

**ASSESSING THE P5+1 INTERIM NUCLEAR
AGREEMENT WITH IRAN: ADMINISTRATION
PERSPECTIVES**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING THE PROSPECTS FOR REACHING A LONG-TERM
COMPREHENSIVE SOLUTION DESIGNED TO BRING AN END TO IRAN'S
ILLCIT NUCLEAR ACTIVITIES

DECEMBER 12, 2013

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



Available at: <http://www.fdsys.gov/>

U.S. GOVERNMENT PRINTING OFFICE

87-828 PDF

WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
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C O N T E N T S

THURSDAY, DECEMBER 12, 2013

	Page
Opening statement of Chairman Johnson	1
Opening statements, comments, or prepared statements of:	
Senator Crapo	2
Senator Tester	
Prepared statement	27
WITNESSES	
Wendy Sherman, Under Secretary for Political Affairs, Department of State ...	4
Prepared statement	27
Responses to written questions of:	
Senator Tester	36
Senator Toomey	38
David Cohen, Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury	7
Prepared statement	30

ASSESSING THE P5+1 INTERIM NUCLEAR AGREEMENT WITH IRAN: ADMINISTRATION PERSPECTIVES

THURSDAY, DECEMBER 12, 2013

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:06 a.m., in room SD-538, Dirksen Senate Office Building, Hon. Tim Johnson, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN TIM JOHNSON

Chairman JOHNSON. I call this hearing to order.

Yesterday all Senators had a chance to hear directly from Secretaries Lew and Kerry and senior intelligence officials on the first step nuclear agreement reached in Geneva between the P5+1 and Iran. Today we will delve into the agreement in greater detail, assess prospects for a final agreement, and explore the likely effects of congressional action on new sanctions legislation at this time, to which the President and his Secretary of State strongly object.

I have talked with various Members of the Committee about these issues and ensured that all Members have had opportunities to be briefed repeatedly by Secretaries Kerry and Lew, and the intelligence community, on the ongoing Geneva negotiations.

Let me be clear. I support strong sanctions and authored many of the U.S. sanctions currently in place. I have negotiated a new bipartisan sanctions bill with my Ranking Member that could be finalized and moved quickly if Iran fails to comply with the terms of the first step agreement in Geneva or if negotiations collapse. Sanctions have been an effective tool of coercive diplomacy, crippling Iran's economy, sharply curtailing its oil revenues, and helping to persuade the Iranian people to vote for new leadership.

It now appears that some of Iran's leaders have recognized that the only way to relieve the economic pressure and lessen Iran's international isolation is to reach agreement with the West to halt its illicit nuclear activities. Time will tell if that is true—but only if Congress is willing to provide some time.

Some have argued that acting on a bill now, as long as it does not become effective in 6 months, gives the Administration additional leverage in negotiations. The President disagrees, arguing that congressional action on new sanctions would be taken as a sign of bad faith by our P5+1 partners and by Iran, and could erode or even unravel the sanctions regime.

The history of our relationship with Iran is littered with missed opportunities on both sides. I want to assess the formal analysis the Committee is to receive today from the Director of National Intelligence on the effects on negotiations and on our P5+1 partners of congressional action on new sanctions, but I agree that the Administration's request for a diplomatic pause is reasonable. A new round of U.S. sanctions now could rupture the unity of the international coalition against Iran's nuclear program. Existing sanctions will continue to bite, and to bite hard. Commentators from left to right and all of my colleagues involved in this effort have acknowledged this; it is not a matter of controversy.

Now that Iran has come to the table and entered into this first step agreement, I believe this may well be the last best chance to resolve this crisis by diplomacy, and so the President is absolutely right to fully test Iran's leaders. And I will be vigilant to ensure that the Joint Action Plan is strictly enforced. I have requested, along with Chairmen Levin and Feinstein, regular briefings on compliance from the intelligence community. In the meantime, we should not do anything counterproductive that might shatter Western unity on this issue. We should make sure that if the talks fail, it was Iran that caused their failure. We should not give Iran, the P5+1 countries, or other Nations a pretext to lay responsibility for their collapse on us. Ultimately, while some of us might differ on tactics, it is clear we all share the same goal: to ensure that Iran does not achieve a nuclear weapon, and to do that diplomatically if possible, while recognizing that other alternatives remain on the table.

I now turn to Ranking Member Crapo for his opening statement.

STATEMENT OF SENATOR MIKE CRAPO

Senator CRAPO. Thank you, Mr. Chairman. I appreciate your comments and agree with you that although there may be some differences on tactics, we all have the same common goal in mind. And on this issue, as well as so many others in this Committee, I appreciate your friendship and our working relationship as we work together on sanctions legislation.

This hearing provides us an opportunity to consider the Administration's perspective on negotiations, and perhaps it may better understand ours as well. Congressional sanctions designed in a completely bipartisan fashion have successfully worked to bring Iran to the negotiating table. We must maintain that leverage going forward.

The impact of sanctions on Iran's economy is dramatic. In just the last 2 years, Iran's oil exports have dropped by about 60 percent, to roughly 1 million barrels a day. Its gross domestic product shrunk by 6 percent while inflation shot up to 45 percent, and to even higher levels on certain products. And unemployment currently hovers around the 35-percent mark.

Iran faced a stark choice earlier this year: continue to live under dire economic circumstances that would only worsen, or dismantle its entire nuclear program in an effort to regain control over its economy.

In recent weeks, our witnesses returned from Geneva to present us with an agreed-upon Joint Plan of Action among the P5+1 and

Iran. As the ink lay drying on the agreement, voices in Congress and from among certain allies and friends could immediately be heard, raising objections and expressions of support alike. Most troubling is the reticence and concern our good friend Israel has with the deal.

For my part, I was very disappointed to learn that the release of Idaho's own Pastor Saeed Abedini and other Americans unjustly held by the regime were not made part of the deal. I could not imagine a better confidence-building measure on Iran's part than for the regime to reflect some degree of humanity and principled justice by releasing these brave Americans. As the Administration embarks toward a final agreement, every effort must be made to bring Pastor Abedini and his fellow Americans home where they belong.

I have several concerns with the plan of action. Language in the plan is vague on how the freeze, rollback, and sanction relief work together. I also have concerns about the enrichment and verification provisions. I worry that both the current plan and final agreement will permit Iran to maintain its enrichment program rather than direct it to join some 19 other Nations who purchase all of their nuclear fuel from traditional suppliers.

I also worry that the plan does not seem to curtail Iran's development of advanced ballistic missiles, which, again, is troubling in conjunction with its enrichment program. This is a Nation that will require the strictest monitoring and most aggressive diplomacy on terrorism and human rights violations for decades to come. There can be no question about what we expect of Tehran. Iran cannot be allowed even the possibility of nuclear weaponization in the context of its history of other destabilizing activities.

The eventual lifting of nuclear-related sanctions in a final deal also raises a number of questions. First, which sanctions are to be defined specifically as nuclear related? Second, how will those sanctions be separated from a complex web of sanctions intended to address Iran's sponsorship of terrorists, human rights violations, and certain kinds of advanced ballistic missiles? This lack of clarity may hamstring future U.S. policy options necessary to address Iran's destabilizing activities.

I hope that today's witnesses can better clarify what precisely the mutual understanding is with Iran. Sanctions clearly worked to bring Iran to the negotiating table. I remain convinced that we must maintain that leverage moving forward. The United States must continue to vigorously enforce the existing core sanctions architecture and develop a sanctions plan of action in the event that negotiations do not produce the results that we all want.

Should diplomacy fail in its mission to effectively control the apparent extent of the Iranian nuclear program, whether 6 months or a year down the road, there is simply no time available to waste then on creating bills or Executive orders. The United States must maintain existing multilateral sanctions pressure, and Congress and the Administration each need to prepare now for the possibility that an effective, final, comprehensive agreement may not be reached.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Crapo.

To allow for sufficient time for questions, we are limiting opening statements to the Chair and Ranking Member. All Senators are welcome to submit an opening statement for the record.

Now I would like to introduce our witnesses. The Honorable Wendy Sherman is the Under Secretary for Political Affairs at the U.S. Department of State, and the Honorable David Cohen is the Under Secretary for Terrorism and Financial Intelligence at the U.S. Department of Treasury.

Under Secretary Sherman, please begin your testimony.

**STATEMENT OF WENDY SHERMAN, UNDER SECRETARY FOR
POLITICAL AFFAIRS, DEPARTMENT OF STATE**

Ms. SHERMAN. Thank you very much, and good morning, Mr. Chairman, Ranking Member Crapo, distinguished Members of the Committee. Thank you very much for inviting me and Under Secretary Cohen to discuss the details of the Joint Plan of Action agreed to by our P5+1 partners and Iran. I also want to especially thank you, Chairman Johnson, for your leadership on this issue over the past weeks and months and this Committee's support through many months and years in bringing Iran to the table through unprecedented sanctions.

Our collaboration on sanctions is what has brought Iran to the table. However, it is important to underscore that what we do from this point forward is just as critical, if not more so, in terms of testing Iran's intentions. In that regard, I look forward to continued consultations over the coming weeks and months, and I am available to any Member of this Committee at any time for a conversation.

Today I want to give you the facts about the Joint Plan of Action so you can judge its merits for yourself.

The Iranian nuclear program is one of the most serious threats to U.S. national security and to our interests in the Middle East. Thanks to the sanctions and a firm and united position from the P5+1, we have reached an understanding that is the most significant step to curb Iran's nuclear program in nearly a decade. Put plainly, this understanding is profoundly in America's national security interest, and it does make our regional partners safer and more secure.

The agreement establishes a sequenced 6-month framework designed to block near-term Iranian pathways to a nuclear weapon while creating space for us through a diplomatic process to reach a long-term comprehensive solution, which is what we all want. As the President has said repeatedly, we will ensure and he will ensure that Iran never obtains a nuclear weapon.

The understanding ensures the development of Iran's nuclear program will halt and the program will be rolled back as we negotiate that comprehensive solution. Indeed, upon implementation in the coming weeks, the agreement immediately halts progress of the Iranian nuclear program, rolls back key elements of that program, and introduces unprecedented monitoring in Tehran's nuclear activities. Taken together, these measures will prevent Iran from progressing toward a nuclear weapon over the next 6 months and increase our ability to detect any move toward an Iranian nuclear breakout or diversion of materials to a covert program.

Let me now walk you briefly through the key elements of this first step in detail.

First, Iran has committed to halt meaningful progress of its enrichment program. Under the terms of this agreement, Iran cannot increase its enrichment capacity. It cannot build new enrichment facilities. Iran cannot install more centrifuges of any type, operate more centrifuges, or replace existing centrifuges with more advanced types. Iran must limit centrifuge production to only those needed to replace damaged machines, meaning Iran cannot expand its stockpile of centrifuges. And Iran's stockpile of 3.5 percent enriched uranium must be the same at the end of the 6-month period as it is at the beginning.

Second, during this initial phase, Iran will roll back key aspects of its program. Specifically, Iran must cease all enrichment over 5 percent. Iran must remove certain equipment that is used to more efficiently enrich uranium over 5 percent, and Iran must neutralize its entire 20-percent stockpile, diluting it to a lower level of enriched uranium or converting it to oxide for fuel for the Tehran Research Reactor.

Third, Iran cannot advance work on the plutonium track. Iran cannot commission the heavy water reactor under construction at Arak. Iran cannot transfer fuel or heavy water to the reactor site. Iran cannot test additional fuel or produce more fuel for the reactor. Iran cannot install remaining components for the reactor, and Iran cannot construct a facility for reprocessing spent fuel. That is critical because, without reprocessing, Iran cannot separate plutonium from the spent fuel and, therefore, cannot obtain any plutonium for use in a nuclear weapon.

In sum, even in this initial phase, this first step, this plan halts each of the three potential pathways to a weapon that has long concerned us and our closest allies. It eliminates Iran's stockpile of 20-percent enriched uranium. It stops installation of centrifuges, especially Iran's most advanced centrifuge design, and prevents accumulation of more 3.5 percent enriched uranium. And it ensures that the Arak reactor cannot be brought online.

Some have said we should be skeptical that Iran will live up to these commitments. Quite frankly, we completely agree. That is why the foundation of the agreement is not built on trust but on verification. The verification mechanisms are unprecedented and comprehensive. Iran must permit daily access by the International Atomic Energy Agency inspectors to the facilities at Natanz and Fordow. They must permit more frequent inspections at the Arak reactor. Iran must allow access to centrifuge assembly workshops, including rotor production workshops and storage facilities.

Iran must allow access to uranium mines and mills and provide design information for the Arak heavy water reactor. Significantly, these monitoring measures will provide additional warning of breakout and add significant new checks against the diversion of equipment for any potential covert enrichment program. It will also help us to verify that Iran is, in fact, living up to the commitments outlined in detail under the agreement.

In exchange for these concrete actions by Iran, as Under Secretary Cohen will explain in detail, the P5+1 will provide limited, temporary, and reversible relief while maintaining the core archi-

tructure of our sanctions regime, including key oil and banking sanctions. Sanctions pressure, moreover, will continue to increase over the 6 months of this initial phase, and we will continue our vigorous enforcement of existing sanctions.

Moreover, the U.S. trade embargo remains in place. U.N. Security Council sanctions remain in place. All sanctions related to Iran's military program, State sponsorship of terrorism, and human rights abuses and censorship remain in place.

And if Iran fails to meet its commitments, we are prepared to ramp up sanctions, and we will have then the international consensus that is essential for any increased pressure to work.

As the President has said, as the Chairman outlined, now is not, we believe, the time to introduce new sanctions because doing so could risk derailing the promising first step outlined above, alienate our allies, and risk unraveling the coalition that enabled effective sanctions enforcement.

Finally, in assessing the agreement on its merits, it is important to compare where we will be under its provisions compared to where we would be without it.

Without this plan, Iran's program would continue to advance: Iran would spin thousands of additional centrifuges; install and spin next-generation centrifuges that compress breakout times; advance its plutonium program by producing fuel for the Arak reactor and install remaining components; it could grow its stockpile of 20-percent enriched uranium—all without the powerful tools of intrusive and unprecedented inspections to help detect breakout.

With this understanding, the Joint Plan of Action, as I have explained, we halt the progress of Iran's nuclear program, roll it back in key respects, block the most likely pathways to weaponization—all while creating space over the next 6 months to pursue the comprehensive solution we all want.

Finally, let me conclude by making one thing clear. Our policy with regard to Iran has not changed. We will stop Iran from acquiring a nuclear weapon. We will support our friends and partners in the region and counter Iran's destabilizing activities around the world. And we will continue to support the fundamental rights of all Iranians. We are working hard, for example, to ensure the U.N. General Assembly condemns Iran's human rights practices this month. Our sanctions on Iran as a State sponsor of terrorism remain in place. Our sanctions on human rights abusers will continue. And we will also remain committed, Mr. Crapo and all other Senators, to reuniting Saeed Abedini, Amir Hekmati, and Robert Levinson with their families.

As Secretary Kerry has said, 1 day is too long to be in captivity, and 1 day for any American citizen is more than any American, including this American, wants to see anyone endure.

So I look forward to consulting closely with Congress, and I welcome this opportunity to discuss these important issues with you. After Secretary Cohen, I am happy to take your questions.

Chairman JOHNSON. Thank you.

Under Secretary Cohen, please begin your testimony.

STATEMENT OF DAVID COHEN, UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, DEPARTMENT OF THE TREASURY

Mr. COHEN. Thank you, Chairman Johnson, Ranking Member Crapo, and distinguished Members of the Committee. I appreciate the opportunity to appear with Under Secretary Sherman today to discuss the impact of our sanctions on Iran, the limited, temporary, and reversible relief offered in the Joint Plan of Action, and the mounting sanctions pressure that Iran will face while the parties seek a comprehensive and long-term resolution to the international community's concerns over Iran's nuclear program.

This Committee is well aware of the impact that our sanctions—in particular our oil, financial, and banking sanctions—have had on Iran, so I will highlight just a few data points that I think are particularly relevant.

Iran today is in a deep recession. As Senator Crapo mentioned, last year its economy contracted by more than 5 percent, and we expect Iran's economy to contract again this year. Its inflation rate was around 50 percent last year. Its currency has lost about 60 percent of its value in the last few years.

Iran has about \$100 billion in foreign exchange reserves that is mostly or entirely inaccessible or restricted. And it has lost roughly \$80 billion in the last 2 years from oil that it has been unable to sell because of sanctions.

This is the picture of powerful sanctions pressure, and this sanctions pressure has begun to bear fruit. It brought Iran to the negotiating table in Geneva and helped our team obtain key terms in the Joint Plan that halt and in several important respects roll back Iran's nuclear program, while also allowing increased transparency and monitoring. We were able to achieve these terms at very little cost. In fact, the relief package in the Joint Plan is economically insignificant to Iran.

The package in the Joint Plan has several elements.

First, we will grant Iran limited access in installments over the 6-month tenure of the Joint Plan to \$4.2 billion of its own funds currently locked up in bank accounts outside of Iran.

Second, during the 6 months of the Joint Plan, we will hold Iran's exports of crude oil flat rather than requiring further significant reductions by the six countries currently importing oil from Iran.

Third, we will suspend—not remove, suspend—U.S. sanctions on Iran's petrochemical exports, its automobile sector, and its trade in gold. All together, this could be worth up to about \$1.5 billion to Iran.

Last, we will help facilitate humanitarian transactions, which are already permitted under U.S. law.

I want to emphasize that in this relief not a single dollar of U.S. taxpayer money will be transferred to Iran. The relief is comprised mostly of allowing Iran access to its own money denied by sanctions.

In light of the Iranian economy's deep distress, the approximately \$6 to \$7 billion value of the relief package, which would be realized over the half-year of the first step, simply will not move the needle on the Iranian economy. It is important to emphasize,

moreover, that the Joint Plan does not affect the overwhelming majority of our sanctions on Iran. Most importantly, the core architecture of our oil, financial, and banking sanctions remain firmly in place. I want to highlight several important aspects of that architecture.

First, the revenue Iran earns from its oil sales during the duration of the Joint Plan will remain subject to the financial sanctions which have so effectively locked up those revenues overseas. With the exception of the \$4.2 billion that is part of the relief package, Iran will be unable to transfer or repatriate any additional oil revenues it earns during the 6-month duration of the Joint Plan.

Our banking sanctions and the EU's banking sanctions remain in place, continuing the near total isolation of Iran's financial sector. All U.N. and EU designations, as well as our sanctions on the more than 600 individuals and entities tied to the Government of Iran, its WMD programs, and its energy, shipping, and shipbuilding sectors remain in place. This includes our sanctions targeting Iran's support for terrorism. And our longstanding U.S. trade embargo, which precludes Iran from engaging in business with U.S. companies and U.S. subsidiaries overseas, remains in place.

And as the Joint Plan is implemented and our negotiators continue to work toward a long-term solution, we will continue to take action to maintain sanctions pressure on Iran, to thwart Iran's efforts to evade sanctions, and to ensure that financial and commercial entities worldwide adhere to restrictions on dealing with Iran.

Just this morning, Treasury and State announced the designations of more than a dozen companies and individuals around the globe for evading sanctions and providing support to Iran's nuclear program. The targets of today's actions were involved in a variety of sanctionable activities, from illicit fund transfer to ship-to-ship oil transfers.

No one should doubt our resolve to continue to hold accountable those involved in illicit conduct, and we will also continue to strictly enforce Iran's sanctions, including by imposing strict penalties on those who violate them.

Today's designations as well as our recent enforcement actions emphasize that Iran is still off limits. Make no mistake. Foreign banks and businesses still face a choice. They can do business with Iran, or they can do business with the U.S.—just not both.

We know there may be some who believe now might be a good time to test our resolve. I want to be clear. We are watching closely, and we are prepared to take action against anyone anywhere who violates our attempts to violate our sanctions.

I look forward to continuing this important work with Congress and this Committee in particular as we pursue our shared objective to ensure that Iran does not obtain a nuclear weapon.

Chairman JOHNSON. Thank you all for your testimony.

As we begin questions, I will ask the clerk to put 5 minutes on the clock for each Member.

Ms. Sherman, we know Iran's foreign minister recently said, "The entire deal is dead if Congress adopts new sanctions now, even with a delayed trigger." But one of the most important factors

in making sanctions effective against Iran has been the cooperation of our international partners.

What do you expect would be the effect of a new round of sanctions now on our allies and other P5+1 countries? And what have they said to us recently about this?

Ms. SHERMAN. Thank you, Mr. Chairman. Although I hear as well what Foreign Minister Zarif said, my real interest and the Administration's real interest in the Congress not pursuing new sanctions at this time has to do with our P5+1 partners and with our international partners around the world who have been enforcing sanctions.

The reason sanctions have been effective is not just because you have taken the superb action you have and the President has moved Executive orders, and it is not only the terrific work that David and his colleagues have done on enforcement, it is because countries around the world have actually followed through on what, quite frankly, are unilateral sanctions on our part as well as the U.N. Security Council sanctions and the EU sanctions. And they have done that because we have said to them, if you, in fact, enforce the sanctions we have imposed, A, you will be able to continue doing business with the United States, the largest and most important economy in the world; but you will, more importantly, put pressure on Iran to change its strategic calculus and come to the negotiating table. And we are committed to negotiations as a first and best resort to resolve the concerns around their nuclear program. And so countries around the world did that.

Now that we have this first step agreed to and are about to begin negotiations on the comprehensive agreement that we all want, if we indeed say, "Well, we did not really mean it, we are going to now impose additional sanctions that you all will have to live with around the world," our partners are likely to say, "Well, wait a minute here. You are changing the rules. We agreed to harm our own economies in service to diplomacy, and you are not giving diplomacy a chance."

So our greatest concern here is if this Committee—and I know this Committee is for diplomacy, then we must test that diplomacy, and the way to do that is to see through the compliance of this first step and to negotiate that comprehensive agreement. Congress always has the prerogative to act. It can act very quickly. I know that, particularly when it comes to sanctions on Iran. And that is why the Administration is asking the Congress to keep its powder dry for this moment so we can keep our partners on board to enforce all of our sanctions that remain, since the vast majority do, so we can give diplomacy a chance, so our P5+1 partners stay united, which has been key to our diplomacy with Iran.

Chairman JOHNSON. A question for both of you. I am concerned that if Congress were to enact new sanctions now, not only could we hand a potential PR victory to Iran, it could also lead to other countries who are cooperating with us to peel away from their commitment to sanctions. How difficult would it be to reinstate sanctions if major countries decided to do that? And what effect would a breakdown in negotiations attributable to premature congressional action have on our broader diplomatic efforts and our standing in the world? Ms. Sherman, let us start with you.

Ms. SHERMAN. On your first point, there is no question, Senator, that we do not want Iran to be in a position to say that the U.S. is the cause of the agreement not going forward. As I said, my greater concern is with our international partners and the P5+1, but there is no doubt that what you say is indeed the case, that Iran could use this as a propaganda point from their point of view. It does not mean we would accept it, of course, but, nonetheless, I am sure that they would, as Foreign Minister Zarif has already attempted to do.

Chairman JOHNSON. Mr. Cohen.

Mr. COHEN. Mr. Chairman, I think there would be a real risk to the effectiveness of our international sanctions regime if Congress were to pursue new sanctions legislation now, and it would be difficult, I think, if that regime frayed, to put it back together.

Now, I am the last person to downplay the strength of our national sanctions. I think from our legislation to the Executive orders to the actions that we have taken, like the ones we took today, that has had real impact, and real impact around the world. But the overwhelming pressure on Iran today is due in part to what we have done and in part to what our international partners have done with us—some because they must, but many because they want to, because they are with us in this effort, as Under Secretary Sherman described, of pursuing a dual-track strategy of offering a diplomatic resolution while threatening increasing sanctions pressure as the alternative.

And I am concerned that if we lose that international coalition, the effectiveness of our sanctions going forward will be weakened, and our ability to pull it back together, if our partners around the world think that we are not serious about pursuing a diplomatic resolution, will be difficult.

Chairman JOHNSON. Thank you. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

Ambassador Sherman, before we get into the plan itself, I want to talk with you about Saeed Abedini. I appreciate your comments this morning and the discussions we have had previously about the plight that Idaho's Pastor Abedini, who has been imprisoned for his Christian beliefs in Iran, is dealing with. And as you have discussed today also, we have other Americans who are being held wrongly in Iran in an unjust legal system.

As you know, I have discussed this personally with Secretary Clinton and with Secretary Kerry and have received their assurances that this matter will be given the highest priority, that they will not be forgotten, and that everything will be done that we possibly can do to obtain their release and return them to their families and to freedom here in the United States. And, again, I appreciate your comments today about it.

One of the questions I have is that in the run-up to the October talks, the United States released a convicted Iranian proliferator from a California prison, but had no relief for these detained Americans. And, in fact, during that time Pastor Abedini was transferred to one of the worst prisons in Iran, just prior to the bringing home of the Joint Plan.

Can you tell me why we are not negotiating with regard to joint releases or why we have not made progress in the context of the

release of our own citizens when we are releasing Iranian prisoners who are known proliferators?

Ms. SHERMAN. Thank you very much, Senator Crapo. As I said, it is very hard to talk about these three Americans because it is heartbreaking and I have met with some of the families and I know what their lives are every day. So nothing I say is going to give them the comfort they need until Saeed Abedini, Amir Hekmati, and Robert Levinson are home. So I say that as a preface because I know it to be true.

We vigorously pursue every avenue. Some of those avenues are best pursued in private to have a chance of success. The Secretary raised these cases directly with the Iranian foreign minister during their meeting at the U.N. General Assembly. President Obama raised all three Americans in his phone call with President Rouhani. On this last round in Geneva, I had a separate conversation with the deputy foreign minister responsible for this, going over each of these cases and trying to find out whether there might be some avenues for getting their release. And as I said, if there are, we will pursue them in every way possible.

I also had breakfast with the Swiss State secretary who is our protecting power in Tehran, who has gone repeatedly and asked constantly for consular visits and went over some of the possibilities and some ideas that the Swiss had. We will pursue every idea that is brought to us.

I know there is this notion about allegations of a prisoner exchange deal. They are, quite frankly, simply untrue. At this point we have asked for humanitarian release. We did not specifically talk about these three Americans in the context of the nuclear negotiation because, quite frankly, we do not want them to become pawns in the negotiation. We do not want Iran to up the ante either on the nuclear side or the American citizen side by mixing them up in this. Iran should free these three Americans because it is the right thing to do, it is the humanitarian thing to do. It should not be a deal regarding their nuclear program which they must deal with on its own terms. Their freedom should not be tied to the success or the failure of these negotiations.

The three Iranians that you mentioned that had been released are not in any way related to the joint action, and the report that the two issues are connected is simply not true. These are folks who have gone through our judicial system and all of the judicial processes that we have.

Senator CRAPO. Well, thank you. I do appreciate the efforts that you have undertaken, although we have some differences on whether some opportunities could have been pressed further. But can you give me, again, your reassurance that our State Department and our country will take every advantage at every stage and in every forum to assure the release as soon as possible for these citizens?

Ms. SHERMAN. I absolutely guarantee it, and you have my personal commitment to do so.

Senator CRAPO. All right. Thank you. I see my time has run out, so I will wait for the next round for the Joint Plan questions. Thank you.

Chairman JOHNSON. Senator Reed.

Senator REED. Thank you very much, Mr. Chairman, and thank you, Secretary Sherman and Secretary Cohen.

Secretary Cohen, you made the point that just this morning additional enforcement actions were taking place, and it seems to me that it is absolutely critical that very vigorous—in fact, even more accelerated enforcement take place on those existing sanctions. Without that, you could, either unwittingly or wittingly, signal that there is going to be an erosion of sanctions, slowly but inevitably, and that would be disastrous in many different respects. So can you give us assurances that you will, in fact, ramp up the enforcement and contact us if you need additional legislative enforcement, if penalties have to be increased? Because I think we really have to make sure that they get the idea that they are not going to get a pass here. This is not just a subtle sort of way to ease and erode these sanctions.

Mr. COHEN. Senator, I completely agree with you, and I think the actions we took this morning, these designations of more than a dozen persons and entities, is the first step to really reaffirm and demonstrate our very strong intent to continue to enforce our sanctions very, very vigorously. The President said this when he announced the Joint Plan 2 weeks ago, that we would continue vigorous enforcement of our sanctions. We are going to do so.

The vast bulk of our sanctions architecture remains in place. The critical sanctions, on oil, on banking, on financial activity, remain in place. Sanctions on anyone who thinks, you know, to try to develop Iran's energy sector remain in place.

We are going to very vigorously continue to enforce these sanctions, because I completely agree with you. One very important aspect of our effort going forward is ensuring that the pressure continues to mount on Iran, that they understand that the only way that they can get relief from the pressure on their economy is by negotiating over their nuclear program. That is the purpose of our sanctions, that has been the purpose of our sanctions from the beginning, is to create the leverage for the negotiations. And we are going to do everything possible to ensure that that sanctions pressure continues and mounts during this period.

Senator REED. In that vein, there are discussions in the press of the Iranians reaching out to international oil companies to start looking at their long-term future. Obviously, since they have been deprived of critical equipment and infrastructure improvements, they are going to have to get investments to increase their capacity.

Are we actively dissuading these companies from doing this? Because it would seem to be sending a very, sort of, complicated message. We are saying these sanctions are really tough, but you can talk about them, you know, when the day is over.

Mr. COHEN. Very actively dissuading international oil companies and others who think that now may be a time to test the waters in Iran. Secretary Lew has over the last several weeks met with over a hundred business and bank CEOs to make the point that our sanctions remain in place. We have been meeting with foreign Governments, foreign banks, foreign businesses around the world through our embassies and through teams from here going out. I am traveling next week to reinforce this point. We are doing every-

thing possible to make sure that no one misunderstands that our sanctions remain in place and that we intend to enforce them, and that anybody who tests us will be taking a very, very serious risk.

Senator REED. Will you on a regular basis notify the Senate of countries or companies that are not complying strictly, or whose compliance is suspect? You might not have sufficient evidence for some type of enforcement action, but it would be extremely helpful if the information was public of which countries were standing with us and which were not.

Mr. COHEN. I commit to being available to this Committee at any time and communicating with this Committee on these issues. I think it is enormously important that we all work together on this issue.

Senator REED. I have got very little time left, and, Secretary Sherman, this might be too big a topic, but in the issue of the preliminary agreement, there were suggestions about their military programs, particularly around Parchin. Can you very quickly give us a sense of where we are with that?

Ms. SHERMAN. Actually, there are three places in the agreement that speak to the possible military dimensions of Iran's program. In the first paragraph, it talks about having the comprehensive agreement address all remaining concerns. That is a reference to their possible military dimensions. It talks about the need to address past and present practices, which is the IAEA terminology for possible military dimensions, including Parchin. The agreement also says that the U.N. Security Council resolutions must be addressed before a comprehensive agreement is agreed to, and the U.N. Security Council resolution specifically addressed their ballistic missile capability.

So we have had very direct conversations with Iran about all of these. They understand completely the meaning of the words in this agreement, and we intend to support the IAEA in its efforts to deal with possible military dimensions, including Parchin.

Senator REED. Thank you, Madam Secretary.

Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman, and I thank each of you for your testimony and your work.

I think all of us want to see a diplomatic solution to Iran and have been encouraged by the fact that the Administration has been dealing with them in this way.

I think what has shocked folks has been the text of the interim agreement, and I think it calls many of us to want to become involved. Your own former nuclear czar has said that, based on the way this interim agreement was negotiated, what he actually sees is a series of rolling agreements that go on for a long, long time. And I think what Congress—the reason Congress has been wishing to weigh in is to try to make sure that we get to an end state that is appropriate and we do so over a very short amount of time, which to me seems to be a very reasonable place for Congress to want to be.

I would like to ask you this. When does the clock, Wendy, actually start? Very succinctly, if you do not mind.

Ms. SHERMAN. Sure. Senator, our experts are in Vienna this week working with the P5+1, the IAEA, and Iran to determine that start date and to make sure that the sequence happens in the order in which we all believe it should, which is—

Senator CORKER. So we have negotiated a 6-month agreement a month ago.

Ms. SHERMAN. Yes.

Senator CORKER. But we do not know when the actual start date is.

Ms. SHERMAN. It will happen in the next few weeks. I do not want to set a date today because they are finalizing the discussion.

Senator CORKER. Senator Levin in a meeting at the White House suggested that, to keep us from being in a series of rolling agreements, we ensure that this interim agreement has an end date in 6 months. Of course, that 6 months has not begun. But instead of that, you guys agreed to a 6-month deal. And I am just—again, you can understand why folks on our side would be concerned, because we understand sort of the elements of the program.

Let me ask you this: Arak—I know that it cannot be commissioned, but it is my understanding based on the document that work can continue on elements of this plutonium facility. Is that correct?

Ms. SHERMAN. None of the issues that would make Arak function as a nuclear reactor can move forward.

Senator CORKER. I understand.

Ms. SHERMAN. None.

Senator CORKER. But there is still construction that is—

Ms. SHERMAN. They could build a road. They could put up a wall. That is correct.

Senator CORKER. Let me ask you this: A country that is interested in peaceful activities only with a plutonium facility of its size that has no commercial purpose, does it not raise a little bit of an antenna that they are continuing to do those things? I mean, people generally act in their own self-interest. Why would an economically starved country blow money on a plutonium facility that has no commercial interest if their intentions are good?

Ms. SHERMAN. Senator, we agree with you. There is no reason I can see that a 40-megawatt heavy water reactor has a peaceful purpose that I know of, and we have been very clear with Iran that this will have to be addressed in full in any comprehensive agreement.

Senator CORKER. Let me ask you this: The U.N. Security Council resolution that I think—I know this Administration negotiated one element, an agreement actually in 2010. Why within the four corners of this agreement are we already agreeing to things tacitly that are in opposition to the U.N. Security Council agreement? I think that is what has everybody alarmed, that we have tacitly agreed to the fact that Iran will be enriching down the road. And I think you know we negotiate all kinds of one-two-three agreements around the world. We try to get to a gold standard. Here we have a rogue Nation—a rogue Nation—that is wreaking havoc, that is using a portion of our sanctions proceeds that we are alleviating right now to kill people in Syria, and you know that. They are

using a portion of this to funnel is to Hizballah to kill people in Syria.

I guess I do not understand why you would already agree on the front end to them not having the gold standard, if you will, as it relates to enrichment. We do not let Vietnam and other countries that have been better actors do that. Why have we done that? And I think, again, that raises alarms that—you know, a lot of people think that Secretary Kerry is so anxious to make a deal for lots of legacy reasons that he is willing to overlook some of the details that are so important. Why have we done this?

Ms. SHERMAN. Let me say several things, Senator. First of all, we have not conceded anything. The comprehensive agreement, nothing is agreed to until—

Senator CORKER. Let me, if I could, you do not think that in a preamble where we talk about—you do not think—well, let me just put it this way: Do the officials in Iran think that we have agreed to allowing them to enrich? I mean, every press statement they have made says that. How could there be such a big misunderstanding over such an important issue?

Ms. SHERMAN. Right. What I was about to say, Senator, is nothing is agreed to in a final agreement until everything is agreed to. What we have said to Iran and what this says is that, yes, we will talk with them about the potential for a very limited enrichment program, matched to practical needs, with staggering constraints, monitoring, and verification, if—if—they agree to everything else that we want agreed to. That is totally consistent with the U.N. Security Council resolution, which does not talk about stopping enrichment. It talks about suspending enrichment and saying that once the IAEA and others confirm that Iran has met all its responsibilities and obligations, it could be treated like any other NPT State. So it is not about ending. It is about suspending enrichment.

That said, Senator, I completely agree with you, we all do, that there are many questions here about what Iran is up to. That is why the Secretary of State, the President of the United States in his address at the Saban Forum, as well as the Secretaries, said we are quite skeptical whether we will get to the comprehensive agreement that we all wish to see. But we must test Iran because that is how we keep the international community together; that is how, if we have to choose other options, we will have the international community with us to do so.

Senator CORKER. Mr. Chairman, I just want to make one quick statement in closing. I do think that we are stepping away from base U.N. Security Council agreements, and I think what Congress wants to see happen is that not occur. And I think that is why you have seen such a reaction. I realize we are sort of going through a rope-a-dope here in the Senate and that we are not actually going to do anything. I understand that that is sort of baked in, the blockage, and I know we are participating in a little bit of a rope-a-dope today. But I just want to say to David Cohen, I was just in the region, and I concur with Senator Reed. Once you begin loosening sanctions and people begin to see that Iran is now going to become not a rogue country but part of the international community—I mean, we are basically ceding much of Middle Eastern activities to them. We have been now for about a year. Once they see

that there is a rush, as Senator Reed mentioned, to do business with them—and I think that is why we are all concerned, that we did an interim deal that has no sacrifice on their part whatsoever. None. They are still spinning 19,000 centrifuges every single day. And they are not going to violate this agreement. It is an outstanding agreement for them, because in 6 months they are going to be a normal international entity. I do not see any way you hold the sanctions. But, again, obviously we are disappointed, but hopeful that somehow you can put the genie back in the bottle and end up with some type of agreement that averts warfare, because all of us do want to see this succeed. We just do not know how we get there with an interim deal framed the way this one is. But thank you.

Chairman JOHNSON. All Members are now required to report to the Senate floor for two votes.

Senator Menendez has a Committee hearing, a markup, quite soon, and will the Senator—

Senator MENENDEZ. Mr. Chairman, I understand there are 15 minutes on this vote, so my 5 minutes would be more than enough.

Chairman JOHNSON. OK.

Senator MENENDEZ. Thank you, Mr. Chairman.

You know, I have been pursuing Iran since 1996 when I learned as a member of the House Foreign Affairs Committee that the United States was sending voluntary contributions to the IAEA in addition to our membership dues, whose voluntary contributions were going for what? To create operational capacity at the Bushehr nuclear facility. That was not in the national interest and security of the United States, and I led an effort to stop that.

Now, I have been continuing to pursue Iran for 17 years when it was not in the spotlight, and what I have seen is Iran deceive, delay, and over various administrations march forward to the point that it seems that we are now ready to accept some form of an enrichment program in Iran. And so some of us are very skeptical not because of wide-eyed skepticism but of reality of what is the history so far.

And I have to say, part of my challenge in trying to listen to the Administration is some of the same statements I have heard in the past. I was looking at a transcript of the Senate Foreign Relations Committee on December 1, 1991, and many of the arguments I heard then against the pursuit of any sanctions regime are the ones I am hearing now. Let me quote from the transcript.

“Secretary Cohen. The concern we have with this amendment”—which was the Menendez-Kirk amendment—“is that we think it risks two things we want to avoid. One is that it risks fracturing the international coalition that has been built up over the last several years to bring pressure on Iran, and we would rather consider voluntary action against the Central Bank of Iran rather than the threat of coercion that is contained in your amendment.”

You went on to say, “We think that, to be clear, our judgment is that the best course to pursue at this time is not to apply a mechanism that puts at risk the largest financial institutions, the central bank of some of our closest allies.”

And you went on to say, “Our position is that the right course is not to adopt this amendment.”

Now, you know, that is basically what I heard then. That amendment went on to pass 100–0, and it is one of the things that you all, the Administration, heralds today as the essence of what has gotten Iran to the negotiating table. So you will forgive me if I, having heard many of the same arguments—we will break our international coalition, we will not have partners—that has been the arguments as of 2 years ago, and it is the arguments today.

I also look at the question of what is really this interim agreement or plan of action all about, and what we hear is versus what the Iranians say. The Iranians say in published reports—Iran said that, according to the agreement, the text of the agreement, Iran said it would not make any further advances of its activities—it did not say its nuclear core. It said any further advances of its activities at the Arak reactor. And then Zarif told the parliament in translated comments that it means no nuclear fuel will be produced, but construction will continue there.

Now, you say a road or a wall. The reality is if you can continue to construct all the elements except for the nuclear core, that is a fundamental difference. And it is not insignificant. Especially if our view is that Arak really is not to be allowed, at the end of the day, why would we allow them to even move to any form of construction which puts a greater and greater investment on their part to achieve their ultimate goal?

Then we see today that the Iranians are launching a rocket next week, and though this was supposedly made as their space program, it is well known that this is just a cover for a military ballistic weapons program. I think that is a provocative action in the midst of such negotiations, should be interpreted as a sign of bad faith, and only reaffirms in our mind why we need to proceed with some efforts here.

So I am beginning increasingly—I know I have been a proponent of pursuing additional sanctions prospectively at a timeframe beyond the scope of the intended 6-month period that we think is an insurance policy, but I am beginning to think, based upon all of this, that maybe what the Senate needs to do is to find the end game, and at least what it finds as acceptable as the final status, because I am getting nervous about what I perceive will be acceptable to us as the final status versus what, in fact, I think the—when I say “to us,” meaning the Administration—versus what the Congress might view as acceptable. It may be defining that through a resolution, maybe a course of action that would affect the ultimate outcome here, which is obviously the most important one.

So I just want to put on the record my skepticism based on the history that we have had here, one for 17 years, the other maybe more recent, that I have heard many of these arguments, and they are the arguments nonetheless that have had the Senate act and have actually helped the Administration achieve some of its goals.

Chairman JOHNSON. We will resume the hearing immediately following the votes. This hearing is in recess.

[Recess.]

Chairman JOHNSON. I will give you an opportunity to respond to the remarks by Senator Menendez. Ms. Sherman and Mr. Cohen, would you like to respond?

Ms. SHERMAN. If I may, Mr. Chairman, let Under Secretary go first, and then I will go second. Thank you.

Ms. COHEN. And thank you, Mr. Chairman, and I know that Senator Menendez is not here, and so I would make the offer to Senator Menendez that I am happy to follow up with him directly. But what I would say is that I do not think anyone can deny the importance of the international coalition of countries that we have been able to put together and hold together. It has magnified enormously the strength of our sanctions, and we have been able to do that over the years working with Congress in a way that ensures that the legislation that is enacted strengthens rather than threatens that international coalition.

After the testimony that Senator Menendez referenced, we met with Senator Menendez and others and expressed our concern with the provision that would impose sanctions on the Central Bank of Iran that was directed at Iran's ability to export its oil, and we worked with Senator Menendez and others and very much appreciate his working with us to modify the provision that gave us the greatest concern in a way that when it was ultimately enacted, it was enormously effective. This is the significant reduction provision that has over the course of the past 2 years resulted in Iran's ability to export its oil being significantly impaired. It was exporting 2.5 million barrels per day of oil at the beginning of 2012. It is now down to about a million barrels per day.

We were able to implement that provision in a way that brought along our partners rather than leading them to fight us as we were trying to drive down Iran's oil revenues. So I appreciate Senator Menendez's work with the Administration in crafting that legislation in a way that was enormously effective.

Today we have this very strong international coalition. The risk of legislating right now is that it weakens that coalition. Now, I cannot sit here and say that it will blow apart the coalition, but I do not think anyone can deny that there is a risk that if we legislate now, the coalition will weaken. If it weakens, the effectiveness of our sanctions weaken. And the concerns that Senator Corker and Senator Reed expressed about the interests of the business community, the international business community going into Iran become more real. And if our sanctions weaken, the leverage that our negotiators have is diminished, and our ability to reach the long-term agreement that is what we are all trying to achieve becomes more difficult.

So I would just say that, given the absolute certainty that Congress can legislate if the Iranians do not fulfill their obligations under the Joint Plan or are unable to reach a long-term agreement, as well as the certainty that the Administration will work with this Congress, with this Committee, with Senator Menendez, and others on legislation that could be enacted at the appropriate time, it just seems to me that it is not a risk worth taking right now.

Ms. SHERMAN. Thank you, Mr. Chairman. Let me just add, I totally understand Senator Menendez's and all Senators' skepticism about Iran. Iran does not do good things around the world for the most part. We are concerned about what they have done regarding missing Americans. We are very concerned about their destabilizing activities, about their terror, about their human rights

abuses, their censorship. We are very skeptical about whether we can reach a comprehensive agreement that fully addresses all of the international community's concerns about their nuclear program. But we are equally convinced that we must test and try to see whether, in fact, we can resolve this peacefully, because that is what the American people want, that is what the U.S. Congress wants, that is what the Senate wants, and that is the right thing to do.

We are at a somewhat different place than we have been in the lead-up to this moment where sanctions have been so staggeringly effective. We now have a Joint Plan of Action. We now have an understanding with Iran of actions it is to take in order to get very limited, targeted, and reversible sanctions relief, and to enter into a comprehensive negotiation for a comprehensive agreement.

Because we are at this different place, we should react and respond somewhat differently, which is to say we should test that agreement. And one of the provisions of the agreement is that the European Union, the U.N. Security Council, and the United States not impose new nuclear sanctions during the 6-month period while we negotiate that comprehensive agreement. It seems to us that it is worth complying with the provisions of that understanding, testing Iran, and then coming to the Congress, to this Committee and the Senate, as Under Secretary Cohen has said, to take action if and when needed.

Thank you.

Chairman JOHNSON. Senator Tester.

Senator TESTER. Yes, thank you, Mr. Chairman.

Very quickly, and if you could be as concise as possible, I have got a bunch I would like to get through. Mr. Cohen, following up on what Senator Reed had said, more than a dozen—were these American companies that sanctions were put on?

Mr. COHEN. The actions today were not against American companies, but within—yesterday we applied sanctions—applied an enforcement action in the settlements with World Bank of Scotland, and about 2 weeks ago, there was an action that was settled with an American company called—

Senator TESTER. OK. And just to be clear, is this public information?

Mr. COHEN. Absolutely.

Senator TESTER. OK. And could you tell me, do any of these businesses do business with the U.S. Government?

Mr. COHEN. I do not know. I would be very surprised if any did. But we will check into that.

Senator TESTER. OK. I just think that, you know, if we are going to do something, they ought not be doing business with us, the U.S.

Mr. COHEN. I completely agree. I think it is very unlikely this company—

Senator TESTER. OK. To Wendy, I happened to be over in Iran when—in Israel, I am sorry, when this agreement was announced. Prime Minister Netanyahu was not happy, as you well know. In your estimation, though, it seemed like everybody in the Middle East was not happy with it—not just Israel but everybody. Why?

Ms. SHERMAN. Senator, I understand everyone in the region's anxiety because it is our anxiety, and that is that Iran is a desta-

bilizing influence in the region. They obviously are financing Lebanese Hizballah. They are sending their own military advisers into Syria. They are financing actions in Yemen. They are not good actors in the region, and so there is a concern among people in the region that this nuclear agreement or this understanding is going to lead to us normalizing our relationship with Iran. That is so many years off.

Senator TESTER. Yes. The hope is for that, but we are a ways off.

Ms. SHERMAN. A long way off. A long way off.

Senator TESTER. OK. In relation to the IAEA inspectors, are they there on a daily basis or a weekly basis or—

Ms. SHERMAN. Right now, the IAEA inspectors go to Fordow and Natanz I believe on a weekly basis, and this agreement now will require them to go daily.

Senator TESTER. OK. Do they have access to everything they need to see?

Ms. SHERMAN. They do have and now will have additional access to things they need to see.

Senator TESTER. And do these inspections have to be preannounced?

Ms. SHERMAN. They will have—because they are there every day, Iran will now know that they will be there every day.

Senator TESTER. OK. You had talked about the Iranian policy in regards to Hizballah and Hamas and, to be quite honest with you, pretty much the funding for a lot of the terrorism that happens in not only the Middle East but the world. Part of my concern is you have got Iran that is acting very improperly over on one side, and then a hope that on this side they are going to act separate from the rest of their foreign policy.

What gives you any sort of confidence that that even could happen?

Ms. SHERMAN. Well, it is not about confidence. It is not about trust. It is about verification in the first instance.

Second, quite frankly, the MFA and Foreign Minister Zarif have responsibility for the nuclear negotiation. The IRGC Quds Force has the leadership on their activities that destabilize so much of the region in parts of the world. So President Rouhani has been given license by the Supreme Leader to then give license to Foreign Minister Zarif to try to address the concerns of the international community about the nuclear program. The reason for that is because of the horrific economic situation that Under Secretary Cohen outlined.

Senator TESTER. You know, one of the things that was kind of ironic to me—and I was not aware of what Ranking Member Crapo was talking about with folks being held hostage. One of the things that would seem—where is the good will that comes out of Iran? I mean, we have seen good will come out of this country. We always see good will come out of this country. Where is the good will—because these guys have been the ones that have been blowing up the world, not us.

Ms. SHERMAN. Senator, I wish I could tell you that I thought that there was a lot of good actions coming our way. There was an American who was briefly held and then let go by Iran. They saw that as a good will gesture. They saw their letting go of our hikers

as a good will gesture. But, quite frankly, there is a long way to go before we see the good will that you are referring to.

Senator TESTER. OK. Last question. Iran sits on the fourth largest oil reserves in the world, second largest natural gas reserves. Why should Iran even be interested in nuclear power?

Ms. SHERMAN. This is an excellent question. It is one we have asked them repeatedly, and it is why this Joint Plan of Action says we want to understand what their practical needs are because, quite frankly, it is not clear to us why they need 19,000 centrifuges, why they need a stockpile of 3.5 percent enriched material, why they need the Arak nuclear reactor. And so that is what we are going to have to work through to get to a comprehensive agreement.

Senator TESTER. Just in closing, I would just say I wish you the best. I think that there is not a soul at this table that does not want to see these negotiations work. On the other hand, we do not want to see Iran become more powerful either.

Ms. SHERMAN. We quite agree. Thank you.

Senator TESTER. Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman.

You know, I thought I came to a hearing on sanctions, and what we are really having is a hearing on the legitimacy of the proposed agreement, which presents really kind of three categories of my kind of analysis.

Number one, the Congress obviously plays a very large role in providing policy advice and certainly participating, and I think there is a lot of people, certainly in this room, who have expressed dissatisfaction with the agreement, dissatisfaction with whether we have mutuality of goals, whether we have kind of speaking with one voice, which is critically important if we are going to be successful.

And so I understand and share your concern about the international community and your international sanctions. I share your concern about whether we can continue to test the waters, so to speak, in little interim steps. But I also share the concern of very many members we have heard today about not having mutuality about the end goal, about not really appreciating and understanding what—and, you know, we can all say we do not want them to have the capability, but the bottom line is the devil is in the details in any negotiation.

And so I would really advise and caution the Administration—certainly both of you, through the Syria discussion you have been very forthcoming. I think you probably have an office somewhere in the United States Capitol you have been up here so much. But I just really believe that there needs to be better listening to the concerns that have been expressed here today.

I want to cover something that has not really been covered yet, which is the internal conditions in Iran for the development of this agreement. There is a lot of discussion—just as you are going through this process here internally, there is a lot of discussion about the internal politics of Iran and whether, in fact, there is a mature enough diplomatic situation in Iran to actually deliver anything that we might hope for as we pursue peace in the region.

And so I would like comments from both of you about how you see the internal politics and how you see this—how fragile is this agreement in Iran?

Ms. SHERMAN. Well, thank you very much, Senator. First of all, I take to heart your imprimatur to us to listen better and to understand the concerns here of the U.S. Senate, and we will work and endeavor to do so.

Second, as regards the internal politics, I would urge you, if you have not had a classified briefing with our national intelligence manager for Iran, to avail yourself of that. I think you have heard some of it because you will get some insights into what is going on. But in this unclassified setting, let me say my own understanding—

Senator HEITKAMP. And I think I have a pretty good idea, but I also think it is really important for the American public to understand at least some characteristics of who we are negotiating with.

Ms. SHERMAN. Thank you. The Supreme Leader is the only one who really holds the nuclear file, makes the final decisions about whether Iran will reach a comprehensive agreement to forgo much of what it has created in return for the economic relief it seeks. The Supreme Leader has, however, given to President Rouhani, who was elected to get that economic relief and was quite clearly not the Supreme Leader's first choice to be president of Iran, but was acceptable and is himself a conservative cleric. No one should misunderstand or believe that President Rouhani is not anything but a very conservative cleric. He is about preserving the regime, not changing it, not changing the Supreme Leader. So none of this is about regime change for him, nor is U.S. policy headed and about regime change. It is about addressing the concerns about Iran's nuclear program.

So Rouhani was given a license by the Supreme Leader to go and try and see what he could do to get economic relief, with some red lines in place, including making sure that Iran could keep some of its capability. Indeed, then Rouhani passed off to Foreign Minister Zarif, who knows the United States very well, having lived here and studied here and worked for Iran here for nearly 30 years, to see whether, in fact, he could move the negotiation forward. So it is in that setting that we have begun to really make some progress because they want this economic relief.

Additionally, I have to add that they do have differences among their country. There are hard-liners who are much more conservative than the conservative cleric president of Iran, President Rouhani, who do not think that they should be talking with the United States, or anyone else for that matter, about their nuclear program.

There are some people who are more reform-minded, but there is a general belief among the Iranian people that they have a right to enrich. The United States does not believe any country has a right to enrich. But the Iranian people do, and they have a great deal of pride and a culture of resistance to change and do not particularly want to adopt all that the United States stands for, so they very much hold on to their own tenets.

Under Secretary Cohen may want to add something from an economic point of view.

Mr. COHEN. If I could just very briefly, Mr. Chairman, Senator Heitkamp, just picking up on what Under Secretary Sherman said about the election of Rouhani, it was, I think, generally understood as an expression by the Iranian people of a desire for relief from the economic conditions that they are currently facing. Among the skewed list of candidates, he was the one who was sort of most likely to try to bring about improved economic conditions through engagement with the West, understanding full well that the only way that he can get improved economic conditions in Iran is to get the sanctions lifted, and the only way to get the sanctions lifted is to address concerns with their nuclear program.

This initial first step Joint Plan of Action will not improve the economic conditions in Iran, but it was greeted with excitement among the people of Iran, because I think they saw this as showing the potential, the prospect for economic improvement down the road. Frankly, I think this next 6 months, as the Iranian people see through this Joint Plan of Action that there is the potential if their Government negotiates in a serious fashion about the nuclear program to get real sanctions relief, can create additional internal pressure of the kind that we saw that led to the election of Rouhani, additional pressure to push their Government to do what is necessary to address the concerns.

Chairman JOHNSON. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman. Thank you for being here.

So America and its allies are committed to preventing Iran from obtaining nuclear weapons, and we are committed to protecting our allies throughout the region, including Israel. This dual-track policy that we are on now—imposing tough sanctions on Iran while engaging them diplomatically—I think reflects this commitment, and that approach has clearly brought Iran to the negotiating table, produced an interim deal that is a promising first step toward achieving our goals in the region.

Of course, the interim deal does not give us everything that we want. That is the nature of a negotiation. Each side has to give a little. But it is certainly no giveaway to Iran. They made critical concessions. The core existing sanctions on their oil and banking sectors remain fully in force. And all the sanctions relief in the deal provide—are time limited and fully reversible. More importantly, it seems to me the interim deal is a necessary step in reaching a final deal.

So I would like your view on that, Under Secretary Sherman. Could the U.S. plausibly hope to get a final agreement that prevents an Iranian nuclear weapons program without an interim deal of this kind?

Ms. SHERMAN. Thank you very much, Senator. You know, I think Secretary Kerry has said, I have said, and the President of the United States has said we wish we could have gotten a comprehensive agreement in the first stage. There is no doubt we would all be happier to have a comprehensive agreement, but it simply was not available. It was not possible.

And so what we thought was critical was to get this first step and stop the advance of their nuclear program, to put time on the clock to negotiate that comprehensive agreement—not too much

time on the clock because we did not want them to play games, but enough time to really see if we could get that negotiation underway and fulfilled.

So, in our view, we needed this first step to put that time on the clock. We understand that our very strong ally, partner—Israel—tactically believes we should have waited for a comprehensive agreement, that we should have kept sanctioning and hope that Iran would capitulate. But our concern with that is, because it is a culture of resistance, as we were just discussing, that it would take a very long time. And although it might ultimately happen, though it might not, all that while they would be advancing their nuclear program. And since the time for breakout was already short, it would become shorter and shorter, leaving us with very difficult options and diplomacy fading away.

Senator WARREN. Good. And if I can just follow up just a little bit here, to be clear, Under Secretary Cohen, the value of the temporary sanctions relief, I take it from all you have said, is minuscule in comparison to Iran's economy, even in its greatly weakened state. Is that correct?

Mr. COHEN. Yes, Senator Warren. The total value of this deal is in the \$6 to \$7 billion range; that is about 1 percent of Iran's GDP. It does not come close to closing the budget deficit that Iran faces, which is in the \$35 billion range. It does not come close to providing the funds necessary for Iran's foreign exchange needs, which run about \$60 to \$70 billion a year.

So as I said, it is economically insignificant to Iran, and it is insignificant in particular because of what remains in place: the banking sanctions, the oil sanctions, the financial sanctions, the fact that their ports are largely cutoff. You know, this relief will not improve the economic situation in Iran in any significant way.

Senator WARREN. And then one last question that I want to ask about this. President Rouhani was elected in part because, unlike his predecessor, he was interested in negotiating with the international community. But he still has to contend with a significant number of hard-liners who oppose negotiations. So, Under Secretary Sherman, if Congress passes additional sanctions now, even sanctions that do not kick in unless the negotiators fail to reach final agreement in 6 months, would that make it more difficult or easier for President Rouhani to make a final deal?

Ms. SHERMAN. I think there is no doubt that if, in fact, sanctions were passed, the hard-liners would say, "See, you cannot deal with the United States. You cannot deal with the P5+1. There is no good faith." And although that might indeed tank the agreement, as I have said, our greater concern is keeping the P5+1 and the international coalition together for the enforcement of the sanctions that remain on the books, which are vast.

Senator WARREN. Thank you.

Thank you, Mr. Chairman.

Chairman JOHNSON. Ms. Sherman and Mr. Cohen, can you explain specifically how the U.S. will ensure that Iran complies with the terms of the first step agreement? And can you describe the different verification and monitoring roles played by the State Department, the intelligence community, and the IAEA? Ms. Sherman, let us start with you.

Ms. SHERMAN. Sure. First of all, the IAEA will be working with us. We are a member of the Board of Governors of the IAEA, and so we are part of the regular meetings. They will help do the verification of the agreement—in fact, will lead the verification of the agreement; as I have stated, daily access to Fordow and Natanz, more frequent access to Arak, managed access to uranium mines and mills, to centrifuge production, getting the plans of the Arak reactor. So in many ways, they will provide the compliance oversight for this.

In addition, of course, through our own means as a Government, both national intelligence means as well as diplomatic means, we will be monitoring the compliance, and we will, of course, be available to this Committee and to the U.S. Congress for ongoing briefings, consultations, and hearings to keep you apprised of compliance.

Chairman JOHNSON. Mr. Cohen.

Mr. COHEN. Yes, Mr. Chairman, with respect to compliance, I would just make one point. The relief that is afforded to Iran in this package does not begin until Iran begins to comply with its obligations under the agreement. So none of the relief in the petrochemical sanctions or the auto sanctions, any of that, begins until we see the Iranians complying with their commitments under this agreement. And, moreover, the financial aspect, this \$4.2 billion that Iran will be allowed access to, that is doled out in installments over the 6-month duration of this deal. And so the Iranians will need to continue to comply with their obligations under this first step in order to get access to those funds.

Chairman JOHNSON. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

Ambassador Sherman, the United States and the other members of the P5+1 are apparently bound in the agreement to the principle of no new nuclear-related sanctions. Can you or have you specifically defined what that means? What are “nuclear-related sanctions”?

Ms. SHERMAN. Well, there are both practices and legal definitions that accrue with that, Senator, and I would be glad to get you a briefing from a team at State about how we will sort of work through those issues. But it is quite clear sort of in the nomenclature of how we proceed what are considered nuclear related versus what would be terror related or human rights abuses or censorship or military sales related.

Senator CRAPO. This just generates another series of questions for me, and let me pose it this way: Given that there are different kinds of sanctions and the agreement focuses on nuclear-related sanctions, assuming we can specify exactly what that is and distinguish between the different sanctions, does that mean that Congress would be free to pass other sanctions measures while we are considering the plan?

Ms. SHERMAN. We have said to Iran that we will continue to enforce all of our existing sanctions, and we have said that this agreement pertains only to new nuclear-related sanctions in terms of what we, the European Union, and the U.N. Security Council will forgo.

Senator CRAPO. And you are confident that can be delineated as—

Ms. SHERMAN. Yes. And, indeed, right now there are considerations by the Human Rights Council about a resolution on human rights abuses in Iran. We fully support that. So on an ongoing basis, in all of the international fora where we have ongoing concerns about counterterrorism, human rights, censorship, we will be active as we always have been.

Senator CRAPO. All right. Let me ask it in another context. Should we proceed and should Iran succeed in proving that it can run a purely civilian program and move forward with the resolution of the issue as you have discussed is our objective and as we all hope will be achieved, would the United States then be able to use all of the tools in its toolbox—and what I am referring to here is something such as petroleum sanctions—to address the destabilizing nature of other aspects of Iran's conduct such as its State sponsorship of terrorism or its advanced ballistic missile production or its human rights abuses?

Ms. SHERMAN. I think, Senator, we would have to look at what the specific language was attacking what specific problem, so I think the best I can do today, without specific language sitting in front of me and in front of our lawyers, is to say to you that the only commitment we have made in this agreement is no new nuclear-related sanctions, is the only commitment we have made.

Senator CRAPO. All right. I would like to pursue that a little further with you following the hearing to see how we distinguish between the two and what kind of limitations would be on the United States as we move forward in that context.

Just another couple quick questions, and these questions relate to the U.N. Security Council resolutions and the U.S.–UAE Civilian Nuclear Cooperation Agreement. Can we assume or can you confirm to us that those resolutions and agreements would be required to be complied with by Iran as we move forward in any final negotiations?

Ms. SHERMAN. Indeed, the Joint Plan of Action says that all U.N. Security Council resolutions must be addressed before a final agreement is agreed to.

Senator CRAPO. All right. Thank you, Mr. Chairman. I have no further questions at this point.

Chairman JOHNSON. Stopping Iran's illicit nuclear activities is vital to our national security and that of our allies, including Israel. If no final deal is reached, Iran fails to comply with the first step agreement, this Committee will act swiftly to impose a new round of sanctions. In the meantime, I agree with today's witnesses that a pause on new sanctions legislation is justified to see if such a deal is possible.

I would like to thank the witnesses for their testimony, and this hearing is adjourned.

[Whereupon, at 12:16 p.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JON TESTER

Thank you Chairman Johnson and Ranking Member Crapo for convening this important hearing. I would also like to thank Ms. Sherman and Mr. Cohen, and Secretary Kerry, for their tireless diplomatic efforts. All of us here are deeply committed to preventing Iran from acquiring a nuclear weapon.

Your hard work is a critical first step in this endeavor.

I was in Jerusalem when this agreement was announced on November 24th. That evening, I met with Israeli Prime Minister Netanyahu. For me, visiting Israel during this critical time highlighted the gravity of the issue before us.

As Secretary Kerry said in the House yesterday, "there's no more important issue in American foreign policy." I could not agree more. That's why we have to get this right.

While I fully support diplomatic efforts to prevent Iran from getting a nuclear weapon, I remain deeply skeptical of Iran's leadership and their intentions. Simply put, the Iranian regime still poses a threat to American interests, our allies, and to the stability of the region.

I look forward to hearing from each of you about the details of the agreement reached in Geneva, and the prospects of reaching a long-term comprehensive solution as we move forward.

Again, I thank Chairman Johnson and Ranking Member Crapo for calling this hearing, and I look forward to the testimony of the witnesses.

PREPARED STATEMENT OF WENDY SHERMAN

UNDER SECRETARY FOR POLITICAL AFFAIRS, DEPARTMENT OF STATE

DECEMBER 12, 2013

Good morning, Chairman Johnson, Ranking Member Crapo, distinguished Members of the Committee. Thank you for inviting me to discuss the details of the Joint Plan of Action (JPA) concluded with Iran and our P5+1 partners on November 24 in Geneva.

Let me begin by noting that the diplomatic opportunity before us is a direct result of the cooperation between Congress and the Administration to put in place and implement a comprehensive and unprecedented sanctions regime designed to press Iran to address international concerns with its nuclear program.

Our collaboration on sanctions is what brought Iran to the table. However, it is important to underscore that what we do from this point forward is just as critical, if not more so, in terms of testing Iran's intentions. In that regard, I look forward to our consultations over the important weeks and months ahead.

Today, I want to give you the facts about what was agreed to in Geneva, so you can judge the merits of the JPA for yourself.

Iran Commitments

We have long recognized that the Iranian nuclear program constitutes one of the most serious threats to U.S. national security and our interests in the Middle East. Thanks to the sanctions pressure, and a firm and united position from the P5+1 (China, France, Russia, UK, U.S., and Germany, in coordination with the EU), we have reached an understanding that constitutes the most significant effort to halt the advance of Iran's nuclear program in nearly a decade. As a consequence, the JPA agreed to in Geneva is profoundly in America's national security interest, and makes our regional partners safer and more secure.

The JPA is sequenced, with a 6-month period designed explicitly to block near-term Iranian pathways to a nuclear weapon, while creating space for a long-term comprehensive solution. The goal of that comprehensive solution is to resolve the international community's concerns with Iran's nuclear program. What this initial plan does is help ensure that Iran's nuclear program cannot advance while negotiations towards that solution proceed.

Upon implementation in the coming weeks, this initial step will immediately: halt progress of the Iranian nuclear program; roll it back in key respects; and introduce unprecedented monitoring into Iran's nuclear activities. Taken together, these measures will prevent Iran from enhancing its ability to create a nuclear weapon and increase the confidence in our ability to detect any move towards nuclear break-out or diversion of material towards a covert program.

The details demonstrate why this is the case. First, as stated, Iran must halt the progress of its enrichment program. This means, under the express terms of the JPA, that Iran cannot increase its enrichment capacity. Iran's stockpile of 3.5 percent enriched uranium hexafluoride (UF6) cannot grow—it will be the same amount

or less at the end of the 6-month period as it is at the beginning. Iran cannot build new enrichment facilities for the production of enriched uranium. Iran cannot install additional centrifuges of any type in their production facilities, operate more centrifuges, nor replace existing centrifuges with more advanced types. Moreover, Iran must limit centrifuge production to those needed to replace damaged machines; thus Iran cannot expand its stockpile of centrifuges.

Second, during this initial phase, Iran will roll back or neutralize key aspects of its program. Iran must cease all enrichment over 5 percent. The piping at Fordow and Natanz that is used to more efficiently enrich uranium over 5 percent must be dismantled. Iran must neutralize its entire 20-percent stockpile of enriched uranium hexafluoride by diluting it to a lower level of enriched uranium hexafluoride or converting it to oxide for fuel for the Tehran Research Reactor.

Finally, Iran cannot advance work on the plutonium track. At Arak, Iran cannot commission the heavy water reactor under construction nor transfer fuel or heavy water to the reactor site. Iran cannot test additional fuel or produce more fuel for the reactor nor install remaining components for the reactor. Iran cannot construct a facility for reprocessing spent fuel. Without reprocessing, Iran cannot separate plutonium from spent fuel and therefore cannot obtain any plutonium for use in a nuclear weapon. As such, this first step freezes the timeline for beginning operations at the Arak reactor and halts progress on any plutonium pathway to a weapon.

Significantly, the monitoring measures outlined in the JPA will provide much more timely warning of a breakout at Iran's declared enrichment facilities and add new checks against the diversion of equipment for any potential covert enrichment program. Some have rightfully asked why we should trust Iran to live up to these commitments. As Secretary Kerry has said, the JPA is not based on trust, it is based on verification—and the verification mechanisms set forth in the JPA are unprecedented.

Under its express terms, Iran must permit daily access by International Atomic Energy Agency (IAEA) inspectors to the facilities at Natanz and Fordow and allow more frequent access to the Arak reactor. Iran must allow IAEA inspectors access to sites related to centrifuge assembly and production of centrifuge rotors (both key aspects of the program). Iran must allow IAEA inspectors access to uranium mines and mills. Iran must provide design information for the Arak heavy water reactor. These monitoring mechanisms will provide additional warning of breakout or diversion of equipment all along the nuclear fuel cycle and would not be in place without the understanding reached in Geneva.

In summary, even in its initial phase, the JPA stops any advances in each of the potential pathways to a weapon that has long concerned us and our closest allies. It eliminates Iran's stockpile of 20-percent enriched uranium hexafluoride. It stops installation of additional centrifuges at production facilities, especially Iran's most advanced centrifuge design, together with freezing further accumulation of 3.5-percent enriched uranium hexafluoride. And it ensures that the Arak reactor cannot be brought on line while we negotiate a comprehensive solution.

P5+1 Commitments

In return for these concrete actions by Iran and as Iran takes the required steps, the P5+1 will provide limited, temporary, and reversible relief while maintaining the core architecture of our sanctions regime—including key oil and banking sanctions. And we will vigorously enforce these and all other existing sanctions.

We estimate that this limited relief will provide approximately \$6–7 billion in revenue.

First, we will hold steady Iran's exports of crude oil at levels that are down over 60 percent since 2011. This means that Iran will continue to lose \$4–5 billion per month while the JPA is in effect compared to 2011. Let me be clear, however. We will not allow Iran's exports to increase and we will continue collaboration with our international partners to ensure that they understand that any increases in Iranian oil purchases—or any new purchases of Iranian oil—remain subject to sanctions.

Second, we are prepared to allow Iran to access \$4.2 billion in its restricted assets, not in a lump sum, but in monthly allocations that keep up with verified Iranian progress on its nuclear commitments. Remember, Iran will continue to lose \$4–5 billion a month due to our oil sanctions compared to 2011, so this access to funds is less than 1 month of those losses. And this is a fraction of Iran's total needs for imports or its budget shortfall.

Third, the P5+1 agreed to suspend certain sanctions on gold and precious metals, Iran's auto sector and on Iran's petrochemical exports. The suspension of the sanctions on gold and precious metals will not allow Iran to use restricted assets to purchase gold and precious metals, rather it allows Iranians to import and export gold and precious metals. The suspension of the sanctions on the auto industry will allow

Iran to obtain support and services from third countries for the assembly and manufacturing of light and heavy vehicles. The suspension of sanctions on petrochemical exports means Iran will be able to sell petrochemicals and retain the revenues from these sales. We estimate that Iran will earn approximately \$1.5 billion in revenue from the temporary suspension of these sanctions.

We will also license the supply and installation of spare parts for the safety of flight for airplanes to occur in Iran. We will also license safety inspections and related services to occur in Iran. Notably, this will not apply to any airline subject to sanctions under our counterterrorism authorities.

In addition, solely for the financing of humanitarian transactions and tuition assistance for Iranians studying abroad, we will facilitate access to Iran's overseas accounts for these specific transactions. Even before the JPA, we never intended to deprive the Iranian people of humanitarian goods, like food and medicine. In fact, Congress has explicitly exempted these transactions from sanctions.

There have been some that have incorrectly represented the limited relief as being far more. So, let me reiterate. The total relief envisioned in the JPA amounts to between \$6–7 billion—nowhere near the \$20 or \$40 billion that some have reported. The total relief for Iran envisioned in the JPA would be a modest fraction of the approximately \$100 billion in foreign exchange holdings that are inaccessible or restricted because of our ongoing sanctions pressure. This sanctions pressure, moreover, will continue to increase over the 6 months of this initial phase through the continued enforcement of our sanctions.

Continued Enforcement of Sanctions

It is important to understand that the overwhelming majority of our sanctions remain in place and we will continue to vigorously enforce those sanctions to ensure that Iran receives only the limited relief that we agreed to. This will include aggressive enforcement of sanctions under the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (CISADA), the Iran Sanctions Act, the Iran Threat Reduction and Syria Human Rights Act of 2012, and the Iran Freedom and Counter-Proliferation Act of 2012. This means that sanctions will continue to apply to broad swaths of Iran's economy including its energy, financial, shipping, and shipbuilding sectors. By rigorous monitoring we will also prevent abuse of the relief that is part of the JPA. Were we to see increased purchases of oil or sanctions evasion, we are prepared to act swiftly to sanction the offenders.

Moreover, the U.S. trade embargo remains in place and U.N. Security Council's sanctions remain in place. All sanctions related to Iran's military program, State sponsorship of terrorism, and human rights abuses and censorship remain in place. Our vigilance will continue.

What is also important to understand is that we remain in control. If Iran fails to live up to its commitments as agreed to in Geneva, we would be prepared to work with Congress to ramp up sanctions. In that situation, we would be well-positioned to maximize the impact of any new sanctions because we would likely have the support of the international community, which is essential for any increased pressure to work

In comparison, moving forward on new sanctions now would derail the promising and yet-to-be-tested first step outlined above, alienate us from our allies, and risk unraveling the international cohesion that has proven so essential to ensuring our sanctions have the intended effect.

The Way Ahead

In assessing this deal on the merits, we must compare where we would be without it.

Without the JPA, Iran's program would continue to advance: Iran could spin thousands of additional centrifuges; install and spin next-generation centrifuges that reduce its breakout times; advance on the plutonium track by fueling and commissioning the Arak heavy water reactor and install remaining components; and grow its stockpile of 20-percent enriched uranium hexafluoride. It could do all of that, moreover, without the new inspections that are part of this deal and give us new tools to help detect breakout.

With the JPA, we halt the program in its tracks, roll it back in key respects, and put time on the clock to negotiate a long-term, comprehensive solution with strict limits and verifiable assurances that Iran's nuclear program is solely for peaceful purposes.

In a perfect world, we could get to such a comprehensive solution right away. But the reality is that in the absence of the JPA, we would have had an Iranian nuclear program that could double its enrichment capacity, grow its stockpile of enriched uranium, and make progress on starting up the Arak reactor.

We are now moving forward to prepare for implementation. This week, our experts are in Vienna discussing with their P5+1 counterparts, Iran, and the IAEA, the mechanisms and timeframes for beginning implementation and setting a start date. These are technical and complex discussions, and it is critical that we do them well and right—working to protect our national security interests at every step along the way.

At the same time, the JPA and its implementation is only a first step. There are still many issues related to Iran's nuclear program that must be addressed, and in the process, Iran must work with the IAEA to resolve all past and present issues of concern. That is why our ultimate aim is a comprehensive agreement that fully addresses all of our longstanding concerns.

Conclusion

Finally, let me be clear about one thing: Our policy with regard to Iran has not changed. The President has been clear that he will not allow Iran to acquire nuclear weapon. While his strong preference is for a diplomatic solution, he is prepared to use all elements of American power to prevent that outcome.

Our commitment to working with our partners, in the region and elsewhere, to hold Iran accountable for all its actions also remains firm. These negotiations will solely focus on Iran's nuclear program. So we will continue to counter Iran's destabilizing activities in the region. We will continue to hold Iran accountable for its support for terrorism. Iran remains listed as a State Sponsor of Terror and our sanctions for their support of terror remain in place.

Our sanctions on Iran's human rights abusers will also continue and so will our support for the fundamental rights of all Iranians. Last week, National Security Advisor Rice reiterated our support for the UN Special Rapporteur on Human Rights and called on Iran to allow him to visit Iran. We will continue to speak forcefully for the oppressed inside Iran, including through our support, later this month, for a resolution before the UN General Assembly condemning Iran's human rights practices.

We call on Iran to release Saeed Abedini and Amir Hekmati and support our efforts to bring Robert Levinson home. As Secretary Kerry has said, one day is too long to be in captivity, and one day for any American citizen is more than any American wants to see somebody endure. Mr. Abedini, Mr. Hekmati, and Mr. Levinson have been gone too long and we will continue to do everything we can, using quiet diplomacy.

And we will prevent Iran from obtaining a nuclear weapon. That is what these negotiations are all about. We have been encouraged that nearly 70 countries have expressed support for the understandings reached in Geneva, including statements of support from our partners in the Gulf Cooperation Council, with whom we remain closely engaged. The sentiment from our partners has been clear: give this process a chance. If Iran lives up to its commitments then the world will become a safer place. If it does not, then we retain all options to ensure that Iran can never obtain a nuclear weapon. The coming months will be a test of Iranian intentions, and of the possibility for a peaceful resolution to this crisis.

Throughout, and as always, we look forward to working closely with the Congress to ensure that U.S. national security interests are protected and advanced.

Thank you.

PREPARED STATEMENT OF DAVID COHEN

UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, DEPARTMENT OF THE TREASURY

DECEMBER 12, 2013

Introduction

Chairman Johnson, Ranking Member Crapo, and distinguished Members of the Committee: Thank you for the opportunity to appear before you today to discuss the Department of the Treasury's ongoing efforts, along with our colleagues throughout the Administration, to isolate and pressure the Iranian economy; the temporary, limited and reversible relief offered Iran in the Joint Plan of Action (JPA); and the mounting sanctions pressure that Iran will face while the parties seek a comprehensive and long-term resolution to the international community's concerns over Iran's nuclear program. Our continued collaboration with Congress and this Committee in particular, is critical to our success in addressing this pressing national security issue.

The Impact of Sanctions

From the outset of the Obama administration, we have pursued a dual-track strategy that pairs an offer to Iran to reclaim its place among the community of Nations with increasingly powerful and sophisticated sanctions if it continues to refuse to satisfy its international obligations with respect to its nuclear program.

As this Committee is well aware, for several years Iran resisted and refused multiple opportunities to engage in a meaningful fashion. And so, as we made clear from the outset, the Administration, working alongside our international partners, has imposed on Iran the most comprehensive, powerful, and effective set of sanctions in history. Today, Iran stands isolated from the international banking and financial system with slashed oil revenues, a withering energy production infrastructure, and a significantly diminished economy.

The enormous pressure presently applied on the Iranian economy did not come about overnight. We have worked hand-in-hand with Congress—including with this Committee—to construct a complex and comprehensive set of sanctions that focuses on those supporting Iran’s nuclear and ballistic missile programs and, more broadly, Iran’s key sources of economic strength. We maximized the impact and efficacy of our sanctions’ framework through robust engagement and outreach to foreign Governments and the private sector. And we have aggressively enforced these sanctions by targeting illicit actors and their networks both inside and outside Iran.

While sanctions have proved to be a very potent tool, we have not imposed sanctions for sanctions’ sake. One of the key purposes of sanctions always has been to induce a shift in the policy calculus of the Iranian Government and to build the necessary leverage for serious negotiations about Iran’s nuclear program.

Our dual-track strategy has begun to bear fruit. Sanctions pressure brought Iran to the negotiating table in Geneva and provided our negotiators with bargaining power to secure important limitations on Iran’s nuclear program in the JPA. These limitations are the first meaningful limits Iran has accepted on its nuclear program in nearly a decade. But the deal is only a first step.

The limitations on Iran’s nuclear program under the JPA create the time and space to test whether Iran is prepared to negotiate a comprehensive, solution that would give us assurance that Iran is not producing a nuclear weapon. Over the next 6 months, while we test this proposition, we will continue to apply intense pressure on Iran’s economy by aggressively enforcing the vast majority of our sanctions that will remain in place. Unless Iran takes concrete and verifiable steps to prove that its nuclear program is exclusively peaceful, it will face increasing sanctions pressure and deeper isolation.

Limited, Temporary, and Reversible Relief

My colleague, Under Secretary Sherman, provides a detailed description in her testimony of the various commitments made by Iran in the JPA to halt, and in several important respects roll back, its nuclear program, while also allowing increased transparency and monitoring.

In short, Iran has committed to neutralize its entire stockpile of near 20-percent enriched uranium; cap its stockpile of 3.5-percent low-enriched uranium; halt all enrichment of uranium above 5 percent; limit its production and installation of centrifuges; and not make any further advances in its activities at the IR-40 Heavy Water Reactor near Arak. Tehran further committed to open its nuclear facilities to increased IAEA inspector access to give the world confidence that it is meeting its commitments under the JPA and is taking the required steps to halt its weapons program. And it committed to this in exchange for limited, temporary, and reversible relief.

Let me explain what I mean by “limited, temporary, and reversible relief.”

The relief offered Iran is limited in several important respects. First, under the JPA, we will allow Iran access to a set amount of its own money—\$4.2 billion in installments over the 6-month course of the JPA—in a carefully controlled manner. Second, we will suspend some sanctions to allow Iran to engage in specified additional commercial activity—petrochemical exports, imports for its automobile industry, and gold trade—that altogether have at best marginal economic value to Iran. And third, the vast bulk of our sanctions, including the core oil, financial, and banking sanctions that have had such a dramatic impact on Iran’s economy, remain in place and will continue to exert pressure on Iran’s decision makers over the next 6 months.

The relief offered Iran in the JPA is also temporary in that it expires at the end of 6 months. At the end of 6 months, no additional funds will be made available to the Iranians, and the suspended sanctions will snap back into place. Because the JPA is renewable only “by mutual consent,” at the 6-month mark we could then consider whether, and to what extent, to provide additional relief to the Iranians in

light of the circumstances. But if we decide not to provide additional relief, the relief described in the JPA expires at the end of 6 months.

And the relief in the JPA is reversible. If Iran fails to fulfill its commitments under the JPA, or refuses to enter into a comprehensive, long-term solution, we can stop the gradual release of funds, reimpose the suspended sanctions, and impose new and enhanced types of sanctions.

The Relief Package

The relief package described in the JPA is composed of several discreet elements, as follows:

Access to Restricted Funds

The majority of the relief will come from granting Iran access, in installments over the 6-month tenure of the JPA, to \$4.2 billion of its own funds currently held in bank accounts outside of Iran—funds to which Iran has limited access and which right now can only be used for bilateral trade or humanitarian purchases. Let me underscore this point. These funds already belong to Iran, but under the international sanctions framework cannot be moved to third countries (except to facilitate humanitarian trade) nor repatriated to Iran. Not a single dollar of U.S. taxpayer money will be provided to Iran.

Temporary Pause in Reduction of Iran's Crude Oil Sales

We have agreed to hold Iran's exports of crude oil flat for a period of 6 months rather than requiring further significant reductions in the amount of Iranian oil purchased by oil-importing countries. To be clear, this will not allow Iran to increase its oil exports. To the contrary, Iran will be held to its currently depressed levels, down 60 percent from what it was selling in early 2012. This provision, moreover, will apply only to Iran's six current crude oil purchasers—Japan, Republic of Korea, China, Taiwan, India, and Turkey. They will not be allowed to increase their purchases and no other country will be allowed to begin importing Iranian oil.

Temporary Suspension of Petrochemical Sanctions

U.S. sanctions on Iran's petrochemical exports will be temporarily suspended as part of this first step deal. We estimate that this will allow Iran to generate a maximum of \$1 billion in new revenue over the next 6 months, but only if Iran is able to produce additional petrochemicals for export (some of its petrochemical plants have been retrofitted to boost gasoline production capacity for the domestic market) and only if Iran is able to find additional petrochemical customers—who typically prefer stable, long-term supply contracts—willing to sign contracts with Iranian exporters knowing that the sanctions are suspended under the JPA for only 6 months.

Temporary Suspension of Sanctions on Iran's Auto Industry

We will also temporarily suspend U.S. sanctions on exports by third countries to Iran's automobile industry. We estimate that this could provide Iran some \$500 million in revenue, assuming Iran can resume prior levels of production and revitalize its car exports. Iran's automobile industry, however, is riddled with structural problems and was in steep decline even before our auto sanctions were put in place. Moreover, if Iran hopes to revive its auto sector, it would need to spend some of its limited foreign currency to pay for car kits from abroad.

Temporary Suspension of Gold Sanctions

Sanctions on Iran's ability to buy and sell gold will also be temporarily suspended. However, we expect that this provision will be of limited value to Iran because the only funds Iran can use to buy gold are its limited unrestricted hard-currency reserves. Because of the sanctions architecture that remains in place, Iran will be permitted to use neither its restrained foreign reserves nor its own currency, the rial, to buy gold. As a consequence, any gold Iran purchases would be offset by the hard currency it would spend to buy it, resulting in negligible economic benefits.

Limited Access to Funds for Tuition Purposes

Under strict guidelines, we will allow Iran to transfer \$400 million of restricted Iranian funds to defray tuition costs for Iranian students studying outside of Iran, and will ensure that these funds are used for their intended purpose.

License Safety-Related Repairs and Inspection for Certain Airlines in Iran

We will license the supply and installation of spare parts for safety of flight, as well as safety-related inspections and repairs for certain Iranian aircraft, to occur in Iran. Previously, we had licensed these activities for Iranian aircraft only outside of Iran. Notably, Mahan Air, an Iranian airline that has been designated by Treasury for providing financial, material and technological support to Iran's Islamic Rev-

olutionary Guard Corps-Qods Force and Lebanese Hizballah, will not be permitted to benefit from these repairs, nor would any other entity subject to sanctions under our counterterrorism authorities.

Financial Channel To Facilitate Humanitarian Trade

Finally, we will assist in establishing a financial channel to facilitate humanitarian trade in food, agricultural commodities, medicines, medical devices for Iran's domestic needs, and to pay for the medical expenses of Iranian citizens incurred abroad. This will not provide Iran access to any new source of funds, because humanitarian trade with Iran is not targeted under existing sanctions authorities and because we intend that funds for medical expenses will come from Iran's limited stores of unrestricted hard currency. Humanitarian transactions have been explicitly exempted from sanctions by Congress and U.S. law places limits on the President's ability to regulate such trade.

The Relief Package in Context

The total value of the relief package—approximately \$6 billion to \$7 billion—will not materially improve the condition of the Iranian economy. Indeed, at the end of the 6-month period, we expect that Iran will be even deeper in the hole economically than it is today due to the continuing and mounting impact of the sanctions we have in place and that we will continue to energetically enforce.

Indeed, the limited relief offered Iran in the JPA is dwarfed by the depths of Iran's economic distress. Our oil, financial and banking sanctions, in particular, have driven Iran into a deep recession. Since 2011, oil sanctions imposed by the EU and the U.S. have forced Iran's oil exports to decline from about 2.5 million barrels per day at the end of 2011 to about 1 million barrels per day today—costing Iran roughly \$80 billion in lost sales. In that same period, Iran's currency, the rial, has lost around 60 percent of its value against the dollar. Approximately \$100 billion of Iran's foreign exchange holdings are restricted or inaccessible due to our financial and banking sanctions. Over the last year, inflation in Iran has been about 40 percent. All told, last year Iran's economy contracted by more than 5 percent, and we expect Iran's economy to contract again this year. By contrast, according to the IMF, the economies of Iran's neighboring oil exporting competitors expanded last year by an average of over 5 percent and are expected to grow by an average of almost 4 percent this year.

These macroeconomic indicators reflect the impact of sanctions on, and the deep structural problems with, Iran's economy, none of which will be solved by the limited relief agreed to in Geneva. Indeed, over the 6-month duration of the JPA, our oil sanctions alone will cost Iran an additional \$30 billion (i.e., 4-5 billion per month) in lost revenue, which far surpasses the total sum of the relief package. Even taking into consideration the modest relief package, these staggering figures represent a bleak reality for Iran's economy, which we expect will continue to deteriorate over the next 6 months.

The International Sanctions Regime Remains Robust

We and our international partners will continue to impose increasing pressure on Iran's economy through the implementation and enforcement of sanctions, the overwhelming majority of which are not affected at all by the JPA. This includes the core architecture of our oil, financial, and banking sanctions, which remain firmly in place.

Throughout the duration of this first-step deal, we will continue to enforce sanctions to ensure that Iran's oil sales are held down at their current, greatly depressed levels. Moreover, our financial sanctions remain fully in place, in particular the sanctions imposed by section 504 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which became effective on February 6, 2013, and that "locks up" Iran's oil revenue in the few jurisdictions that still import oil from Iran.

As a result, with the exception of the \$4.2 billion in funds that we will allow Iran to access in stages over the next 6 months, the revenue that Iran earns from its oil sales during the 6-month duration of the JPA will remain subject to our financial sanctions. Those sanctions prevent Iran from using those funds for any purpose other than paying for goods from the oil importing country or humanitarian transactions. And any financial institution that facilitates a payment to Iran for oil imports beyond what is provided for in the JPA risks being cut off from the United States financial markets. In other words, over the next 6 months Iran cannot sell any more oil than its current levels, and any additional oil revenue it does earn (other than the limited funds to be made available under the JPA) will be locked-up and unavailable for transfer or repatriation.

In addition, the key banking sanctions imposed by the U.S. and the EU, which have resulted in the near-total isolation of Iran's financial sector, remain fully in-

tact. That means that under Section 104 of the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010, any foreign bank that engages in a significant transaction with Iran's designated banks risks losing its correspondent account access to the U.S. And it also means that all the banks designated by the EU will remain cut off from specialized financial messaging services, denying them access to critical networks connecting the rest of the international financial sector. Taken together, these sanctions—which remain fully in force—will ensure the continued isolation of Iran from the global banking system, and will continue to make it extraordinarily difficult to do business with Iran.

We also are focusing on enforcing additional elements of the U.S. sanctions program that deprive Iran of other sources of revenue. For example, sanctions will continue to constrict Iran's energy sector. Not a single prohibition or sanction on investment in Iran's energy sector will be suspended—for U.S. or international companies. All of the United States' sanctions on long-term investments in Iran's energy sector will remain in effect, as will the related sanctions on providing technical goods and services to the energy sector. This will ensure that Iran's oil and gas infrastructure remains severely impaired and increasingly obsolete.

Furthermore, all UN and EU designations, as well as our targeted sanctions on the more than 600 individuals and entities tied to the Government of Iran, its nuclear and ballistic missile programs, and its energy, shipping, and shipbuilding sectors, remain in effect. Among other things, these sanctions mean that selling Iranian cargo ships and tankers, providing insurance services or support for most Iranian shipping activities, providing flagging and classification services to Iranian ships, and helping Iran build port terminals or other facilities remain sanctionable activities.

In addition, sanctions remain in place against Tidewater Middle East Company, an IRGC-owned port operating company that manages the main container terminal at Bandar Abbas—which has been responsible for some 90 percent of Iranian container traffic and has operations at six other Iranian ports. These sanctions will continue to deter the export of products to Iran as well as the import of products from Iran.

This first-step deal also does not affect the longstanding U.S. trade embargo, meaning that Iran will continue to be shut out of the world's largest and most vibrant economy and precluded from engaging in business with U.S. companies and U.S. subsidiaries overseas.

Finally, it remains the case that Iran is the leading State sponsor of terrorism in the world today. Nothing in the JPA affects our continued efforts to contest and combat Iran's support of terrorism, its abhorrent human rights practices, or its destabilizing activities in Syria. All of our sanctions programs aimed at undermining this loathsome Iranian conduct remain active and energetic.

Vigorous Enforcement of Existing Sanctions

As President Obama said when he announced the JPA on November 23, “the broader architecture of sanctions will remain in place and we will continue to enforce them vigorously.” This vigorous enforcement will be accomplished through the continued dedicated, resolute and creative work of professionals in our intelligence community, in the Treasury and State Departments, and across the Administration. We understand well the important role that sanctions pressure on the Iranian economy played in the lead-up to the JPA, and how important maintaining that pressure will be over the next 6 months as we explore the possibility of a long-term, comprehensive solution.

As I have just discussed, the vast majority of our sanctions remain in place, which we will continue to vigorously enforce, even as implement the JPA. We are determined to continue—in the days, weeks, and months ahead—to respond to Iran's evasion efforts, wherever they may occur, and to continue to aggressively enforce our sanctions.

For example, just yesterday, Treasury reached a \$33 million settlement with the Royal Bank of Scotland plc for, among other things, apparent violations of U.S. sanctions on Iran and other sanctioned parties, including removing material references to U.S.-sanctioned locations or persons from payment messages sent to U.S. financial institutions. A few weeks ago we announced Treasury's largest settlement outside of the banking industry for violations of U.S. sanctions on Iran. As part of a combined \$100 million settlement with several Federal Government partners, Weatherford International, Ltd. agreed to pay \$91 million to settle its potential liability for extensive oilfield services provided in Iran from 2003 to 2007.

We believe our actions have put the international business community on notice: Iran is still off limits, including designated Iranian banks and businesses. Foreign banks and businesses still have to make a choice—they can do business with Iran,

or they can do business with the U.S.—not both. I can assure this that we will continue to take action against those who evade, or attempt to evade, our manifold sanctions on Iran.

New designations and enforcement actions, moreover, are only one part of our strategy to ensure that the international business and banking community understands that now is not the time to expand activity in Iran. We have already begun a global campaign to ensure that foreign Governments and the international private sector understand that the relief in the JPA is limited and targeted and that we and our partners are committed to ensuring that the pressure brought to bear on the Iranian economy remains robust. This campaign will continue in the weeks and months ahead, so that no one makes the mistake of believing that Iran is now open for business. It is not.

I have a clear message for every Government, bank, business, or broker that thinks now might be a good time to test our resolve: We are watching closely, and we are prepared to take action against anyone anywhere who violates, or attempts to violate, our sanctions.

Conclusion

As our negotiators seek a comprehensive solution to ensure that Iran's nuclear program is exclusively peaceful, Treasury and our partners across the Administration will continue to forcefully implement our sanctions programs to maintain crucial leverage at this pivotal moment. I look forward to continuing our work with Congress and this Committee as we pursue this vital objective.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TESTER
FROM WENDY SHERMAN**

Q.1. There's a concern that in the past the Iranian regime has used negotiations as cover to advance their nuclear program. How will the Interim Agreement prevent Iran from using negotiations to continue advancing their nuclear program?

A.1. The Joint Plan of Action (JPOA) halts progress of Iran's nuclear program and rolls it back in key respects. These are the first meaningful limits that Iran has committed to on its nuclear program in close to a decade and, without them, Iran would have otherwise continued to advance critical aspects of its program. The limits established under the JPOA begin to address our most urgent concerns, including Iran's enrichment capacity; existing stockpiles of enriched uranium; and Iran's prospective ability to produce plutonium using the Arak reactor. Iran committed in the JPOA to provide increased transparency and allow for intrusive monitoring of its nuclear program. Taken together, these measures will prevent Iran from using the cover of negotiations to continue advancing its nuclear program, as we negotiate a long-term, comprehensive solution that addresses fully the international community's concerns regarding Iran's nuclear program.

Q.2. A key component of the Interim Agreement is that Iran provides International Atomic Energy Agency (IAEA) inspectors with access to Natanz and Fordow, as well as other facilities, mines, and mills. Given the size of Iran, a concern is whether the IAEA has the capacity to handle the task. Are there enough inspectors to provide daily visits to the wide range of nuclear sites across Iran?

Also, let's imagine IAEA inspectors are denied access to an Iranian nuclear facility. Are there measures in the implementation plan of the Interim Agreement to report this? Please provide the Committee with the oversight process and authorities in the implementation plan of the Interim Agreement.

Finally, if Iran's actions on granting access to inspectors are inconsistent with the letter or spirit of the Interim Agreement, what measures can the P5+1 take?

A.2. The International Atomic Energy Agency (IAEA) will be responsible for verifying and confirming that Iran is complying with all nuclear-related measures under the Joint Plan of Action (JPOA). The IAEA has confirmed it has the technical capacity to provide the necessary verification, and we are confident the IAEA will carry out its JPOA-related activities with the highest degree of professionalism and impartiality.

The JPOA established a Joint Commission to monitor implementation of the JPOA near-term measures and address issues that may arise, with the IAEA solely responsible for verification of nuclear-related measures. The Joint Commission will be composed of technical experts of the P5+1 countries, the EU, and Iran. The Joint Commission will meet to discuss the implementation of the JPOA and any issues that may have arisen during the preceding month. Any problems will be referred to the Political Directors of the P5+1 and Iran to resolve, as appropriate.

The enhanced monitoring measures contained in the JPOA will enable the IAEA to provide regular updates to the Joint Commis-

sion on the status of Iran's implementation of its commitments. The IAEA said it would need to nearly double the staff resources devoted to Iran, and several member States, including the United States, have pledged additional contributions to support this effort.

If Iran does not meet its JPOA commitments, backslides, or does not negotiate in good faith, we can reimpose all of the sanctions. And since we are not allowing Iran lump-sum access to its funds, we can turn off that flow during the 6-month duration of the JPOA. As we have noted, we will continue to watch closely to ensure Iran complies with the nuclear-related provisions in a timely and faithful manner.

Q.3. While speaking at the Saban Center on December 7, 2013, President Obama said that there was a "fifty-fifty chance" that an end-deal with Iran could be reached. He said, "[it] is not the choice between this deal and the ideal, but the choice between this deal and other alternatives." Addressing the "fifty-fifty" remarks, what is causing such doubt? Is it Iran? Moreover, could you please define the "alternatives" mentioned in President Obama's statement?

A.3. We are approaching these negotiations in good faith and with the intent to reach a comprehensive agreement in the 6-month timeframe. We acknowledge this will not be an easy task. We also remain concerned about any effort to undercut the negotiations and the prospect of reaching a comprehensive resolution, particularly from hardline elements in Iran. If Iran does not meet its JPOA commitments, backslides, or does not negotiate in good faith, we can reimpose all of the sanctions. And as President Obama has repeatedly stated, we remain committed to preventing Iran from acquiring a nuclear weapon.

Q.4. You have said that the Interim Agreement for the P5+1 and Iran is, essentially, a trust-building exercise. As you are well aware, since 1984 Iran has been designated a State sponsor of terrorism. Iran has armed, trained, and financed terrorist groups and is the leading sponsor of Hezbollah and Hamas. Additionally, Iran has armed insurgents who have fought and killed U.S. troops in Afghanistan and Iraq.

In your hearing, you mentioned that the Iranian Ministry of Foreign Affairs and Foreign Minister Zarif have responsibility for the nuclear negotiations, while the Iranian Revolutionary Guard Corps Quds Force leads Iranian activities that destabilize the region. Do you see Iran's foreign policy evolving as a result of the P5+1 negotiations over their nuclear program? Also, do you see the P5+1 negotiations leading to other diplomatic openings with Iran?

A.4. Our discussions with Iran through the P5+1 and bilaterally throughout this process have focused exclusively on the nuclear issue. We believe that the Supreme Leader empowered President Rouhani to negotiate with the United States and the international community to resolve the nuclear issue. However, we assess that there are other Iranian elements outside the MFA that have influence and control over other aspects of Iran's foreign policy.

Progress on the nuclear issue does not change our resolve in pushing back against Iranian support for terrorism, threats against our friends and partners, and violations of human rights. However, progress on the nuclear issue may lead to progress in other areas.

As the President said on September 24 at the United Nations, “I do believe that if we can resolve the issue of Iran’s nuclear program, that can serve as a major step down a long road towards a different relationship, one based on mutual interests and mutual respect.”

If Iran wants to move in a different direction as part of the reorientation of its foreign policy, we would welcome that change. However, the international community must see concrete actions to that effect.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY
FROM WENDY SHERMAN**

Q.1. When the interim agreement with Iran was announced, I understood there to be a 6-month clock to work towards a final deal.

When does the 6-month clock begin, and is this date the same for all parties?

A.1. Pursuant to the Joint Plan of Action (JPOA) and related technical understandings between the P5+1 and Iran, the International Atomic Energy Agency (IAEA) on January 20 verified that Iran had initiated or completed a number of technical steps required for the JPOA to be implemented. As a result of Iran’s meeting its initial commitments, implementation of the JPOA began on January 20. In return for important steps to constrain Iran’s nuclear program, the P5+1 committed to provide Iran with limited, temporary, and targeted sanctions relief for a period of 6 months, starting on January 20, 2014, and concluding on July 20, 2014.

Q.2. Iran has insisted on the international community recognizing its right to enrich, while United Nations Security Council resolutions require that Iran verifiably suspend all enrichment-related activities.

With the Geneva agreement essentially permitting Iran to enrich uranium up to 5 percent, how will future agreements deal with this inconsistency?

Can you explain what sort of enrichment program Iran will have if you get what you consider to be a good final deal?

A.2. The United States has not recognized that Iran has a “right” to enrich, and the Joint Plan of Action (JPOA) in no way conveys recognition of any “right to enrichment.” As negotiations on a comprehensive solution are set to begin later this month, we are prepared to consider in the end state a strictly limited enrichment program, but only if the Iranians accept rigorous limits on and transparent monitoring of the scope and level of enrichment activities, capacity, where it is carried out, and stocks of enriched uranium. The JPOA specifies that the comprehensive solution would involve a “mutually defined enrichment programme with practical limits and transparency measures to ensure the peaceful nature of the programme.” Therefore, any Iranian enrichment capability would be entirely conditional on reaching agreement on its scope. If we can reach an understanding with Iran on strict constraints, then we can contemplate an arrangement that includes a very modest amount of enrichment that eliminates Iran’s capacity to obtain a nuclear weapon in any reasonable way. Moreover, it is also impor-

tant to stress that Iran must satisfy the United Nations Security Council (UNSC) as part of any comprehensive solution. The UNSC sanctions will continue until the United States and P5+1 judge that Iran has resolved all concerns satisfactorily.

Q.3. If the 6-month moratorium expires and no permanent deal is struck, do you believe that it will be possible to reorganize effective global sanctions to prevent Iran from achieving nuclear capability?

A.3. To be clear, the Joint Plan of Action suspended sanctions on only a handful of very specific activities for the 6-month period. All of those suspensions are reversible, and on July 20, the full range of sanctions will snap back into force absent progress on negotiation of a comprehensive solution. Moreover, the vast majority of our sanctions, including those on Iran's energy sector, its connections to the international financial system, and its access to sensitive technologies, remain in place. In addition, if the Iranians prove unwilling to negotiate credibly toward a comprehensive solution, then we will be in a much stronger position to lead the world to impose an even tougher set of sanctions on Iran than we would be if we had not negotiated the JPOA and given it a credible, reasonable chance to succeed.

Q.4. Hard currency frozen by sanctions in overseas bank accounts may soon be transferred back to Tehran under the deal. President Rouhani may be aiming to gain time and money to advance Iran's nuclear program. Multiple IAEA reports, including those from March 2011 and November 2011, have provided extensive descriptions of Iranian research involving activities related to the development of a nuclear explosive device and noted that some research may still be ongoing.

How has the recent deal addressed such concerns?

A.4. The Joint Plan of Action (JPOA) is clear that Iran, in conjunction with the Joint Commission, will "work with the IAEA to facilitate resolution of past and present issues of concern," which is a reference to the possible military dimensions (PMD) of Iran's nuclear program. In parallel, the International Atomic Energy Agency (IAEA) and Iran adopted the "Joint Statement on a Framework for Cooperation" that is also aimed at resolving these past and present issues of concern, including PMD. Finally, Iran must also address relevant United Nations Security Council resolutions related to its nuclear program—which call for Iran to cooperate fully with the IAEA to resolve all outstanding concerns as part of any comprehensive solution. During the next 6 months of negotiations, all sanctions on more than 600 individuals and entities targeted for supporting Iran's nuclear or ballistic missile program will remain in effect.

As we have made clear, issues related to the possible military dimensions of Iran's nuclear program must be resolved to the satisfaction of the United States and P5+1 in negotiations on a comprehensive solution. We continue to urge Iran to work with the IAEA to resolve the Agency's investigation into past and present concerns without delay.