of the day—you know, we hear this, "Well, let's not make the perfect the enemy of the good." But at the end of the day, North Korea has got nuclear weapons and we can't do a darn thing about it. And when Iran gets them, we don't have many options then either.

There can be—there is no way—there is no place for failure here. And I am afraid that, once we look back in hindsight and say, "Well, we tried this" and, "We thought that," it is going to be too darn late when they have got them and we have got a nuclear arms race going in the Middle East.

With that, I yield back.

Ambassador SHERMAN. Congressman, I appreciate the concern.

I will say this: Sanctions did not stop Iran's nuclear program. Sanctions brought Iran to the negotiating table. But they continue to build their nuclear program even with all the sanctions in place.

Mr. HOLDING. The gentleman's time has expired.

We have a few more members here to ask questions. We have votes approaching quickly on the floor. I understand our witnesses need to leave no later than 4:30.

So, with that, I will recognize the gentleman from Florida, Mr. Clawson, for 5 minutes.

Mr. CLAWSON. I will be brief.

Thank you for coming and thank you for your service. You clearly understand the details of what is going on here, and I appreciate what you all are—what you all are doing. And I know it is not easy.

Barring military force, it seems to me the success in these negotiations depends on leverage, not reasonableness. And leverage in my world is always dependent on money. Money creates leverage.

Tell me a little bit whether you think the extension of these talks gives the Iranians a chance to break the international coalition with respect to economic sanctions that really creates our leverage.

Mr. COHEN. Congressman, I don't believe so. Quite the contrary. I think the fact that we are giving negotiations an honest effort and exploring the possibility of a comprehensive agreement with our partners helps to hold together the international coalition that put very significant economic pressure on Iran and continues to put very significant economic pressure on Iran, and that creates the leverage that you speak of.

And that is critically important to the potential success of these negotiations that we hold that international sanctions coalition together. And we are doing so. And it is held together throughout the course of this Joint Plan of Action. And, as I said in response to a question earlier, we do not see any indication of our sanctions architecture weakening.

Mr. CLAWSON. And folks like Russia or China that don't—aren't normally part of our coalitions, do they create holes in the fence that let the cattle out?

Mr. COHEN. The short answer to that question is "no."

Mr. CLAWSON. Really?

Mr. COHEN. In the work that we have done on imposing sanctions on Iran: I am not going to sugarcoat and say everything has been absolutely perfect.

But with respect to Russia and China and our other partners around the world, the sanctions have held together very well. There—you know, there are reports of, you know, this potential Russia deal with Iran and all the rest.

Mr. CLAWSON. Right. Right.

Mr. COHEN. That has not been consummated. We have been very clear with the Russians that we would regard any follow-through on that deal as being inimical to the negotiations, and it has not—it has not come to fruition.

So I think what we have seen with all of our P5+1 partners, as well as many others around the world—the Japanese, the Australians, the South Koreans, the others—is a cohesive effort to put real pressure on Iran.

Mr. CLAWSON. Good.

Well, I have read that even some of our European friends continue to trade with Iran. And I see you smiling. And so it has always kind of struck me as making your life a lot more difficult if you want to create leverage when our own—when our very friends continue to trade with the people that we are trying to—to—to put a little leverage on.

Mr. COHEN. Well, Congressman, our sanctions on Iran are not a complete trade embargo.

Mr. CLAWSON. Correct.

Mr. COHEN. There is some trade that is permissible with Iran—

Mr. CLAWSON. Right.

Mr. COHEN [continuing]. And not for the United States—

Mr. CLAWSON. Right.

Mr. COHEN [continuing]. But for others around the world. And we have obviously seen that continued trade over the course of the years.

That does not mean, however, that the sanctions that we have put in place that are extraordinarily powerful, that go after Iran's oil sales, go after its access to the institutional financial system, have, as you say, holes in the fence. Those sanctions are staying.

Mr. CLAWSON. Okay. Good. I always wondered how it worked when so much of the world was not part of the official coalition.

The last point that I make today is I am guessing as part of a final deal, if you look down the road, Ambassador, 5 years from now and we have an optimistic outcome, that part of that optimistic outcome would be safety for Israel and that Iran would sign up.

So, in other words, the final deal wouldn't be no nukes, but everything else is okay, but, rather, we would have fences of defense for our most important ally in the region, of course, Israel.

Ambassador SHERMAN. As I have said, all of the sanctions that go to their acts of terrorism, their human rights abuses, their fomenting instability around the world, will remain in place and our commitment to Israel's security will continue.

What I think it is important for all of us to remember—and I remind myself of this every day—is the reason that we are doing this is because, as unstable as the Middle East is today, an Iran with a nuclear weapon would be truly horrific and would really change the entire strategic framework of the Middle East in ways that none of us can even imagine or want to imagine.

Mr. CLAWSON. Walking away is not an option. I understand.

And I thank both of you for your service.

Ambassador SHERMAN. Thank you.

Mr. HOLDING. Gentleman's time has expired.

Now turn to the gentleman from Florida, Mr. DeSantis. Recognized for 5 minutes.

Mr. DESANTIS. Thank you, Mr. Chairman.

Thank you to the witnesses.

In terms of—Ambassador Sherman, you talked about how it would be very bad if Iran had a nuclear weapon.

How does the administration view Iran's posture?

We have had a hearing recently where one witness was trying to appraise how—the Israelis' view, and he said there is a significant number, maybe not a majority, who believe, "Well, you know, maybe they actually could be contained with a nuclear weapon."

And then I—I look at people like Bernard Lewis, the historian, who said, "Look, given the viewpoint and ideology of the mullahs who run the country, mutually assured destruction is not something that is—that scares them. It actually would induce them to want to develop weapons and even use them," thinking, "Hey, if we can inflict more damage to Israel or to United States, we will deal with millions of our own people being killed."

So does the administration believe that Iran with a nuclear weapon and an apocalyptic ideology—that a mutually assured destruction scenario would not apply?

Ambassador SHERMAN. The administration believes that Iran cannot be permitted to obtain a nuclear weapon, period.

Mr. DESANTIS. And is one of the reasons for that because of the world view that they bring to the table with a nuclear weapon?

Ambassador SHERMAN. It is the world view that they bring to the nuclear—we don't believe anybody else needs to have a nuclear weapon, period, in the world.

And certainly, given some of the other things that Iran does in the world that many members have discussed today, Iran with a nuclear weapon would allow them to project further power into the region, would be a deterrent to others in the region, and would confer on them a place in the world that they should not have.

Mr. DESANTIS. So since the administration has been dealing with Iran about this issue—I am going to guess it has been months and months now—has there been any change in Iran's sponsorship of terrorism worldwide?

Ambassador SHERMAN. I would want to have our intelligence community give you their assessment. But from an outsider's point of view who isn't an intelligence analyst, I would say that they have not stopped.

Mr. DESANTIS. And I guess—I understand—I have talked with folks who have been involved in arms deals who say, "Look, we don't deal with these side issues. We just try to focus on that. It is tough enough."

And I understand that generally, and I understand that—why you would deal with that with the Soviet Union or some of the other countries that we have done.

But given that Iran—they are fomenting jihad with Hezbollah and Syria and Iraq now, and, of course, they are one of the main suppliers of the missiles in the Gaza Strip to Hamas. Don't we need to put terrorism and their terrorist activities on the table?

I mean, I think it is really difficult to see how we would have a successful agreement where we didn't believe they would be able to have a nuclear weapon, but somehow they would continue on fomenting jihad the way that they are doing.

Ambassador SHERMAN. Well, I understand the impulse to want to do that. Quite frankly, it would be an overwhelming negotiation that would make this all even more difficult than it already is.

The reason that we are focused first and foremost on them not obtaining a nuclear weapon is for the reasons I said. Their ability to, in fact, do more with their state sponsorship of terrorism would be much greater if they indeed had a nuclear weapon.

So we believe that first and foremost what must come off the field is their ability to gain a nuclear weapon. And we have—will not for one moment stop all of our other efforts in all of the other areas in which we have profound disagreement.

Mr. DESANTIS. Thank you.

I think that, for me—as I look at it, I think, initially, it was a mistake to let off on the sanctions. I think that Iran—a regime like that, they are going to respond to strength.

And my fear is that, by giving them more time, you know, they see that as, "Well, gee, you know, we got this time," you know, "They don't want to put the screws to us yet."

And so I think stronger sanctions combined with—I mean, I think that they have to fear that there could potentially be a use

of force, whether it is by us, whether it is by the Israelis or what-not.

And, if not, I just don't think that they are going to have an incentive to really want to disarm and not create—and not acquire nuclear weapons.

But I appreciate you guys for being here.

And I will yield back the balance of my time.

Mr. HOLDING. Gentleman yields back.

Recognize the gentleman from Georgia, Mr. Collins, for 5 minutes.

Mr. COLLINS. Thank you, Mr. Chairman. I know we are getting to the end; so, I will get to my questions.

Under the terms of the July 18th extension, the United States and its negotiating partners will further release sanctions and give Iran access to the \$2.8 billion in blocked assets.

In return, Iran's main obligation will be to keep observing the interim agreement and to convert 25 kilograms of 20 percent highly enriched uranium from an oxidized form into fuel and directly usable research nuclear reactor by November 24, if that is correct.

I would like to know from you—is—did U.S. get—officials get any assurances from the Iranian Government that they will not use any of the 2.8 in new sanctions relief either, A, to support international terrorism from other state sponsors, like the Assad regime, to advance the nuclear ballistic missile or advance conventional weapons program of Iran or any other state or to violate the Iranian people's human rights?

Mr. COHEN. Congressman, as has been discussed in this hearing, Iran is involved in a whole variety of destabilizing activity, including some of the activities you just described. They have been engaged in that activity for years now and have used their increasingly constrained funds to continue to pursue those objectives.

There is no reason to believe that the funds that they will be provided access to under this Joint Plan of Action will go to the activity and no reason to believe that it necessarily won't. I can't guarantee you that either way.

What I can tell you, though, is that our sanctions and our efforts to disrupt Iran's support to Hezbollah, support to Hamas, violation of human rights, will continue unabated during this period.

Mr. COLLINS. Well, the only thing that concerns me there—and I was going to a different question at this point.

But the defeatist—and I understand you are looking and you are being a realist. You know, I may call it defeatist-sounding. But if we basically say that, "Well, Iran may. They may not. They have been doing this for years," then shouldn't there have been at least some discussion about, "Okay. If you do this. You thought sanctions were bad last time. Get ready?"

I mean, I—there is a lot of us—I am not going to go into this—there is many on this committee and many on this Hill that believe that this was just a total disaster to start with. Okay?

And now we are just basically saying, "Well, they have been doing it for a long time. They have not been doing it for a long time. We got the same kind of commitments last time."

Frankly, especially from the folks in my district, they just don't buy the line anymore. The corporate line is just not real good. And

the tone of your voice not being—and I agree with you, I mean, in a realist kind of sense.

But what bothers me is we don't seem to have a hammer on the other side to say, "Look, you know, this has got to happen" because most of us believe it is just going to be—it is funneled to different directions to start with.

Mr. COHEN. Well, with all due respect, Congressman, there is nothing defeatist about it. We have been very actively engaged in disrupting and attempting to disrupt Iran's support for terrorism around the world for years now, and we are continuing to do so.

We do it through our sanctions designations. We do it through our work with our partners. We, as I am sure you know, worked to intercept the Klos C, which was a vessel going from Iran to support the—support Hamas with weapons.

There is nothing at all defeatist in our approach to countering Iran's support for terrorism around the world. The funds that Iran is getting access to I cannot guarantee you will not go to this activity. And I would not presume to tell you something that I could not in good conscience tell you is the truth.

But I will tell you that we will continue to work as hard as we possibly can and we will, in fact, redouble our efforts to ensure that Iran's support for terrorism around the world is something that we take—we take action against.

Mr. COLLINS. Part of the issue of the repeal—or at least giving some of the blocked assets was to spurt growth in the Iranian economy and just for, basically, their basic needs, not their terroristic nature.

Has there been any reports or things that you have seen that the Iranian economy is growing? And, if so, what could be attributable to the unblocked assets?

Mr. COHEN. There are—we watch very closely how the Iranian economy is performing. As I am sure you know, it has contracted quite substantially in the last several years.

There has been, since the Rouhani administration has come into power in Iran, better management of their economy. And some of the decline that we have seen in the past has begun to moderate. But Iran's economy is still in very significant distress.

And the funds that are made available to the Iranians under the Joint Plan of Action, the \$2.8 billion in this extension period and the \$4.2 billion from the original period, do not in any respect suffice to jump-start the Iranian economy. The Iranian economy—the whole of the Iranian economy is so great that those funds do not move the needle on their economy.

Mr. COLLINS. Thank you.

Mr. Chairman, I yield back.

Mr. HOLDING. Gentleman's time has expired.

We appreciate very much the time and work of our witnesses today. I know the committee—I speak for all of the committee—looks forward to consulting closely with you in the 4 months ahead on these critical and difficult issues.

Ambassador SHERMAN. Thank you very much.

Mr. HOLDING. The committee stands adjourned.

[Whereupon, 4:32 at p.m., the committee was adjourned.]

A P P E N D I X



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COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

July 29, 2014

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at <http://www.ForeignAffairs.house.gov>):

DATE: Tuesday, July 29, 2014

TIME: 2:00 p.m.

SUBJECT: Iran Nuclear Negotiations: From Extension to Final Agreement?

WITNESSES: The Honorable Wendy R. Sherman
Under Secretary for Political Affairs
U.S. Department of State

The Honorable David S. Cohen
Under Secretary for Terrorism and Financial Intelligence
U.S. Department of the Treasury

By Direction of the Chairman

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Day Tuesday Date 07/29/14 Room 2172

Starting Time 2:08 p.m. Ending Time 4:32 p.m.

Recesses: 0 (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Edward R. Royce, Chairman
Rep. George Holding

Check all of the following that apply:

Open Session
Executive (closed) Session
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TITLE OF HEARING:

Iran Nuclear Negotiations: From Extension to Final Agreement

COMMITTEE MEMBERS PRESENT:

See Attendance Sheet.

NON-COMMITTEE MEMBERS PRESENT:

None

HEARING WITNESSES: Same as meeting notice attached? Yes No
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED 4:32 p.m.



Edward Burrier, Deputy Staff Director

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