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IRAN AND SYRIA: NEXT STEPS, PART II

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IRAN AND SYRIA: NEXT STEPS, PART II

FRIDAY, OCTOBER 14, 2011

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

The committee met, pursuant to notice, at 9:31 a.m., in room 2172, Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order.

Before we proceed with this hearing, I would like to say a few words and invite my friend, Mr. Berman, to do so as well, in noting the passage of Deputy Assistant Secretary Dibble, who was responsible for Iran within the Bureau of Near Eastern Affairs.

Mr. Dibble was a long-serving member of the Foreign Service, having arrived in Beirut the day after the 1983 bombing. He subsequently served in Saudi Arabia, Tunisia, Pakistan, and as the deputy chief of missions in Damascus and was previously principal deputy assistant secretary in the Bureau of International Organizations. His service to his country over many decades was exemplary and serves as a model for successive generations of Foreign Service and civil officers to follow.

I know I speak on behalf of all members of the Foreign Affairs Committee when I express our deepest condolences and sympathies to Mr. Dibble's wife, Liz, and their children. They are in our thoughts and in our prayers.

And I would like to turn to the ranking member, Mr. Berman for his statement on this.

Mr. BERMAN. Well, thank you very much, Madam Chairman.

The fact is Philo Dibble was one of the Department's true experts on the Middle East. In fact, the Department lured him out of retirement to take on the highly sensitive post of deputy assistant secretary with responsibility for Iran. One of his final achievements was the successful coordination of the diplomatic effort that led to the release from Iranian captivity of American hikers Shane Bauer and Josh Fattal just last month.

He was an exemplary officer, intelligent, honest, direct, and decent in every way, his passing all too untimely. The turnout at his memorial service from the secretary on down shows he was both respected and beloved. He will be missed by those on the Hill who knew him and worked with him.

His wife, Liz, is principal deputy assistant Secretary of State for Near Eastern Affairs, a position Philo himself held some years ago. Together, they have been a remarkable Foreign Service couple, talented, successful, and fully committed to the service of this Nation.

So I join you in extending condolences to Liz and the children and the State Department family.

Chairman ROS-LEHTINEN. I thank the gentleman for his remarks.

I will tell the members and the audience—and thank you to our friends for joining us this morning—that I will recognize myself and the ranking member for 7 minutes each for our opening statements on today's hearing topic. I will then recognize the chairman and the ranking member of the Middle East and South Asia Subcommittee for 3 minutes each for their statements, and I regret that I don't think that we will have time to recognize members for the 1-minute opening statements due to votes that will interrupt our hearing and we will come back.

We will then hear from our witnesses, and I would ask that you summarize your prepared statements in 5 minutes each before we move to the questions and answers with members under the 5-minute rule.

So, without objection, the witnesses' prepared statements will be made a part of the record, and members may have 5 days to insert questions and statements for the record subject to length limitation in the rules.

The Chair now recognizes herself for 7 minutes for an opening statement.

Today's hearing is part of a broader oversight effort by the committee to examine U.S. policy options to address the twin threats presented by Iran and Syria. On October 11, 2011, the United States approach to the Iranian regime should have undergone a major change. On that day, it was revealed that the Iranian regime was actively planning an attack on a foreign diplomat in the United States and was willing and able to kill and maim innocent Americans in the process.

Secretary of State Hillary Rodham Clinton noted in an Associated Press interview that this plot "crossed the line that Iran needs to be held accountable for." Yet it was revealed in yesterday's New York Times and reinforced by the testimony of our witnesses before the Senate banking committee yesterday that the administration does not plan to alter its course of pressure and persuasive engagement with the Iranian regime.

Via the failed plot, it became clear for any who still had their doubts that the Iranian regime would use all available options to threaten U.S. security, our interests, and our allies. They brought the battle to our homeland, but our policy response is to essentially remain the same?

Let me be blunt. This planned murder for hire must serve as a wake-up call regarding the determination and capability of the Iranian regime. If the regime feels secure enough in planning a U.S.-based attack now, imagine how much more blatant its aggression will be if it had nuclear weapons.

This lesson is not lost on the Syrian regime, whose state-appointed mouthpiece has warned Western countries against intervention in Syria, including threats to retaliate with suicide bombings in their countries. These are not idle threats from Damascus. One needs only to recall that not too long ago Syria was caught red-handed pursuing nuclear weapons capabilities; and, most re-

cently, a Syrian spy was arrested after targeting in the United States American citizens of Syrian-origin opposed to the regime.

So I kindly and respectfully ask Under Secretary Sherman what action do you intend to take to hold Iran to account, and, in so doing, send a clear message to the Syrian regime that we will not tolerate actions that threaten our Nation?

We also cannot rely on the United Nations to provide an adequate deterrent to Iran. If after a plot to kill Americans and foreign diplomats in Washington the administration's response is to return to the United Nations Security Council and plead with Moscow and Beijing to permit a resolution slapping Iran's wrist, then the message sent to the regime in Tehran will be that there will be no cost for any outrage that it may commit.

Working with responsible nations, democratic allies to increase pressure on Iran is one thing. But waiting for the U.N. to do what is right as the threats from Iran and Syria grow is foolhardy and dangerous.

Russia and China showed their true colors last week in the Security Council when they vetoed a resolution rebuking Syria's Iran-backed dictatorship for its assaults on its unarmed population. They will still form an impassable obstacle to effective multilateral action on Iran.

The draft Syria resolution was reportedly watered down multiple times and only hinted at the possibility of sanctions, all in an attempt to placate Moscow. But Russia vetoed it anyway.

Instead of begging for help, we need a realistic policy that reflects the urgency and the multifaceted nature of the Iranian threat. We also need a policy that goes beyond merely sanctioning individuals in the Assad regime to one that provides a comprehensive strategy toward Syria.

Last year, Congress took a major step forward in the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010. We are again taking the lead with the Iran Threat Reduction Act, which I authored along with Ranking Member Berman and with significant input from Mr. Sherman, Mr. Deutch, and many other members of our committee. It now enjoys the support of more than 320 co-sponsors in the House.

I have worked closely with Mr. Engel in authoring the Syria Freedom Support Act, with Mr. Sherman in authoring the Iran, North Korea, and Syria Non-Proliferation Reform and Modernization Act, which, combined, would require additional crippling sanctions on both the Iranian and Syrian regimes.

For U.S. and global security, these regimes must be made to understand that the cost of their aggressive actions will be too great for them to bear and that they must immediately abandon their nuclear weapons program, their unconventional weapons and ballistic missile development, and support for violent extremists, and the repression of their own people. The time is now.

I now turn to my good friend, Mr. Berman, for his opening statement.

Mr. BERMAN. Well, thank you very much, Madam Chairman. Thank you for holding this hearing.

I want to go off script for just a moment.

Nothing we do, nothing any administration has been doing, can truly be deemed effective with respect to Iran until Iran stops its nuclear weapons program, ends its support for terrorism, and in the real, longer-term sense, becomes a government that represents its people.

But I simply have to say at the beginning, there is no administration that has spent more time, more focus, and been more effective in assembling the kind of international coalition to stop Iran from getting a nuclear weapon than this administration. The fact that on any given day they do not announce to the world the exact details of a response to a particularly heinous action is not evidence that it is business as usual, they don't care, they are not—they are not going to do anything. And I do think it is unfair to leave an impression that this administration is not deeply focused on the goal that we share.

I mean, yesterday, we disagreed about nothing. The great thing about this subject matter in this committee is, on this issue, you and I and I think Democrats and Republicans are of common mind and deeply committed both to the importance of achieving that goal and achieving that goal before Iran crosses that very dangerous threshold.

And I just wanted to make those comments initially and then try to shorten the rest of my remarks here. Because we are sickened by what Iran—their twisted and despicable plot to assassinate the Saudi Ambassador and possibly bomb the Israeli and Saudi Embassies.

And you are right. The involvement of the Quds Force is telling. This scheme was not hatched by some rogue operator but by a very elite unit of the Iranian Revolutionary Guard Corps, the very essence of the regime.

Iran and Syria do form the heart of Middle Eastern anti-Americanism and Middle East terrorism. Syria is Iran's forward operating base in the Arab world. Iran is Syria's major external supporter, helping the Assad regime murder the Syrian people now fighting for their freedom.

We share the concerns about both regimes. Broadly speaking, we have used the same tools to deal with threats coming from Iran and from Syria, namely sanctions; and those sanctions have been at least partially successful. They haven't yet achieved the goal. Financial sanctions on Iran have complicated Iran's ability to do business in the world, including selling its oil, the industry that produces 90 percent of Iran's revenue. The legislation we authored last Congress, CISADA, has led to a significant decline in Iran's ability to purchase refined petroleum and a near halt in the development of their oil and gas industries.

Just this week, the International Air Transport Association announced that Iran's national airline would no longer be included in worldwide ticketing networks because of sanctions-related complications.

The message to Iranians is clear. Their government's illegitimate nuclear policies are undermining their prosperity and isolating them from the international community.

Syria's situation is more desperate than Iran's and likely to become even more so when the EU boycott of Syrian oil fully kicks

in next month. The Syrians claim they have 2 years worth of foreign currency reserves. Most experts believe they will be out of cash well before that.

Despite these successes, it is increasingly apparent that current levels of sanctions aren't enough to get the job done quickly in Syria or to get it done at all in Iran.

In Syria, more pressure is needed. Turkey, a major Syrian trading partner, has significantly modified its decade-old policy of intimacy with Assad, but it has not yet implemented the sanctions it has pledged.

Syria's other major trading partner, Iraq, unfortunately continues to support the Syrian regime. If Assad is to be removed soon, as we all desire, we need more pressure from Syria's neighbors.

As for Iran, although knocked off balance by sanctions, its economy is far from broken thanks to high global oil prices. The Iranian nuclear program continues to progress rapidly. The threat has grown more urgent than ever. The most recent inspection report by the IAEA shows that Iran's stockpiles of low enriched uranium continue to grow. It has been concluded by one respected analysis that Iran now has almost enough low enriched uranium to produce four nuclear weapons. If it were to kick out international inspectors and further refine this material to weapons grade levels, Iran could then produce its first bomb within 6–12 months and several more in the year after that. They are installing centrifuges six times as efficient as the current model in a large enrichment facility in Natanz. This could reduce Iran's breakout time to 2–3 months.

There are additional steps that must be taken; and in particular, our bill, the Iran Threat Reduction Act, will tighten the screws further. I know we will be marking that bill up soon.

Another is stricter enforcement of current sanctions, and I look forward to a more vigorous enforcement from an administration which I know shares our goals.

Two examples: The Iranian Revolutionary Guard Corps owns a company that controls virtually every port in Iran, yet I have not heard that we are sanctioning ships that use that company's port services, as CISADA requires. President Ahmadinejad and many other senior officials who are guilty of the worst human rights abuses in Iran have not been sanctioned under CISADA. These are but two of many possible sanctions that could be imposed.

Another important step would be a decision by the Gulf Arab states, perhaps the states most directly threatened by Iran, as the plot revealed this week should remind them, to ramp up their oil exports. That would result in ramping down oil prices and would significantly diminish Iran's income.

Can I have unanimous consent for an additional minute?

Chairman ROS-LEHTINEN. Absolutely. Yes, the gentleman is given the time.

Mr. BERMAN. Our best hope for slowing the Iranian nuclear train is to bring its financial machinery to a grinding halt, and sanctioning banks and companies in other countries that do business with Iran's central bank would have a uniquely powerful impact on the Iranian economy. That is why I think the most dramatic measure we could take in terms of this legislation is designating Iran's

central bank as a facilitator of terrorism and the development of weapons of mass destruction.

Until now, we have sanctioned only Iranian banks that were directly tied to terrorism or weapons of mass destruction proliferation. But having peeled away the skin of the onion, it is now clear that at the core of this banking network sits the central bank, the ultimate enabler for all Iranian terrorism and WMD proliferation.

For years, there has been speculation about whether a nuclear-armed Iran would actually use the bomb. As the revelation of the Washington bombing plot underscores, we know that nothing is beyond the realm of possibility regarding Iran's willingness to employ violence in pursuit of its objectives and to do so in the most vicious and amoral fashion. I cannot conceive of a more irresponsible or frightening finger on the nuclear button than that of the Iranian regime.

I appreciate the courtesies you have given me of that additional time, and I yield back.

Chairman ROS-LEHTINEN. I thank the gentleman. Perhaps if I didn't agree with your policy suggestions, I wouldn't have given you that extra time. The beginning was a little weak, but the end was great.

I am pleased to yield 3 minutes to the subcommittee chair of the Middle East and South Asia Subcommittee, Mr. Chabot of Ohio.

Mr. CHABOT. Thank you, Madam Chairman; and thank you for calling this timely and important hearing.

Since taking office, the Obama administration's policy toward Iran and Syria has been characterized chiefly by its engagement with the ruling regimes. Whether or not that was the right policy at the time, the situation we face today with respect to these two countries is vastly different than it was back in January 2009.

Recent actions make this conclusion irrefutable. Damascus is not only continuing to arrest, beat, torture, and murder its way through the current protests, but it is now exporting its brutality to Lebanon in flagrant violation of international law. Over the past several weeks, the Syrian army has on numerous occasions violated Lebanese territorial sovereignty. One recent incursion culminated in the death of a Lebanese farmer after Syrian armored vehicles allegedly penetrated approximately 2½ miles into Lebanese territory in clear violation of U.N. Security Council Resolutions 1559 and 1701. Meanwhile, Tehran, as we all know, plotted to assassinate the Saudi Ambassador to the U.S. on American soil.

The actions by both regimes show a disdain for international law and norms that is incompatible with the values and interests of the United States. Plainly speaking, the blood on their hands and the impunity with which they continue to act shows that these regimes are beyond salvation.

But anyone who is surprised that the thugs in Tehran and Damascus would take these actions has been living in a dangerous state of denial. Both regimes continue to respond to carrots and sticks alike with ridicule as they mock the legitimate concerns of the international community.

From the outside, however, it appears that this administration's policies have remained distressingly unresponsive. In the case of Iran, for example, I am concerned that there are still those in the

administration who hold out hope of a grand bargain on the nuclear program. It is long past time to jettison this dangerous fantasy as it is presently warping our entire policy toward the region.

There is no question that the illicit Iranian nuclear program must remain at the top of our priority list. The nuclear program is, however, a symptom of the disease, rather than the disease itself. I want to be clear: The Iranian nuclear program is a paramount challenge to U.S. core national security interests as well as those of our allies, and it must be addressed. But to speak of the nuclear program independently of the regime which pursues it is in effect putting the cart before the horse. A nuclear program is not in and of itself what makes the regime nefarious. It is the perverse nature of the regime that makes the nuclear program so dangerous.

It is for this reason that it is time to close the door on engagement with the regime in Tehran and call for its departure. Not only has the regime shown itself unwilling to budge, but continued engagement only risks abandoning and alienating the Iranian people who I hope—sooner rather than later—will be in the driver's seat.

I yield back.

Chairman ROS-LEHTINEN. Thank you very much to the gentleman from Ohio.

The ranking member on that subcommittee, Mr. Ackerman, of New York is recognized for 3 minutes.

Mr. ACKERMAN. The single question I have for the witnesses regarding Iran today is, what is left?

Because unless you have means to apply more pressure to Iran diplomatically, politically, and economically, we are near the point where other options will have to be considered. For a variety of reasons, I think we would all like to avoid those options if we can.

Thanks to the good work done by the previous Congress and with the support of the Obama administration, we have massively increased the pressure applied by American economic and particularly financial sanctions. Picking up where the Bush administration left off, President Obama and Secretary Clinton did tremendous work to build a new consensus now enshrined in a U.N. Security Council Resolution to isolate Iran diplomatically and to restrict many of its avenues of trade. But those efforts are, frankly, not enough. The pressure on Iran has gone up, but this new heightened pressure is nowhere near the point of forcing the ayatollahs to deal away their nuclear capabilities.

What kind of pressure would suffice? It is hard to predict, but here is what I would like to see.

The Iranian central bank and the entire Iranian banking sector need to lose whatever capacity they retain to facilitate Iran's international commerce and trade. These institutions sustain Iran's criminal regime, underwrite terror, and facilitate Iran's illicit WMD programs.

Let us be clear. Sanctions have to hurt. If they don't hurt, they are not effective. The goal is not for us to pat ourselves on the back and issue press releases here. It is to inflict crippling economic pain over there. Iran's banking sector needs to become the financial equivalent of Chernobyl—radioactive, dangerous, and, most of all, empty.

Other countries may object to this approach. Our response to them should be simple and frank. Either assist us in cranking up the pressure on Iran by economic and financial means, or accept that the United States and other like-minded states will be compelled to deal with Iran's unresolved nuclear issues by other means.

It has been 10 years since the Bush administration revealed Iran's secret enrichment capabilities, and the threat has only grown since then. Iran's efforts to acquire the means to produce nuclear arms must be stopped. President Obama told the nation that he would use all possible means at his disposable to prevent Iran from crossing the nuclear arms threshold. I would say there are still means that are yet unused, and we need to use them now.

Finally, I would like to express my deep dismay about the administration's truly pathetic and inadequate execution of the Iran human rights protections provisions passed into law last year. I refuse to believe that the State Department, after exhaustively examining Iran's massive machinery of repression, torture, rape, and murder can only identify 14 Iranian officials to be targeted by human rights sanctions. Here is a bunch more. Iranian officials could do a lot better and, frankly, a group of Iranian boy scouts could even do better.

This abject failure to execute the law is totally unacceptable; and I would like to ask you, Secretary Sherman, if you would carry this letter, which, unlike the State Department, actually names of a bunch of Iranian officials. And if you would please deliver this to Secretary Clinton.

Chairman ROS-LEHTINEN. Thank you. If someone could grab that from Mr. Ackerman.

I didn't mean you, Mr. Mack.

Does the gentleman yield back?

Mr. ACKERMAN. Yes, thank you.

Chairman ROS-LEHTINEN. Thank you. Thank you very much.

The Chair is pleased to welcome our witnesses.

Ambassador Wendy Sherman is a good friend of our committee. Welcome back.

She was sworn in as Under Secretary of State for Political Affairs in September of this year. Prior to this position, Under Secretary Sherman served as vice chair of the Albright Stonebridge Group, a global strategy firm and a member of the investment committee of Albright Capital Management, an affiliated investment advisory firm focused on emerging markets.

Ambassador Sherman served as Counselor for the State Department from 1997 to 2001, as well as Special Advisor to President Clinton and Policy Coordinator on North Korea. From 1993 to 1996, under Secretary of State Warren Christopher, she was Assistant Secretary for Legislative Affairs.

Our next witness is the Honorable David Cohen, who was confirmed by the United States Senate to serve as Treasury's Under Secretary for Terrorism and Financial Intelligence in June of this year. Prior to his current position, Under Secretary Cohen served as the Department of Treasury's Assistant Secretary for Terrorist Financing.

We welcome you both, and your written statements will be made a part of the record.

We will begin with you, Ambassador Sherman.

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

Ms. SHERMAN. Thank you very much, Madam Chairman. It is always a pleasure to be here. So thank you.

Ranking Member Berman, distinguished members of the committee, I appreciate the invitation to appear before you today to discuss our goals, our whole-of-government approach with regard to Iran and Syria, and the strategy we are implementing to achieve them.

Before I start, I would like to add my own dedication of this testimony to Philo Dibble, who, as the chairwoman and Mr. Berman said, passed away unexpectedly 2 weeks ago. He was a dedicated Foreign Service Officer and was the heart of our Iran team, and he is sorely missed.

Let me comment first, and briefly, on the conspiracy to assassinate the Saudi Ambassador in Washington that was directed by elements of the Iranian Government. As the Secretary and the President have said, this plot was a flagrant violation of international law and a dangerous escalation by Iran. I am deeply grateful to our law enforcement and intelligence professionals who probably saved the lives of scores of bystanders, along with the life of an ambassador. The regime must be held accountable for its actions.

Just this week, as Under Secretary Cohen will explain, the administration quickly designated five individuals, adding to a growing list of sanctioned individuals and entities. We are hard at work, meticulously and rationally laying out the facts of this plot. All countries should deny Quds Force officers any platform to operate within their territory and work with us even harder to enforce all sanctions already on the books.

This administration is committed to addressing the continued threat posed by the Iranian regime's nuclear ambitions, its support for international terrorism, its destabilizing activities in the region, and its human rights abuses at home.

American policy regarding Iran remains unambiguous. First and foremost, we must prevent Iran from developing nuclear weapons. Its illicit nuclear activity is one of the greatest global concerns our country faces, and we will continue to increase the pressure, as the President said yesterday, as long as the Iranian regime refuses to engage the international community with seriousness or sincerity.

We now have the toughest sanctions package in three decades. Since the passage of CISADA, we have imposed additional sanctions on a growing list of individuals and entities responsible for Iran's expanding scope of unauthorized activities. These sanctions have raised the cost, time, and energy required for Iran to pursue its current course and provided a platform upon which the European Union, Norway, Australia, Canada, South Korea, Switzerland, and Japan implemented strict measures of their own.

In the aftermath of our calls on the conspiracy, as Secretary Cohen will elaborate, the EU just today sanctioned Iran's commercial bank.

Using CISADA, we have designated eleven individuals and three entities for human rights violations, and we continue to compile more information. I appreciate, Congressman Ackerman, your list and evidence that will allow us to identify more murderers, torturers, and religious persecutors.

The second topic of this hearing is Syria, which depends more and more on Iran for support as it becomes further isolated from the international community. The Syrian regime has responded to the calls for Assad to step aside with hollow promises of reform, conspiracy theories, and escalating violence.

In its effort to cling to power, the regime is executing a deliberate and bloody strategy of channeling peaceful protest into armed insurrection. Its brutal actions have resulted in over 3,000 deaths and many more thousands of cases of assault, arbitrary detention, and torture since the unrest began in March.

The regime is also stroking the fears of Syria's minority communities with blatant propaganda.

Make no mistake, the regime is responsible for the cycle of violence and sectarianism.

We have pursued targeted financial measures to increase pressure on the Syrian regime and its corrupt business cronies. On August 18th, President Obama signed a new executive order that blocks the property of the Syrian Government, bans U.S. persons from new investments in or exporting services to Syria, and bans U.S. imports of and other transactions or dealings in Syrian origin, petroleum, or petroleum products. These are some of the strongest sanctions the U.S. Government has imposed against any country in the world.

Europe's actions to ban the purchase of Syrian petroleum products, the regime's most important source of foreign exchange, will have a significant impact.

Actions by the United States and the world community to counter Iran and Syria's domestic, regional, and international belligerency are unmistakably escalating the cost of doing business as usual for both countries. Their leaders must stop attacking their populations, undermining regional security, and threatening international security. Their actions run counter to the aspirations and hopes of their people and their neighbors.

In my new role as Under Secretary for Political Affairs, I look forward to continuing to work closely and transparently with members of this committee and with the entire Congress. Thank you very much.

Chairman ROS-LEHTINEN. Thank you, Madam Ambassador.

[The prepared statement of Ms. Sherman follows:]

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

HOUSE FOREIGN AFFAIRS COMMITTEE
"Iran and Syria: End Game and How Do We Get There"
October 14, 2011

Chairman Ros-Lehtinen, Ranking Member Berman, Distinguished Members of the Committee: thank you for inviting me to appear before you today to discuss the Department of State's goals with regard to Iran and Syria and the strategy we are implementing to achieve them.

I would like to begin by dedicating this testimony to Philo Dibble, Deputy Assistant Secretary for Near East Affairs, who passed away unexpectedly two weeks ago. Philo was an exceptionally well-respected career member of the Foreign Service who devoted most of his career to the Middle East. For the past year, he dedicated his deep regional expertise and knowledge to advancing our policy on Iran. The loss of his wisdom and leadership is a profound one for the Department and for our country.

The regimes in power in Iran and Syria pose distinct yet related threats to global and regional security. For both countries, we are determined to support Iranian and Syrian citizens as they strive to hold their governments accountable for their brutal and repressive actions against their own people. We also seek to

eliminate their destabilizing influence on their neighbors and the rest of the world. In the case of Iran, that means addressing the continued threat posed by the Iranian regime's nuclear ambitions, its support for international terrorism, its destabilizing activities in the region, and its human rights abuses at home. For Syria, we support a peaceful transition to a government by consent of the governed -- a government based on the rule of law without privilege or penalty on the basis of sect, ethnicity or gender. Regarding Iran, the world today is unified to an unprecedented degree in its concern that a nuclear-armed Iran would undermine the stability of the Gulf region, the broader Middle East, and the global economy. In defiance of U.N. Security Council and IAEA Board of Governors resolutions, Iran has continued to expand its sensitive nuclear activities, and refuses to cooperate with the IAEA, raising strong, legitimate concerns about the purpose of the nuclear program. Beyond the nuclear issue, Iran continues its longstanding support to terrorist organizations such as Hizballah, Hamas, and Palestine Islamic Jihad (PIJ), as well as by its support to newer proxy militia groups in Iraq.

But, these efforts belie a regime that is actually far more vulnerable and weakened than it would like to project. 2011 has been a harsh wake-up for the Islamic Republic of Iran. Iran's government has failed in its efforts to co-opt uprisings in the Arab world and claim its 1979 revolution as inspiration. No popular movement in the region has looked to Iran as a model for change; the only

entity that turned to Iran was another autocratic regime in Syria trying desperately to hang on to power. Iran has further undermined its standing among Muslims and further strained its bilateral relations in the region by helping the failing regime of Bashar al-Asad to brutally crack down against Syrian citizens. Misreading the stark warning message from the Arab Awakening, Iran's government continues to arrest, imprison, and persecute Iranians who dare to ask for accountability and transparency from their government, as well as just and fair treatment for ethnic and religious minorities.

To address the continued threat posed by the Iranian regime's nuclear ambitions, its support for international terrorism, its destabilizing activities in the region, and its human rights abuses at home, the U.S. has led a sustained and broad international campaign to exact steep costs for the regime and to complicate its ability to pursue these policies. Iran today faces tough economic sanctions and broad diplomatic pressure, and though it aspires to regional and even global leadership, its current policies have made it an outcast among nations.

At the same time, we and our allies remain wholly committed to supporting the Iranian and Syrian people and their demands for freedom, justice, and democracy. We are using a wide range of diplomatic tools, including capacity-building programs for civil society and the very visible steps Ambassador Robert

Ford has taken to demonstrate support for the Syrian people, to ensure that the voices of Iranian and Syrian citizens are heard and to demonstrate our solidarity with them. Our message to Iran and Syria is clear: the path you are taking is unsustainable, isolating, and too costly to continue.

American policy regarding Iran remains unambiguous. First and foremost, we must prevent Iran from acquiring nuclear weapons. Its illicit nuclear activity is one of the greatest global concerns we face, and we will continue to increase the pressure until the Iranian regime engages the international community with seriousness and sincerity and resolves its concerns. But pressure is not an end unto itself. It may provide the impetus to Iranian action, but does not prescribe the measures that are necessary to build international confidence in Iranian nuclear intent. To that end, we have offered to meet with Iran and have proposed confidence-building and transparency arrangements that offered practical incentives. Unfortunately, Iran has failed time and again to reciprocate and to take advantage of these opportunities. As a consequence, more than ever, world pressure is mounting on Iran. Last year, the United States led a successful effort in the UN Security Council to adopt Resolution 1929, which led to the toughest multilateral sanctions regime Iran has ever faced. The resolution strengthened previous UN resolutions and provided a platform upon which the European Union, Norway, Australia, Canada, South Korea, Switzerland, and Japan implemented

strict domestic measures to bolster the measures of UNSCR 1929.

The efforts made by the Congress, by all of you, have also effectively sharpened American sanctions, particularly against Iran's energy sector and the regime's human rights abuses. When President Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA, which amended the Iran Sanctions Act of 1996) in early July, 2010, the Administration and the Congress sent an unmistakable signal of American resolve and purpose, expanding significantly the scope of our domestic sanctions and maximizing the impact of new multilateral measures. Since then, the Administration has imposed sanctions on a growing list of individuals and entities responsible for Iran's expanding scope of unauthorized activities, and these sanctions are raising the cost, time, and energy required for Iran to pursue its current policies.

In September 2010, Secretary Clinton imposed the first sanctions any administration had ever imposed under the Iran Sanctions Act. To date, the State Department has sanctioned 10 foreign companies for doing business with Iran's energy sector. Further, CISADA's "special rule" has worked exactly as intended: it gave us the flexibility and leverage to persuade multinational energy firms Shell, Statoil, ENI, Total and INPEX to withdraw from all significant activity in Iran.

The companies also provided clear assurances that they would not undertake any sanctionable activities in Iran's energy sector in the future, and in doing so, forfeited billions of dollars of investments. In addition, Repsol abandoned negotiations over several phases of the South Pars gas field.

Other successes under CISADA include the fact that major energy traders like Russia's Lukoil, India's Reliance, Switzerland's Vitol, Glencore, and Trafigura, Kuwait's Independent Petroleum Group (IPG), Turkey's Tupras, France's Total, and Royal Dutch Shell have stopped sales of refined petroleum products to Iran. Iran has had to redirect production facilities from valuable petrochemical export production in order to manufacture refined petroleum for domestic sale. Furthermore, Reliance, India's largest private refiner, announced in 2010 it would not import Iranian crude.

Investment in Iran's upstream oil and gas sector has dropped dramatically, forcing Iran to abandon liquefied natural gas projects for lack of foreign investment and technical expertise, after Germany's Linde, the only supplier of gas liquefaction technology to Iran, stopped all business with it. South Korea's GS Engineering and Construction cancelled a $1.2 billion gas processing project in Iran. Outside of Iran, British Petroleum chose to shut down production from a

North Sea platform co-owned with the Iranian Oil Company, to ensure compliance with EU sanctions. Trans-Adriatic Pipeline (TAP) partners announced that the pipeline, once constructed, would not be used to transport gas from Iran.

Iran's national airline, Iran Air, is also paying the price for having its aircraft misused for proliferation purposes, and providing services to the IRGC. Most major fuel providers have terminated some or all of their Iran Air contracts, including British Petroleum, Royal Dutch Shell, Total, OMV, and Q8. Iran Air is finding it difficult to find sources to replace these suppliers, not to mention places to land.

Iran is increasingly isolated from the international financial system, as Under Secretary of Treasury Cohen's testimony describes in detail. Virtually all of the world's first-tier banks have concluded that the Iranian market is not worth the reputational risk posed by deceptive Iranian practices. They understand the consequences of both willfully and inadvertently facilitating an illicit transaction, and have severely curtailed their interactions with Iranian banks. The Administration is looking very closely at further measures that will drive home the message that any bank doing business with banks that do business with terrorists puts its own reputation at risk of international sanction and condemnation.

Iran's shipping is also under international pressure. Large shipping companies such as Hong Kong-based NYK are withdrawing from the Iranian market, and reputable insurers and reinsurers such as Lloyd's of London, no longer insure Iranian shipping. Iran's shipping line IRISL, has been exposed for its complicity in the shipment of goods in violation of Security Council resolutions, as noted by the UN's Iran Sanctions Committee. IRISL has been sanctioned by the United States, the EU, Japan, South Korea, and others. Difficulty in repaying loans and maintaining insurance coverage has led to the detention of at least seven IRISL ships. Major shipbuilding companies are refusing to build ships for IRISL. As a direct result of the international pressure we helped build, IRISL ships have a harder time finding ports of call, particularly in Europe.

Other major companies have voluntarily opted out of the Iranian market, including automotive firms Daimler (German), Toyota (Japanese), and Kia (South Korea), as well as Germany's ThyssenKrupp. Caterpillar prohibited its non-U.S. subsidiaries from exporting to Iran. Switzerland's ABB Ltd., Ingersoll-Rand Plc, and Huntsman Corp. have ended business with Iran.

The result of our strategy is an Iran that is isolated economically and finding dwindling options for doing business internationally. But, importantly, Iran is

facing these problems because of *targeted* sanctions and the voluntary decision by international firms to exit the Iranian market. Our sanctions approach continues to seek to undermine Iran's ability to engage in illicit conduct, with measures against Iran's energy sector removing an invaluable source of funding that Iran could apply to that conduct. In spite of the high price of Iranian crude on world markets, Iran's aggregate economy also seems to be weakening. These effects will increase as sanctions implementation continues to improve, especially if the recent decline in the price of crude oil continues.

These efforts are directed toward achieving our goals of persuading Iran to comply with its international obligations to prove the exclusively peaceful nature of its nuclear program and to engage constructively with the P5+1. On September 21, I participated in a meeting of the P5+1 countries in New York, where we and our partners, including Russia and China, reiterated longstanding and grave concerns about Iran's installation of centrifuges at the formerly-covert enrichment plant at Qom, about its stepped up production of 20% enriched uranium, and about the possible military dimension of Iran's program (a concern notably shared by the IAEA). We also reconfirmed the dual-track strategy of engagement and pressure. It was a strong and unified statement. It concluded that the P5+1 would be willing to hold another meeting with Iran, but only "if Iran is prepared to engage more seriously in concrete discussions aimed at resolving international concerns about

its nuclear program." If, however, Iran simply seeks to buy time to make further progress in its nuclear program, it will face ever-stronger pressures and ever-increasing international isolation.

We will continue to work with Congress as we implement both tracks of the dual-track policy. We believe that, in the short term, further improvements in international implementation, based on our current authorities, offer the best way to increase pressure on Iran. As Congress considers additional authorities, we would like to work with you to ensure that any additional steps we take will strengthen the international consensus and global pressure against Iran's nuclear program. The most effective sanctions are those taken by a large portion of the international community, which requires close coordination with friends and allies, as well as a targeted approach. Convincing them to take action will require us to carefully calibrate our outreach to the individual circumstances of specific countries and sectors. It will also require flexibility to find creative and proactive tools to convince Iran that it cannot continue to pursue its nuclear ambitions.

Sanctions are doing more than raising the cost of continuing illicit nuclear activity; they are finally shining a spotlight on some of the individuals and entities perpetrating egregious human rights abuses against Iranian citizens. Using CISADA, we have designated 11 individuals and three entities for human rights

violations, and we continue to compile more information and evidence that will allow us to identify more murderers, torturers, and religious persecutors. We have taken a firm stand on the Iranian regime's violations of human rights, including the repression of religious minorities as exemplified by the death sentence handed down by Iranian courts against Pastor Youcef Nadarkhani simply for following his own chosen religion had it not been for the immediate condemnation from world leaders, religious groups, and NGOs. At the same time, we are offering capacity-building training programs, media access, and exchanges to help Iranian civil society strengthen their calls for accountability, transparency, and rule of law. The Iranian opposition's desire to operate without financial or other support from the United States is clear. We are committed to using available and effective diplomatic tools to assist those who want our assistance in speaking out and defending fundamental rights and freedoms. The United States will always support the Iranian people's efforts to stop government-sanctioned harassment, detention, torture, imprisonment, and execution of anyone who dares express ideological, religious, or political differences from the regime's repressive, totalitarian vision.

We engage regularly with like-minded countries to develop shared approaches to increase the pressure for a change in the Iranian government's behavior. In July, the United States and United Kingdom, with the support of

Canada, imposed visa restrictions on Iranian government officials and other individuals who were responsible for or participated in human rights abuses, including government ministers, military and law enforcement officers, and judiciary and prison officials. We welcome the European Union's announcement this week of more than two dozen additional travel bans. There is absolutely no cause for allowing petty tyrants to trot around the globe while suffering and repression continues unabated inside Iran. International pressure and condemnation on this point is growing: We worked with Canada to pass a UN General Assembly resolution last year condemning Iran's human rights abuses. This condemnation attracted a larger margin than any similar resolution in the past eight years. It may seem small, but every pro-regime vote we strip away on resolutions like this is one fewer fig leaf for the Iranian regime to hide behind as they murder and torture their own people, and we will continue to press measures large and small at every opportunity.

We were leaders in an effort in the UN Human Rights Council in March to create a Special Rapporteur on Iran, the first country-specific human rights rapporteur since the Council's creation. Special Rapporteur Ahmed Shaheed, a former foreign minister of the Maldives and respected human rights advocate, will serve as an independent and credible voice to highlight human rights violations by the government of Iran. All of these multilateral efforts reinforce our strong

domestic actions that prove that Iran's attempts to undermine universal rights and deceive the world only further isolate it from the global community.

In my new role as Under Secretary for Political Affairs, I look forward to working closely and transparently with members of Congress to prevent Iran from acquiring nuclear weapons, curtail its support for terrorism, make it more difficult for Iran to interfere in the region, and deter the regime from committing human rights abuses against its own people.

In Syria, the regime has responded to the international community's calls for Asad to step aside with hollow promises of reform, conspiracy theories and escalating violence. In its effort to cling to power, the regime is executing a deliberate and bloody strategy of channeling peaceful protest into armed insurrection. Its brutal actions have resulted in over 2,900 deaths and many more thousands of cases of assault, arbitrary detention and torture since the unrest began in March, according to the UN High Commissioner for Human Rights. The regime is also stoking the fears of Syria's minority communities with blatant propaganda about foreign conspiracies and domestic terrorism while cynically claiming that it is their only protection from sectarian violence. Make no mistake: the regime is responsible for the cycle of violence and sectarianism. The Syrian people are

resisting it, but the regime is working diligently to fulfill its own prophesy of inter-communal violence.

While the protests in Syria have thus far been overwhelmingly peaceful, military defectors and civilians under siege are beginning to take up arms as they are faced with increasingly brutal repression and are denied the political space to organize and make their voices heard. And while there have indeed been some cases of attacks on security forces, the vast majority of those killed are unarmed civilians, including those tortured and killed while in government custody.

Nevertheless, we urge the opposition to continue to reject violence. To do otherwise would play into the regime's propaganda and, frankly, make its job of brutal repression easier. The regime knows how to handle armed insurrection, but not peaceful protest and civil disobedience.

Iran continues to lend a bloody hand to the Asad regime, its closest ally, by providing material and technical support to the regime's campaign against the Syrian people. There can be no doubt that acquiescence to instruments of repression inside Iran, like the Basij and IRGC, also gives aid and comfort to abusers and repressors outside. Cynically capitalizing on the Syrian government's

growing alienation from its Arab neighbors, Iran is seeking to increase its influence in Syria and help Asad remain in power at any cost. Aside from flimsy calls for unspecified "reforms," Iran's government has done nothing to pressure the regime to stop the violence or respond to the legitimate demands of the Syrian people. Instead, Iranian support is a pillar of Asad's edifice of terror and repression.

Our message to the Syrian people and the political opposition is one of unity. We maintain that the voices of all factions of Syria's diverse society must be heard and respected. The establishment of the Syrian National Council, a coalition of secularists, Christians, Islamists and Kurds from both inside and outside Syria who have joined together to form a united front against the Asad regime, is a positive step. We do not endorse any specific opposition group –the Syrian people must decide who can legitimately represent them. But we encourage the opposition to maintain unity, articulate a clear and common vision, develop a concrete and credible transition plan for Syria, and reach out directly to minority communities in Syria and abroad.

Since the beginning of the Syrian unrest, the Administration has pursued targeted financial measures to increase pressure on the Syrian regime and its enablers. We have specifically targeted those responsible for human rights abuses, senior officials of the Syrian government, and the regime's corrupt business

cronies. On August 18, President Obama signed a new Executive Order that blocks the property of the Syrian government, bans U.S. persons from new investments in or exporting services to Syria, and bans U.S. imports of, and other transactions or dealings in, Syrian-origin petroleum or petroleum products. These are some of the strongest sanctions the U.S. government has imposed against any country in the world. In addition, European sanctions banning the purchase of Syrian petroleum products—the regime's most important source of foreign exchange—and placing restrictions on the Syrian Commercial Bank have had an arguably greater impact given the larger volume of Syrian trade with Europe. We will continue to work with the international community, to urge them to take additional measures to strangle the regime's cash flow and urge President Asad to step aside. Additional measures we are seeking include asset freezes and travel bans on regime officials and regime enablers, working with Syria's neighbors to prevent the smuggling of cash and goods across borders, and thwarting regime efforts to circumvent U.S and EU oil sanctions.

Meanwhile, Ambassador Ford has been doing an exceptional job in providing Washington policy makers with a clear perspective of what is happening in Syria. He has boldly delivered strong messages to the Syrian regime and met repeatedly with opposition figures and civil society. This Administration's principled stand against Asad's brutality, and the Ambassador's own actions to

show solidarity with the Syrian people, have led to attacks and intimidation by the regime against Embassy Damascus and Ambassador Ford himself. In this way, his active presence in Syria shows our resolve to pressure the Syrian regime to end its senseless killing, demonstrates our solidarity with the Syrian people, and helps to shine an international spotlight on the gross abuses of the Asad regime.

Despite the October 4 veto of the UN Security Council draft resolution on Syria, we remain committed to pursuing multilateral sanctions at the Security Council. What happened last week in New York was nothing less than a slap in the face for the Syrian people and an abrogation of the Security Council's responsibility to maintain international peace and security and the duty every responsible nation shares to protect civilians under attack. Our most urgent objective is to ensure expeditious, unfettered, and sustained access for international human rights monitors and journalists to bear witness to events on the ground and prevent some of the regime's worst excesses against its people. To starve the Syrian regime of cash and make it clear that the regime's current path is not sustainable, we are working with our international partners, including our Arab allies, to block efforts by the Syrian regime to circumvent American and European sanctions. We have led the effort to hold two special sessions of the UN Human Rights Council on the situation in Syria. At the second special session, we worked closely with many of Syria's Arab neighbors, including Saudi Arabia, Kuwait,

Qatar and Jordan to ensure unified regional condemnation of the Syrian regime and to establish a Commission of Inquiry to investigate the on-going human rights violations. Additionally, we expect the Commission of Inquiry mandated by the UN Human Rights Council to be permitted to carry out its mission without restrictions. We believe that the introduction of more witnesses will play a critical role in proving to the world what is really happening in Syria and mobilize fence-sitting nations to join us in bringing greater pressure to bear on the regime.

Balancing sanctions with civil society support is a strategy that applies not only to our separate concerns regarding Iran and Syria, but also to our goal of countering their combined destabilizing activities across the region. For far too long, Iran and Syria have worked together to foment instability in neighboring countries and maintain weak states in which they can advance their agendas. Since the inception of the Islamic Republic, Iran's government has used instruments of the state to spread terror around the globe. It has long used Syria as a strategic and logistical connection to terrorist groups like Hizballah, while both countries exercise undue influence in Lebanon. These links have facilitated the movement of dangerous materials and illicit funds for the purpose of targeting U.S. and our allies' interests. The United States is breaking these links by levying sanctions that constrain both countries' attempts to proliferate weapons of mass destruction and to procure and transfer weapons, funds, and other resources to proxy terrorist

groups. We have imposed financial sanctions and travel restrictions for IRGC and Hamas members and related entities to limit their ability to conduct business. Most recently, on September 22, the Department designated Hamas operative Abu Ghazala, who also has links to Iran and al-Qa'ida. We are also closely engaged with our European and Gulf partners who share our concerns regarding Iran's motives in the region and are committed to mitigating its influence.

The Arab Awakening created a fissure not just between the governments in Iran and Syria and their own people, but also with their regional neighbors, where people are taking increasing ownership of their rights and rejecting repressive regimes. Opposition groups in Egypt, Bahrain, and Syria have openly repudiated Iran's hypocritical attempts to voice solidarity with their movements. Syria is rapidly losing former allies who refuse to tolerate the government's continued use of violence and repression. As their neighbors and strategic partners grow disillusioned with the atrocious actions of the Iranian and Syrian regimes and reject their indefensible behavior, our training programs and diplomats that support civil society are more important than ever. These avenues of engagement aim to increase the volume and ease with which the Iranian and Syrian people can demand their rights and freedoms. The State Department is providing grants to support and expand the use of counter-censorship tools, secure mobile communications, and other technologies to help activists and journalists get their

messages and videos past government obstacles. Diplomats like Ambassador Ford are also acting as human amplifiers on behalf of citizens who cannot speak freely without being targeted by their regimes. He and other State Department officials are working every day to document and draw attention to egregious behavior of the Iranian and Syrian governments, which in turn is helping us succeed in further isolating these countries.

Abandoned by increasing numbers of citizens, former regional allies, and world powers, the Iranian and Syrian governments continue their current behavior at ever-increasing risk of isolation. Our actions to counter their domestic, regional, and international belligerency are unmistakably escalating the cost of doing business as usual for both countries. Iran and Syria's leaders must stop attacking their populations, undermining regional stability, and threatening international security. Their domestic revolts and Arab Awakening backlash prove that their actions run counter to the aspirations and hopes of their people and their neighbors. They are out of legitimacy and excuses, and we will continue to strengthen existing measures and devise new partnerships and programs that empower their citizens to realize their vision for free, democratic, and responsible societies that no longer threaten U.S. interests and allies.

Chairman ROS-LEHTINEN. Mr. Secretary.

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

Mr. COHEN. Thank you, Madam Chairman.

Chairman Ros-Lehtinen and Ranking Member Berman and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss the Treasury Department's efforts to implement and enforce sanctions on Iran and Syria.

The focus of my testimony today will be the progress we are making in our financial strategy to increase pressure other than the Iranian and Syrian regimes. But, first, I, too, would like to say a few words about this week's revelation that we disrupted an Iran Quds Force plot to assassinate the Saudi Ambassador here in Washington.

This is a dramatic reminder that the urgent and serious threat we face from Iran is not limited to Iran's nuclear ambitions. We have been working for several years to address the full spectrum of Iranian illicit conduct, including nuclear and missile proliferation, human rights abuses, misuse of the international financial system, and support for terrorist groups worldwide. This week is no different.

On Tuesday, Treasury imposed financial sanctions against five individuals, including the commander of the Quds Force and three other senior Quds Force officers connected to the assassination plot. In taking this action, Treasury exposed the Iranian Government's involvement in the plot through the Quds Force, Iran's primary arm for exporting terror.

And Wednesday we took another action targeting Quds Force involvement in terrorist activities, this time by imposing sanctions on Mahan Air, Iran's second-largest airline, which was secretly ferrying operatives, weapons, and funds on its flights for the Quds Force.

Actions like these, along with a raft of additional sanctions we have imposed on Iran over the past several months and years, have put increasing financial pressure on Iran.

CISADA has markedly amplified this pressure and deepened Iran's isolation. As we have explained to banks and governments in nearly 50 countries all around the world, CISADA offers a clear choice. A foreign bank can have access to the largest and most important financial sector in the world, the United States, or it can do business with sanctioned Iranian banks. But it cannot do both.

For the overwhelming majority of foreign banks, the choice has been a simple one. Those with potentially sanctionable relationships quickly elected to stop that business. And where we learned of potentially sanctionable activity under CISADA, we have actively investigated.

Our efforts are paying off. Iran is now facing unprecedented levels of financial and commercial isolation. The number and quality of foreign banks willing to transact with designated Iranian financial institutions has dropped precipitously over the last year. Iran's shrinking access to financial services and trade finance has made

it extremely difficult for Iran to pay for imports and receive payment for exports. Iran's central bank has been unable to halt this steady erosion in the value of its currency, and Iran has been increasingly unable to attract foreign investment, especially in its oil fields, leading to a projected loss of $14 billion a year in oil revenues through 2016.

Our efforts in Syria are also yielding results. Since the uprising in Syria began in March, President Obama has issued three new executive orders to establish sanction programs that have systematically escalated the financial pressure on the Assad regime. These U.S. sanctions, which targets human abusers, block the assets of the Government of Syria, impose an import ban on Syrian petroleum products, and prohibit new investment in Syria, are intended to pressure Assad to relinquish power.

Our efforts have been echoed by our European partners, who have established an embargo on Syrian oil and imposed financial sanctions targeting officials responsible for Syrian repression.

And echoing an action that we have taken, just this morning the EU announced sanctions on the Commercial Bank of Syria, by far the largest bank in Syria and its key remaining link to the international financial system.

As a result of these sanctions, the Assad regime is struggling to find buyers for its oil, to access foreign currency, and to maintain economic stability.

The IMF has revised its projections downward for the Syrian economy this year, from 3 percent growth to a 2 percent contraction, and predicts increasing pressure on Syria's foreign currency reserves and ability to finance imports.

We are making progress in both Iran and Syria, but there is still much to be done to prevent both Iran and Syria from evading sanctions already in place and to take new steps to increase the pressure on these regimes.

In the case of Iran, we continue to focus on the Central Bank of Iran, the CBI. Although U.S. financial institutions are already generally prohibited from doing business with any bank in Iran, including the CBI, further U.S. action against the CBI, if it attained multilateral support, could further isolate the CBI with a potentially powerful impact on Iran.

I can assure the committee, as Secretary Geithner said in his letter to Congress of August 29th, all options to increase the financial pressure on Iran are on the table, including the possibility of imposing additional sanctions against the CBI.

We will also continue to work with governments in Europe, the Gulf, and elsewhere to impose financial measures that will ratchet up the pressure on Assad to step down. If the Iranian and Syrian regimes continue to choose the path of defiance, we will continue to develop new and innovative ways to impose additional costs on them.

I look forward to working with the Congress and this committee to advance our national security interests.

[The prepared statement of Mr. Cohen follows:]

The Honorable David S. Cohen
U.S. Department of the Treasury

Hearing entitled: "Hearing entitled "Iran and Syria: Next Steps—Part II"

House Committee on Foreign Affairs

October 14, 2011

INTRODUCTION

Chairman Ros-Lehtinen, Ranking Member Berman, and distinguished members of the Committee: Thank you for the opportunity to appear before you today to discuss the Department of the Treasury's contribution to the Obama Administration's strategy to address the challenges we face today in Iran and Syria. I am pleased to be here with Under Secretary Sherman and Assistant Secretary Mills, as the approach the Administration has taken, and the progress we have achieved, has been marked by robust, interagency collaboration to both confront the threat we face from Iran and end the Syrian regime's campaign of violence and repression against the Syrian population.

I would like to focus my remarks today on the role that financial sanctions are playing in these efforts. I will outline the sanctions strategy we are pursuing to address the threat from Iran, paying particular attention to the Treasury Department's vigorous implementation of the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), the impact CISADA and other sanctions are having on Iran, and our plans to increase the pressure on Iran going forward. I will also detail Treasury's efforts to escalate pressure on the Asad regime, explain the impact these measures are having in Syria, and explain the steps that lie ahead.

Iran Sanctions Strategy

The Treasury Department's sanctions efforts are embedded in the dual-track strategy that the United States and our allies are pursuing to address Iran's continued failure to meet its international obligations regarding its nuclear program.

Notwithstanding the sincere offer of engagement extended to the Iranian government by the United States since the outset of this Administration, Iran has refused to respond meaningfully. In order to compel Iran to change its approach and to make clear to Iran the consequences of its existing approach, the United States is implementing a broad-based pressure strategy. One of the most important elements of which are targeted financial measures designed both to disrupt Iran's illicit activity and to protect the international financial sector from abuse by Iran. Our actions

have focused on key government entities involved in Iran's illicit conduct, including nearly two dozen Iranian state-owned banks; the Islamic Revolutionary Guard Corps (IRGC) and its external arm, the IRGC-Qods Force; and Iran's national maritime carrier, the Islamic Republic of Iran Shipping Lines (IRISL), and its affiliates.

This strategy has yielded significant results. We have imposed costs directly on the entities we sanctioned, and by focusing our efforts on exposing Iranian entities' illicit and deceptive activities, we have built support among foreign governments to take similar actions. The global private sector also has amplified our actions – often taking voluntary steps beyond their legal requirements – because our actions have highlighted the pervasive nature of Iran's illicit and deceptive conduct and the reputational risks associated with any Iran-related business.

Our ability to isolate and disrupt the IRGC and designated Iranian financial institutions was strengthened considerably last year when President Obama signed CISADA into law. CISADA has helped us make the case to foreign governments and foreign financial institutions that the IRGC and Iran's designated banks should not be allowed access to the international financial system. As I will describe in more detail, our implementation of CISADA has significantly impaired designated Iranian banks' access to the international financial system, impeding their ability to facilitate Iran's illicit activities and creating unprecedented financial and commercial isolation for Iran.

Although we are making progress, there is, of course, still much to be done. Iran is feeling the impact of the pressure, but we have yet to achieve the objective of our dual-track strategy: concrete action by Iran to comply with its international obligations and to address the international community's concerns regarding its nuclear program.

Recent Actions and Progress

Since last May, when I last appeared before this Committee, Treasury has taken a number of significant actions that have increased markedly the pressure on Iran.

Tidewater Middle East Co. and Iran Air

The IRGC continues to be a primary focus of U.S. and international sanctions against Iran because of the central role it plays in all forms of Iran's illicit conduct, including Iran's nuclear and ballistic missiles programs, its support for terrorism, and its involvement in serious human rights abuses. As Iran's isolation has increased, the IRGC has expanded its reach into critical sectors of Iran's economy, displacing ordinary Iranians, generating revenue for the IRGC and conducting business in support of Iran's illicit activities. We previously imposed sanctions on several IRGC-related entities, and in June we continued the effort to expose the IRGC's expansive economic reach – this time, into Iran's maritime and transportation sectors.

Using our nonproliferation authorities, in June, we designated Tidewater Middle East Co. (Tidewater), an IRGC-owned port operating company that manages the main container terminal at Bandar Abbas and has operations at six other Iranian ports. The Bandar Abbas port handles approximately 90 percent of Iran's containerized shipping traffic and has been used by Iran to

export arms and related materiel in violation of several United Nations Security Council Resolutions (UNSCRs). That same day, we also imposed sanctions against Iran Air, the Iranian national airline carrier, because it has been used by the IRGC and Iran's Ministry of Defense for Armed Forces Logistics (MODAFL) to transport military-related equipment.

The international private sector responded swiftly to these actions, taking steps to ensure that they have no part in dealing with these proliferators. For example, several of the world's largest shipping container firms, Maersk, Hapag Lloyd, and NYK Lines, have stopped calling at Bandar Abbas' Shahid Rejaie terminal and have stopped or will stop all shipments of Iran-bound cargo.

IRISL

Since IRISL was designated by the U.S. in 2008, the UK in 2009, and the EU in 2010 for supporting Iran's WMD proliferation activities, it has sought to evade sanctions by changing ships' names and nominal owners – often multiples times – and altering shipping documents to disguise its activities. Treasury, in turn, continues to expose IRISL's use of these and other deceptive practices and has imposed sanctions on more than 150 IRISL-related vessels, companies, entities and persons over the last three years.

In June, we added to this list by designating 10 IRISL front companies, as well as three individuals who each play a key role in aiding IRISL's sanctions evasion activities worldwide.

Our actions, coupled with similar sanctions imposed by many of our partners around the world, have substantially hindered IRISL's operations, causing it real financial distress. Because of sanctions imposed by the EU, IRISL today is largely shut out of European ports. It is also unable to obtain maritime insurance from any of the world's recognized insurers, including the Lloyd's market. Instead, IRISL is now insured, if at all, by a sanctioned Iranian insurance company with no history of writing maritime insurance and no track record of paying maritime claims. Along with this change in insurance, which in some cases has run contrary to the terms of IRISL's vessel mortgages, IRISL has had difficulty making payments on its mortgages. This has led to about a half-dozen IRISL ships being arrested in ports around the world by creditors seeking payment.

Iranian Human Rights Abuses

In response to the Iranian regime's serious human rights abuses, CISADA required that the President impose sanctions upon Iranian officials, or persons acting on behalf of the Iranian Government, who are responsible for or complicit in the commission of serious human rights abuses against Iranians. In September 2010, President Obama signed E.O. 13553, which authorizes Treasury, in consultation with the State Department, to expose serious human rights abuses by the Iranian regime, both inside and outside of Iran. As the regime's abuse of its citizens' human rights has continued, together we have imposed sanctions under E.O. 13553 against 11 senior Iranian officials and three Iranian entities – the IRGC, the Basij Resistance Force, and Iran's Law Enforcement Forces (LEF) – including the IRGC's commander, the LEF chief, and Iran's Intelligence Minister.

Treasury actions with State have also exposed Iran's support of the Syrian government's ongoing violence and repression of the Syrian people. Under E.O. 13572, which targets those responsible for, complicit in, or providing material support to those engaged in human rights abuses in Syria, Treasury designated the LEF's Chief and Deputy Chief, and two senior IRGC-Qods Force officers – all for supporting the brutal suppression of the Syrian people orchestrated by the Syrian General Intelligence Directorate.

Iranian Support for Terrorism

We have not lost – and must not lose sight of the fact that Iran is the world's most active state sponsor of terrorism. Iran has used its state apparatus – including especially the IRGC-Qods Force –to support a wide range of terrorist organizations, including Hizballah, Hamas, Palestinian Islamic Jihad (PIJ), the Popular Front for the Liberation of Palestine-General Command (PFLP-GC) and the Taliban. In addition to providing financial support to these terrorist groups, Iran has allowed al-Qai'da to use its territory for the movement of money, facilitators, and al-Qa'ida operatives. Al-Qa'ida's core financial pipeline – which runs from Kuwait and Qatar, through Iran, to Pakistan – depends upon an agreement between al-Qa'ida and the Iranian government to allow this network to operate within its borders. In July, Treasury designated six members of this network headed by an Iran-based individual to further degrade al-Qa'ida and expose Iran's continued support to terrorist groups worldwide.

Financial Sanctions and Implementation of CISADA

The key focus of our efforts remains Iranian banks that either directly facilitate Iran's WMD and missile proliferation activity, or that provide material support to banks that have been designated for engaging in that activity. These sanctions, coupled with the power of CISADA, have continued to erode designated Iranian banks' access to financial services, protect the international financial system from risks posed by designated Iranian banks, and impede Iran's ability to acquire material for its nuclear program. Moreover, because many of Iran's largest state-owned banks have been sanctioned for engaging in, or supporting other banks engaged in illicit activity, our sanctions – along with complementary actions by many of our allies – have imposed substantial economic pressure on Iran.

In May, we continued these efforts by designating Iran's Bank of Industry and Mine (BIM) under E.O. 13382 for providing financial services to other designated Iranian banks. After the EU acted to implement UNSCR 1929 by prohibiting 18 Iranian banks from conducting transactions in Europe, BIM used one of its accounts as a conduit for transactions into Europe by designated banks, including Bank Mellat and Bank Saderat. That is, BIM, like Post Bank before it, engaged in a scheme to front for designated banks in an effort to evade U.S. sanctions. BIM is the 22nd Iranian state-owned financial institution to be designated by Treasury.

CISADA's powerful new financial authorities have amplified the impact of our designations of Iranian banks. Under CISADA, the Secretary of the Treasury is empowered to cut off from the U.S. financial system any foreign bank that facilitates the activity of individuals and entities sanctioned by the UN Security Council in its recent Iran resolutions, as well as any foreign financial institution that facilitates a significant transaction, or provides significant financial

services, for any Iranian bank designated by the U.S. or for the IRGC and any of its designated agents or affiliates.

Since President Obama signed CISADA into law, my colleagues in the Treasury Department and I have aggressively implemented it in close coordination with the State Department. We issued the Iran Financial Transaction Regulations just over a month after the law was passed, describing in detail the activity that could lead to action by the Treasury Department against a foreign financial institution. And we have embarked on a worldwide tour to spread the word of the serious consequences that could befall a financial institution that engages in CISADA-sanctionable activity. This has involved outreach to foreign financial institutions, regulators, and government agencies in nearly 50 countries across five continents. Just two weeks ago, for instance, I traveled to China to speak with government officials in Beijing and Hong Kong, and with the private sector in Hong Kong, about CISADA.

As we explain in these engagements, CISADA offers a clear choice: a foreign financial institution can have access the largest and most important financial sector in the world – the United States – or it can do business with the IRGC or Iranian banks sanctioned for facilitating Iran's illicit activity, but it cannot do both. For the overwhelming majority of foreign banks, the choice has been a simple one, and those that had potentially sanctionable relationships discontinued that business. The result is exactly what Congress intended: CISADA has helped us deepen and broaden Iran's isolation from the international financial system.

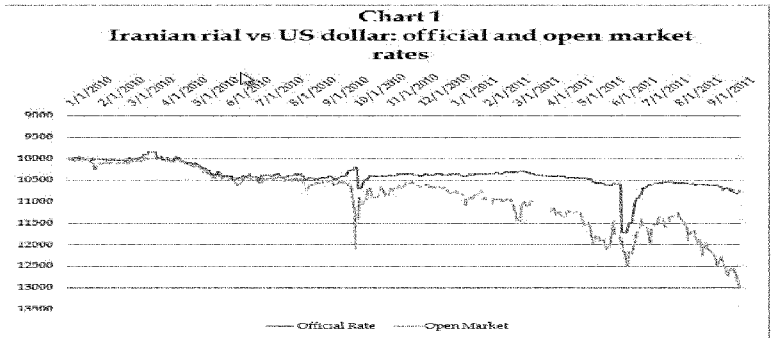
We continue to be vigilant to uncover and investigate activity that may lead to action under CISADA. And we remain ready and willing to utilize the tools provided by CISADA whenever and wherever necessary.

The Impact of Sanctions on Iran

Last December, in testimony to the House of Representatives Committee on Foreign Affairs, my predecessor described the impact of sanctions on Iran this way: "Iran has become increasingly isolated from the international financial system, with limited access to financial services.... Iran has been relegated to the margins of the international financial system, and is finding it increasingly difficult to access the large-scale, sophisticated financial services necessary to run a modern economy efficiently." I can report that Iran's financial isolation, and the economic impact of that isolation, have both continued to grow.

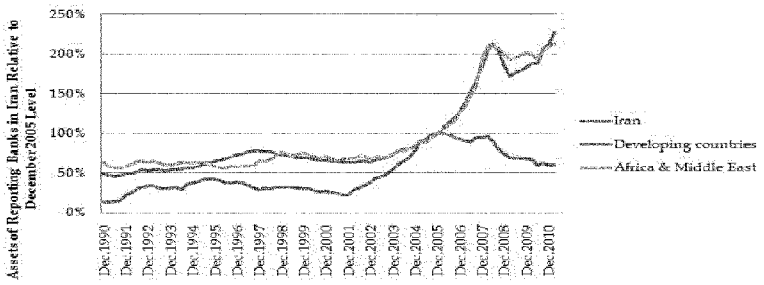
Due to a combination of factors – including UNSCR 1929, financial sanctions imposed by the U.S., EU, and other like-minded countries, and foreign banks' interest in avoiding CISADA actions or the reputational risk of doing business with Iran – the number and quality of foreign banks willing to transact with designated Iranian financial institutions has dropped precipitously over the last year. Iran's shrinking access to financial services and trade finance has made it extremely difficult for Iran to attract foreign investment, pay for imports, or receive payment for exports. This has led to a number of significant macroeconomic effects in Iran, exacerbating persistent economic weakness due to the Iranian government's mismanagement of its economy.

Sanctions have increased the cost and difficulty of accessing adequate foreign exchange, including the dollar, which has contributed to major instabilities in Iran's currency. (See chart 1) Last fall, following the adoption of UNSCR 1929 and various member states' actions to implement the Resolution, the spread between the official and the private-market exchange rates for the Iranian rial widened dramatically. In September 2010, the rial depreciated by up to 20 percent in one week alone. It recovered, but earlier this year, the spread between the official and the market exchange rate again began to widen. Iran's Central Bank intervened in early June, devaluing the rial by 11 percent in an effort to close the gap, but it has only grown wider since. The Central Bank of Iran has so far been unable to contain volatility in the rial market exchange rate. There are a number of theories to explain this phenomenon, but it is surely driven by Iranians seeking to convert their rial into foreign currency, underscoring the extent to which Iranians lack confidence in their economy.



Dwindling direct foreign investment in Iran also reflects, in part, the impact of our targeted sanctions. At a time when Iran could badly use an infusion of international capital, foreign investment in Iran remains low in comparison to other developing economies. (See chart 2) The International Monetary Fund has attributed this trend to international sanctions and Iran's difficult business environment. Iran continues to struggle to attract investment in key sectors, particularly oil and gas. Many international and national oil companies have effectively withdrawn from Iran, depriving the country of large-scale foreign investment and technology. As a result, the International Energy Agency projects that Iranian oil production will decline by about 800,000 barrels per day (bpd) by 2016, a roughly 20 percent decline in production capacity. At current oil prices, such a decline will cost Iran on average about $14 billion (about 3 percent of Iran's GDP) in annual oil revenues through 2016.

Chart 2
Trends in Foreign Investment in Iran Compared to Other Countries, Dec 1990-Mar 2011



Sanctions have also led to the IRGC taking over key aspects of Iran's economy, exacerbating the cronyism and corruption that pervades the Iranian regime. We have seen this in a number of areas. Khatam al-Anbiya, the U.S.-, EU-, and UNSC-designated engineering arm of the IRGC, has been recruited to develop key energy resources. The IRGC, through its sanctioned affiliates Bonyad Tavon Sepah and Mehr Bank, took over Tidewater, a port operator that until a few years ago had been privately owned. And President Ahmadinejad recently appointed Rostam Ghasemi, a U.S. and EU-designated IRGC commander and former leader of Khatam al-Anbiya, as Minister of Oil. This appointment was applauded by the IRGC, which characterized Ghasemi's new role as a "meaningful and critical response to the attacks against the guards from the west's media empire." However, even members of Iran's government have publicly questioned the wisdom of this decision. One member of Iran's parliament observed that "the integration of the guard, as a military force, in political and economic power is not in the interests of the system.... In neighboring countries, military officials are distancing themselves from politics and power, while it's the opposite in Iran."[1] Furthermore, the inclusion of the IRGC throughout the Iranian economy has opened up Iran to greater pressure through sanctions.

Altogether, there is little doubt that our sanctions strategy has markedly reduced Iran's access to the international financial system and, consequently, has contributed to a noticeable weakening in the Iranian economy.

The Continuing Threat and the Way Forward

The Governor of the Central Bank of Iran, Mahmoud Bahmani, commenting on the financial sanctions, said recently that Iran should "fight back, and that's for sure," asking, "But how?"[2] It is clear that Iran has chosen to "fight back" against sanctions by using increasingly deceptive tactics in an effort to evade the scrutiny of governments, regulators, and banks around the world. As Iran has lost access to global banking and financial services, and suffered disruptions in its

[1] http://www.businessweek.com/ap/financialnews/D9OSLUI80.htm
[2] http://af.reuters.com/article/idAFTRE67716B20100808

ability to conduct trade worldwide, Iran is trying to preserve the limited access its designated banks have to the international financial system while simultaneously seeking to secretly establish new footholds. To do so, Iran is targeting vulnerable jurisdictions and financial institutions that may willingly or unwittingly allow designated Iranian banks to operate.

For example, some branches and subsidiaries of designated Iranian banks continue to operate in jurisdictions outside of Iran. Although many foreign banks would prefer not to do business with these branches and subsidiaries, Iranian bank branches exploit legal systems that allow them to continue to operate, jeopardizing the integrity of their host countries' financial sectors. We have been working with these host countries to shut down the operations of overseas affiliates of designated Iranian banks. We have achieved some success, but there is more work to do.

We also know that Iran has attempted to purchase banks in other countries, relying upon third-party associates or firms to facilitate these purchases in order to mask Iranian involvement and ownership. Preventing these attempts to circumvent multilateral sanctions remains a key focus of our strategy. Where we have information about these potential purchases, we work to alert our foreign partners and urge them to prevent Iran from gaining access to their financial sector in this manner.

We are also continuing our intense efforts to implement CISADA. Last week, we issued a final rule to implement Section 104(e) of CISADA, establishing a reporting requirement for U.S. banks that will complement our efforts to identify CISADA-sanctionable activity by foreign banks. We have already begun to utilize this regulation by issuing this week information requests to a number of U.S. banks regarding several foreign banks that we have reason to believe may be involved in activity sanctionable under CISADA. If we become aware of possible CISADA violations – through this or other investigative efforts under way – we will seek prompt resolution, either by insisting on confirmation from the foreign bank that it has ended its relationship with designated Iranian banks or by imposing CISADA sanctions.

As more and more countries and foreign banks refuse to deal with designated Iranian banks, we also remain keenly focused on the possibility that non-designated Iranian financial institutions may become involved in proliferation activity or terrorist financing, or may begin to provide material support to banks that are designated for doing so. And we continue to consider the case of the Central Bank of Iran (CBI). At this time, because of the our country-wide sanctions program, U.S. financial institutions are already generally prohibited, with only limited exceptions, from doing business with any bank in Iran, including the CBI. Treasury has also consistently communicated to our foreign partners the risks of doing business with the CBI, as highlighted in UNSCR 1929. Additional U.S. action against CBI, if it engenders multilateral support, could further isolate the CBI. I can assure the Committee that the Administration will continue to carefully weigh the legal bases and policy ramifications of further action against the CBI, and we are committed to continuing to work with the Congress on this crucially important issue.

Syria Sanctions Strategy

For several years, the United States has employed a variety of sanctions programs to address specific illicit conduct of the Syrian government. In particular, U.S. sanctions have targeted Syrian involvement in and support for terrorism, proliferation and public corruption and Syrian political and military interference in Lebanon.

When the Syrian people began to express their universal rights seven months ago and were met with violence and repression by the Asad regime, the Administration responded by systematically escalating the financial pressure on the Asad regime. Our sanctions have focused on individuals and entities responsible for human rights abuses in Syria, senior officials of the government of Syria, businessmen and companies that are financially affiliated with the Syrian regime, and persons linked to other illicit activities. These steps, along with sanctions targeting the Syrian energy sector and, importantly, efforts to secure parallel action from partners worldwide, are meant to stop the Syrian regime's violence by restricting the funds it uses to finance the crackdown and increase the pressure on the Syrian regime so that President Asad relinquishes power in Syria and makes way for a democratic transition. Furthermore, our sanctions are designed to directly affect those most responsible for the repression in Syria and not those being abused.

Recent Actions and Progress

Since the uprising in Syria began in March 2011, the President has issued three Executive Orders establishing new authorities to address the situation in Syria. On April 29, following the Asad regime's violent crackdown against peaceful demonstrations, President Obama signed E.O. 13572, targeting Syrian officials and others responsible for human rights abuses in Syria, including those related to repression. Less than a month later, on May 18, the President signed E.O. 13573, sanctioning Syrian President Bashar al-Asad and six senior officials of the Government of Syria for repression of democratic change, attacks on protestors, and arrests and harassment of protestors and political activists.

Responding to the continuing escalation of violence, the President signed E.O. 13582 on August 17, blocking the assets of the entire government of Syria, including its agencies, instrumentalities, and controlled entities, such as the Central Bank of Syria. The Order also banned the exportation of services to Syria, the importation into the United States of Syrian-origin petroleum or petroleum products and other dealings in, or related to, Syrian-origin petroleum or petroleum products, and new investment in Syria. This action reinforced the Administration's commitment to ensure that any assets of the Syrian government subject to U.S. jurisdiction cannot be used to further the Syrian regime's campaign of violence and repression against Syrian citizens.

To date, Treasury has designated more than three dozen Syrian and Iranian individuals and entities pursuant to the new sanctions authorities established this year. Some of the more notable actions against Syrian officials included sanctions targeted at Buthaina Shaaban, media advisor to President Asad; Walid Al-Moallem, the Foreign Minister; the President's brother Maher al-Asad; and Mohammed Hamsho, a prominent businessman and member of the Syrian Parliament. We have also designated Ismail Ahmadi Moghadam and Ahmad-Reza Radan, the two top officials of Iran's LEF, and Qasem Soleimani, the head of the IRGC-QF along with one of his

chief lieutenants, pursuant to E.O. 13572, for providing material support and expertise to assist the regime's violent response to peaceful protests.

We have also taken action targeted at Syrian proliferation activity, designating the Commercial Bank of Syria on August 10 pursuant to E.O. 13382 for its provision of financial services to Syrian and North Korean entities that have been sanctioned in the U.S. and Europe for their involvement in proliferation.

Coordination with Allies

We are working closely with allies to isolate the Syrian government from the international financial system and deprive it of access to the significant revenue stream generated by Syria's petroleum sector. The United States had only limited commercial ties to Syria before implementing comprehensive sanctions on Syria this summer, making multilateral sanctions implementation critically important to achieving our objectives. The EU has thus far designated numerous regime officials and insiders, implemented a ban on the importation of Syrian oil and gas, prohibited new investment in the Syrian energy sector and issued a ban on the export of Syrian bank notes and coins produced in the EU. Just today, the EU announced that they will freeze the assets of the Commercial Bank of Syria for its financial supports to the regime. Our close collaboration with the EU on Syria sanctions has led to swift and high impact action to target the nefarious activity of the Asad regime. We are also urging partners in the region, in the Gulf and elsewhere to take similar actions to further demonstrate the international community's resolve that the Asad regime's behavior is unacceptable.

The Impact of Sanctions on Syria

Our targeted sanctions and comprehensive program blocking the government of Syria, combined with the actions taken by the EU and others since the start of the uprising, are having a palpable impact on the Syrian government. The regime is struggling to find buyers for its oil, to access foreign currency, and to maintain economic stability.

As a result of the U.S. and EU oil embargoes, companies such as Dutch group Moller-Maersk have discontinued their business dealings with Syria. Late last month, the Syrian government cut domestic oil production, because without buyers they lacked domestic storage for newly extracted crude. Oil and gas exports account for a third of the Syrian regime's revenues and are a crucial source of foreign currency. Given that more than 90 percent of Syria's oil is sold in the EU, we anticipate that the regime will have an even harder time getting its oil to market and accessing foreign currency once EU energy sector sanctions take full effect in November.

Recent statements by Syrian Central Bank and Ministry of Finance officials indicate that the regime's finances are strained and commercial activity in the country has slowed considerably. For example, in a press report published in late August, the Syrian Central Bank Governor, referring to economic growth, stated that "it will be more difficult because of sanctions," and noted that the regime will have to tighten its belt.

In September, the International Monetary Fund issued its semiannual World Economic Outlook report, revising its April projection that the Syrian economy would grow by 3 percent and instead forecasting a 2 percent contraction this year. Additionally, in September, the IMF forecast that the current account deficit will widen from 3.9 percent in 2010 to 6.1 percent this year, putting pressure on Syria's foreign currency reserves and making it significantly more difficult for Syria to finance imports.

In an effort to preserve foreign currency reserves, in late September, the Syrian government imposed a ban on the import of a broad range of products, including household appliances and food items. Faced with a resultant spike in inflation and a backlash from the business elite, the government quickly rolled back the ban to shore up support from key domestic constituencies. Although the full impact of the sanctions has yet to be seen, such haphazard economic policy is an indicator that the government is struggling to manage an economy squeezed by sanctions while maintaining key domestic support.

The Continuing Challenge and Way Forward

Though we have implemented comprehensive sanctions against the Asad government, Treasury will continue to work with our colleagues across the Administration, including our Embassy in Damascus, to identify the individuals and institutions that are complicit in the regime's repression and other nefarious activities and bring those activities to light through public designations. These actions will not only expose the violence and corruption of the regime, but will also help our partners in the international community and private commercial institutions to take parallel action to cut off the access of those individuals and institutions from the international financial system.

As financial pressure on Syria increases, we expect that the regime will seek ways to circumvent U.S. and EU financial sanctions and oil import bans. We will continue to carefully monitor this activity and bring it to the attention of appropriate global and domestic government and private sector counterparts in an effort to prevent it. As part of our efforts in this regard, the Financial Crimes Enforcement Network (FinCEN) has already issued two advisories to U.S. financial institutions cautioning against the risk of the flight of regime assets and possible attempts by the Commercial Bank of Syria to use nested accounts to access U.S. dollars.

Conclusion

As Iran and Syria continue to choose their paths of defiance, Treasury, working with our colleagues across the Administration and in Congress, will continue to develop new and innovative ways to impose additional costs on both nations to create crucial leverage in support of our national security objectives. Just as we are making every effort to demonstrate to Iran the cost of violating its international obligations, we are also making clear to Asad and his supporters the consequences of violence and repression. I look forward to continuing our work with this Committee as Treasury continues to use its financial tools to advance U.S. interests. Thank you.

Chairman ROS-LEHTINEN. I thank our witnesses for your statements.

I will recognize myself for a question.

Ambassador Sherman, when asked by the informant if the assassination of the Saudi Ambassador needed to go forward even if doing so could cause mass American casualties, the accused perpetrator responded, "If hundreds go with them, expletive them."

Is engagement with the Iranian regime, bilaterally or through the P5+1, still a part of the administration's policy? And does the administration still adhere to this package of incentives for Iran based on that regime's suspension of uranium enrichment? And, if so, will the administration seek waivers on legislative restrictions that have been proposed and will be proposed in order for the U.S. to continue to participate in this incentive package? Is the U.S. position merely to ask Iran to suspend its nuclear enrichment program or to verifiably dismantle its nuclear program and stop other aggressive actions?

And tied to this assassination plot—and I know we won't have time to answer them all—the administration sanctioned four individuals, one who has for years had American blood on his hands. This Quds Force officer reportedly planned the January, 2007, attack on U.S. soldiers stationed in Iraq. That attack left five U.S. soldiers dead and wounded three others. And this same Quds Force officer coordinated the murder-for-hire plot recently in the U.S. that was just foiled this week. And this Karbala raid was daring. It was sophisticated. Iranian-trained terrorists posed as American soldiers.

Two years later, however, the Obama administration approved the release of two brothers who were members of the Karbala hit team and leaders of one of the infamous Iranian-directed special groups; and the public rationale offered for their release was that it was part of an Iraqi reconciliation effort.

So why did the administration not designate Shalai—the gentleman who is no gentleman—the one that was complicit in this murder-for-hire plot at that time, given that he was the key enabler of this deadly attack on Americans, and was not designating Shalai at that time part of the administration's engagement with the Iranian regime?

Ms. SHERMAN. Thank you very much for your questions, Madam Chair.

The administration is very clear. Our policy toward Iran is to get them to verifiably end their nuclear weapons program and their nuclear weapons ambition. There is no question about that, and we are quite unambiguous about that objective.

There has been a two-pronged approach to that objective and they interact with each other. We want to create the maximum pressure on Iran. To do so, we not only need to impose, which we have, the strongest sanctions regime in three decades bilaterally against Iran, but we need to mobilize the international community. Because sanctions are most effective when they are severe, when they are enforced, and when they are taken forward by multiple countries.

We are very powerful, and we are very strong, and we are very consequential to Iran, but when we have a United Nations Security

Council resolution signed on to by the entire Security Council and they bilaterally move forward in enforcing those sanctions, we increase the severity and the impact of sanctions. It is always good for us to do it. It is even better when we have others do it with us.

Chairman ROS-LEHTINEN. And if I could interrupt, it is always good when we do it when we have all of these options on the table, but we don't do even our own.

Ms. SHERMAN. We are absolutely committed to following through on the enforcement of all of our sanctions, and I will get to that in a moment.

So we have one track which is sanctions and increasing the pressure on Iran and doing that in every single possible way that we can, and we are greatly appreciative of CISADA as an incredibly useful tool in doing that.

The second prong is, rather than engagement, I would say seeing in fact whether there is an on ramp to having a discussion with Iran to actually end their nuclear weapons program.

Chairman ROS-LEHTINEN. So you believe—if I could interrupt, you believe that engagement with a country whose leaders have reportedly sanctioned this assassination plot, because money transfers would have been very difficult in a country like that were it not approved by higher-ups, that engagement with this country is possible?

Ms. SHERMAN. So far, the answer has been no.

Chairman ROS-LEHTINEN. But you will continue?

Ms. SHERMAN. Iran has not been serious. Iran has not been sincere. And, in fact, right after I was confirmed, I went up to the United Nations General Assembly, had a meeting with the P5+1, and I want to read to you and this was——

Chairman ROS-LEHTINEN. Thank you. And I am sorry. My time is up. But we will go to Mr. Berman's time.

I apologize. I asked a lot of questions. But I just don't know what it would take for us to wise up and realize that they are not willing to negotiate, and they don't wish to negotiate.

Ms. SHERMAN. May I add one sentence, Madam Chair?

The one sentence I would add is, out of that P5+1 meeting, all of us agreed that there should be no conversation with Iran unless there is any seriousness and there is a way to verify that seriousness. So we agree with you.

Chairman ROS-LEHTINEN. We just had a conversation yesterday at the U.N.—anyway, thank you so much.

Mr. Berman.

Mr. BERMAN. I will ask my own question.

Yesterday, we—and I have three questions, so I would appreciate short answers. I will try to make the question short.

Yesterday, we passed a bill that would result in the United States cutting most of its contributions to the U.N. Since nothing works in the context of getting Iran to change its behavior unless—we have already sanctioned Iran for decades, totally, in terms of our embargo. Unless we get others, other companies and other governments to do it, how would the passage of that kind of law and a massive cut in our assessments affect your international strategy? And I ask you, Secretary Sherman.

Ms. SHERMAN. Thank you, Congressman.

As you know, we have articulated very strong opposition to this legislation and our deep concerns about the impact. As Secretary Clinton pointed out, restricting U.S. participation and withholding 50 percent of U.S.-assessed contributions absent a shift of voluntary funding would have severely undercut our ability to stop nuclear nonproliferation, combat terrorism, and fully implement the U.N. sanctions on Iran.

As you know, it would mean that we would have to curtail our work with the Sanctions Committee, with the Panel of Experts, that the IAEA would be unfunded to an extent that they would not be able to carry out what we are all trying to achieve, that, in fact, all of the critical tools that we use to monitor, to verify, to in fact do exactly as the chairwoman suggested, make sure that Iran does not have a nuclear weapons program, would be severely hampered.

Mr. BERMAN. Thank you.

Under Secretary Cohen, the two of you—by the way, welcome. You have replaced Bill Burns and Stuart Levy, big shoes to fill, but you are the two that can do it. So glad to have you here.

There is growing support I think for the notion of sanctioning the Central Bank of Iran. Nothing will have the impact on Iran's economy and Iran's revenue than those sanctions. Secretary Cohen, you testified that they are an option if there is multilateral support. Is the U.S. engaging in trying to develop the support for those kinds of sanctions as you did in the prelude to CISADA?

Mr. COHEN. Thank you, Congressman, for the kind words, first of all.

And in response to your question, yes, we are engaged in an effort to develop the multilateral support that would be I think critically important in having an action against the CBI really be effective. And I think the important point to recognize here is that, as you noted, we have comprehensive sanctions on Iran and have so for almost two decades and that includes the CBI. So there is no U.S. financial institution that has any dealings with the CBI, including the Federal Reserve. So the CBI is essentially completely cut off from the United States.

So the real question is, can we, by taking another action against the CBI, by designating the CBI, as you suggested, either under our nonproliferation authority or under our counterterrorism authority, can we elicit multilateral respect for that action? And that work is under way.

Mr. BERMAN. And that is where, by the way, if you dismiss the option of ever dealing with the Iranians should they decide to change their process, you weaken your ability to get the international support to impose the sanctions that could be effective. Since we have already imposed all the sanctions we can impose, we have to have other companies and countries changing their behavior.

But I do have to say, unless we deal with the central bank, it seems to me we have a huge gap in our effectiveness of the financial sanctions.

And finally in my last few seconds, is there an opportunity to get the Saudis and others to increase their oil production to help. In addition to the central bank, the other compelling thing would be

if we could bring down the price of oil $10 or $20 a barrel. Increased production by the Saudis, who have much motivation to do so, would bring that about faster than anything. That would really put the pressure on Iran.

Chairman ROS-LEHTINEN. Thank you so much, And the gentleman's time has expired.

Mr. Royce, the chairman on the Subcommittee on Terrorism, Nonproliferation, and Trade.

Mr. ROYCE. Thank you, Madam Chair. I have a couple of questions.

First, Secretary Sherman, let me ask you this question; and it has to do with whether or not people in Iran have access to Google Plus and Flash and other Web sites. Because we want to have brave activists have the ability to obtain information, to get ahold of the tools that they need. But are there impediments to them accessing these sites and are there any impediments on our end?

Ms. SHERMAN. Thank you very much for that very important question.

We do in fact have programs in place that do training and offer technologies that might help the people of Iran escape the repression and the lack of access to exactly the Internet and the programs that you suggest.

I, unfortunately, need to say, Congressman, that I would be glad to discuss this further in another setting. Because, given the repressive nature of the Iranian regime, further discussion in this setting would put people at risk.

Mr. ROYCE. I would be happy to do that.

The other question I have has to do with Iran's central bank, which is an arm of the regime. Reportedly, it has assisted the regime in sidestepping U.S. financial pressure. Reportedly, it has also assisted in the nuclear weapons program in terms of financing. And, in addition, there are reports that it has helped fund Hezbollah. Secretary Geithner has said all options are on the table when it comes to sanctioning the Central Bank of Iran, and I was going to ask you about that. Are you currently looking at that?

Ms. SHERMAN. As Secretary Cohen articulated, we are indeed looking at that. And, as he pointed out, we already have cut off all U.S. connections and relationships with the central bank; and the question is whether we can do so in a way internationally that we can sustain.

Mr. ROYCE. But we know we have a way. Because when we wrote section 104 or 104(e) of the law, it gave the Treasury Department the responsibility to pursue relentlessly, as we said, foreign banks engaged in business with blacklisted Iranian entities. So I suspect at this point in time we must have a laundry list that we have put together of foreign banks that have done that, and I wanted to talk to you a little bit about that enforcement action. Because I have a concern about how long we drew out the process on the rule itself. It looked as though we were trying to avoid moving forward on this front. And, as you can tell, there is a consensus, at least in this institution, of opinion that this should have already been done.

Mr. COHEN. Congressman, let me first address the issue of the 104(e) rule, and then I will return to the central bank question.

We issued that rule earlier this week. It has gone into effect, and we have already sent out to U.S. financial institutions a request for information with respect to a number of foreign banks where we have reason to believe that they may be involved in potentially sanctionable activity under CISADA.

That being said, we have, as I noted in my testimony, been very aggressively implementing CISADA really since the day it was enacted; and what we have done, frankly, using other sources of information is understood where there may be banks that are continuing to do business with designated Iranian banks, and we have gone out as part of our, you know, worldwide effort—we have gone out specifically to those jurisdictions and those institutions where we thought there might be sanctionable activity. And, as I noted, we have had an extraordinarily positive response. And the result of this—and I think this also may be something that would be better discussed in a different setting—but the result has been a tremendous reduction in the number of banks doing business with designated——

Mr. ROYCE. Now would be the time to lean in. We have already got North Korea using a Jordanian-based bank as a conduit to receive funds from Syria and Iran. And, of course, North Korea was the entity providing Syria with a nuclear reactor right in the middle of the Six-Party Talks, by the way, and has provided Iran with missile technology. And Kim Jong Il doesn't do that for free.

So, clearly, these financial institutions that serve as conduits in this capacity making an example of those institutions and leaning in to do that sends a message to the next institution that might be engaged with the other rogue regimes, and that is why we——

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

And the committee will recess. We have two quick votes. And when we come back, we will turn to Mr. Ackerman for his questions.

The committee stands in recess. Thank you.

[Recess.]

Chairman ROS-LEHTINEN. The committee is once again in order, and Mr. Ackerman is recognized for 5 minutes of questions.

Mr. ACKERMAN. I thank the chairman. Thank you especially for this second of a series of two very important hearings.

I want to thank both of our expert witnesses for their very important testimony and thank them and the administration for the great work you have continued to do on pressing this. But my question really remains: What is left to do? If we had our wish list of all of the sanctions and actions that we could do, short of the ones that we don't want to necessarily contemplate or do, what would that list be?

Mr. COHEN. Thank you, Congressman.

There are things that we are working on in addition to the CBI which we talked about. One area where we have been very active and I think where we will continue to focus is on the IRGC, which Iran has used increasingly to take over parts of the economy to the detriment of——

Mr. ACKERMAN. They are already on the list.

Mr. COHEN. They are, but there are—but what we can do and what we have done in the last several months is to add IRGC-affili-

ated entities for sanctions. So the sanction that we imposed on Tidewater, which Ranking Member Berman mentioned, was done because the IRGC in the last 2 years or so took over Tidewater from a private owner.

Mr. ACKERMAN. So you are saying we should list all of the affiliates, agencies, subsidiaries of the IRGC?

Mr. COHEN. And we are working to do that. And——

Mr. ACKERMAN. Can we expect to see that soon?

Mr. COHEN. Well, we have done the ones that we are aware of. The Iranians continue to offer up to us new targets as they turn over more and more of their economy to the IRGC. As they do that, that provides targets for us to go after.

Mr. ACKERMAN. And assuming we had the entire list and we did the entire list, what then? You know, we have kind of had sanctions on Cuba for 40-some odd years. Are we prepared to wait 40-some odd years? Cuba doesn't seem to be presently developing a nuclear weapons program.

Mr. COHEN. I think the IRGC——

Mr. ACKERMAN. The point being we don't have 40 years in Iran. And the longer we wait, the time benefit is exclusively theirs, not anybody else's.

Mr. COHEN. I think we all share the sense of urgency.

Mr. ACKERMAN. And the underlying point is, if we pounced on every sanction on every organization and every individual—and I have given you a list of some additional targets—what then? I mean, with the events that occurred over the last several days, this egregious act to commit an immense crime, an international crime, in addition to being a crime to our country, to blow up a large number of people, including an ambassador that we are duty bound to protect, what is left to do? And, also, if they were—heaven forbid—would have been successful in that attack, what would have been our response?

Mr. COHEN. Well, I can't speculate on what our response would have been had this plot not been disrupted. And I am thankful that it was, as Under Secretary Sherman——

Mr. ACKERMAN. But our response to the potential of the plot being effective is more of the same?

Mr. COHEN. I don't know that it is more of the same.

Mr. ACKERMAN. Well, it is additional sanctions. Are we considering something other than additional sanctions?

Mr. COHEN. From the Treasury Department's perspective, that is what we have in our quiver.

Mr. ACKERMAN. Yes, that is your quiver. Let's say you blew the whole load. All sanctions. Everything we know of and conceivably could know of.

Ms. SHERMAN. If I may, Congressman, I think a couple of points. One, as the Under Secretary said, we absolutely share your sense of urgency and that time is not on our side. We get that.

Mr. ACKERMAN. Not on my side, because I am not going to get an answer because we don't have one. Are we doing anything to dissuade the Saudis from responding?

Ms. SHERMAN. We have talked with the Saudis. They have put out a rather robust statement of holding the Iranian Government

accountable for these actions. We have from the President, the Secretary——

Mr. ACKERMAN. I don't know what any of this means. It is like in the previous administration and the administration before that, the only thing that we would do when bad things happen is say this is not acceptable.

Ms. SHERMAN. Well, no, because what we are trying to do is—as you said, we have undertaken a number of sanctions. And I looked briefly at your suggestions, which I think are excellent and also gives us a whole sector to pay attention to, which I think we probably need to pay more attention to than we have, so we thank you very much for that suggestion.

But I think what we need to do is to get every single country we can to imagine exactly what you said, Congressman, what would have happened if this had been successful? And once you think about that, you, Country X, ought to enforce all of the sanctions that we have put on the table. You ought to make sure the Qods force cannot operate in your country. You ought to make sure that high-level visits don't occur. There has to be international pressure.

Chairman ROS-LEHTINEN. I am sorry——

Mr. ACKERMAN. I thank the chair. I yield back my time.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Ackerman; and Mr. Chabot is recognized for 5 minutes.

Mr. CHABOT. Thank you very much, Madam Chair.

As I noted in my opening statement, I am deeply concerned that we are pursuing essentially the same Iran policy as we had on January 20th back in 2009, namely engagement and pressure. And that, after 3 years, it is safe to say that this policy has failed, as far as I am concerned, to cause Iran to fundamentally alter its commitment to achieving a nuclear weapons capability.

I would like to take this opportunity to read a few quotes from the administration that I believe illustrate this concern.

On May 18th, 2009, at a press conference with Israeli Prime Minister Netanyahu, President Obama outlined the contours of the administration's policy when he said, and I quote:

> "We are engaged in a process to reach out to Iran and persuade them that it is not in their interest to pursue a nuclear weapon and that they should change course. But I assured the Prime Minister that we are not foreclosing a range of steps, including much stronger international sanctions and ensuring that Iran understands that we are serious."

I will read another quote. On July 12th, 2009, just over 1 month after the regime in Tehran perpetrated one of the most flagrant instances in election fraud history, Secretary of State Hillary Clinton stated,

> "Neither the President nor I have any illusions that dialogue with this Islamic republic will guarantee success of any kind, and the prospects have certainly shifted in the weeks following the election. But we also understand the importance of offering to engage Iran and giving its leaders a clear choice whether to join the international community as a responsible member or rather to continue down a path to further isolation. We remain

> ready to engage with Iran, but the time for action is now. The opportunity will not remain open indefinitely."

And then nearly 2 years later, on July 3rd of this year, National Security Advisor Tom Donilon outlined the exact same policy, and I quote again:

> "We offered the Iranian Government quite directly a bona fide offer of engagement. The Iranian Government, the leaders of Iran, have chosen not to take that up. So the pressure tack, unfortunately, I think is where we are today, again, with the opportunity for the Iranians, if they are willing to take it, to have a conversation with us and the world community about their nuclear program."

And yet again this morning, Madam Secretary, in your written statement just a little while ago, in the statement you have, and I quote: "We will continue to increase the pressure until the Iranian regime engages the international community with seriousness and sincerity." And then it goes on: "We have offered to meet with Iran and have proposed confidence-building and transparency arrangements that offered practical incentives."

You know, it sounds like more and more carrots to Iran to me. As we approach year three of this policy, it seems to be painfully obvious that our policy not only remains unchanged but that it has failed to achieve our core objective, and that is persuading the regime in Tehran to abandon its pursuit of nuclear weapons capability.

I am sure that our witnesses can outline numerous measures that the administration has taken in support of these policies, but these measures are merely means of trying to coax or pressure the regime to change its calculus, not policies in and of themselves.

So my question is, first, how has the administration's overall policy actually altered—not just what we have done but how have we actually altered Iranian actions or its strategic calculation regarding its nuclear program? And, conversely, why has 3 years of Iranian rejection and escalation not altered our policy?

And I will yield.

Ms. SHERMAN. If I may, let me speak very briefly and turn it to Under Secretary Cohen.

I understand and we share your frustration that more progress has not been achieved. But, in fact, the incredibly robust sanctions have only been in place for a very short period of time in the history of sanctions imposition. And indeed it was not until this administration that we had the most extensive, deepest, most multilateral sanctions ever imposed on Iran ever; and indeed it has begun to have some bite. It has hurt their economy. Stopping transshipment has meant they cannot procure some of the elements they need for their nuclear weapons program——

Mr. CHABOT. And I am almost out of time. I don't want to interrupt you, but I will, just to say this. And, again, my question, how has it altered their policy? You are saying we have done different things.

Ms. SHERMAN. It has—a number of things we have done have slowed—although they have moved forward, they have not moved forward at the pace at which they had hoped to.

I don't disagree with you, Congressman, that we would like to have made more progress. We don't disagree with you that time is not on our side. As the President said yesterday, we are looking to increase even further the efforts that we are taking for Iran to be held accountable for what it has done here, particularly in the wake of this conspiracy to assassinate the Saudi Ambassador. But this is a very difficult problem; and the options on the table, all of which are on the table, are difficult.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. Mack is recognized.

Mr. MACK. Thank you, Madam Chair.

I want to kind of follow up on this. So I hear that you are frustrated, and you can imagine that we are frustrated. And the American people are frustrated, and the world I think community is frustrated.

So let me ask you this. Because a lot of times what happens is we are told that we are using the best of the ability under law to do what we can do and we are kind of hamstrung and those types of things. But when people like me ask—and I am going to ask you again—what do you need from the Congress to be successful so you are not frustrated with yourself and everything else that is happening in the State Department, then we hear that, well, we don't hear any concrete steps that you are asking the Congress to do.

So, you know, what tools do you need to really have an impact with Iran?

Ms. SHERMAN. Thank you, Congressman. Again, I will turn to Secretary Cohen in a moment.

One thing I would say, besides some of the legislation that you have put on the table like CISADA, which was incredibly useful, and I think Congressman Ackerman may have come up with a sector we should take a look at in a way, quite frankly, we should not unfund the U.N., because we need the oversight bodies to be able to know where facilities are, to monitor what is going on, to be able to act when we need to act.

Secondly, I would say——

Mr. MACK. So you would rather us be part of an organization that works against our own interests at times?

Ms. SHERMAN. I understand that it doesn't do everything we want them to do, but the IAEA has been a valuable tool in our ability to stop nuclear proliferation.

Similarly, I would say we need a budget that allows us to do the kind of programming that Congressman Royce raised around how we, in fact, help get Internet tools to people in repressive societies.

Mr. MACK. So that is our answer? More Internet tools?

Ms. SHERMAN. No, I am saying that——

Mr. MACK. With all due respect, with all due respect—excuse me, please. With all due respect, I am not sure with those comments that I have got a lot of confidence that the threat is being taken seriously enough.

You know, we now have recently seen Iran coming through Mexico and a plot here in the United States. And when I start talking about whether or not the cartels in Mexico are an insurgency, using terrorist activities, typically from government witnesses we hear, oh, I wouldn't really say that, or—although to Brownfield's

credit, he would agree, and he has agreed. But most just kind of, oh, I wouldn't go that far.

So it almost appears that we are afraid to really go after in what is in our interest. So turning everything over to the U.N. and then sitting here and saying we need more social networking as the answer leads me to believe that—I don't know—either you don't understand the seriousness of what is happening or you are so—you are unable to articulate to this committee what it is that you really need because it may not fit in what the administration has decided it wants to do. That is the frustration.

Ms. SHERMAN. I understand that frustration, Congressman. I was suggesting—we did that yesterday—I was suggesting some tools that would be useful to us.

I quite agree with you that what the fundamental policy must be is to increase the pressure on Iran and to get them to eliminate their nuclear weapons program. And, as I said earlier and Secretary Cohen has said, we have the most extensive, the most robust set of sanctions, and we welcome the ongoing discussion with Congress around CBI and about other sectors that we can attack to solve this problem.

Mr. MACK. Again, with all due respect, this is double-talk. You have done great. We have eaten up 5 minutes. But I have heard nothing about what it is that you are suggesting that we need other than more social networking. And that is frightening. It is frightening to think that your position is—and the position of our Government is—it appears so inadequate and not really understanding what the threat is.

Anyway, my time has expired. And, Madam Chair, I appreciate the time. Thank you.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Mack.

Mr. Deutch, my other Florida colleague, is recognized.

Mr. DEUTCH. Thank you, Madam Chair.

Secretary Sherman, let me just start with a local issue for me, which is also part of the subject of this hearing.

Robert Levinson is a constituent of mine missing since 2007. His wife lives in Coral Springs, Florida. In conversations that I had with Assistant Secretary Feltman during the summer, there was some belief that suggested that he was being held in Asia, that the Iranians may be involved, may know. In light of the recent release of the hikers, we have to continue to press the Iranians on this issue. Is there anything, any additional information you can provide for me or for Mr. Levinson's family?

Ms. SHERMAN. Congressman Deutch, as you know, this administration shares your deep concern, and we will leave no stone unturned. Shortly after I became Under Secretary, I called Mrs. Levinson to talk to her personally to let her know that I would persevere as much as my predecessor did.

And I know this morning there is an AP report about a recent meeting between U.S. officials and the Cubans. And we have always said we would use all diplomatic channels to try to get Alan Gross home. We continue to call on the Cuban Government to release Mr. Gross on humanitarian grounds and to allow him to return to his family and bring to an end the long ordeal that began

well over 1½ years ago. And I can confirm that such a meeting took place.

Mr. DEUTCH. The Department is working hard to locate and bring Mr. Levinson home and Mr. Gross as well.

Ms. SHERMAN. Absolutely. I am sorry. I was talking about Mr. Gross and conflated the two. My apologies. Let me be clear. On both cases, Mr. Gross in Cuba, Mr. Levinson in Iran, we are doing everything we can with every channel we have.

Mr. DEUTCH. I appreciate your answering my second question. Thank you.

I also wanted to talk about these reports about China scaling back their activities. There was a recent story, a Reuters report, where Foreign Minister Salahi said that the Chinese are very active in Iran. There may be one or two projects that may have been reported in the media. One or two projects may be slow, but that is no problem.

I guess the question I have, under the existing sanctions law—and this gets to the broader question of are we doing everything we can right now—under the existing sanctions law, there are, if I understand the law correctly, three options.

We can—if we know that company is violating the law, we can impose sanctions, we can with waive sanctions for national security purposes, or we can designate that that company is subject to the special rule.

The news that some Chinese companies may have scaled back tells us that those Chinese companies are operating there. And, if that is the case, then those companies have to be treated in one of those three ways if these sanctions are going to have any import at all. So are we—is that where we are going, and why haven't we done that yet?

Ms. SHERMAN. We share the concern, particularly about what China is doing in the energy sector. The President, the Vice President, and the Secretary have all raised this directly with the Chinese. We have, in fact, designated one Chinese company under INKSNA for its activities regarding foreign persons that are helping on WMD.

But, as you said, it appears that the interventions at the highest levels to get them to slow down existing activities, not conclude new deals and not to backfill is producing some progress. The Secretary is continuing to look at this.

Mr. DEUTCH. I am sorry. We all have limited time.

But the question is not just about whether these companies have slowed down and whether that is having an effect. The question is, is the sanction law doing what it should? And for it to be effective not just with respect to those Chinese companies but with respect to companies all around the world they have to know that we enforce the sanctions or we will at least identify the companies and then waive the sanctions.

Ms. SHERMAN. Absolutely.

Mr. DEUTCH. I would suggest that those companies that we are gratified are slowing down should be identified; and if they are slowing down and have committed to leave, they should be subject to the special rule. If we are gratified they are slowing down and for national security purposes that is sufficient, then let's say that.

But let's identify those companies so that every other company around the world who does business in violation of our sanctions law understands what the ramifications would be.

And, unfortunately, my time is up. Madam Chair, I yield back.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. Deutch, another Florida colleague, will be recognized later, and we also have Mr. Rohrabacher, but now we go to Mr. Turner of New York.

Mr. TURNER. Thank you, Madam Chair.

I have no doubt about the efficacy of the sanctions in slowing this matter down, but how much weight is given to the world view, the mind-set of the Iranian regime? We listen to the rhetoric coming out of there from both a theological, their eschatology, it is far more frightening. How is this weighed in? Is it given a weight? A consideration? Are they believed?

Ms. SHERMAN. Well, Congressman, I think that everything that Iran has said to date has not been particularly useful, to say the least.

Mr. TURNER. Indeed.

Ms. SHERMAN. Indeed, Iran's response to this plot that we recently uncovered and disrupted was to basically call it a fantasy. If wanting to bomb the Saudi Ambassador on U.S. soil and also kill a group of innocent bystanders is fantasy, then obviously Iran in a different world. And I think that everyone on this committee would agree that they do, and it is why the chair and the ranking called this hearing today. Because, indeed, I would quite agree with you. What they say has no weight to it so far as we proceed forward.

Mr. TURNER. If you believe what their speeches are, you would think the sanctions—we are throwing spitballs at a tank.

Ms. SHERMAN. We know, Congressman, through a variety of means that in fact what we are doing has had an impact, that, in fact, it has created problems in their economy. It has created some dissension within their government. It has put the screws to what they are trying to do. But there is no doubt there is a considerable path to go yet to get them to eliminate their nuclear weapons ambitions.

Mr. COHEN. If I could—I completely agree with everything that Secretary Sherman said, but if I could just add a couple of points on that.

I think it is important to separate Iranian rhetoric from the reality, and we are able to measure reality in two important respects. One is—and I detailed this somewhat in my testimony—we can see the economic impact of the sanctions that we have been applying. We can see it in their oil field developments. We can see it in their much, much more constricted and isolated financial networks that have made it increasingly difficult for Iran to engage with the outside world.

Mr. TURNER. If I may, the sanctions are designed to change their behavior. I think we are dealing with North Korea. They are materialistic, they understand what they want, and it has some effect. We are dealing with a different animal here, are we not?

Mr. COHEN. This is a country I think actually, unlike North Korea, that cares very much about its ability to integrate into the

broader world. Iranians I think feel even more intensely the isolation that the sanctions have brought to bear than the North Koreans. So I do think that the sanctions in fact are having an effect, notwithstanding the rhetoric.

The other point that I would make is we hear often from the Iranians about projects or new banks that they have established and new relationships that they have concluded; and, quite frequently, it is just bluster. There is no reality to it. Which is not to say that we should ignore the egregious and vile rhetoric that often comes from the Iranian leadership. But I do think it is important to separate it out from——

Mr. TURNER. Is it then your opinion that that is not to be believed?

Mr. COHEN. I am sorry?

Mr. TURNER. Their rhetoric. At its core is nothing more than——

Mr. COHEN. No—well, I want to be very clear. I think the basic direction of the Iranian regime is something that we have to take at face value and take very seriously. I am talking about more specific claims and assertions of sanctions not having an effect and that sort of thing.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Turner.

Mr. Engel is recognized.

Mr. ENGEL. Thank you, Madam Chair, and welcome to both of you. You both do great work.

As you know, with the good help of our chair, I was the author of—sponsor of the Syrian Accountability Act. Chairman Ros-Lehtinen and I went around for a number of years trying to get support in Congress. We did. The President signed it. And now, from what I understand, the President is placing a robust series of sanctions and penalties on the Syrian regime as a direct result of our Syria Accountability Act.

Does the administration require any additional tools from Congress to place additional sanctions on Syria's assets? And if so, what? And what can we do? What are the regime's remaining pressure points?

Ms. SHERMAN. Congressman, thank you very much, and thank you for your leadership along with the chair and the other members of this committee on bringing forth the Syria Accountability Act.

The administration has implemented almost all of the sanctions listed in that Act. I can walk through all of the things that have occurred.

Most recently, as you know, on August 18th, the President signed an executive order, 13582, blocking the property of the Syrian Government, banning U.S. persons from new investments in or exporting services to Syria, banning U.S. imports of and other transactions or dealings in Syrian-origin petroleum and petroleum products, therefore fulfilling all of the rest of the sanctions.

We have also imposed travel restrictions on the Syrian Embassy and followed through on the other elements of the Syrian Accountability Act. So we think you have given us a tool that is allowing us to impose really extraordinary sanctions on Syria, and we are grateful.

At the moment, we are busy, since this is a relatively new instrument, fulfilling all of these, executing on all the sanctions that are possible under it. So, right now, I think we have the tools that we need. I would let David add anything he would like to add.

Mr. COHEN. I quite agree. With the executive order that was issued in the middle of the August we now have comprehensive sanctions on Syria. It is entirely cut off from the United States.

The difficulty, as I am sure you know, Congressman, is that there was not much interaction between the United States and Syria to begin with, and so the effect of the sanctions that we apply, you know, there is a limit to that. But what we have been doing, working with our colleagues at State in particular, is working with the EU to ensure that the EU applies very powerful sanctions that complement what we have done. And we have had very good success on that.

Mr. ENGEL. Well, thank you.

Let me ask you this. Initially, it seemed like we and the rest of the world were reluctant to do anything to undermine the Assad regime, which I thought was a mistake. But even the Israelis were reluctant because it was sort of like better the devil you know than the devil you do not know. I think that reluctance is gone because I think we see Assad murdering his own people.

So I just want to ask you about the newly formed national council, the Syrian opposition governing body. Are they the legitimate representatives of the entire opposition and what do we know about them?

Let me ask you this. If the Syrian regime, the Assad regime is toppled—I realize it is a bit of a crapshoot, because we really don't know what is going to come, but does it not potentially have positive ramifications for the area? In other words, Syria right now is right back in the middle of Lebanon. We thought we had them out. They are right back in the middle of it. Would it not be a blow to Hezbollah and to the Iran regime if Syria were to go? Wouldn't it show the Iranians who are oppressed, the average person, that there is some hope and maybe cause an undermining of the Iran regime?

Ms. SHERMAN. Congressman, I think, going to the end of your comment, we would agree. In fact, one of the premises of this hearing is the tremendous interaction between what is happening in Iran and what is happening in Syria, and that Syria has really turned to Iran more and more as the only support it has as it has gotten further isolated from the international community, just as you have described.

And so, a change in leadership and an opening to all of the people of Syria who want change would in fact have an impact on Iran to further isolate it as standing by itself and no longer having it as easily to, as you say, interject itself not only into Lebanon but to be a destabilizing factor throughout the region. So we quite agree with you.

As for the opposition, we are and I think Ambassador Ford has done a superb job trying to meet with everyone and to understand who all the characters are. And I don't think we know yet how all of this will form.

Chairman ROS-LEHTINEN. Thank you.

Mr. Poe is recognized.

Mr. POE. Thank you, Madam Chair.

In 1979, 444 Americans were held hostage—rather, 52 Americans were held hostage for 444 days by the Iranian tyrants. The United States, in my opinion, has held the MEK political hostage for 450 days for its failure to abide by a court order and the court saying 15 months ago that the MEK was denied due process by our State Department, and our State Department has failed to make up its mind one way or other whether the MEK should be delisted or stay on the list. I think that is not a good situation for the United States State Department to be in, that it should make a decision.

And sanctions historically have never worked. It just prolongs the inevitable, whatever that may be.

My question, Secretary Sherman, is does the United States have a policy that supports a regime change in Iran through the people of Iran?

Ms. SHERMAN. The administration has a policy to eliminate Iran's nuclear weapons program and ambitions, to stop its international terrorism, to stop its destabilization——

Mr. POE. Excuse me, Secretary Sherman. I only have 5 minutes, and I don't want you to talk so much that I don't get an answer. Does the United States Government have a policy that we support the regime change by the people of Iran in their country?

Ms. SHERMAN. I think what we have seen throughout the Arab spring is that, and in the situation in Syria, is when people themselves make choices about what they want for their future the international community should support people in that effort. But it is up to the people of Iran.

Mr. POE. But do we support the regime change? If the people of Iran want a regime change, do we support it? Would we support it?

Ms. SHERMAN. I think we would support the people of Iran having the same freedoms all the rest of us have.

Mr. POE. I am sorry. Is that a yes or a no or you don't know?

Ms. SHERMAN. It is exactly what I said, Congressman, which is we support the aspirations of the Iranian people.

Mr. POE. I think one way that we could help a regime change—and I do believe that is the greatest hope for peace, is that there is a regime change and that the little fellow from the desert, Ahmadinejad, be replaced by his own people. That is the most secure and best way for world peace, is to replace him through the people.

But one way we can do that is show support by making up our mind on whether the MEK should stay on the foreign terrorist organization list or not. We just need to fish or cut bait on that issue. And I think that, of course, that we should make the decision that they should be delisted and let the people of Iran in their own way change the regime, as has occurred in the Arab spring in some other countries.

When is Iran going to have nuclear weapons, Secretary Sherman? When do you believe they will have them?

Ms. SHERMAN. There is a lot of discussion about what that timing might be, and it is certainly not a good sign that they have de-

clared that they have moved to 20 percent enrichment, and they have moved some of their centrifuge capabilities to what was a previously covert center at Qom. But I couldn't give you today in this setting an assessment but would be glad to have a separate briefing to get the Intelligence Community's best estimate of that.

Mr. POE. It appears to me that, no matter what we done and what the international community has done, Iran is still determined to have nuclear weapons, another example that sanctions have not been successful.

The latest situation with the Iran Government in my opinion working with who they thought were al-Qaeda—excuse me, Zeta operatives in Mexico to commit crimes in the United States, is there any further policy of the United States other than to isolate Iran, whatever that means? Are there further plans with the United States as far as the policy goes?

Ms. SHERMAN. The President said yesterday, Congressman, that he wants to ensure that we have the strongest response toward this latest horrific act by Iran. We are working assiduously to make real that commitment that he stated yesterday. And we will be doing everything we can, and have been from the President on down, to try to move in that direction some of those things have been discussed here today, but there are others in consideration. And, as the President has also said, every option in circumstances like this always remain under consideration.

Chairman ROS-LEHTINEN. Thank you so much, Judge Poe.

Mr. Carnahan.

Mr. CARNAHAN. Thank you, Madam Chair.

Welcome to you both. Thank you for being here today. And congratulations, Under Secretary Sherman, for your new role. We look forward to working with you.

I wanted to start really talking about Iran. We hear reports about increasing divisions. We see in the region the movements of the Arab spring in different stages in different countries. The regime has certainly repressed talk of any reforms there very well in recent years. But what do you think is the viability for renewed democracy movements in Iran, given movements elsewhere in the region? And I want to start with Under Secretary Sherman.

Ms. SHERMAN. Thank you, Congressman, and thank you for your good wishes. I appreciate it.

I think we were all heartened when we saw the Green movement emerge in Iran some time ago and deeply saddened when we have seen the tremendous repression to try to squash any ability of an opposition to form. At the same time, I think we all believe that the aspirations of the Iranian people are to have the same freedoms that the rest of us do.

And in response to Congressman Royce's question earlier today, the government—we have quite an extensive program to try to ensure that information can reach the Iranian people, that they have the technology to have access to that information. There are other things that we can do to be helpful in supporting the aspirations of the Iranian people, and we would be glad to give you a more detailed understanding of that in a different setting. Given the repressive nature of the government, we are limited in what we can say here.

Mr. CARNAHAN. Thank you.

And Under Secretary Cohen?

Mr. COHEN. I think I have nothing to add to Secretary Sherman's I think very apt comments.

Mr. CARNAHAN. Then I will move on. Thank you.

Next, I want to turn to Syria, the U.S.-backed resolution calling for an end to ongoing violence vetoed by China and Russia. Secretary Rice, you know, led that effort vigorously. But I guess my question is, what is our strategy moving forward? There has certainly been progress made in building international consensus. And I guess the question is, what are our next steps and what specifically do we need to do to work with China and Russia to address their concerns?

Ms. SHERMAN. We have not stopped that effort, as you indicate, Congressman. And indeed, as Secretary Cohen said earlier today, today the European Union—and I had misspoke, I said the Commercial Bank of Iran, and I meant to say the Commercial Bank of Syria—they designated the Commercial Bank. And, obviously, the EU's earlier sanction of stopping petroleum—oil and gas between Europe and Syria was quite crucial because it is an important market.

So the European Union, which has much greater ties to Syria than the United States has had for some time, probably can be more effective on the sanctions front than even we can be, though we continue to use the Syria Accountability Act to fulfill all of the tools that you all have provided to us.

I think today also the head of the Human Rights Commission has indicated that there really is a tremendous effort under way by the Syrian Government to repress and kill and persecute all of its citizens and really calls on the international community to take urgent action to stop such things. So we will see what the response is to that as well.

Mr. CARNAHAN. And specifically I wanted to ask about our strategy dealing with Russia and China, addressing their concerns.

Ms. SHERMAN. We have continued conversations with them to try to address their concerns. But my sense, Congressman, is we need to proceed to mobilize those who are ready to act while we try to bring Russia and China around.

Mr. CARNAHAN. And Under Secretary Cohen?

Mr. COHEN. I would add only this. That as we continue to work with Russia and China I think we also need to work with other countries that may look at this as an opportunity to get into the Syrian market. I think India, for instance, is another country we need to pay attention to.

For our part, although we have comprehensive sanctions on the Government of Syria now, we still also have the opportunity through the pre-existing executive orders, the one in particular that addresses human rights violations, to identify individuals and entities in Syria or outside of Syria, including in Iran, that are involved in these human rights abuses.

Chairman ROS-LEHTINEN. Thank you.

Mr. Rohrabacher is recognized.

Mr. ROHRABACHER. Thank you very much, Madam Chairman.

First of all, for the record, I am appalled that it takes the attempted murder of a Saudi Ambassador for the U.S. to do something serious—serious soul searching what further actions we can take to try to rein in the Mullah regime's dictatorship and repression and threat to other people and other regimes and other governments in that region.

Iran has murdered hundreds of our own military personnel by providing Shiite militias in Iraq with high-powered IEDs over the years. This has been going on for years. And I don't mean to downplay this assassination attempt and how important it is, but we should have responded with a very tough reaction the minute we found out that Iran was providing these weapons to people who were killing American soldiers. But we just sort of let it off, shrugged it off. We have a certain level of sanctions that obviously they can live with, because they have been living with it.

Then we have, you know, like these folks here with the MEK. I mean, clearly, the MEK has been labeled a terrorist organization because they opposed the Mullah regime. And we are doing that and trying to curry favor with the Mullah regime. And how much does it take before we quit trying to curry favor with them by treating people who oppose them as if they are criminals? It is the Mullah regime who are terrorists, not the MEK. The MEK wants to establish a democracy there.

I am not saying I agree with everything they stand for. But by designating them terrorists we are giving the Mullahs the idea that we are weak. How do we expect to get anywhere in this world when we treat our friends who believe in democracy as if they are enemies and our enemies if they are our friends? Seems to me that is what is going on here.

And I agree with Mr. Mack's frustration. Look, we are at a point where we have a representative of our Government who can't even say we believe in regime change with a Mullah dictatorship that is building nuclear weapons and undermining governments throughout that region and now is engaged in hiring an assassin to commit an act of assassination and a bomb explosion here in our Nation's capital. And we don't even have a government—our Government suggesting that we—that government—there should be a new regime there.

Of course, that is seen as weakness. We are seen as weaklings. Not as—so what if we side emotionally with the people of Syria? We couldn't even—we had a tepid—this administration has a tepid response to the brutal and murderous repression of the Iranian people when they went into the streets to protest the stolen election. A stolen election means you have a group of people who are superimposing power over others illegitimately. This is not a legitimate government, and we can't even say we believe in regime change? I can see why the Mullahs now think we are so weak that they can go into conspiracies to set off bombs in our Nation's capital.

Look, all of these years we have known what the Mullahs are all about. They have expressed their hatred toward the West and toward the United States, their commitment toward and utilizing brutality and murder to achieve their ends. And yet we can't take them off the terrorist list for just their opposition, and much less

can we support all of the ethnic groups and the young Persians in Iran who are struggling and risking their lives against the Mullahs. We haven't provided any material support. We haven't provided any weapons. We haven't provided any way that they can actually impact the Mullah's dictatorship and control in Iran.

Shame on us. Our Founding Fathers and generation after generation of Americans have fought for freedom. We are not even willing to take the risk of saying there should be a regime change in Iran. Shame on us.

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

Mr. Connolly is recognized.

Mr. CONNOLLY. Let me say at the outset, I have been impressed, and I know others have been as well, with the fact that we now finally have an ambassador in Damascus in Ambassador Ford, on behalf of this administration, I would say to my friend from California, who has put his life on the line to associate with the forces arguing for opening up Syria to a democratic form of government. And that is pretty bottom line basic.

So there are many ways for a great country and a great power to express its views. Not all of them are pounding the dais here in Congress. And there are diplomatic ways and there are nondiplomatic ways. And I think the witness given by our Ambassador in Damascus is very profound and to be commended and I think speaks volumes, and I would regret any imputation of the administration with respect to its communications in Syria.

Sometimes there are ways of trying to avoid strengthening those forces we don't want to strengthen. It would be easy, clearly, for the United States at this time, for example, to outright call for regime change in Iran. My guess is that strengthens the hands of the Mullahs at precisely the time their hand may be weakening because they can use it to great effect pounding about outside interference in domestic politics in Iran.

It is a sensitive matter not easily traversed, and I think, as the ranking member said in his opening statement, no administration has been as forthright and as forceful in taking on Iran at every level and using every lever at its disposal to do so. And, again, I would regret any imputation to the contrary. It is not true. It is not true.

We can be impatient about progress and results. I am sure that is shared by our two witnesses today and by the Secretary of State and by the President. But it is not because for want of trying at many, many different levels, not all of which are public.

So speaking at least for this member, I take exception to the critique we just heard. It is easy to do, but it in fact doesn't reflect the reality on the ground or the reality of American diplomacy.

Welcome both of our witnesses. Madam Under Secretary, let me start with you, if I may.

The Qods force, what is our understanding of its relationship to the Government of Iran? And I pray for concise answers, because I have a couple more that I want to get to.

Ms. SHERMAN. Okay. I will be concise, and if I may defer to my colleague.

Mr. CONNOLLY. Of course.

Ms. SHERMAN. We see the Qods force as a very serious part and becoming probably a stronger and stronger part of the Iranian Government and taking over a lot of the economic sector of the Iranian Government and also really directing all of its international terrorism.

Mr. CONNOLLY. And I assume you concur, Mr. Secretary?

Mr. COHEN. I do.

Mr. CONNOLLY. So in light of that answer, we can't treat this as some rogue element that probably is separated from the Ahmadinejad government and the clerical ruling elite.

Ms. SHERMAN. We agree.

Mr. CONNOLLY. What representation have we made through third parties or directly to the Iranian Government, given that answer, with respect to this incident which the administration believe it has convincing evidence for?

Ms. SHERMAN. We have—in fact, as Secretary Cohen outlined, we have sanctioned the IRGC in a number of instances. And I would remind all of us that Iran is already designated as a state sponsor of terrorism, and the sanctions that are imposed as a result of that are more profound than any other individual set of sanctions that we have. So we have made a very clear declaration to the Iranian Government that the IRGC and the Qods force, which is a part of it, are in fact very tangible directors of all that is wrong with Iran.

We have also, as I said in my opening statement, as part of the follow on and to intensify that activity have been asking governments in reaction to this assassination attempt as well as to previous behavior, to not allow the Qods force to operate in their country.

Mr. CONNOLLY. My time is up. But, Madam Chairman, I point out for the record since we are having this series of hearings we had a witness the other day from Brookings who said it was premature and inappropriate to assign responsibility and blame to the Iranian Government at this time; and we have just heard official United States Government testimony saying, actually, no, it isn't. It is perfectly appropriate, and it is time to assign blame, given the relationship of the Qods force to this government.

I yield back.

Chairman ROS-LEHTINEN. No doubt. Thank you so much.

Mr. Rivera is recognized for 5 minutes.

Mr. RIVERA. Thank you, Madam Chair.

My questions are for Secretary Sherman.

My understanding has always been that it is the policy of this Nation not to negotiate with terrorists. I don't know if you saw the AP story today: U.S. offered Cuba swap for American. And I will read briefly. It says the United States offered to let a convicted Cuban spy return home in exchange for the release of an imprisoned American, but Cuba rebuffed the offer, U.S. officials who spoke on condition of anonymity because of the sensitivity of the issue said. Says the Gross-Gonzalez swap—you mentioned Alan Gross earlier—was raised by former New Mexico Governor Bill Richardson as well as by senior U.S. officials in a series of meetings with Cuban officials.

Richardson traveled to Cuba last month seeking Gross' release. He also told Cuban Foreign Minister Bruno Rodriguez that the

U.S. would be willing to consider other areas of interest to Cuba. Among them was removing Cuba from the U.S. list of state sponsors of terrorism, reducing spending on Cuban democracy promotion programs, authorizing U.S. companies to help clean up oil spills from planned offshore drilling, improving postal exchanges, and ending a program that make it easier for Cuban medical personnel to defect to the United States.

So my question is a yes-or-no question. Has anyone in the Obama administration discussed the possibility of making any concession or accommodation whatsoever to the terrorist Castro dictatorship in exchange for the release of American hostage Alan Gross? Yes or no.

Ms. SHERMAN. What I can say, Congressman, is that, as I did earlier, even though I conflated two things, I can confirm that a meeting between U.S. officials and the Cubans did take place as part of our efforts to get Alan Gross home. I cannot comment on what was said in that meeting. But I can say to you, Congressman, that we have laws and restrictions, and we will obey and follow those laws and restrictions.

Mr. RIVERA. Has anyone talked about making an accommodation to the Castro regime for the release of Alan Gross, any accommodation whatsoever or concession? Are you telling me yes.

Ms. SHERMAN. All I am saying, Congressman, is I can confirm that a meeting did take place recently between U.S. officials and the Cubans. I cannot comment——

Mr. RIVERA. How recently?

Ms. SHERMAN [continuing]. On the content of that, but I would be glad to get back to you with any further information.

Mr. RIVERA. How recently? I want it on the record in public here. How recently?

Ms. SHERMAN. I don't know the exact date, but it was quite recent.

Mr. RIVERA. Weeks, days, hours, months?

Ms. SHERMAN. I don't know.

Mr. RIVERA. You are the Under Secretary for political affairs; is that correct?

Ms. SHERMAN. That is correct.

Mr. RIVERA. Days, weeks, months? When was this meeting?

Ms. SHERMAN. Quite recent.

Mr. RIVERA. Quite recently. Who authorized Bill Richardson to make these offers to the Castro dictatorship?

Ms. SHERMAN. I don't know that anyone authorized Governor Richardson to make such a trip or to make such concessions.

Mr. RIVERA. Who interfaced with Bill Richardson before he went to Cuba in your administration?

Ms. SHERMAN. I don't know that anybody did. It was before I became Under Secretary, but I would be glad to check with——

Mr. RIVERA. No, no. The administration confirmed on the record that they knew Richardson was going, he was going as a private citizen, but that he had had conversations with the administration about his visit. Who did he interface with in the administration regarding his visit to Cuba?

Ms. SHERMAN. I don't know that answer, but I will be glad to get it for you, Congressman, very specifically.

Mr. RIVERA. I need that answer. Who would have been responsible for these discussions, recent discussions with the Castro dictatorship?

Ms. SHERMAN. I don't know that answer either, but I will get it for you, Congressman.

Mr. RIVERA. You don't know who speaks to the Cuban Government on behalf of our—on the Obama administration?

Ms. SHERMAN. Congressman, you know, I don't usually use as an excuse that I am brand new and recent to this job, but in this case unfortunately I have to. I have only been in the job less than 3 weeks. So I will get that answer for you and I will get it to you promptly.

Mr. RIVERA. It is the policy of this administration not to negotiate with terrorists?

Ms. SHERMAN. Of course.

Mr. RIVERA. And you recognize that Cuba has been designated as a terrorist nation by our Government?

Ms. SHERMAN. Yes.

Mr. RIVERA. Well, in the last seconds that I have, I would just tell you that this report is outrageous, that we would be negotiating with a terrorist regime to release an American hostage, negotiating with the same hostage takers that we have designated as terrorists. I will yield back.

Chairman ROS-LEHTINEN. Thank you, Mr. Rivera. Mr. Sherman is recognized.

Mr. SHERMAN OF CALIFORNIA. A couple of opening comments. I agree with Mr. Rohrabacher that this attack demonstrates that Iran perceives us as weak and not without good reason. I will point out that we have got a number of people in the audience with yellow T-shirts that remind us that 450 days ago, a court declared that the State Department should carry out the law, since they don't carry out the other laws we pass given about Iran, it is about time that the judicial branch as well as the legislative branch can be frustrated. But in this case, I would say that the only time that the administration wants to—seems to really want to enforce our terrorist laws with regard to Iran or the only time that they can be accused of going overboard is with an entity that is an anathema to the government that is trying to kill people on American soil.

I want to focus on the airplanes that Iran Air and Mahan Air acquired in the 1970s. These have General Electric engines. The engines need repair and are unsafe. A number of our colleagues joined with me in a letter saying that the planes should be grounded until Iran changes its policy and that we should not repair them. Under Secretary Sherman, is it still the position of the State Department that we should grant a license to repair these planes?

Ms. SHERMAN. Congressman, I am going to defer in a moment to Under Secretary Cohen, since we have just designated Mahan Air in the last day. But indeed, previously we did feel it was a responsibility and we may continue to for civilian air safety, that we not allow planes to fly where people might die.

Mr. SHERMAN OF CALIFORNIA. Well, obviously there are a lot of unsafe planes in the air. It is our responsibility to bring those to the attention of world aviation authorities. But it is interesting

that other unsafe planes aren't being fixed because nobody will pay to fix them. We are not going to fix planes in Africa, but—or any other poor part of the world. So we don't mind there being unsafe planes, except where Iran is willing to pay to make them safe. You point out that these are "civilian planes." These planes unify the purpose of today's hearing. These supposedly civilian planes or at least other supposedly civilian planes owned by Mahan Air and owned by Air Iran are used to take weapons and thugs from Iran to Syria to kill the Syrian people. Now, I would say that is contributing to the unsafety of civilians and yet the State Department in a desire to once again, I don't know, eviscerate our sanctions is supportive of this license. The idea that it is fine for thousands of Syrians to die at the hands of Iranian weapons and Iranian thugs, that is okay, but we have got to make sure that the planes that the thugs use are safe.

Now, let me turn to another issue. Under CISADA, we directed the State Department to prevent—to sanction those firms that give Iran the technology to suppress the Internet, and there is a Chinese company that is—that we have great concerns is just about to do that, recently having sold Iran Internet monitoring equipment.

The State Department, consistent with its policy under the Iran Sanctions Act, has a policy of just ignoring the law and has refused to identify any item of equipment that would trigger this provision of CISADA. I know it has taking you 450 days to deal with the court decision and this is less time than that. Any chance that the State Department will, since this committee passed at least at the committee level, a provision directing you to do so, identify those items of equipment that are sanctionable under CISADA dealing with Internet suppression?

Ms. SHERMAN. Congressman, we certainly want to follow through on the law as it has been executed by you all and signed by the President, and I will come back to you with further information on that.

Mr. SHERMAN OF CALIFORNIA. Any chance you will get it done within 450 days?

Ms. SHERMAN. I understand your concern.

Mr. SHERMAN OF CALIFORNIA. Any chance you will get it done under the current administration?

Ms. SHERMAN. I understand, sir.

Mr. SHERMAN OF CALIFORNIA. Given the fact that Iran is engaged in an act of war against the United States, you would think that the State Department could act a little more quickly. Finally, is there any chance that you are going to sanction any multinational corporation under the Iran Sanctions Act for Investment in the Iranian oil sector except for those companies owned by Iran themselves?

Ms. SHERMAN. There have been, in fact, a number of sanctions, if I may, let Under Secretary Cohen speak to this issue.

Mr. SHERMAN OF CALIFORNIA. Sanctions under the Iran Sanctions Act, can you identify one company not owned by Iran that was subject to sanctions for investment in the Iranian oil sector?

Chairman ROS-LEHTINEN. And maybe we will leave that for discussion after the hearing is over. Mr. Manzullo is recognized.

Ms. SHERMAN. Thank you.

Mr. MANZULLO. Thank you. Welcome, Ambassador. I would like you to walk me through this very troubling relationship we are having with Iran. Please provide a list of options, starting with the most extreme that the United States could take with Iran and then moving down the list. Obviously, we are not talking about an act of war which would be the most extreme, but enlighten me and the American public as to what options are out there.

Ms. SHERMAN. As you point out, Congressman, the most extreme is one that I think none of us want to see, though the President has said in instances like this, we always leave all options on the table and that is true here. None of us want and hope to go there. Short of that, international isolation of the most extreme variety is probably what has the most impact on any country and that means their inability to have economic means, their ability to operate in the world, their ability to move in the world, their ability to be recognized in the world, their ability to function in the world. And with the help of CISADA and other Acts that Congress has passed and executive orders that the President has put in place, we now have the most robust set of sanctions on Iran in the last three decades. That does not mean we have designated everybody who can be designated, nor sanctioned everyone who can be sanctioned, nor gotten all of the world to do likewise, but that is what we are attempting to do. And if I may defer to my colleague to add to that.

Mr. COHEN. I, again, completely agree with Secretary Sherman that what remains to be done is to increase Iran's economic, commercial and human, as it were, interaction with the outside world.

Mr. MANZULLO. If I could stop you right there. What more would you want to see done that has not occurred? Because obviously, it is not working to everybody's understanding. What more needs to be done at this point?

Mr. COHEN. It is very much the policy of this administration to continue to increase, and to ratchet up the pressure on Iran in an effort to try and achieve the objective that Secretary Sherman laid out. So we are going to, and we have been, and we will continue to apply additional pressure on Iran, both unilaterally and——

Mr. MANZULLO. Is that sufficient? Is it actually working according to what you envision? What more can be done or what more can other countries do, what more can the United States do to encourage other countries to ratchet it up?

Mr. COHEN. We are working, and have been working very hard to internationalize to the greatest extent possible the sanctions on Iran. The United States, as you know, Congressman, has had for many years, a complete embargo on Iran. The rest of the world is not there yet. We are working with our colleagues, whether it is in Europe or in Asia, around the world to try and internationalize and extend the isolation of Iran and the pressure on Iran. And frankly in response to the most recent episode that was revealed this week, using that to illustrate to our partners around the world why it is that they should take complementary action, to isolate Iran to a great extent.

Mr. MANZULLO. Ambassador Sherman, you had a very specific list of accomplishments that occurred in the economic boycott of

Iran. What do you want to see added to what your testimony already has pointed out?

Ms. SHERMAN. I am sorry. I didn't hear you, sir. What do I want to see?

Mr. MANZULLO. What additional results would you want to be able to put into your testimony regarding things that you are working on but you have not achieved the desired result yet?

Ms. SHERMAN. What we would like to see as Under Secretary Cohen said is we would like to see every other country in the world take the kinds of actions that we have to isolate Iran. We have begun to see that happening. We think an enormous amount more can be done. And over weeks and months before I got this job, and even in a more accelerated pace since this latest horrific plot to assassinate the Saudi Ambassador, we have spoken from the President on down to every single capital in the world in the last 48 hours, every single capital in the world has been touched to, in fact, say this is, as the Under Secretary said, this is one more proof point in why you should take immediate action to not only condemn this act, but to, in fact, keep any Quds Force from operating in your country, look at enforcing all sanctions.

Chairman ROS-LEHTINEN. Thank you. Thank you so much. Thank you, Mr. Manzullo. Before we adjourn, I neglected to point out the pictures that we have on the side of the committee room. And I think that they summarize the clear threat that the Syrian and the Iranian regimes opposed to U.S. national security, to our interests, to our allies as well as the threat they pose to their own people as we can see there. They should serve as a call to action to compel those regimes now, to end their pursuit of nuclear weapons, chemical and biological weapons, their advance missile programs, their state sponsorship of global terrorism and their gross violations of the basic human rights of its citizens. This means we need a single focused U.S. approach that identifies these regimes for what they are and stops legitimizing Iran by holding onto the hope that its leaders will be seduced into doing the right thing through engagement or by offering them concessions or incentives. And the time is now, we all agree, if we are to shut down these regimes, the time is now.

I thank Ambassador and Mr. Secretary for being here. We look forward to further discussions on legislation and crippling sanctions. The meeting is adjourned.

[Whereupon, at 12:07 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Ileana Ros-Lehtinen (R-FL), Chairman

October 6, 2011

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, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Friday, October 14, 2011

TIME: 9:30 a.m.

HEARING: Iran and Syria: Next Steps—Part II

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

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Friday* **Date** *10/14/11* **Room** *2172 RHOB*

Starting Time *9:30 A.M.* **Ending Time** *12:07 P.M.*

Recesses [*1*] (*10:25A.M.* to *10:55A.M.*) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Rep. Ileana Ros-Lehtinen

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Iran and Syria: Next Steps--Part II

COMMITTEE MEMBERS PRESENT:

Attendance sheet attached.

NON-COMMITTEE MEMBERS PRESENT:

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.)*

Rep. Gerry Connolly SFR, Rep. Brad Sherman QFR (2), & Rep. David Rivera QFR

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:07 P.M.*

Jean Carroll, Director of Committee Operations

Hearing/Briefing Title: Iran and Syria: Next Steps -- Part II

Date: October 14, 2011

Present	Member
X	Ileana Ros-Lehtinen, FL
	Christopher Smith, NJ
	Dan Burton, IN
	Elton Gallegly, CA
X	Dana Rohrabacher, CA
X	Donald Manzullo, IL
X	Edward R. Royce, CA
X	Steve Chabot, OH
	Ron Paul, TX
	Mike Pence, IN
X	Joe Wilson, SC
X	Connie Mack, FL
	Jeff Fortenberry, NE
	Michael McCaul, TX
X	Ted Poe, TX
X	Gus M. Bilirakis, FL
	Jean Schmidt, OH
X	Bill Johnson, OH
X	David Rivera, FL
X	Mike Kelly, PA
	Tim Griffin, AK
X	Tom Marino, PA
	Jeff Duncan, SC
X	Ann Marie Buerkle, NY
	Renee Ellmers, NC
X	Robert Turner, NY

Present	Member
X	Howard L. Berman, CA
X	Gary L. Ackerman, NY
	Eni F.H. Faleomavaega, AS
X	Donald M. Payne, NJ
X	Brad Sherman, CA
X	Eliot Engel, NY
	Gregory Meeks, NY
X	Russ Carnahan, MO
X	Albio Sires, NJ
X	Gerry Connolly, VA
X	Ted Deutch, FL
	Dennis Cardoza, CA
	Ben Chandler, KY
X	Brian Higgins, NY
	Allyson Schwartz, PA
	Chris Murphy, CT
	Frederica Wilson, FL
	Karen Bass, CA
	William Keating, MA
X	David Cicilline, RI

The Honorable Gerald E. Connolly (VA-11)

HCFA Full Committee Hearing
Iran and Syria: Next Steps—Part II
Friday, October 14, 2011
9:30

Two recent developments indicate that Syria and Iran are actively attempting to gain access to U.S. borders in one way or another. In the case of Iran, U.S. law enforcement authorities revealed a plot organized by Iran's Qods Force to assassinate the Saudi Arabian Ambassador to the U.S. In the case of Syria, a resident of Leesburg, Va. was indicted for passing information regarding anti-Syria protestors in the U.S. to Syrian intelligence. Our law enforcement authorities deserve recognition for their work in apprehending and indicting the individuals involved in both schemes.

On Wednesday, authorities arrested Mohamad Anas Haitham Soueid,[1] a naturalized U.S. citizen born in Syria, "in a conspiracy to collect video and audio recordings...about individuals in the United States and Syria ... to provide these materials to Syrian intelligence agencies in order to silence, intimidate and potentially harm the protestors." The highest levels of the Syrian government directed Soueid's plot. According to the Department of Justice (DoJ), Soueid traveled to Syria in June to meet with intelligence officials and speak privately with President Bashar al-Assad.[2] The fact that the Syrian regime recruited agents to collect information about protestors on U.S. soil, and used said information to punish Syria-based relatives of said protestors, further delegitimizes the Assad regime. In August, President Obama called for President Assad to "step aside." That same month, dozens of Members of Congress, including this Member, sent a letter to the President asking him to strengthen sanctions against the Syrian regime.

On Tuesday the DoJ charged two individuals who attempted to carry out a deadly plot under instruction from elements of the Iranian regime. The two people implicated in the "murder-for-hire scheme" were Manssor[3] Arbabsiar, a naturalized U.S. citizen with an Iranian passport; and Gholam Shakuri, an Iranian member of the Qods Force, which is an offshoot of the Iranian Revolutionary Guard Corps (IRGC). According to DoJ, Arbabsiar held meetings in Mexico beginning in May of 2011 with an individual who was "posing as an associate of a violent international drug trafficking cartel."[4] The goal was to use the cartel to carry out the attack on U.S. soil to assassinate Adel A. al-Jubeir, Saudi Arabia's ambassador to the United States.

News reports indicate that the attack of choice was a bombing at a restaurant in Washington, D.C. It is unclear why Iran would target the Saudi Arabian Ambassador, but some analysts contend the plot was a brazen extension of the proxy wars that Iran has fought against state

[1] Aliases: Alex Soueid, Anas Alswaid.
[2] DoJ quotes in this paragraph are from the Department of Justice's press release from October 12, 2011. Available at http://www.justice.gov/opa/pr/2011/October/11-nsd-1347.html.
[3] Spelled "Mansour" in some publications.
[4] DoJ quotes in this paragraph are from Attorney General Holder, *National Security Enforcement Press Conference*, October 11, 2011, http://www.justice.gov/iso/opa/ag/speeches/2011/ag-speech-111011.html.

actors in the past. Others say the attack was a manifestation of Sunni/Shiite discord, with Saudi Arabia as the primary Sunni state actor and Iran as the primary Shiite state actor. One thing is clear: the Qods Force has experience in such matters and any involvement of the Qods Force leads one to conclude that the highest levels of the Iranian government were involved. According to one leading foreign policy organization:

> The Quds Force is an elite wing of the Islamic Revolutionary Guard Corps, supporting Iranian interests abroad. This is a secretive force, say some experts, which has trained and equipped proxy groups, such as Hezbollah, Hamas, Shiite insurgents in Iraq, and even elements of the Taliban.[5]

In 2007, General David Petraeus testified before a joint hearing of the House Committee on Foreign Affairs (HCFA) and the House Armed Services Committee (HASC). During that hearing, the head of U.S. forces in Iraq discussed the threat that U.S. and coalition forces faced as a direct result of the Quds Force's actions. He said:

> It is increasingly apparent to both coalition and Iraqi leaders that Iran, through the use of the Quds Force, seeks to turn the Iraqi Special Groups into a Hezbollah-like force to serve its interests and fight a proxy war against the Iraqi state and coalition forces in Iraq. [6]

Given the nature of the Quds Force and the secrecy of its far-reaching missions, it strains credulity to contend that the Supreme Leader of Iran had no knowledge of the recently publicized terrorist plot designed to take place on U.S. soil. Moreover, the authorities in Iran have an obligation to provide information regarding their involvement. Absent any such evidence, one is led to conclude that the Iranian regime had a more of a hand in the terror plot than mere tacit approval.

Fortunately, the work of our law enforcement and intelligence agencies disrupted Iran and Syria's recent schemes. But we ought to be active in discouraging these countries from perpetrating any further plots like this. I look forward to hearing our witnesses' thoughts on how best we can actively protect the U.S. and its residents and thwart future attacks.

Thank you, Madam Chairman.

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[5] Council on Foreign Relations, *Crisis Guide:Iran*, http://www.cfr.org/interactives/CG_Iran/index.html?cid=nlc-communique-hill_brief-link7-20111012#/the-iranian-regime/.

[6] General David Petraeus testimony to HCFA & HASC on September 10, 2007. Transcript available at http://www.internationalrelations.house.gov/110/37734.pdf, p. 16.

WRITTEN RESPONSES FROM THE HONORABLE WENDY R. SHERMAN, UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE BRAD SHERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

October 14, 2011
Wendy Sherman

Rep. Sherman: Finally, is there any chance that you're going to sanction any multinational corporation under the Iran Sanctions Act for investment in the Iranian oil sector except for those companies owned by Iran themselves?

Ms. Sherman. This Administration is the first ever to impose sanctions under the Iran Sanctions Act. To date we have sanctioned two companies for their investments in Iran – one was owned by an Iranian entity and one was not – and eight companies for refined petroleum cooperation with Iran, six of which were not Iranian-owned.

In addition to imposing sanctions, we have been actively and aggressively engaging companies to convince them to curtail their activities in Iran's energy sector or withdraw altogether. We have persuaded many major international oil companies not to enter the Iranian energy market and under the "special rule" provision of the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), we have secured the complete withdrawal of five companies that were active in Iran. These include Royal Dutch Shell, ENI, Total, Statoil, and

INPEX. The impact of these withdrawals on Iran's energy sector has been significant. For example, in order to receive consideration under the Special Rule, Royal Dutch Shell discontinued negotiations over a $10 billion gas development project. Similarly, ENI opted not to develop a $1.5 billion phase of an oilfield project. As a result, Iran has been forced to rely on domestic companies that lack the technological know-how of Western firms. By depriving Iran of foreign investment and technology, we are having a significant negative impact on Iran's ability to produce oil. Iranian oil production is declining every year and is well below pre-revolution levels.

To convince companies to voluntarily stop or abstain from potentially sanctionable activities pays dividends in a number of ways, including helping to hold together the international coalition and maintain its resolve to prevent Iran from obtaining a nuclear weapon.

October 14, 2011
Wendy Sherman

Rep. Sherman: Under (inaudible), we are directed to the State Department to prevent -- to -- to sanction those firms to give Iran the technology to suppress the Internet and there is a Chinese company that is -- that we have great concerns is just about to do that, recently having sold Iranian Internet monitoring equipment.

The State Department, consistent with its policy under the Iran Sanctions Act has a (inaudible) just ignoring the law and has refused to identify any item of equipment that would trigger this provision of (inaudible). I know it's taken 450 days to deal with the court decision and this is less time than that.

Any chance that the State Department will, since this committee passed, at least at the committee level a provision directing you to do so, identify those items of equipment that are sanctioned under (inaudible) during this Internet suppression?

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WRITTEN RESPONSES FROM THE HONORABLE WENDY R. SHERMAN, UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE DAVID RIVERA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

October 14, 2011
Wendy Sherman

Representative Rivera: How recent? I want it on the record in public here. How recently [did a meeting take place between U.S. officials and Cuban officials about Alan Gross]? The administration confirmed on the record that they know Richardson was going, he was going as a private citizen but that he had had conversations with the Administration about his visit. Who did he interface within the Administration regarding his visit to Cuba? Who would have been responsible for these discussions -- recent discussions with the Castro dictatorship? Has anyone in the Administration discussed the possibility of making any concessions whatsoever to the Castro dictatorship in exchange for the release of American hostage Alan Gross? How recent was the meeting described in recent press reports? Who authorized Bill Richardson to make these offers to the Castro dictatorship, and who talked with him before he left?

Ms. Sherman: As there has been considerable amount of erroneous information in recent press reports related to our efforts to have Alan Gross released from Cuban prison, we thank you for this opportunity to clarify the Administration's position.

We have been working tirelessly with the Gross family to bring an end to the unjust imprisonment of Mr. Gross. We are greatly concerned about his welfare. Officials from the U.S. Interests Section in Havana regularly visit Mr. Gross, most recently on September 22, and his unconditional release remains an important

Administration priority. We believe strongly that Mr. Gross, who is unjustly imprisoned, should be home with his family.

We have consistently and forcefully advocated for his immediate and unconditional release directly with the Cuban government, as well as with high-level representatives from other countries, religious leaders, Members of Congress and prominent individuals who have contact with the Cuban government or who are traveling to Cuba.

I can assure you that at no point in the course of any of the State Department's efforts has the U.S. government authorized any individual to give, nor have we ever offered unilateral concessions to the Cuban regime in exchange for Mr. Gross's release.

With regard to your question about discussions between the U.S. and Cuban governments, U.S. government officials meet periodically with their Cuban counterparts to discuss issues that affect U.S. national interests. These include, among other areas, migration matters, aviation security issues, and issues relating to the operations of our respective Interests Sections. The Office of the Coordinator for Cuban Affairs conducts most of these meetings, but, when the

circumstances warrant it, more senior State Department officials participate in the meetings.

Senior-level meetings focus largely on the health and welfare of U.S. prisoner Alan Gross and at every such meeting State Department officials advocate for his unconditional release; on occasion these meetings also include discussion on Migration Talks matters and our humanitarian response to the January 2010 earthquake in Haiti.

The most recent of these meetings was on the margins of the United Nations General Assembly in New York in September between State Department officials and representatives of the Cuban Foreign Ministry. The sole purpose of the meeting was to discuss the Gross case. At no time during this meeting was there any offer of unilateral concessions to the Cuban regime in exchange for Mr. Gross's release.

As has been noted, Governor Richardson traveled to Cuba as a private citizen. As with other prominent visitors going to Cuba, he was briefed on U.S. policy by State Department officials working on Cuba. While we were aware of Governor Richardson's trip to Cuba, and supported his efforts to obtain the release

of Alan Gross, we made it clear that Governor Richardson was traveling as a private citizen and not authorized to carry a message from the U.S. government.

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