

Senate Foreign Relations Committee Holds Hearing on the Iran Nuclear Negotiations, Panel 1

MENENDEZ:

Let me begin by welcoming our panelists. Today we have two panels. On the first panel is Wendy Sherman, Undersecretary of State for Political Affairs. Undersecretary Sherman is joined this morning by David Cohen, the Undersecretary of Treasury for Terrorism and Financing. And we thank you both for being here.

Let me say at the outset that I support the administration's diplomatic efforts. I have always supported a two-track policy of diplomacy and sanctions. At the same time, I am convinced that we should only relieve pressure on Iran in exchange for verifiable concessions that will fundamentally dismantle Iran's nuclear program, not by a month or two, but by a year or more. And that it be done in such a way that alarm bells would sound from Vienna to Washington should Iran restart its program any time in the next 20 to 30 years.

Any deal the administration reaches with Iran must be verifiable, effective, and prevent Iran from ever developing even one nuclear weapon.

In my view, based on the parameters described in the joint plan of action, and Iranian comments in the days that have followed, I am very concerned about Iran's willingness to reach such an agreement.

This is not a nothing ventured, nothing gained enterprise. We have placed our incredibly effective international sanctions regime on the line without clearly defining the parameters of what we expect in a final agreement.

As Ali Akbar Salehi, the head of Iran's nuclear agency, said last week on Iranian state television about the agreement, "the iceberg of sanctions are melting, while our centrifuges are also still working. This is our greatest achievement."

Well frankly, it is my greatest fear. Salehi may be correct -- the iceberg of sanctions may melt before we have an agreement in place. That may, in fact, be the Iranian end game. They understand that once the international community ceases banking sanctions that they will have won regardless of whether or not we have a deal.

At the end of the day, any final deal must require Iran to dismantle large portions of its nuclear infrastructure. Any final deal must address Iran's advanced centrifuge research and development activities that allow it to more quickly and more efficiently enrich uranium.

It must eliminate the vast majority of Iran's 20,000 centrifuges, close the Fordo facility, and stop the heavy water reactor at Iraq from ever coming online. And it must address Iran's weaponization activities at Parchin and possibly elsewhere, something not directly dealt with by the joint plan of action.

Experts, including David Albright, who will be on our second panel, have said that for Iran to move from an interim to a final agreement, it would have to close the Fordo facility and remove between 15 and 16,000 of its 20,000 centrifuges. And even then, we are looking at potential breakout time of between 6 and 8 months, depending on whether Iran has access to uranium enriched to just 3.5 percent or access to 20 -- 20 reconverted percent enriched uranium.

A final agreement should move back the timeline for breakout to beyond a year or more, and insist on a long-term, 20-year plus regime of monitoring and verification.

Now in the light of that testimony that we're going to hear today, President Rouhani, in an interview with Fareed Zakaria on CNN, said, in response to the question, "So there will be no destruction of centrifuges, of existing centrifuges?" President Rouhani's answer was, "No. No, not at all."

So that causes concern for those of us who are concerned about what this final agreement looks like. A final agreement that mothballs Iran's infrastructure, or fundamentally preserves their ability to easily breakout is not a final agreement I can support.

If all we achieve is the essence of an early-warning system of Iran's future breakout ability, and the sanctions regime has collapsed, and the only options for this or any future president will be to accept a nuclear-armed Iran or a military option, in my view, that is not in the national security interest of the United States.

I know that's not anyone's goal or plan, but I also think we need to guard against wanting a deal so much that we concede more than we gain. At the end of the day, Iran can no longer be a nuclear weapons threshold state. I've made my position quite clear and will continue to do so. I have specific questions for all of our panelists, that I hope you'll be able to answer to help assure us that this is, in fact, ultimately if achievable at all, the type of deal that we can all embrace.

With that, let me recognize the distinguished Ranking Republican Member, Senator Corker?

CORKER:

Well, thank you, Mr. Chairman.

And thank you for those opening comments and your leadership on this issue for -- for many years. I think the efforts that you have put forth in the past with Senator Kirk and others candidly helped put us in the place that we are today, and so I applaud you for that and appreciate the position you've taken.

And I welcome our administration witnesses.

After reading, Mr. Chairman, the testimony by the witnesses that are going to come on the second panel, in many ways I wish we had that testimony first so that we could then talk with the administration about what neutral observers are saying about the -- the interim deal that's been proposed.

I want to also say -- and I -- but I thank you for your service. David, I think you've done a good job at carrying out the sanctions that have been put in place. I do want to talk to you a little bit about the Turkish issue and our knowledge of that possibly, and why we allowed that to occur, and do we have the same thing getting to happen in Russia with our acquiescence. I don't know. We'll find out, I guess, during this hearing.

And Ms. Sherman, again, I thank you for your efforts and want to say that generally speaking I've been disappointed in the rhetoric from the administration about Congress's involvement. On one hand, I think that you would readily admit that the position that Congress has taken through the years has helped you be in the place that you are. But somehow, because Congress wants to ensure that we end up with a proper end state, there's been a lot of unfortunate things that have been said.

And I, too, as the Chairman mentioned, support very much the administration's effort to ensure that Iran doesn't have nuclear weapons. And we're able to do that in a peaceful manner. I very

much support that. I just think all of us have legitimate -- many of us -- have legitimate concerns about what has happened.

As a matter of fact, I just want to say, relative to Congress, I think all of us would like to work cooperatively with the administration. And in many ways, I think what's happened is the rhetoric around the sanctions piece is actually -- it's sort of become a red herring.

It's sort of been a place where the administration can say, well, sanctions will end up keeping this deal from happening. Congress can keep saying oh, we're trying to do something about it. And I think it avoids the topic of you, candidly, clearly laying out to us what the end state is that you're trying to negotiate that.

And I hope today, you will clearly -- I just got your testimony, I haven't seen it, just came in 5 minutes ago -- I hope that you will clearly lay out what the end state is, because I think that's what so many of us are concerned about, that this interim deal becomes the permanent deal. You know, if you look at Iran, they're -- they're savvy and they have a lot of people that are educated in our country. They understand us better, in many ways, than we understand them. And if you look at what they are doing and what they've done in the past is they've become -- they perfect something and then they pause. They perfect something and then they pause. And so what we have right now is they've perfected, no question, the centrifuge capabilities. I think people would say, they want to be a nuclear state, they can be that very quickly.

And so we have this pause where we have an interim agreement doesn't address all the other areas that they have the ability to perfect over this next year, which administration officials are already saying this isn't going to happen in 6 months, this is probably going to take much longer. In your own agreement, I know Carl Levin tried to limit it to 6 months in some meetings we had privately at the White House, but no, we end up with a one-year agreement. So basically, we have an agreement that allows them -- they stop in an area that they've already perfected. We allow them to continue on in other areas to be able to deliver nuclear weapons. It's not even addressed by this interim deal.

So you can understand there's a lot of concerns. So I hope today you'll lay out clearly what the administration will accept as the end state. I hope that you will talk with us about it and I hope that we'll figure out a way to properly work together. And maybe what Congress should do is pass a piece of legislation that lays out clearly the only thing we will accept at the end.

CORKER:

Because, again, I think that there's concerns that members of the administration are negotiating towards rolling interim agreements, basically the agreement that we have now, where we have the ability to monitor, and yet they dismantle something, is actually the end state that some of the people and some within the administration would wish to achieve.

So, I hope you're clear today.

I thank the chairman for having this hearing. I appreciate him letting me talk a little bit about this on the front end. And I look forward to both testimony and questions. And thank you both for your service.

MENENDEZ:

Thank you, Senator Corker.

Your -- we'll start off with Secretary Sherman. Your full statements will be included in the record, without objection. I would ask you to summarize it in five or so minutes so that we can enter into a dialogue with you.

And, Secretary Sherman, you're -- you are recognized.

SHERMAN:

Thank you. Thank you, Chairman Menendez, Ranking Member Corker, distinguished members of the committee. And I would say to both of you, we all have concerns. And I very much appreciate this dialogue and our continued work together on this most serious issue.

I provide the opportunity to provide you today with an update on the P5-plus-1 and European Union's negotiation with Iran, which, as you know, are coordinated by the high representative of the European Union.

I also look forward to discussing where we are on other important parts of our Iran policy.

I come here confident that we, as you both said, share the same goal with regard to Iran, a goal that the president reaffirmed just last week: to prevent Iran from obtaining a nuclear weapon.

And thanks to a combination of what I believe is tough diplomacy and the most comprehensive targeted sanctions regime ever imposed on a country, with enormous leadership here on Capitol Hill, I am certain that we are closer today to that goal than we were just a few weeks ago. We are not at that goal, but we've taken a first step toward it.

Over the next few minutes, I hope to explain why that is, as well as where we will be heading in the coming months.

On November 24th, 2013, we and our partners agreed, with Iran, on a joint plan of action. This was an important first step in our efforts to resolve the international community's concerns with Iran's nuclear program.

On January 20th, the joint plan went into effect. As the president noted, the implementation of the joint plan marked the first time in a decade that Iran agreed to specific actions that halt progress on its nuclear program, and roll it back in key respects. Indeed, the joint plan was exclusively designed this way to create space for further negotiations over a long-term comprehensive solution.

Specifically, the International Atomic Energy Agency verified on January 20th that, among other things, Iran stop producing near-20 percent enriched uranium, disabled the configuration of the centrifuge cascades Iran has been using to produce it, began diluting its existing stockpile of near-20 percent enriched uranium, continue to convert near-20 percent enriched uranium at a rate consistent with past practices, had not installed additional centrifuges at the Natanz or Fordow facilities, had not installed new components at the Arak facility.

Moreover, on transparency and monitoring, the IAEA stated that Iran has begun providing some of the information required by the joint plan, and is working with the IAEA on arrangement for increased access to its nuclear facilities.

In order to carry out its responsibilities under the joint plan, the IAEA will roughly double the size of its inspection team, and install additional monitoring equipment. The size of the team and the access afforded under the joint plan mean the international community's insight into Iran's nuclear program will be significantly enhanced.

This was an important first step. And over the next six months, Iran has committed itself to further actions that will provide much more timely warning of a breakout of Iran's declared enrichment facilities. They also add new checks against the diversion of equipment and material for any potential covert enrichment program.

You have rightfully asked why we should trust Iran to live up to these commitments. As the president said, these negotiations do not rely on trust. Any long-term deal we agree to must be based on verifiable action that convinces us and the international community that Iran is not building a nuclear bomb.

As my colleague, Undersecretary Cohen will further outline in his testimony, the United States and the E.U. have also taken a series of actions to implement the targeted, limited and temporary

sanctions relief we committed to as part of the joint plan. But let me be clear -- the joint plan of action represents merely the first step of the comprehensive solution we seek to reach. And we seek to reach it within a six-month timeframe.

In two weeks, the P5-plus-1 political directors and the E.U. high representative and her deputy will meet with Iran in Vienna to begin discussions on that comprehensive solution. Our goal is to reach a mutually-agreed long-term comprehensive solution that would ensure Iran's program will be exclusively peaceful. This comprehensive solution will build on the initial steps we have already begun to take.

Ultimately, the comprehensive solution, B, would be one under which we would verifiably ensure -- be assured that Iran's nuclear program is peaceful, and that Iran will not acquire a nuclear weapon.

So, what would a solution look like, as you asked, Senator Corker?

Well, the president said we know that Iran does not need to have an underground fortified enrichment facility like Fordow in order to have a peaceful nuclear program. They do not a heavy water reactor at Arak in order to have a peaceful nuclear program.

The JPOA also lays out basic elements of the comprehensive solution. If I may take another minute, I'd like to finish. Thank you, Mr. Chairman.

Among other elements, the final step of a comprehensive solution would have a specified quite long-term duration to be agreed upon. And it would reflect the rights and obligations of parties to the Non- Proliferation Treaty and IAEA Safeguards Agreement.

Under the terms of the joint plan, Iran has also committed itself to a number of steps before we finalize a comprehensive solution, including, among other things, addressing the relevant U.N. Security Council resolutions with a view toward bringing the Security Council's consideration of this matter to a satisfactory conclusion.

Iran has committed to implement agreed transparency measures and enhanced monitoring. The joint commission set up between Iran, the P5-plus-1 and the E.U. to oversee the implementation will also serve as a forum for discussion to facilitate the IAEA's resolution of past and present issues of concerns, which all parties understand means the possible military dimensions of Iran's nuclear program.

Indeed, just this weekend, on the margins of the Munich Security Conference, Secretary Kerry reiterated to Foreign Minister Zarif the importance of Iran abiding by its commitments under the joint plan, and Iran and the P5-plus-1 countries must begin the comprehensive negotiations with good faith. He also made clear that the United States will continue to enforce existing sanctions. One final issue to keep in mind with regard to the comprehensive solution is that under the terms of the joint plan, we have agreed with Iran that the comprehensive solution will be part of an integrated whole, where nothing is agreed until everything is agreed.

What is also important to understand is that we remain in control over whether to accept the terms of a final deal or not. We have made it clear to Iran that if it fails to live up to its commitment, or if we are unable to reach agreement on a comprehensive solution, we would ask Congress to ramp up new sanctions immediately.

SHERMAN:

But moving forward on new sanctions, as you know, we believe would derail the promising diplomacy of -- I have just outlined, alienate us from our allies and risk unraveling the international cohesion that has proven so essential to ensuring that our sanctions have the intended effect.

Before I conclude, let me briefly note that our focus on Iran's nuclear program has not deterred us from holding Iran accountable for its human rights abuses, support for terrorism and interference across the region.

My written testimony includes further explanation of what we are doing on these issues. And I also want to emphasize that we remain committed to bringing Robert Levinson, Saeed Abedini, and Amir Hekmati home. This was another set of concerns that Secretary Kerry raised this weekend directly with Foreign Minister Zarif in Munich.

I have also personally raised these cases with Iran as did the president in his phone call with President Rouhani in September.

We will continue to do so and use every avenue at our disposal until these men are back home with their families where they belong.

In sum, and to finalize my statement, Mr. Chairman and members, the P5 plus 1's negotiations with Iran underscores that it is possible, not only to make progress on the nuclear issue, but with Iran.

We are not blind, however, to the more than 30 years of difficult history between the United States and Iran or Iran's past actions and past behavior, as well as its current behavior. But it is crucial that we give diplomacy a chance to succeed.

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 and will never obtain a nuclear weapon.

The coming months will be a test of Iran's intentions of the possibility of a peaceful resolution to the crisis. We look forward to continuing to work closely with the Congress to ensure that U.S. national security interests are advanced.

Thank you.

MENENDEZ:

Secretary Cohen.

COHEN:

Chairman Menendez, Ranking Member Corker, distinguished members of the committee, thank you for the opportunity to appear before you today to discuss the implementation of the joint plan of action.

In my testimony this morning I will address the administration's steps to deliver the limited temporary and reversible relief in the joint plan, as well as our critically important ongoing efforts to implement and enforce the vast majority of the sanctions that remain in place.

The pressure on Iran from sanctions, sanctions built through the collaborative efforts of Congress and the administration along with many of our partners in the international community was instrumental in bringing about the Joint Plan of Action.

We are committed to ensuring that we maintain this same pressure on Iran throughout the six months term of the joint plan as our negotiators explore the possibility of a long-term comprehensive solution that verifiably ensures that Iran cannot acquire a nuclear weapon.

The joint plan went into effect on January 20th. On that day we issued guidance that temporarily suspended sanctions and transactions related to the export of petrochemical products from Iran, the provision of goods and services to Iran's automotive sector and certain trade in gold and other precious metals to or from Iran.

In this guidance, we made clear that transactions associated with this relief must be initiated and completed entirely during the six-month period of the joint plan. That is to avoid sanctions full performance from contract to delivery to payment must begin no earlier than January 20th and end no later than July 20th.

We've also paused efforts for the next six months to reduce further, Iran's exports of crude oil to the six jurisdictions still purchasing from Iran and began taking steps to allow Iran to access in eight installments, spread over the span of six months, \$4.2 billion of its own funds, currently restricted in accounts overseas.

And finally we are working to further facilitate humanitarian transactions.

Notable, all of this relief is reversible. If Iran fails to meet its commitments under the joint plan, we can revoke this limited sanctions relief and at a minimum, reinstate the suspended sanctions.

Viewed in light of the depths to which Iran's economy has sunk, the approximately \$7 billion in relief offered by the joint plan will not materially improve Iran's economy.

For the first time in 20 years Iran will be in a recession for two consecutive years, it will continue to have limited or no access to almost \$100 billion in foreign exchange holdings.

Its budget deficit will remain sizable, its currency will remain significantly devalued and its inflation rate significantly elevated.

Over the six-month duration of the joint plan, Iran's struggling economy will continue to be buffeted by sanctions, as the core sanctions architecture remains firmly in place.

We are continuing to implement and enforce our oil sanctions, which have driven down Iran's oil exports by more 60 percent over the last two years. Our financial sanctions, which have locked up much of Iran's overseas assets.

Our banking sanctions, which have largely cut off the Iranian banking sector from the international financial system. Our sanctions on significant investment in Iran's energy sector, which has impaired Iran's oil and gas production and the broad trade embargo between the U.S. and Iran.

Because these potent sanctions remain firmly in place, Iran will continue to struggle to finance its imports, to fund its government operations and to defend the value of its currency.

In short, the continuing impact of our sanctions and the accumulative impact of those sanctions means that the Iranian economy will continue to massively under perform for the foreseeable future.

So while we remain committed to providing in good faith all the relief agreed to, under the joint plan, we also remain hard at work implementing and enforcing a sanctions regime of unprecedented force and scope.

The reason is simple. We know that intense sanctions pressure help bring about the joint plan, and likewise will be a critical component in the negotiations to come.

To ensure the sanctions pressure continues, we are actively engaging with foreign banks, businesses and governmental counterparts. Secretary Lew, Secretary Kerry and many others from the administration have reaffirmed this point that the sanctions relief and the joint plan is narrow, the sanctions that remain in place are broad and that we intend to enforce our sanctions vigorously.

As part of this effort, over the last six weeks, I have traveled to the U.K., Germany, Italy, Austria, Turkey and the United Arab Emirates carrying this message: "Iran is not open for business".

In all of these engagements, we have made clear that we will continue to respond to Iran's efforts to evade our sanctions wherever they may occur. We will continue to detect, disrupt and disable those facilitating Iran's nuclear and missile programs, and we will continue to target Iran's support for terrorism and its human rights abuses.

And I say to this committee and to other observers, stay tuned, we are poised to deploy our tools against anyone anywhere who violates our sanctions, just as we have always done.

COHEN:

Thank you.

MENENDEZ:

Thank you.

Secretary Sherman, so maybe you can just answer this yes or no. A final agreement would include closing the Fordow facility?

SHERMAN:

In all of these questions today, I'm going to be thoughtful about what I say, Senator, not because I do not want to be direct, but I don't want to negotiate with Iran in public so that they know what our positions are going to be at the negotiating table. So I will be as forthcoming as I can be...

MENENDEZ:

Some of these are so obvious. You said in your own testimony.

SHERMAN:

I'm -- I'm going to say it. I'm going to answer your question, but I'm making a statement just in general terms because I don't want to frustrate the members, and be glad to have further conversation in a private setting in greater detail.

But where Fordow is concerned, as I said in my testimony, we see no reason for Fordow to remain an enrichment facility.

MENENDEZ:

Thank you.

With reference to the Arak heavy water reactor, I would assume that that is not -- would not be permitted to go on line.

SHERMAN:

We do not believe there is any reason for a heavy water reactor at all in a civil nuclear program of the type that Iran is interested in.

MENENDEZ:

With reference to the centrifuges that exist, which our understanding is about 20,000, at least by published reports and other reports. The -- David Albright, who is on our second panel and others, have suggested that for a final agreement, in addition to closing the Fordow facility, there would be a need to remove between 15,000 and 16,000 of its 20,000 centrifuges. Do you agree with that estimate?

SHERMAN:

I'm not going to get into a specific number in this setting, Senator. What I will say is there's no doubt that the number of centrifuges needs to be addressed.

MENENDEZ:

OK. And by that, we mean that there needs to be a reduction?

SHERMAN:

Yes.

MENENDEZ:

OK. Now, with reference -- so you won't give us a number, but when President Rouhani says, "No, we're not going to destroy any centrifuges," you just think that's domestic consumption.

SHERMAN:

I believe that is domestic consumption and an opening maximalist negotiating position. And I wouldn't expect any less. What I will care about, what we will all care about, what we all should care about is what Iran does, what commitments they make, and which of those commitments can be verified have actually taken place.

MENENDEZ:

With reference to an area that was not frozen in the interim deal with Iran, which is Iran centrifuge research and development program, which basically Iran can continue its development of its more advanced centrifuges during this whole period of time at the Natanz pilot program under the loophole in the interim agreement.

And challenging because Iran is able to measure the enrichment level of the product before it remixes it. So, at the end of the interim period, Iran is likely to be far better positioned to deploy reliable IR2M centrifuges on the mass scale of its enrichment plans. And this game (ph) would allow Iran to make up for time lost very quickly.

Is significantly or dramatically drawing back on their research and development plans on centrifuges a critical element of a final agreement?

SHERMAN:

No doubt there will be very difficult discussions around R&D because of its significant. But I would say one thing, Senator. In fact, Mr. Chairman, their R&D program was frozen where centrifuge development is concerned in a couple of important ways in the joint plan. First of all, they cannot work on any advanced centrifuges that are not listed in the November 14th IAEA report. That is really the baseline for any continued work. So it was frozen at the November 14th setting.

In terms of replacing any damaged centrifuges in Fordow or Natanz, they can only do it with same type, not more advanced centrifuges. And they cannot install any new advanced centrifuges into the Natanz research facility.

MENENDEZ:

But that's not on the point that I raised with you. So let me read directly to you from David Albright's testimony, which we'll hear in the second panel. "An area that was not frozen in the interim deal is Iran's centrifuge research and development program. Iran can continue its development of the IR2M centrifuges at the Natanz pilot plant under this loophole in the interim deal. It can enrich uranium in a production-scale cascade of 164 IR2M centrifuges.

"And since it remixes the enriched uranium product with the waste, obtaining natural uranium, no enriched uranium is deposited into the product tanks. This remixing meets the letter of the deal. However, Iran is able to measure the enrichment level of the product before remixing it. Thus, it can further develop these centrifuges while hiding any results of its progress from the IAEA, which has access only to the product tanks or the natural uranium and does not see the enrichment process -- measurements.

"At the end of the interim period, Iran is likely to be far better positioned to deploy reliable IR2M centrifuges on a mass scale at its enrichment plants. This game (ph) would allow Iran to make up for time lost more quickly."

That's -- do you dispute that?

SHERMAN:

What I would say, Senator, is I would quite agree with you that R&D is an area of concern. Their research and development on advanced centrifuges is an area of concern and it will be something that will be quite focused on in the final comprehensive agreement. I'm not an expert of the quality of Dr. Albright and I have great regard for his assessments. And I would be glad to have our experts sit down with you or your staff and go over the specifics of that...

(CROSSTALK)

MENENDEZ:

OK. I appreciate that. What about Parchin? Why is Parchin -- why was Parchin -- Parchin being so incredibly important for the framework under which you are negotiating. Parchin, the world believes, is where Iran was weaponizing its nuclear efforts. Yet, in this agreement, in the interim, the joint plan of action, we have no access to Parchin.

Now, Parchin had already gone under mass excavation by the Iranians when they became aware of it as a way, I believe, to ultimately try to cover up their weaponization program. But obviously, if we were negotiating with access to Parchin, which I believe and others believe would prove their efforts to weaponization, the framework under which we would be negotiating would be much different -- versus, you know, a supposition versus a reality.

So is access to Parchin, while you didn't achieve it -- I don't know if you even raised it in the interim joint plan of action. Is access to Parchin a critical element of your final deal?

SHERMAN:

Senator, we in fact did raise Parchin. We raised possible military dimensions. And in fact in the joint plan of action, we have required that Iran come clean on its past actions as part of any comprehensive agreement in three very critical ways.

SHERMAN:

First, the plan -- the joint plan of action says that we will work with the IAEA to facilitate resolution of past and present issues of concern. And that is a formula used by the IAEA in addressing possible military dimensions, including Parchin. So we expect, indeed, Parchin to be resolved.

Secondly, the plan says before the final step, there would be additional steps in the -- in between the initial measure and the final step, including addressing the U.N. Security Council resolutions, which require, in fact, dealing with issues of past (ph) concerns.

And third, all the sanctions are over 600 individuals and entities targeted for supporting Iran's nuclear and ballistic missile program, will remain in effect until those concerns are addressed.

So to summarize, yes, we've raised it.

MENENDEZ:

And they rejected...

SHERMAN:

Second, they must be resolved.

MENENDEZ:

They rejected any access to Parchin (ph)...

SHERMAN:

They have not rejected it. It is...

MENENDEZ:

In the interim, in your joint plan of action, they rejected, during this period of time, access to it.

SHERMAN:

No, they have not rejected it. They know it has to be addressed, whether -- I hope it is addressed in the six months while we are addressing the comprehensive agreement. And as you know, the IAEA will be meeting with Iran on February 8 and these specific issues of their possible military dimensions are very key and central to the agenda.

So I hope and I would urge Iran to address Parchin during these six months while we are negotiating the comprehensive agreement because it will increase the confidence that we will actually get to a final and comprehensive resolution.

MENENDEZ:

Two final questions. Reuters has a report this morning that the IAEA's exploring with Iran its productions of polonium, which is a material that can trigger an atomic explosion. Is this a new development? Or is this something that you raised with the Iranians during your interim negotiations?

SHERMAN:

I'm not aware of that Reuters report, so I'd have to take a look at it.

MENENDEZ:

I'd ask you to respond to the Committee. Look at the report...

SHERMAN:

Sure.

MENENDEZ:

... and respond to the Committee.

SHERMAN:

Glad to.

MENENDEZ:

One final question for you, Secretary Cohen. All of the sanctions that I've offered with Senator Kirk and members have supported, they always have to have at least a 6-month period of time in order to give countries and companies the notice required and the time for you to do the regulations necessary to proceed. Is that a fair statement?

COHEN:

I -- I assume so, Senator, I haven't (inaudible).

MENENDEZ:

Well, you're enforcing them and you've had to pursue them. Have you had less than six months to be able to pursue any of the sanctions that we've passed?

COHEN:

Senator, I sitting here right now don't recall every piece of legislation, whether any of them were immediately effective or there was a phase-in for all of them. We have, of course, implemented the sanctions that Congress passes as promptly as possible.

MENENDEZ:

Well, I think it's pretty -- well, one (ph) can take additional notice of the legislation, the legislation that became law always had a very long lead time, and then after that, you went to work to try to pursuit that.

And the problem is to suggest that we can quickly pass sanctions is to not recognize that when we pass sanctions, there are six months from the date of signing before it ever goes into effect, and then after that there's a whole period of time for you actually to pursue enforcement.

So in reality, the only effect that we have is over time, when the Iranians, based upon testimony that has been received and will be received today, looking at six to 8 weeks or 2 months or so of their potential breakout period if a deal doesn't come through, sanctions will -- to enforce sanctions then will be far beyond the scope of the window and will not be a (ph) calculus for them.

And so that is part of the problem we're suggesting that, yes, we can pass sanctions at any time. It's not simply about passing sanctions. It's about the timeframe necessary to have them be effective and ultimately to take effect. And that is way beyond the window.

Senator Corker?

CORKER:

Thank you, Mr. Chairman.

I've just -- Mr. Chairman, I appreciate, again your testimony.

I think you know, again, that all of us want to see a negotiated settlement. We want to see a peaceful end to this, but all of us are concerned -- I don't know if you want to continue on (ph) -- concerned about the way this interim deal has been struck.

I made reference in my opening comments about Iran's ability to pause things, and pause and then perfect other things. Just curious, why did ya'll not, in this agreement, in any way address the delivery mechanisms, the militarizing of the nuclear arms? Why was that left off, since they've reached a threshold that everyone acknowledges.

They can build a bomb. We know that. They know that. They have advanced centrifuges. We have a major loophole in the research and development area that everyone acknowledges. And yet we are going to allow them over this next year to continue to perfect the other piece of this, which is the delivery mechanism.

Why -- why did we do that?

SHERMAN:

Senator, first of all, I -- and I should have said this when the Chairman asked the question, you know, we see this as a first step. So we don't consider the gaps that exist loopholes because this is not a final agreement -- this is a first step.

CORKER:

(Inaudible) has said that it would take a year -- she said it takes six months just to write up technical documents to begin discussing. She's one of your full partners I know. So we probably have a period longer than six months where they can continue on.

Again, I just don't understand why an interim deal would not address them stopping the perfecting of those things that allow what they've already perfected to be delivered.

SHERMAN:

I would say a couple of things.

First of all, the joint plan of action does address the fact that their ballistic missiles that could be used as a delivery mechanism for nuclear weapons must be addressed as part of a comprehensive solution because it is part of the U.N. Security Council resolutions.

So it is true that in these first six months we have not shut down all of their production of any ballistic missile that could have anything to do with delivery of a nuclear weapon, but that is, indeed, going to be part of something that has to be addressed as part of a comprehensive agreement.

Secondly, I would say to you, Senator, that if we are successful in assuring ourselves and the world community that Iran cannot obtain a nuclear weapon, cannot obtain a nuclear weapon, then them not having a nuclear weapon makes delivery systems almost -- not entirely -- but almost irrelevant.

CORKER:

Well, so let me ask you this question. I think most neutral observers would state that all we've really done, since they are not dismantling as, you know, both their president and foreign minister has made real clear, they're not dismantling. So in essence what you've done in this interim deal is you've given us 30 days additional time for breakout. 30 days.

And yet, they've got a year -- a year -- to probably -- probably longer, candidly -- to develop these delivery mechanisms.

Now I will say -- some people may debate about what their enrichment is for. I don't think many people on this Committee think that what they've been doing is solely for civil purposes.

But there's no debate on delivery mechanisms. And I'm just curious, why would you negotiate a deal that allows that to continue? I just, I don't get it. Why would you say that would be a part of the next deal, since they've already perfected the first part? It seems to me that being able to deliver it is an important aspect, but apparently not so, in your case.

SHERMAN:

Well, Senator, you and I disagree about the conclusion of the joint plan of action. We believe that it has set out a framework for a comprehensive agreement to ensure that Iran does not obtain a nuclear weapon.

We are not to that comprehensive solution yet. We agreed on a 6- month program that freezes where they are and rolls back their program in significant ways to obtain that nuclear weapon. And in return we have given very limited, temporary, and targeted sanctions relief. Quite frankly, if we could have negotiated a comprehensive agreement, which you would prefer and many people would prefer, we would have done it. But quite frankly, that was impossible to do in a short period of time.

And had we, in fact, tried to negotiate a comprehensive agreement that would've dealt with everything that is concern to all of us, they would have used that time to march forward much more rapidly in their ability to both develop a nuclear weapon and to develop the delivery system for that nuclear weapon.

So this is not perfect...

CORKER:

No, no.

SHERMAN:

But this does freeze and roll back their program in significant ways and give us time on the clock to in fact negotiate that comprehensive agreement.

And as you yourself said, we can discuss what the breakout times are in a classified setting, it has added, relative to where we are, it has added, relative to where we were, some time to that clock as well.

CORKER:

Some time.

If I could ask just two more questions. I know this is a topic we all care about.

Mr. Cohen, since this negotiation has begun, do you agree that Iran's inflation rate is way down, that their currency is way up, and that economic projections within the country are way up, and that there are people from all over the world who are clamoring to do business with Iran?

I know you've traveled around the world talking with folks about what might happen to them, but is there any question that just the -- the discussions have hugely uplifted the Iranian economy? Is that -- is that correct?

COHEN:

Senator, I think that what we have seen in terms of the metrics in Iran's economy is that there was an uptick immediately after the election of President Rouhani in June. And so, the -- the value of the rial has increased somewhat since the election of President Rouhani. Inflation has -- has come down since the election.

There has been essentially no change in all in either the inflation rate or the value of the rial since the joint plan of action was agreed to in November.

CORKER:

Everybody knew those discussions were underway. Do you understand why there's a concern here that we're alleviating sanctions -- ya'll say 7 billion -- I think no rational person believes that

that's the only effect because in a market there are expectations. I mean, that's why the Fed buys securities and gives its expectations.

And so people are expecting, and you can understand why the Chairman would be concerned, that what's going to happen is at a minimum a series of rolling interim deals. And I think there are many of us rightly concerned that at a point, especially if it takes as long as Catherine Ashton is saying, a minimum of a year, at a point we lose all leverage, if you will, to really do this. Some people have even said, well, what we really ought to do is pass a resolution on the Senate floor that says if we don't come to a resolution, there's a trade embargo or something that's much stronger, not binding, but indicates that we will do something.

Do you understand why we have those concerns and do you have a way of Congress addressing those in an appropriate way, since we put the sanctions in place in the first place?

COHEN:

I certainly understand where those concerns come from. But I -- what I can tell you from my travels around the world, and my colleagues report the same in their -- in their dealings, is that the -- the limited nature of the relief in the joint plan of action and the sanctions that remain in place, when we explain that and make sure that the business community, the banking community, our governmental counterparts understand that a deal to -- that would be permissible under the joint plan has to be commended and concluded within the six-month period.

That anyone shipping goods to Iran is still facing an Iranian banking sector that is largely cut off from the international financial sector. That investment in Iran's energy sector is still sanctionable. When we walk through the very narrow scope of the sanctions that have been relived and the extensive sanctions that remain in place, what we hear back is that there is interest down the road potentially if there's a comprehensive deal and substantial sanctions relief in the Iranian market.

But for this period, for this six-month period, the interest in trying to take advantage of the -- the narrow suspensions of sanctions in just a few economic areas that have been agreed to is -- is relatively tame. So you see these delegations going to Tehran, but I think you also see importantly the reflection that those conversations are about what may come in the future, not what's available today.

And I should say we are as crystal clear as possible in all of our engagements that if these talks turn into something more, if these talks turn into deals that violate the elaborate sanctions that remain in place, that we will take action.

MENENDEZ:

Senator Coons?

COONS:

Thank you, Chairman Menendez, for chairing this hearing. And I'd like to thank Undersecretaries Sherman and Cohen for your work and for appearing before the committee. As you've said in your testimony and as I agree, a strong and crippling sanctions regime imposed on Iran, in large part passed by this Congress and enforced by this administration, have brought Iran at least to the negotiating table.

And I remain strongly supportive of their ongoing implementation and enforcement. I am encouraged by your characterization of these sanctions enforcement and the relief in the joint plan of action as being temporary, limited and reversible, but intend to be intensely engaged in ensuring that that is in fact the case.

As a co-sponsor of the Menendez bill, I believe it is important for us to continue to maintain the threat of stronger and more additional sanctions in order to send a clear message to Iran of the ramifications of non-compliance.

I have a number of concerns and unanswered questions about the joint plan of action. I'll just reiterate I share I think the goal of literally everyone on this committee and in the administration of reaching an agreement that verifiably and irrefutably denies Iran the capability to acquire nuclear weapons capability.

I do hope a final deal can be achieved in the next six months that includes the most comprehensive inspection and verification regime possible, and I have a number of questions I'd like to ask following up on that if I might.

First, as to the IAEA, I sent a letter to the president along with several other senators, Mikulski, Warner, Gillibrand, Markey asking a number of questions and in particular focusing on what the administration will need from Congress in the way of financial support, what the actions will be with the IAEA, and pressing on whether there's any progress in terms of establishing a field office, the scope and reach of the inspections and what kinds of capability, staffing and funding it may require so that we can have some certainty about these allegedly novel inspection regimes. We have very disconcerting previous examples in other countries where inspections failed to uncover clandestine actions, as has previously been the case in Iran. So I'd be interested, Undersecretary Sherman, first on when am I going to get an answer to my letter and what can we be doing to work with you in strengthening the IAEA in their inspections?

SHERMAN:

Thank you very much, Senator. And thank you for your support. And thank you, along with all the members of this committee, for leadership on supporting our efforts to make sure that Iran cannot obtain a nuclear weapon, which I quite agree is an objective we all share.

In terms of monitoring and verification, I will find out where that latter is and we will get it to you this week, Senator. I'm sorry it is not up here before this hearing today, and I apologize for that. The IAEA is going to double its staff. It will have a field office.

As you note, the joint plan of action gives us unprecedented access before (inaudible) inspectors went about once a week. Now they will have daily access. On days in which they might otherwise not be there, there will be surveillance cameras and other monitoring techniques that will be available that are being worked out with the IAEA.

Iraq they used to visit maybe once every three months. They now will have monthly access to Iraq. They are getting the DIQ, the plans in essence, for Iraq. They are getting access to centrifuge production facilities, rotor production facilities, to uranium mines and mills.

So it is quite an unprecedented verification and monitoring regime. The director general has said there will be some increased cost. We have increased the amount that we will make available out of our budgeted funds to the IAEA. Other countries have come forward.

And we greatly appreciate your willingness for Congress to take a look and ensure that the inspection monitoring and verification activities can go forward because they are quite critical, as you point out, to verify that Iran does what it is committed to do, and in a comprehensive agreement will be even more crucial.

COONS:

Let me ask one more question with my remaining time. And first, just in your opening testimony you highlighted efforts to hold Iran accountable for its ongoing human rights violations, public executions, support for the Assad regime, for Hezbollah, for terrorism. And I appreciate and salute your hard work in holding Iran accountable. This is a regime we cannot trust.

One of the most important accomplishments I think of this interim joint plan is the commitment to dilute the 20 percent highly enriched uranium. And apparently Tehran will take these steps when it has completed necessary facilities improvements in the conversion online.

When is the schedule to be completed and what steps are being taken to ensure the Iranians are not dragging the feet or are not using this as a way to covertly enrich in some other vehicle and in some other location?

SHERMAN:

A couple of comments. First on human rights, we completely agree with you. And in the coming weeks, the human rights report will come out and we will detail as clearly as we possibly can how we review Iran's human rights abuses, which you have decidedly and rightly pointed out are of grave concern to us.

In terms of the dilution and conversion both on the 20 percent and ensuring that the 5 percent stockpile does not get larger than the amount agreed to by the end of the six-month period, the IAEA will be monitoring all of these actions.

And on the dilution, the conversion will take all six months to accomplish because the technology only allows it to move that quickly, but the IAEA will provide a report on a monthly basis of all monitoring and verification activities that they will share with the Joint Commission. And we will be glad to come up and brief the Hill in classified session about those monthly reports. And so that will be one way that we will verify.

The second is that on the dilution, two of the payments of repatriated frozen funds are tied to the dilution schedule, the first on March 1, the second on April 15. So Iran will not get the funds unless the dilution is completed on the schedule agreed to.

COONS:

Thank you. I very much look forward to those classified briefings and to an answer to my letter.

Thank you, Undersecretary Sherman.

MENENDEZ:

Senator Risch?

RISCH:

(OFF-MIKE) supporting the -- this committee for supporting the efforts the administration has regard (ph). Don't put me in that column. I don't want to be thanked because I do not support what has been done.

I think this thing's a disaster. I think it -- I was stunned when I saw what the -- what the agreement was. I've been disgusted as we've gone forward. And I hope you will prove me dead wrong, but I don't think I will given the history of these people.

But in any event, I want to focus on just a couple of aspects. Number one, Pastor Saeed Abedini is a constituent of mine. He is held in jail in Iran. His only crime is being a Christian. You know, last week I see where we showered the Iranians with what, \$500 million.

Why can't we get this guy out of jail? I -- you said that Secretary Kerry had a conversation with the Foreign Minister Zarif this weekend at the meeting in Munich. Can you tell us what the substance of that conversation was?

SHERMAN:

Certainly, Senator. First of all, we completely agree with. Saeed Abedini, Amir Hekmati and Robert Levinson should all be home with their families. And nothing I can say today, because they are not yet home, will be satisfactory to you or to their families. And I would agree with them and agree with you in that regard.

Secretary Kerry raised these situations with the foreign minister, insisted that these be addressed as quickly as possible, that there was no basis for any of them three of them to be held. And indeed we are doing whatever we can in whatever channel we can to bring them home as quickly as possible.

RISCH:

Well, Ms. Sherman, you know, that's not good enough. Those are just words. Somebody needs to look these people in the eye and tell them they're not getting another penny and they're not getting anything until they do a very simple act of letting three absolutely innocent Americans go free.

I hope you'll convey that to the foreign minister and I would hope Secretary Kerry would convey that to the foreign minister. This is absolutely outrageous for everything we've given to the Iranians and them still to hold this. I mean, this is absolute nonsense.

Let me change -- let me change horses here for just a second. I keep reading in the media about now that the -- now that the sanctions have been relaxed, and this has been something that's been a concern of mine from the beginning, that now that they've been relaxed our partners, most if not all of whom were unwilling partners, are now flooding in there with business people.

RISCH:

The French, the Italians, the Irish, the Canadians. You've got -- you've got political people. You've got business people flooding in there ready to do business, going back to business as usual with the Iranians. Whose job is it going to be to put the genie back in the bottle when this thing fails? Who's going to do this?

SHERMAN:

Well, let me make one comment, and then turn it to Undersecretary Cohen.

A couple of things. As the undersecretary said, every single member -- key member of our administration talks with every country with whom we meet about enforcing and keeping these sanctions in place and on board. And, indeed, I believe, based on the conversations I've had with many, including the French -- and Secretary Kerry has talked directly to Foreign Minister Fabius about the trade delegation that went. It was a private business delegation, it wasn't a government delegation -- about how this is not helpful in this regard, to ensure that, in fact, it is not business as usual.

As Undersecretary Cohen said, Tehran is not open for business because our sanctions relief is quite temporary, quite limited, and quite targeted. That, in fact, most of these delegations that are going, because we talk to them all, we tell them what we -- what are the limits of what they can do, that we will, in fact, go after them, that we will sanction them. Doesn't matter whether the countries are friend or foe. If they evade our sanctions, we will sanction them.

We have all delivered that message. Not just Treasury, but every, very department in our administration in the executive branch, that, indeed, most of these delegations appear to be going to get themselves in line for the day that, in fact, a comprehensive agreement is reached, if it is reached. And we have told them all that they are putting their reputations, themselves, and their business -- business enterprises at risk if they jump the gun.

RISCH:

Well, this is exactly why those of us who were critical of this at the beginning were so critical. The optics of this are such that the rest of the world says it's back to business as usual. You can tell them what you want to tell them, but their acts indicate that they believe it's back to business as usual. That's a problem.

Mr. Cohen?

COHEN:

I -- I completely agree with -- with Undersecretary Sherman in terms of how we have been making certain that our partners around the world understand that whatever interest they may have in the Iranian market someday, that is not the market today. That what's available to today in this joint plan of action is extraordinarily narrow. It's limited, as I said, to petrochemical exports, to sale of goods to the auto sector, and some trade in precious metals. But even that is substantially constrained.

There's very limited economic potential today in the Iranian business sector. That's the point that we make over and over again in these engagements. That point, I believe, is getting through. We have not seen deals being done. But even more importantly, what we have been absolutely clear about is that we will continue to enforce our sanctions.

In the implementation agreement on the joint plan of action, explicitly recognized that we have the right, and that we will fully enforce existing sanctions. And I think that message is one that we have communicated over the years and more recently in a pretty credible fashion.

RISCH:

Well, I understand that that's the message you're giving them, but it sure doesn't look like they believe it. Because they are acting entirely differently than what the message that you're giving them.

Thank you, Mr. Chairman. My time's (inaudible).

MENENDEZ:

Thank you.

Senator Murphy?

MURPHY:

Thank you, Mr. Chairman. Thank you both for being here today.

I want to, frankly, associate myself with the opening comments of Senator Coons. It has been the robust pursuit of sanctions by this administration that has led us to a point today in which we have an opportunity, a chance to achieve a peaceful resolution to this crisis.

Undersecretary Sherman, as you know, I was in Munich this weekend. sat on a panel with Foreign Minister Zarif, and he made the laughable contention that Iran was at the table today for reasons having nothing to do with the sanctions policy. That being said, though no one in the audience believed it, there was a discussion there about the different trade missions, mainly of a private nature, that have gone to Tehran. And Secretary Kerry was there pushing hard, as you mentioned, back on our partners to make sure that those were simply missions connected to potential future activities, rather than an undermining of these -- these sanctions.

And let me give you just my impression, and you tell me if I'm wrong.

The fact that there are groups going to Tehran, or thinking about their potential future opportunities seems to me to have nothing to do with the interim agreement. To me, if we were have -- if we were to have entered into negotiations right away on a final settlement, the same thing would have happened. Once there was a window into potential normalized trade relations with Iran, there are going to be private entities that are going to start having those discussions. And so, the idea that there are some conversations happening about future trade opportunities seems to be a consequence of a negotiation beginning, whether or not there's an interim trade agreement in place. And I just want to -- from both of you -- understand if that's your impression.

COHEN:

I think that's -- that is exactly right. And -- and it is -- as I was saying earlier, it is what we've been hearing from these various trade promotion agencies, government, the private industries

that we've talking to, is that they're not there looking to do business today. What they're there for is to see what might come in the future, because there is, you know, some hope that these negotiations will produce a comprehensive agreement that brings with it substantial sanctions relief. But that's down the road. That's not today.

SHERMAN:

I would agree with the undersecretary. And I'd one -- add one other thing, which is a little counterintuitive.

We hope people don't go to Tehran. That is our preference. But those who go raise hopes that the Rouhani administration's going to have to deliver on. And the only way they can deliver on those hopes is a comprehensive agreement that we will agree to. And that means a verifiable assurance that they are not developing, creating, will have, obtaining a nuclear weapon. And so, although we don't want people to go, because we think it does send the wrong message, if they do go, it puts pressure, perversely, on the Rouhani administration. Because as far as we have seen today, there are not deals getting done, but rather people getting first in line in the hope that someday, there will be a deal.

MURPHY:

And to the extent that there is enormous economic opportunity in that country today, it is because of the crippling nature of the sanctions that have so gravely undermined the economy that there is such room for improvement, should the sanctions be partially or fully lifted. Undersecretary Sherman, just one additional question. We do have to pay attention to the internal political dynamics in the country, because it dictates whether or not they are actually going to be able to get a deal. Is there any new information about the length of the leash that Zarif and Rouhani have been given by the supreme leader? Is there any evidence that the hardliners, since the interim agreement have been signed, are winning or losing the internal battle to be able to allow for their to be domestic political support for a deal that is amenable to the United States to be achieved in this negotiation?

SHERMAN:

We constantly ask our intelligence community to update their assessment, and that's certainly an assessment we should share, and will share, with you all on an ongoing basis.

I think there's no doubt that there are hardliners in Tehran. Sometimes that's overstated for negotiating effect, but it is real and substantial. And so, I think Zarif walks a fairly fine line. One of the things I think we all try to be conscious of is not to increase the space for the hardliners, while at the same time, not allowing Tehran to overstate the politics they have to deal with.

MURPHY:

Thank you, Mr. Chairman.

MENENDEZ:

Senator Rubio?

RUBIO:

Thank you.

So, let me describe what I think the leash is. And I don't think this takes a tremendous amount of any secret intelligence to arrive at it. I think the leash is -- and I've stated this in our meetings before -- go and see what sanctions relief you can get without giving up what we believe -- Iranians believe -- is their inherent right to enrich. Because if they can keep that infrastructure in place, they're always one or two, three steps away from being a nuclear -- nuclear-armed power.

So, here's where I'm -- need some clarification, OK? According to the administration, we have not -- as part of this joint plan of action, have not recognized a right to enrich for the Iranian government. Nor do we intend to. The document does not say anything about recognizing a right to enrich uranium. But in a letter from the President Rouhani to the supreme leader, he states that the agreement includes, quote, "the formal recognition of the nuclear rights of Iran," end quote, implying that they, indeed, have a -- that this acknowledged their right to enrich.

He has said under no circumstances -- Rouhani has said this publicly -- "Under no circumstances will there ever be a deal in which we agree to dismantle our enrichment capability. That is the line in the sand that he has drawn on the enrichment issue.

Do we have a line in the sand on the enrichment issue?

SHERMAN:

Our line in the sand on the enrichment issue is that any comprehensive agreement should give us full confidence and assurance in a verifiable manner that Iran cannot obtain a nuclear weapon.

RUBIO:

Well, so then my question is, is a capability to enrich -- isn't that in and of itself significant -- just the fact they have the infrastructure to enrich at any level -- isn't that a critical capacity for a country that has a plan to have the option of going nuclear-armed one day?

SHERMAN:

Their -- every country has the potential for that capability. And if we dismantle -- and I would hope we can. I don't know whether we will be able to -- every piece of the infrastructure that Iran has, they would still have the knowledge. They cannot unlearn what they know. So, they would be able to reconstitute an enrichment program. They would be able to reconstitute their research and development, because their scientists can't unlearn what they have learned how to do.

So, what we are trying to do, Senator, in a comprehensive agreement, is to put in place the elements that will give us a verifiable assurance that they cannot obtain a nuclear weapon. And there are many paths to that end.

RUBIO:

You know, I understand their scientists will know how to do it, but you still need the -- the infrastructure.

SHERMAN:

Sure.

RUBIO:

You still need the facilities to enrich.

SHERMAN:

Sure.

RUBIO:

And many countries have scientists that know how to do it, but they don't do it, including many of our allies. And so, we're now -- potentially, the concern is, we're going to leave in place any sort of facilities that, when the world is distracted in five years on some other thing, they can move fairly quickly.

And let me point something else out. Multiple countries have the ability to enrich, but they don't, because they obtained it from elsewhere -- because they don't have these designs. And few countries who enrich also have a ballistic missiles program.

RUBIO:

So, let me ask you this question.

Security Council Resolution 1929 contains a provision referring to their ballistic missile program. It prohibits them from acquiring an interest in any commercial activity in another state involving technology related to ballistic missiles, which you only build for the purposes of delivering a nuclear weapon, that level of expense that it brings.

How is that going to be addressed? Because isn't that a key component. In essence, if they retain a right and an infrastructure to enrich 5 percent, but they're building ballistic missiles, then the only thing missing here is a quick ramp-up of the enrichment capability and now they're a nuclear power.

SHERMAN:

Senator, I hope that Tehran listens very carefully to what you've said. Because we agree, it would be better for Iran to, if they want a civil nuclear program, to in fact bring the fuel in from the outside and not have an indigenous enrichment program. They would get better nuclear cooperation, they would probably get better price -- lots of things might be better for them. And that will absolutely be on the table in the negotiations we have with them.

Because you're quite right -- there are plenty of countries who do this, who have dignity and pride and (ph) scientists, and everything else they need for scientific and technological advancement.

But we have said in the joint plan of action that, depending upon where we get in the comprehensive agreement, we are willing to consider a very limited, very intrusive, very heavily monitored, small limited enrichment program if it becomes a necessary. But nothing is agreed until everything is agreed.

And on your point about ballistic missiles, indeed we have said that the U.N. Security Council resolution has to be addressed and ballistic missiles capable of delivering a nuclear weapon are part of that consideration.

The last point I would make is if we could get, and I don't know yet whether we will be successful, but if we can get to the verifiable assurance that they cannot obtain a nuclear weapon, if we know they cannot have a nuclear weapon, then a delivery mechanism, important as it is, is less important.

MENENDEZ:

Senator Kaine?

KAINE:

Thank you, Mr. Chair.

When the interim deal was announced in November, it was timed in an interesting way. It was the same weekend where America is commemorating the 50th anniversary of the death of President Kennedy.

And I was with many of my colleagues at a security conference in Nova Scotia when the deal was announced. And a great speech of Senator Kennedy's was running through many of our minds that weekend as television was discussing his career. It was the graduation speech he gave at American University a few months before he died in the spring of 1963.

He had started aggressive diplomatic efforts to try to reduce nuclear weapons and the nuclear competition between the United States and the Soviet Union. And he was heavily criticized as naive, foolish, a dupe for doing that.

And he made a very aggressive case for the fact that part of America's strength is strong diplomacy. And one of the phrases that he used in that speech, and I would recommend the speech to anyone because it is a very interesting one that reads as if it was written today, is that

with all appropriate skepticism, and this is a direct quote, "we can still reduce tension without relaxing our guard."

Aggressive diplomacy is needed to reduce tension and aggressive diplomacy is needed to solve thorny problems, but we don't have to relax our guard.

And I -- I see what we are trying to do with Iran in that spirit. We all want exactly the same thing. We want Iran not to have nuclear weapons. We all will prefer if we can get to that end diplomatically rather than having to use military force.

As a member of this Committee, I recently cast a vote to use military force to enforce what I thought was a very important international norm. Iran should not have a nuclear weapon, and I will cast a vote to use military force should that be necessary.

But everyone -- everyone in this body, everyone of our allies, everyone in the P5, everyone throughout the world would desire, if there is a diplomatic alternative, a diplomatic path to a non-nuclear Iran, that we pursue that path, whatever the chances of success, that we pursue that path.

While we both want these things -- a non-nuclear Iran and a preferred diplomatic resolution to this thorny question, rather than a military one -- we have differences in tactics. And that's to be understood. And they're good faith differences. They're good faith differences.

We're debating about a current piece of legislation and some, in this body, support it and some don't, in terms of the timing. Those who support it are not pro-war. Those who oppose it are not soft on Iran or anti-Israel. We have a difference in tactic about what is the right way to attain a diplomatic solution to a very thorny problem, the diplomatic solution that is the preferred solution.

I'm very clear-eyed about the Iranian threat, not only the nuclear threat and not only the history of past events, but current events -- human rights violations have been mentioned and a history -- and current practices that are bellicose and destabilizing of other governments in the region and beyond.

And it is the case that the sanctions that Congress has put in place, and so many -- I have not been part of that legislation. I came after the legislation was passed. But I can praise those who have been here for putting tough sanctions in place. The vote in 2011 was 100 to nothing in this body. And the administration has been able to utilize sanctions to bring Iran to the table because it has crippled their economy and isolated them in the international community.

But the sanctions are not enough to stop an Iranian nuclear program. And the one thing I think you would see if you looked at the history is that the sanctions have crippled the economy, but if anything, it has also, by making Iran isolated, accelerated their path to try to develop nuclear technology for whatever purpose.

And so if we're going to stop that nuclear program, that quest for nuclear weapons, we have to either do it diplomatically or do it militarily. I support the sanctions and I'll easily and gladly vote for more if we cannot find an agreement. And I have some ideas about additional ones I want to raise either with this panel or the second one.

But I do think that this joint plan of action and the diplomatic efforts of the administration give us an historic opportunity that we can't afford to put a crosswind into the middle of.

The joint plan of action and the interim agreement, in my view, from analyzing it and reading analysis done by many who are much smarter about me on this, slows and even reverses aspects, not all, but aspects, critical aspects of the Iranian nuclear program, which sanctions alone has not been able to do. And it also provides this country and our partners and all of our allies and the entire world a better early warning system about whether Iran is cheating.

We get more time on the clock and a better early warning system because of this deal. We have to give diplomacy a chance. We have to. I think aggressive diplomacy has been an under-exercised American muscle in the last 15 years. We have to return to the kind of aggressive diplomacy that the nation embraced when President Roosevelt -- Teddy Roosevelt -- brokered the end of the Russo-Japanese War, won a Nobel Peace Prize for doing so.

Since that time, our strength has been measured not just by our military strength, not just by our economic strength, but the strength of our moral example and the strength of our diplomatic effort.

And we -- we can be appropriately skeptical. The president has been very candid in talking to all of us that it's maybe 50/50 whether we will find a deal that we would think would be sufficient. And if we don't, of course, there will be greater sanctions that we will put in place and that we'll support. But we've got to give diplomacy a chance, not only in this instance, but we've got to return to the tradition of aggressive American diplomacy that's been one of the very core elements of our power in the world.

It has been under exercise and I'm glad to see we're getting back to it.

And last thing I'll say, just quickly, if -- there may be a day when this deal doesn't work. Then we do have to contemplate military action to stop Iran from getting a nuclear weapon. I don't think it's hard to contemplate that we might be at that day at some point in the future.

And as I've said, I'll state on the record right now, if there is no other way to stop Iran from getting a nuclear weapon than for us to engage in military action, hopefully with others, I'm going to vote yes on that.

But in order for us to vote yes on that, we have got to be able to look our allies, our citizens, and especially the men and women that we would ask to fight that battle, we would have to be able to look them in the eye and tell them that we had exhausted every diplomatic effort prior to undertaking that significant step.

We may have to undertake that significant step, but we shouldn't do it if we -- if we leave diplomatic avenues unexplored.

Let's make this negotiation about Iran's good faith. Let's not make it about our good faith. Let's demonstrate our good faith and put them to the test of whether they're serious about ending their nuclear weapons program.

MENENDEZ:

Let me thank the Senator for his thoughtful comments. And maybe the administration can be enlightened to understand the difference between tactics and warmongering and fear-mongering. Senator Flake?

FLAKE:

I thank the Chair and I appreciate the comments of my colleague from Virginia. And I share many of those sentiments. I've not signed onto the new sanctions bill here. I believe that if diplomacy can work, we ought to allow it to work.

I -- I haven't appreciated some of the comments from the administration describing those who are in favor of a sanctions bill, implying that they're warmongering or that they have anything but the best motives. I -- I -- I think that everyone here wants the same thing. And for the administration or others to describe people who have a different view, I think is unfair.

But for myself, I'd hope that these negotiations will work. There are some concerns that I have just in terms of the specifics.

One of the criticisms of the joint plan of action, Ms. Sherman, is that it deals with known nuclear facilities in Iran, but it's a little bit unclear as to what will happen if we discover other facilities

that were not known prior to this. How are they covered? The term any new nuclear facility, is that a new one or newly discovered, and what means do we have to try to find other facilities out there?

SHERMAN:

Thank you very much, Senator, and thank you for your comments. And Senator Kaine, thank you very much for yours.

And let me say, for the record, I don't believe any of you and any Senator, any member of the House, are warmongers. I don't believe that anyone prefers war. I understand how, as Senator Kaine described, as Jeffrey Goldberg in his excellent piece, "An Iran Hawk's Case Against New Iran Sanctions," describing how one gets to military action and the concerns that we have that tactical considerations may lead us to that choice.

But that is an issue of tactics, as you have pointed out, not an issue of intent and not a characterization of any individual. So, I quite agree with that.

In terms of new nuclear facilities, we meant exactly what the joint plan of action says. There can be no nuclear facilities, either declared or undeclared. And if we find undeclared new nuclear facilities, then that is a cause of grave concern to all of us because it would be against the compliance that's required for the joint plan of action.

I can't today tell you what our response would be. But I would imagine it would be quite, quite concerning and we would have to respond in a very forceful way.

FLAKE:

Do you have concerns that if -- if we were to impose new sanctions, that our partners, the P5-plus-1, would strike their own deal and leave us out? Is that a possibility? Is that a concern that the administration has?

SHERMAN:

I think that's a possibility, of course. I think more broadly, Senator, where our allies and partners in the world are concerned, one of the reasons the sanctions regime has been as effective as it has been is because people have climbed on board with us, particularly in our unilateral sanctions, even when they don't believe in unilateral sanctions and tell us so at every opportunity. They have in fact followed them because dealing with the American banking system is so crucial to the economy of virtually every country in the world, that they have complied, even though they don't like them.

And so, if we in fact don't give negotiations a chance, they have less of an incentive to stay on board with that sanctions regime and we could unwittingly create a rupture in that sanctions enforcement and sanctions regime, which is crucial to the kind of aggressive diplomacy that Senator Kaine was outlining.

FLAKE:

Well, thank you. That's always been my feeling. Unilateral sanctions rarely work. There are certain areas -- central bank sanctions on the financial sector where we can certainly there, but we always run the risk of getting ahead of our allies or partners to somewhere where they won't go. And then the sanctions regime will unravel.

Anybody who thinks that unilateral sanctions work very well, I'll give you Cuba as exhibit A for a long time of unilateral sanctions that simply have not produced the desired outcome. We need our P5-plus-1 partners and others to participate with us here and the stakes are obviously much higher in this regard.

So, thank you for your testimony.

MENENDEZ:

Senator Durbin?

DURBIN:

Thank you very much.

And I want to associate myself with the remarks of my colleague from Virginia. I thought he articulated my point of view in terms of the importance of these negotiations.

Let me ask you a specific question. On the issue of enrichment capacity, it appears at least at the outset, there is a divergent point of view in terms of whether or not Iran can retain enrichment capacity at the end of a successful negotiation process -- any enrichment capacity, not at weapons-grade level, but any enrichment capacity. Would you address that?

SHERMAN:

Sure, Senator.

There is no question it would be far preferable if Iran did not have an indigenous enrichment capability. They will always have the capability because as I said earlier, they can't unlearn what they know. But in terms of actually having a program, it would be preferable if they got any fuel that they needed from outside sources, bought it on the open market, had international cooperation, international consortia. These would always be preferable routes to go.

But it may be that at the end of a comprehensive agreement, we have allowed for consideration of a very small, limited enrichment program to meet practical needs that would be highly monitored, highly verified, with intrusive inspections over a very long duration of time, potentially as part of comprehensive agreement.

But what is very critical in the joint plan of action is nothing is agreed to until everything is agreed to. So there is no prospect that Iran could even have such a small, limited and highly monitored program without its agreeing to all of that verification monitoring and all of the other aspects that would be necessary for a comprehensive agreement, including addressing the U.N. Security Council resolution.

So we have a long way to go here.

DURBIN:

Going back to Ronald Reagan's famous "trust, but verify," the verification process here involves IAEA inspectors, now currently on the ground. And I believe you testified before I arrived that the reports coming back are at least encouraging in terms of their access. Can you elaborate on that a bit? There are those who say there are things going on they'll never be able to see and they'll never be told about, and those things could be the most dangerous and threatening.

SHERMAN:

There will be no way even with military action to ensure that we know everything that there might be to know. That is true in any country. Both with IAEA inspectors, our national technical means and other ways, we work to know as much as we possibly can know.

And the verification and monitoring that we put in place with the joint plan of action increases our ability to know whether there are covert activities going on that we may not have been aware of, not only because we have greater access daily to Natanz and Fordow; greater access to Arak, at least monthly; their plans for Arak; access to uranium mines and mills; access to their centrifuge production.

All of which provide clues as to whether something is going on somewhere else, when we can look at the guts of all of these facilities. So I think we have greatly increased our ability to know if there's something that is covert that is going on. But I'm not going to kid this panel, this committee or the world to know that there is any way ever that any country can give you 100 percent guarantee that we know everything.

DURBIN:

Thank you.

Mr. Chairman, since my colleague from Illinois, Senator Kirk has been part of the effort on enhanced sanctions, along with Senator Menendez, I want to join the chorus that you have joined in, Mr. Chairman. I don't question for a moment the motives or anyone engaged in this. We all have the same goal: stop a nuclear Iran; keep Israel safe; stabilize and bring peace to the Middle East.

I mean, these are goals we all share. And the approaches may be different. I have not signed onto this bill. My feeling is that if these negotiations fail, there are two grim alternatives: a nuclear Iraq (sic) or a war, or perhaps both. And I want to be able to say at the end of the day that we have exhausted every, every reasonable opportunity to negotiate an alternative short of those two outcomes.

I would also say that those of us on this committee may have a better appreciation for the public sentiment in America on this subject the most. It wasn't that long ago that Senator Menendez convened us to discuss President Obama's request for military authority when we believed, and subsequently learned to be true, that there were massive stores of chemical weapons in Syria. I recall that debate. And I recall the public reaction to the suggestion that the president would even have the authority, not boots on the ground, but the authority to use any military action. The public sentiment was overwhelmingly negative. The vote on this committee was 10 to 7. It was never brought to the floor, for obvious reasons.

And I'll just kind of back up Senator Kaine's comments earlier. If we believe, God forbid, that we're going to reach some awful alternatives in the future, and want the American people to stand by us or even listen to us, we have to convince them that we've exhausted every available, reasonable opportunity to avoid conflict and avoid war.

And I think that's why many of us believe we should give these negotiations an opportunity, even with the president's admonition that it's a long shot or a least a 50-50 shot of success.

I thank you for your work.

Thanks, Mr. Chairman.

MENENDEZ:

Let me thank the senator for his remarks, and just a comment on the Syria vote, which I think was one of the finest moments of the committee. I will say that it is an example of having given the president authorization that gave him the power to go to Russia and negotiate an agreement to end the chemical weapons which he had (inaudible) in Syria, for which he had devised a red line. And but (ph) from a position of strength, that likely wouldn't have happened.

And so I think it's important to recognize that moment in history and what it teaches us.

Senator Paul?

PAUL:

Thank you for your testimony.

Ms. Sherman, does the administration consider itself bound to the comprehensive Iran sanctions of 2010 and 2012?

SHERMAN:

If you're talking about legislation that's been passed and signed by the president, of course.

PAUL:

In those sanctions, they allow for termination of sanctions once Iran has verifiably dismantled its military, nuclear, biological, chemical, ballistic missile and ballistic missile launch technologies,

as well as no longer being a state-sponsor of terrorism. I would consider the administration bound also, but realize that these are parameters, even though you are asking to waive these acts. The waiver is 120 days, and you can keep asking. But I would expect, though, and would hope that that's not going to be the conclusion, that you just keep asking to waive these sanctions and do whatever you want. And that you're working -- I'm all for negotiation -- but you're working on negotiation within the parameters of legislation that's been passed.

My concern is, and this is a concern for the way the legislation is written and has been written for many things, is that we carve out exceptions and waivers for the presidency, thinking "oh, that's the only reasonable thing to do," but these waivers become so large that you can drive a truck through them, and they end up having no teeth, and we lose all teeth in any legislation.

For example, I would give you Egypt. You know, we said, "Well, we're not going to give them aid unless they're a democracy." Well, it turns out they're not very close to a democracy, but the administration stamps them as a democracy. And this happened before the coup when it wasn't much of a democracy, and it's not much of a democracy now.

We had legislation saying you can't get money when there's a military coup. And we passed legislation basically expanding that waiver to make it really have no teeth at all. And then in the omnibus, we end up passing something that has no way -- no restrictions at all, basically, on continuing military aid after a coup.

PAUL:

So, I think really that this is a big question, and it should be a big legislative question when we consider how we write legislation and grant waivers. Because I believe -- I fully believe that no matter what the testimony is, that the administration has shown the propensity just to do what they want, and that we may well go to waiver after waiver after waiver. In the end, we may get a negotiated settlement that really does not comply with the sanctions that have been written. So, if we want sanctions to have teeth, we want legislation to have teeth, I think we need to be concerned about how wide and expansive we make these waivers. And that's just a point I'd like to make.

But I do like your comment that you say you do feel bound by legislation, and I hope that will continue to be true.

MENENDEZ:

Senator Shaheen?

SHAHEEN:

Thank you, Mr. Chairman. And thank you both for being here.

Undersecretary Cohen, recently, you said that Iran is not open for business, pointing out that the majority of the sanctions remain in place. But yet, we have seen, as, I think, people have alluded to here, a great deal of interest on the part of some of our European partners in opening trade delegations with Iran.

I sent a letter last week to Cathy Ashton, the U.N. high representative, and to ambassadors of all of those countries which had expressed an interest in trade delegations, expressing my concern about the kind of message that that sends to Iran about where the international community is relative to the lessening of sanctions. And I wonder if you could speak to whether these trade delegations actually do risk undermining our international sanctions regime? And is the appetite in Europe waning to continue to enforce the sanctions that we have in place?

COHEN:

Well, Senator, I have seen your letter. I quite appreciate your letter, and completely agree with your letter. I think encouraging our counterparts in Europe, and elsewhere, for that matter, to

show restraint, to recognize that the sanctions that remain in place are so comprehensive, so -- so preclusive of doing real business with Iran today that the -- it's not worth the effort to go to Iran to explore business deals now.

Now, we see, of course, that some of these trade delegations are going. What we have -- what we have seen is that they are exploring the possibility of deals if a long-term agreement is reached, and there is substantial sanctions relief that comes as part of that.

What we have been very clear about with our partners is that our preference is that businesses, trade delegations, trade promotion authorities, governments show restraint right now. That in all events, no deals are struck now that violate the sanctions. And that if any of that occurs, we will respond vigorously in enforcing our sanctions.

SHAHEEN:

Excuse me for interrupting, but -- but can you also speak to what kind of a message it sends to Iran, these trade delegations, and whether that lessens their interest in continuing to negotiate at the bargaining table?

COHEN:

Well, I am wary of trying to get inside the psyche of the Iranians, but I will say that I think there's a -- there is, perhaps, a mixed message that gets to the Iranians on this. On the one hand, it shows that there's an interest in the world in doing business. And for sure, the Iranians are trying to elicit that interest.

On the other hand, to the extent that these trade delegations convey the message that they're interested in business in the future, that -- not today, but if there's a comprehensive deal.

I would cite the remarks of the CEO of the Italian energy company, Eni, who, before he met with President Rouhani in Davos, made a statement. He said, "The best way for sanctions to be lifted is for sanctions to be applied now," and that, "We're not doing business in Iran now." That "we're looking potentially at the future when there's comprehensive -- a comprehensive deal."

I think that can create within Iran a dynamic where the Iranian business community, which is desperate to reengage with the world -- they've been cut off from the world. I think Senator Murphy made a good point, that part of the interest of -- in Europe and elsewhere in doing business with Iran is that the Iranian economy is performing so far below its capacity right now because of sanctions that there's a pent-up demand. That demand...

SHAHEEN:

Excuse me again for interrupting. I just want to get in a final question, which is about Russia and their -- the suggestion that they would do an oil-for-goods deal with Iran, and what we're doing to try and discourage that, and to discourage other potential countries who might be looking at that same kind of a -- a deal.

COHEN:

We are, across the administration, working extraordinarily hard to ensure that there is no such deal that -- that occurs. And Undersecretary Sherman wants to add...

SHERMAN:

If I may, Senator -- on the Russia-for-oil, oil-for-barter goods deal that was in the newspapers -- at all levels of our government, including at the highest level, we have raised our concerns quite directly with Russia about this. And Secretary Kerry has raised this, as have I, quite directly with Iran. And my own sense of this is, after a fair amount of clarity about this matter, that nothing will move forward at this time.

We are very crystal clear that anything like such an agreement between Russia and Iran might have potential -- potential sanctionable action, and would likely create tremendous rifts within

the P5-plus-1, which would make coming to a comprehensive agreement all the more difficult, if not impossible.

So, we have been very clear. My own sense is that is not moving forward at this time. And I think that if that is, indeed, the case, that we can continue to verify the fact, that is a very good decision.

SHAHEEN:

Thank you.

MENENDEZ:

Senator Markey?

MARKEY:

Thank you, Mr. Chairman, very much.

I understand that during the six-month period that began January 20th, the IAEA plans to issue reports each month on Iran's compliance. I recall that during the months leading up to the 2003 war in Iraq, inspectors reported on their activities much more frequently, sometimes, as often as daily.

Is it possible for you to request the IAEA to provide public updates on all activities within Iran, at least on a weekly basis, which I think would give everyone a lot more confidence that there is no deception taking place on the part of the Iranian government.

SHERMAN:

Thank you very much, Senator. We will certainly discuss your request with the IAEA. This is a very different circumstance than Iraq, in terms of the extent of the program and particulars of the situation.

The IAEA, as I said, will have daily access to Fordow, Natanz, as well as other surveillance means that are available to them, as well as at least monthly access to Arak and access to uranium mines and mills centrifuge production -- rotor production plants.

So, I think they will have great increased visibility beyond any -- way beyond anything we have had to date. But we will certainly convey your thought.

MARKEY:

I just think it would be very important for confidence- building in the United States and around the world that it be much more frequent than the IAEA has already announced it intends on making public. I think we all have a right to know that since we're running the risk, and the IAEA works for us and the world on this agreement. And I think we should have that information on an ongoing basis. I think it would be very helpful.

If the IAEA determines that there are compliance concerns, will you ensure such concerns are reported promptly to the American people and to Congress?

SHERMAN:

We will certainly take our responsibilities quite seriously of your oversight.

MARKEY:

So you will report promptly?

SHERMAN:

We will -- we will make you -- we will -- as I've said earlier, in the monthly reports we get, we will be glad to come up and do classified briefings.

MARKEY:

So, I understand that weekly updates might not be comprehensive, but I think it is important that we -- we get much frequent briefings.

The interim deal allows Iran to produce centrifuges for the purpose of replacing broken ones. Will inspectors be able to verify that particular centrifuges are, in fact, broken? Will the broken centrifuges be removed from the facilities, and provided to IAEA inspectors for examination to confirm that they are actually no longer functioning?

SHERMAN:

I don't know the exact mechanism, Senator. And I will have our experts come up and give you a briefing on what exactly the IAEA will do. But since, indeed, one of the details of the agreement is, they can only replace damaged centrifuges with centrifuges of same kind, we have asked the IAEA to verify that is, indeed, what has occurred.

MARKEY:

Yeah. I think it's important that the ratio stay one- to-one so the confiscation of the old centrifuges ensure that they just not go to a garage, get fixed immediately, and are now being installed...

SHERMAN:

We agree.

MARKEY:

... in different places. I think it's very important for us to know that.

The interim deal indicated that in a final agreement, Iran's enrichment program would be restricted to mutually-agreed parameters consistent with practical needs. Judging what Iran's practical needs are, of course, is in the eye of the beholder. One of their ministers has recently announced that they need many, many, many new nuclear power plants to generate electricity in their country. So, you were talking about the practical needs of the Iranians earlier. A country that flares off 13 nuclear power plants' equivalence of natural gas each year, obviously, doesn't have many practical needs for multiple new nuclear power plants to generate electricity.

So, how are you going to determine that -- what is practical? Because, obviously, there's a very high procaric (ph) -- prevarication coefficient, historically, in Iran. And if they plan on building 10 to 20 new nuclear power plants, their practical needs are going to be a vastly-expanded nuclear enrichment program in their country, even if it is under tight safeguards.

SHERMAN:

Your point is very well taken, Senator. And as I said, nothing is agree until everything is agreed. So, their practical needs are certainly an element of consideration in a comprehensive agreement, but so are our concerns about their ability to have a nuclear weapon, which is primary, that they not obtain a nuclear weapon.

And so, whatever the final agreement is, that is the assurance that is most a concern to us.

MARKEY:

I appreciate that, but, again, if they build 10 new nuclear power plants, it would be a vast enrichment program they would have to have.

And just the complications of monitoring such a program would be exponentially greater, and I just think that we have to keep that on -- in our mind as we're going forward because that's how they would actually crack this inspections regime in the years ahead, even if we got the comprehensive agreement.

And finally, since the November agreement, have you seen signs of an uptick in Iran's support for proxies and allies around the Middle East? Do you have reason to believe that Iranians feel they now have greater leeway into being more aggressively in the region because of the -- the agreement that has been reached on the nuclear program on an interim basis?

SHERMAN:

I think it would probably be valuable to have our intelligence community give you their assessment of exactly that question because we have asked that question.

I would point out that there was concern by many that they would take the first payment of \$550 million and cycle that into support for Hezbollah in Syria. That does not appear to be the case. I'd be glad to give you the briefing on that.

But more importantly, I think you've seen in the news that Iran has visibly just provided food to those in their society that are poor as a way of demonstrating quite directly that this limited, targeted and temporary sanctions relief has a direct impact on the people in the country, which is what President Rouhani promised. He did not promise that money would be used for other purposes.

MARKEY:

So Senator Shaheen and others have raised this issue. A hundred French executives traveled to Iran yesterday to explore new economic openings. And the same is true for Russia, Germany, China, down the line.

I just think it's very important for our administration to say to each of these countries that if there is no comprehensive agreement that not only is the -- the window going to be shut on this trade and that the United States is going to sanction any of the business men who think they're going to cut deals, but that additional sanctions will be put in place and that additional action will also perhaps have to be taken in order to make sure there is no nuclear program.

And I think a clear, explicit statement of that would be very reassuring for people just to know that there will be no games that are going to be allowed by any of these business men and that they will be published by the U.S. government.

(UNKNOWN)

Senator Markey, I would just briefly say that is precisely the message that has been conveyed in the engagements that we've had over the last several weeks, that, you know, there will be no sort of wavering in the enforcement of sanctions.

And also we have made the point that if a comprehensive deal is not reached, if for instance Iran feels that it doesn't need to reach a comprehensive deal because they can get sanctions relief through other means, through evasion or through trying to develop these sorts of business activities, that the net consequence of that to all of these businesses is going to be to their detriment.

I'll be much worse than what they face today, and I think that message is getting across.

MENENDEZ:

Let me thank you both for your testimony and engagement. I will have a series of questions for the record, including my understanding that on the relief on oil purchases countries may in fact purchase more than their last reduced amount.

I'd like to understand how we're working on that. And Secretary Cohen, I'll be watching to see your enforcement actions. With that and with the thanks of the committee, you're both excused.

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