

**House Financial Services Subcommittee on Domestic and International Monetary Policy, Trade,  
and Technology Holds Hearing on the Iran Sanctions Enabling Act of 2009**

March 12, 2009

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MEEKS:

Let me welcome everyone to our first hearing on International Monetary Policy and Trade Subcommittee hearing, and I want to welcome you to this important hearing on the Iran Sanctions Enabling Act of 2009.

This bill, in many ways, resembles similar bills introduced in the House and the Senate in the last Congress. It is important then and it is important now, and -- I'm just going to start jumping into it with my opening statement, and then we're going to move on, because I know that we have various competing hearings that are taking place and members want to have opening statements, which we'll do, and make sure of that -- and ask questions.

I believe in sticks and carrots approach when seeking a favorable outcome in foreign policy. While this bill is clearly about the sticks, I want to state for the record that there are important incentives that should be a part of our efforts to stop nuclear weapons development in Iran.

Some of these incentives are outlined in the most recent U.N. Security Council resolution that bans certain aspects of trade with Iran. As in previous versions of this bill, we are not mandating divestment with this bill, but instead we are making it feasible for states to divest, and most importantly, for citizens to exercise the power of the purse through their investment decisions.

Specifically, this legislation makes it clear that it is the policy of the United States to support state and local governments to divest from or prohibit the investment of assets they control in persons that have investments of more than \$20 million in Iran's energy sector.

These are uncertain times for both of our countries. Today, we find ourselves in a relationship with Iran that is based on a long history of hostility and lack of trust. Clearly, Iranian citizens and their neighbors in the region are waiting to see the change President Barack Obama has pledged.

In fact, we have already seen significant change. The Obama administration has expressed noticeably increased openness to diplomatic relations with Iran. This is in striking contrast to previous administrations.

From my perspective, we have an enormous opportunity to forge a new path forward in our relationship with Iran. We should, of course, proceed with caution and we are. Iran is still not fulfilling its international obligations and we must act accordingly.

Recently, the United States ambassador to the U.N., Susan Rice, acknowledged this point and outlined several concerns. She pointed out that the findings in a recent U.N. report that Iran's nuclear program has military dimensions and that they are troubling.

In addition, she stated to a U.N. Security Council subcommittee that deals with enforcement of sanctions against Iran, quote, "Iran also still refuses to respond constructively to IAEA questions about its past work to develop a nuclear weapons capability. The United States urges its fellow Security Council members not only to take note of the IAEA's serious findings, but also to rigorously support the IAEA in its continuing investigations of these critical matters."

While much discussion about U.S. and Iran focuses on our differences, we should not close our eyes to common interests. Both countries share the goal of bringing security and stability to Iraq and Afghanistan and combating the terrorism that stems from the extreme version of Islam.

Just as the U.S. recently reached out to Iran regarding Afghanistan, I believe it is possible for both sides to build on common interests in these areas.

Many of us in Washington have called for direct engagement with Iran over its efforts to acquire nuclear weapons, but direct dialogue alone will likely prove insufficient. Indeed, the legislation at hand should be a part of a comprehensive diplomatic strategy to head-off security threats, while also engaging the Iranian people to forge a new chapter in our bilateral relationship.

The Iran Sanctions Enabling Act of 2009 would place economic pressure on the Iranian regime with a goal of halting Iran's nuclear program. This divestment bill is designed to persuade foreign countries -- foreign companies from investing in energy operations whose profits could be used to threaten the United States and our allies.

Without mandating that they do so, this legislation recognizes the right and maximizes the ability of Americans to speak out through their investment decisions, about their opposition to many aspects of Iranian activities.

And as I've watched this situation with Iran with great interest in the past few years, along the way I've developed a tremendous appreciation for the work of the National Iranian American Council. I am pleased that we will hear the perspective of NIAC's president, Trita Parsi. This group is on the front lines providing the infrastructure for building bridges among Iranian American organizations and the peoples of America and Iran.

I also appreciate the testimony of Mr. Orde Kittrie, who is a distinguished expert on legal matters related to non-proliferation; Mr. Jason Isaacson, a leading advocate on U.S.-Israel relations and the search for Middle East peace; and Mr. Ted Deutch, a Florida state senator who spearheaded legislation that made Florida the first state to force its pension fund to divest from companies doing business in Iran's energy sector.

I look forward to hearing from these witnesses, and I now turn to Mr. Royce.

ROYCE:

Thank you, Mr. Chairman.

Notwithstanding the recent statements made by the administration's director of national intelligence, I have little doubt that Iran is pursuing nuclear weapons capability.

Last month, the IAEA reported that Iran now has produced enough low-enriched uranium that, if further enriched weapons grade level, they could produce a nuclear weapon.

Enrichment capability, the key aspect of a nuclear weapons program, frankly, is being mastered by the Iranian regime. And not so long ago I remember talking about 164 centrifuges. In Iran today, we are talking about numbers that are measured in the thousands every time we have an update.

Iran continues to deny IAEA inspectors access to key nuclear facilities, making an accurate assessment of Iran's nuclear program impossible. What's certain, though, is that regional security and frankly, our security, will be seriously harmed if Iran develops nuclear weapons.

While Iran has raced forward, international efforts to halt the program have been lackluster. The bungled national intelligence estimate from a year-and-a-half ago made that effort even more difficult.

Russia and China have consistently blocked tough sanctions against Iran. Some believe President Obama's popularity will make it easier to line up international sanctions, but given the global downturn, unfortunately, countries that were previously reluctant to pass up on business opportunities in Tehran will be even more so reluctant today, I'm afraid.

The U.S. has taken some innovative actions. Under the previous administration, the Treasury persuaded many foreign banks not to provide financing for exports to Iran or process its dollar transactions, and I think this was one thing that was pretty effective.

That effort should be continued, while targeting Iran's central bank and forging an effort to deny refined petroleum products to Iran. With Iran forced to import more than 40 percent of its gasoline, this, I think, could have a real impact.

The purpose of the legislation we're discussing today is to permit state and local governments, educational institutions, and private fund managers to divest from entities that invest \$20 million or more in Iran's energy sector.

In addition, this bill would provide a safe harbor to any investment company that divests from or avoids investing in certain entities. This legislation would give support to efforts happening at the local level, including in my home state of California. It is good policy and frankly, it is in the interest of our nonproliferation goal.

The 1980s-era divestment campaign against the apartheid regime in South Africa is a model. Of course, that regime was universally abhorred and the financial markets were not under the type of stress they are today.

For far too many, business with Tehran is OK by them and that's why I think this legislation is important. One thing is certain, time is not on our side. There will be no single solution, but a need to

levy as much pressure as possible and leverage from every conceivable avenue and this is something that's going to add to that approach.

So I thank you again for holding this hearing, Mr. Chairman.

MEEKS:

I now recognize the gentlelady from California, Ms. Waters.

WATERS:

Thank you, Mr. Chairman.

First, I'd like to congratulate you on your chairmanship and to commend you for choosing this subject matter as your first legislation to hear.

This is important legislation and I certainly think that this committee can play an important role in creating the public policy that deals with Iran and help to provide some pressure on the Iranian government, while we're also moving toward some diplomatic efforts based on this administration's initiation of diplomacy.

I'd like to just follow my colleague from California by saying that divestment, state divestment does work. I was the author in the state of California of the divestment legislation that divested our pension funds from businesses that were doing business in South Africa.

And I dare say that of all the sanctions we have imposed on Iran over the past 15 years, this one I think stands to really exert economic pressure in ways that they have not felt before.

I believe this bill will cause, allow, support states that come up with divestment public policy disallowing investments in the energy sector of \$20 million or more is extremely powerful, and so I -- without another word, I support this and I think this is the right thing to do.

We have, again, been attempting to apply economic sanctions and while we have been doing this, they have continued to develop nuclear capability.

I think given the state of the economy at this time, which is in terrible shambles, that this will further cause them to have to think about whether or not they are going to completely disable their entire economic sector or whether or not they're willing to begin to talk about how they are going to cease and desist from terrorist activities.

So I thank you for this hearing and I yield back my time.

MEEKS:

Thank you, and as the gentlelady said, this is my first hearing as chair and already I realize one thing that I should have done in the beginning and that was to ask without objection that all members' opening statements be made part of the record.

(LAUGHTER)

WATERS:

You can do it at any time, Mr. Chairman. You can do it at any time.

(LAUGHTER)

MEEKS:

I now recognize Mr. Paulsen.

PAULSEN:

Thank you, Mr. Chairman, for holding this important subcommittee hearing on proposed legislation that would help increase the economic pressure on the Iranian government.

Mr. Chairman, I believe action on this issue cannot come soon enough. Last month, the Institute for Science and International Security reported that while Iran does not yet have a nuclear weapon, it does have enough low-enriched uranium for a single nuclear weapon, and clearly the Iranians are making drastic improvements for their nuclear program.

This could further threaten the stability of an already volatile region. A new administration is in office and reevaluating the nation's policy, particularly the U.S.-Iran relationship.

This is going to be one of the biggest challenges the president faces. I look forward to hearing from administration officials down the road on how they plan to deal with the Iran issue and how Congress can play a key role in helping to develop that strategy.

I believe we must have as many tools as possible at our disposal for the United States. I also believe we must work with our allies in the region to have any effect in bringing about regime change.

So the subcommittee hearing today will consider legislation that deals with an issue not typically the focus of this committee, international relations in supplementing sanctions, but H.R. 1327, introduced by Chairman Frank last week, would permit state governments, local governments and educational institutions to alter the way they approach investments related to Iran's energy sector.

In addition, the legislation would extend to private actors the ability to consider the U.S.-Iran relationship in their investment calculus by providing safe harbor to registered investment advisers that

invest or elect not to invest in securities of companies that engage in investment activities in Iran as outlined in the act.

So I believe that this legislation is a very positive step in the right direction. I'm pleased to see the committee take such a strong interest in this issue under your leadership, Mr. Chairman. It's my hope that when the time is right, we can have another hearing and another opportunity to hear from administration officials as well as their economic plans dealing with Iran going forward.

So thanks for bringing such a distinguished panel forward. I look forward to hearing their views and I yield back.

MEEKS:

I now call on the gentleman from California, who is not on this subcommittee, but he's worked very hard on this issue for a long period of time and he's on both the Financial Services and the Foreign Affairs Committee.

Mr. Sherman?

SHERMAN:

I thank the chair for letting me participate in these hearings. Along with Chairmen Frank, Berman, and Chairman Meeks, I'm an original co-sponsor of the bill, as I was in the 110th Congress.

I think we owe a special debt of gratitude to the Mullahs who run Iran, whose corruption and mismanagement have made that country vulnerable to economic pressure, in spite of the fact that they benefited from the huge windfall when oil was selling at \$150 a barrel.

First, a bit of legislative history. This bill, in fact, passed the House twice last Congress -- once as H.R. 2347, the Iran Sanctions Enabling Act on July 31, 2007, and again as part of a larger Iran sanctions package, the Comprehensive Iran Sanctions Accountability and Investment Act of 2008, which passed the House on September 26, 2008.

The first time the bill passed, it was 408 to 6. The second time it passed, it was by voice vote. It was not terribly controversial in the Senate by itself, but due to delay, it never passed the Senate.

The companion legislation was introduced by Senator Obama. He has supported this concept consistently as his policy has consistently been one of both sanctions and engagement. And he continues to support this legislation.

It is unfortunate that even after both Senate leaderships, Democrat and Republican, approved this bill as part of a group of amendments to the defense bill, there were partisan disagreements on totally unrelated issues and this bill did not become law last year.

I'm quite hopeful that it becomes law this year. This bill will cease to operate, as it should, when Tehran changes its policies with regard to nuclear weapons and support for terrorism.

This bill, H.R. 1327, will simply allow states and municipalities to enact Iran divestment legislation and would provide protection to asset managers covered by the Investment Company Act from suits brought on the rather stretched theory that they have a fiduciary duty to invest even in firms that prop up the Iranian regime.

This bill specifies that they are free to divest in those companies, mostly international energy companies, that invest more than \$20 million in the Iran oil sector. This year's version of the bill would also provide for allowing for divestment for those who are involved in shipping for Iran's energy sector, as well as companies that provide products and services related to pipeline construction.

This bill is purely permissive. It is about the freedom to make investment decisions. It does not require any state, city, town or an asset manager to do anything at all. It simply allows them to be able to employ their consciences if they choose, as they choose, without fear of a frivolous lawsuit.

And in fact, if there are some misguided asset managers who choose to deliberately buy stock in foreign oil companies that are investing in Iran, there is nothing in this bill that prevents them from doing so.

Now it is true that the Iran oil sector is a source of that country's, is probably the source of the country's wealth, but is also an Achilles heel. Iran cannot sustain current levels of oil production without significant investment, chiefly international investment.

With us today is my friend, Senator Ted Deutch, who authored the first law in the country, Florida's divestment law, and welcome back to Washington. I'm proud to say that while Florida was first, California I believe was second in passing similar laws and we want to protect both states and others from frivolous lawsuits.

I want to urge my colleagues to consider two provisions for addition to the bill as it goes forward. First, I think we need a grandfather clause to ensure that we do not unintentionally imperil state enactments that don't follow precisely the criteria of section 3(c) of the bill if they were adopted before we adopted the federal law.

The dozen states that have enacted the divestment policy so far use criteria that are perhaps a bit different from this bill. They may slightly define differently which business activities in Iran justify divestment.

The state enactments, while they are not identical to what we have in the federal bill, we can hardly blame the states for not following the federal prescription. After all, they acted first and we cannot blame Senator Deutch for not complying in 2007 to the standards that we plan to adopt in 2009.

We should make sure that our bill does not invalidate, weaken, imperil or fail to protect state statutes that have already been enacted.

Second, another weakness of the Iranian economy has come into focus just in the last 2 years and that is the fact that Iran has to import nearly 50 percent of its refined petroleum products -- gasoline. It has oil. It doesn't have sufficient refinery capacity.

The companies that provide this gasoline, as well as those that might help build domestic refining capacity in Iran, should be discouraged from doing so. So we should consider adding a provision to this bill that includes refined petroleum and refining equipment as triggers for allowing divestiture.

I urge my colleagues to support this bill. It has passed the House twice. It's consistent with the leadership positions of both sides of the aisle of the Senate and it is fully in accord with President Obama's policies. Thank you.

MEEKS:

Representative Ellison -- I know he wanted to make an opening statement, but before we hear -- so I guess what we'll do is we'll stop with the introductions and allow Mr. Ellison to make an opening statement at a later time. I see his staff is still here.

With that, we have -- I am delighted to have a member of the committee who's here, and he came for a special request in doing this hearing and he wanted to make sure that he had a chance to introduce one of our panelists and we know that when we have someone from our home states come in, especially one that we've worked with, it becomes very important.

So, for purposes of an introduction, I yield to my good friend, Mr. Kline from Florida.

KLINE:

Thank you, Mr. Chairman, and thank you, Mr. Sherman for bringing this piece of legislation forward, and I thank the committee for considering it.

As a member of the Financial Services Committee and the Foreign Affairs Committee, I think all of us understand the importance of this piece of legislation.

MEEKS:

The mike is not on.

KLINE:

I'll use this one.

So again, I thank the committee for considering this important piece of legislation. This is one that I think we as a country understand the importance of working with other countries, but certainly setting our own precedent and our own position of stopping economic dealings as much as we can with Iran, and certainly giving the ability for our local governments, state governments and certainly any kind of other activity, to be protected if the choices are made to certainly not make the investments which continue to do business with Iran.

This is a special privilege for me because I'm here to introduce a good friend, Senator Ted Deutch, who is a resident of the same community where I come from. He serves in the Florida state Senate, represents parts of Palm Beach and Broward Counties, which is South Florida.

And it was his initiative and his work in the community and throughout the state of Florida that literally brought this issue along to the point where the state of Florida became the first state to allow pension boards to divest from companies that do business in Iran and Sudan without any liability risk.

The legislation comes before us after other states have followed Senator Deutch's and the state of Florida's lead, but what we now believe is important is we set a national standard and Senator Deutch's example and the information he'll provide you today, will help this committee and the public understand the importance of why the state of Florida did this, why it's important for us to consider this as national legislation.

So welcome, Senator Deutch.

I'll turn it back over to the chairman.

MEEKS:

And the senator is now recognized to give his statement for 5 minutes.

DEUTCH:

Thank you. First to Congressman Kline, it is an honor, Congressman. You failed to point out that I have the good fortune to have succeeded you in District 30 in the Florida State Senate. It's an honor to be there.

I bring greetings from our colleagues in Tallahassee who continue to hold you in high regard, both for the leadership you provided in Florida in the State Senate and leadership you continue to provide in Congress. Thank you very much.

Mr. Chairman and members of the committee, thank you for the opportunity to speak today in support of H.R. 1327, the Iran Sanctions Enabling Act of 2009. I'm grateful for the efforts of the bill's sponsors to enable to investors to make investment decisions that are consistent with the principles and convictions of the American people.

This good legislation will also permit every state and local government to take action to help prevent Iran's development of nuclear weapons, just as the Florida legislature did with its passage of the Protecting Florida's Investments Act in 2007.

Before asking our pension board in Florida to divest from Iran or from Sudan, which our legislation also required, we asked the very citizens whose dollars were at risk. We spoke to our public employees, our teachers, our firefighters and our police.

And when our citizens learned that their retirement dollars were helping to fund a genocidal regime in Sudan and an Iranian government whose leader has spoken openly of genocide, should he acquire nuclear weapons, they were outraged.

They demanded that we take action and offered significant support as we moved ahead. But others were not as supportive. The pension fund managers fought back hard. They asked that we not bother with morals or national security or fighting to prevent genocide.

The pension board cared little about the investment wishes of its investors and that's where the legislature came in. Our citizens wanted us to act. How could the state of Florida, how can any state, make investments that could make its investors, their children and our nation less secure?

H.R. 1327 specifically gives state and local governments the authority to divest from companies engaged in significant business with Iran's energy sector and identified using credible information available to the public. I suggest to the members of this committee that you look to the state of Florida to find such credible information.

The Florida State Board of Administration, the entity that invests on behalf of the Florida Retirement System, is responsible for complying with the terms of the Protecting Florida's Investments Act. On a quarterly basis, the SBA assembles and publishes a list of companies that have prohibited business in Iran.

Under our legislation, a company that invests \$20 million or more in contributing to Iran's ability to develop its petroleum resources will be put on the list and the list is available on the Internet at [SBAFLA.com](http://SBAFLA.com).

A fundamental question I am continually asked is, are you doing this to make a statement or do you truly believe that you can impact Iran's pursuit of nuclear weapons? The state of Florida has divested more than \$1.1 billion of investments thus far and the retirement system of our public employees no longer owns one dime of direct holdings in companies enabling Iran to press ahead with its pursuit of nuclear weapons. That is an important statement, but there is \$3 trillion held in public pension funds.

When state and local governments on behalf of their citizens declare that they intend to sell every share they own unless the companies withdraw from Iran and join the world's efforts to prevent a nuclear-armed Iran, the companies will take notice, and when our actions are strengthened by the efforts of this Congress, divestment can and will have an impact.

Last June, when oil traded at over \$140 a barrel, we were told this type of economic pressure would have no impact. Today, with oil under \$50 a barrel, economic pressure is exactly what is needed to cut off the flow of funds to Iran.

Let me be clear, I believe that we have the economic power to stop Iran's quest for nuclear weapons. We have the economic power to eliminate the threat to the United States and our allies that a nuclear-armed Iran would present and whatever your political views, wherever you are in the political spectrum, right or left, Democrat or Republican, exercising this economic power is fundamentally in line with your beliefs.

Mr. Chairman, as elected officials, we often attempt to explain to our constituents that it's not always possible to move as quickly as we may like. Sometimes, it takes time to move new policies forward, but we simply don't have time to waste.

This morning, there are executives sitting in corporate suites in the Netherlands and the U.K., France, Russia, and China, who are watching this debate. They know there is an investment effort in this country, but they're waiting to see if the path is clear for the effort to become a movement.

If it is not, they will continue to do business as usual, but if this movement accelerates quickly and dramatically, and major investors of public pension funds use the power of the purse, these executives and these companies will be forced to consider whether to proceed as they have in the past.

In closing, I return to where I started with the public employees, teachers, nurses, firefighters, police, and professors. Give them the option to act with conviction. Respect their values for they are our values. Our public money, their money, should not be used to aid Iran's quest for nuclear weapons.

This bill removes the hurdles that so many pension boards have constructed to prevent divestment. When it passes, it will be full speed ahead in standing up for our citizens, their values and our collective efforts to prevent a nuclear-armed Iran.

Thank you, Mr. Chairman and members, for giving me the opportunity to address you today, and on behalf of state and local government officials throughout America, thank you for this vitally important legislation.

MEEKS:

We now will hear from Mr. Trita Parsi. He is the founder and president of the National Iranian American Council and an expert on U.S.-Iranian relations, Iranian politics and the balance of power in the Middle East. He is the author of "Tracherous Alliance: The Secret Dealers of Iran, Israel and the United States," a book that I have read and found to be very informing.

In that book, he conducted more than 130 interviews with senior Israeli, Iranian and American decision makers. "Tracherous Alliance" is the silver medal winner of the 2008 Arthur Ross Book Award from the Council of Foreign Relations.

Mr. Parsi has followed Middle East politics through work in the field and extensive experience on Capitol Hill and the United Nations. He is frequently consulted by Western and Asian governments on foreign policy matters. He received his Ph.D. from Johns Hopkins University, School of Advanced International Studies.

In addition to that, he holds a master's degree in international relations from Uppsala University and a master's degree in economics from the Stockholm School of Economics and he has served as adjunct professor of international relations at Johns Hopkins University. He's currently an adjunct scholar at the Middle East Institute.

Mr. Parsi, we welcome you.

PARSI:

Thank you so much, chairman, and let me join in congratulating you for your chairmanship.

Mr. Chairman and Congressman Paul, thank you so much for allowing me to come before you to discuss our policies towards Iran, particularly efforts to change Iranian policy behavior through instruments of economic pressure, such as divestments.

Before I proceed, let me just see if I can add this joint statement, expert statement, to the record. It is an effort by the American Foreign Policy Project with some of the foremost experts on U.S.-Iran relations chaired by Ambassador Thomas Pickering and Ambassador James Dobbins, giving I think, very, very healthy advice on how to proceed in dealing with the government in Iran.

As a representative of the largest grassroots organization representing Americans of Iranian descent, the National Iranian American Council, I want to emphasize that no group of Americans have suffered more from the policies of the Iranian government than our community.

Whether they were victims of persecution, arbitrary arrests or detention, imprisonment or killings of family members, the vast majority of Iranian-Americans have made America their home precisely because they have differences with the Iranian government.

In recent years, we have actually seen what seems to be a specific targeting of Iranian-Americans by the government of Iran. Just a few weeks ago, Roxana Saberi, an Iranian-American journalist with NPR and a former Miss America finalist, was arrested while working in Tehran. Other cases exist and in all of them, the human rights of these Iranian-Americans were violated.

Yet, at the same time, no other group of Americans has visited Iran in the numbers that Iranian-Americans have, and with each visit, we bear witness to the effects of economic sanctions on the Iranian economy, on the Iranian people, and much less so on the Iranian government.

Though mostly anecdotal, their observations are instrumental into understanding why U.S. sanctions policies have failed to reach their objectives, why further sanctions would likely make little difference,

and how the dynamics of Iranian society and Iran's political system can be better utilized to bring about the desired change in Iranian behavior.

My prepared remarks today will focus on how America's objectives with Iran can best be achieved, ensuring a peaceful Iran that contributes to regional stability, that does not develop a nuclear bomb, and that ceases to support militant organizations.

There is no doubt that U.S. sanctions, including recent financial sanctions, have hurt the Iranian economy. Investments have diminished, risk assessments have increased, and major oil contracts have been canceled or put on hold. However, with all of the economic pain the sanctions have imposed on the Iranian economy, there has not been a single instance in which that pain has translated into a desirable change in Iranian policy.

As a result, we stand here today in this hearing, more than 15 years after the first round of comprehensive U.S. sanctions were imposed, faced with a more powerful and a more problematic Iran than ever before.

What's worse, the sanctions and economic pressure have actually contributed to several unhelpful developments inside Iran. I've only mentioned a few of them here. I will go into greater detail in the written testimony.

First, the Iranian people, who tend to have very positive views and admiration for America, for American values, and for the American people, have suffered the brunt of the economic pressures.

Second, the Iranian government's success in circumventing sanctions has made Iran less sensitive to new sanctions. There is a diminishing return on additional sanctions.

In December of 2004, President George Bush recognized this when he said, "We've sanctioned ourselves out of influence with Iran. Paradoxically, the large number of sanctions that we've had has reduced our leverage with Iran rather than increased it."

Finally, economic sanctions have undermined Iran's pro-democracy movement by weakening Iran's civil society and by hampering the emergence of a wealthy middle class -- key components of any indigenous process of democratization. This will have severe implications if Iran continues to move towards a nuclear capability, which as we have seen in the last couple of years, it has.

But, don't we need more leverage over Iran in any future negotiations? And doesn't additional sanctions or instruments of economic pressures, such as divestments, provide this, many would ask?

My answer to both of those questions would be, no. Reality is that Washington actually has significant leverage with Tehran if willingness exists to trade away existing sanctions for extensive changes in Iranian policies.

Tehran is aware that its key objective of political and economic rehabilitation in the region, in which Iran would be included in the region's security architecture and granted the role commensurate with its geopolitical weight, cannot be achieved unless it mends fences with Washington.

As such, Washington is the gatekeeper for Iran's political future in the region. That is leverage, if again, there is a willingness to provide Iran with a seat at the table in return for those desired changes in policies.

So, it's not the threat or imposition of new sanctions that is likely to achieve the desired changes in Iranian behavior that I think we all agree with, but rather the promise of lifting existing ones.

But this leverage can only be achieved and utilized in the context of a negotiation and that is why President Obama has emphasized repeatedly his desire for diplomacy with Tehran and this is why I personally believe that the timing of proposed legislation before us today may be of concern.

Washington and Tehran are currently in a phase and they are finding themselves seeking out, both expressing a desire for diplomacy, but mutual distrust is making it difficult for them to find their way to the negotiating table. In this atmosphere of mistrust, neither side has much room for error.

As difficult as the process of negotiations certainly will be, the process of reaching the negotiating table may actually be even more problematic and sensitive. The slightest mix-up, whether a misguided comment or actions that are interpreted as hostile from either side, may prevent the two parties from reaching the negotiating table.

I think the Obama administration has recognized this and spent its first weeks seeking to create a more positive atmosphere and that the administration should be commended for its efforts in this arena.

These efforts, however, can be undermined if Congress passes additional punitive economic measures before diplomacy has yet even been given a chance to proceed to begin and to succeed.

Such a step would only reduce the prospects of diplomacy by further poisoning the atmosphere, which in turn lessens America's ability to tap into its reservoir of leverage with Iran in the first place.

After a decade-and-a-half of failed economic pressure and three decades of hostility, it is not sanctions or divestments that deserve another chance. It's diplomacy and the opportunity to use the leverage that existing sanctions provide in the context of a negotiation that should be given the space and time to succeed.

Thank you so much, chairman.

MEEKS:

Thank you.

Now, we'll hear from Mr. Jason Isaacson, who is and has been the director of the American Jewish Committee's Office of Government and International Affairs in Washington, D.C. since July of 1991.

Long involved in government, politics and journalism at the national and local levels, Mr. Isaacson has studied, written and worked as an advocate on U.S.-Israel relations, the search for Middle East peace, and a range of domestic and international issues.

In his current post, Mr. Isaacson is responsible for maintaining relations between the AJC and the White House, Congress, federal agencies, foreign governments and their embassies in Washington, political parties and other civic, religious and human relations groups in Washington.

He oversees AJC's international offices and the agency's efforts to ensure the welfare and security of Jews around the world. He also serves as director of AJC's Asian and Pacific Realm Institute.

Before joining AJC, Mr. Isaacson was the chief of staff for Senator Christopher J. Dodd of Connecticut and was responsible for managing the legislative and political agendas of a senator active in foreign policy, particularly regarding the Middle East, Eastern Europe, Latin America, domestic and domestic affairs focusing on children's issues, and securities market reform.

Welcome, Mr. Isaacson.

ISAACSON:

Thank you very much, Mr. Chairman.

My mike isn't on.

Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am honored to testify on behalf of the American Jewish Committee in support of the Iran Sanctions Enabling Act.

AJC is grateful to Chairman Frank and to you, Chairman Meeks, and to the other sponsors for developing early in the new Congress this well-crafted tool to address the grave threats posed by Iran's regime. My testimony will highlight two key points.

First, stopping Iran's nuclear program is a matter of the greatest urgency because Iran is close to achieving a nuclear capability that would alter the world as we know it in terrible ways.

Second, this legislation clarifying the authority of state and local governments and investment managers to divest from entities that invest heavily in Iran's energy sector can significantly assist the overall effort to halt Iran's nuclear program.

Iran is on the doorstep of nuclear arms capability. It has already crossed a significant threshold amassing enough enriched uranium to make, with further enrichment, its first nuclear bomb.

It is well-positioned to rapidly enrich the bomb grade without IAEA inspectors realizing it until it is too late. We have breathtakingly little time. Some observers see a nuclear Iran primarily as an existential peril to Israel, a country it repeatedly threatens and attacks by proxy.

I do not want to minimize that very real danger, but I want to highlight that a nuclear Iran would pose an even broader threat throughout the Arab gulf, to the entire region and indeed to global peace and security.

I will give a few examples of what could lie ahead. A nuclear Iran could dominate the world's most abundant sources of energy, the gulf and the Caspian Basin. Challenged, Iran could attempt to close the Strait of Hormuz or it might seek to realize its expansionist vision by taking territory from one or more gulf states.

Over the last 15 years, AJC has paid periodic visits to the gulf conferring with U.S. allies in the struggle against terrorism and extremism and the quest for Middle East peace. We regularly hear on these visits the concerns of gulf leaders about Iran's assertion of regional power and its attempts to radicalize their societies.

It isn't only Israel that is threatened. The Palestinian Authority, Egypt, Jordan and others are menaced by Iran's presence in the Palestinian territories and Lebanon through its support of Hezbollah and Hamas.

From North Africa to the Levant to the Gulf, pragmatic governments and civil society leaders recognize the danger of a further-empowered Iran. Many look to the U.S. for assurance that this nightmare can be averted.

Unless we act boldly, these governments may feel compelled to accommodate Iran, pursue potentially destabilizing nuclear programs of their own or both.

The shadow cast by a nuclear-capable Iran which my colleague, Emanuele Ottolenghi, outlines in his just published book "Under a Mushroom Cloud" -- and there are copies on the table by our side -- clearly pales in comparison to the dangers of Iran actually launching a nuclear weapon or transferring a nuclear device to a terrorist proxy. A dirty bomb in the center of Chicago, London, Tel Aviv is horrifyingly in the realm of possibility.

If Iran's leaders wish to make good on their oft-repeated promise to wipe Israel off the map, we could not rely on deterrence to dissuade them, not in a country whose rulers have demonstrated their willingness to sacrifice millions of their citizens to achieve their vision.

What can be done to stop Iran's nuclear drive? First, our government should make it abundantly clear that we will not allow a nuclear Iran and that the U.N. Security Council demand that Iran verifiably suspend enrichment is not negotiable.

Second, we should offer Iran incentives, as E.U. and U.S. negotiators have previously tabled, for ending its nuclear enrichment and meeting its nonproliferation objections -- obligations.

Third, we should make it unbearably costly for Iran's regime to continue its defiance, even as we make it clear to Iran's people, against whom we hold no brief, that the choice lies with their regime. If our administration pursues engagement with Iran, simultaneously intensifying sanctions is critical.

Only tough sanctions with firm goal posts and deadlines will prevent Iran's rulers from seeing our overtures as a sign of weakness, motivate them to be forthcoming, and remove the cover of drawn-out negotiations while they complete their quest for nuclear arms.

Additional U.S. sanctions also are important to discourage large new investments and contracts that help sustain Iran's regime. This is where the Iran Sanctions Enabling Act will make a significant contribution.

Iran's strained economy is the regime's Achilles heel, as Congressman Sherman noted previously, and provides our most effective leverage, especially now with oil prices sharply depressed.

Billions of dollars of U.S. public employee pension funds and other public funds are invested in the foreign corporations that most heavily engage in Iran's oil sector. A movement of concerned citizens seeks to curb investment of public funds in these companies.

Divestment mandates already on the books in 10 states and multiple localities affect more than half-a-trillion dollars in assets -- a sum that is growing as grassroots concern spreads. H.R. 1327 will endorse and accelerate that trend, adding to the economic pressure on the regime.

The American Jewish Committee strongly supports this legislation and wishes to express our appreciation for the opportunity to testify before this subcommittee on this critical matter.

I would also be remiss that I did not thank my AJC colleague, Deborah Feuer, for her exceptional work on this issue.

And thank you, Mr. Chairman. I would ask that my full testimony be entered in the committee record.

MEEKS:

Without objection, and in fact the full testimony of both Senator Deutch and Mr. Parsi also will be without objection part of the record.

Last, but far not least, we have with us Mr. Orde Felix Kittrie, who is a professor of law at Arizona State University and a visiting scholar at the Johns Hopkins University School of Advanced International Studies.

Mr. Kittrie also serves as chair of the Non-Proliferation Arms Control Disarmament Committee of the American Branch of the International Law Association, and chair of the Non-Proliferation and Arms Control and Disarmament Committee of the American Society of International Law.

Professor Kittrie is a leading expert on legal issues related to nuclear nonproliferation. In April of 2008, Professor Kittrie was appointed to a National Academy of Science committee created by Congress to issue a report in time for the next administration, assessing and making recommendations to improve current U.S. government programs to prevent the proliferation of nuclear, chemical and biological weapons.

Also in 2008, Professor Kittrie testified before the United States Finance Committee hearing on S. 978, the Iran-Contra Counter- Proliferation Act. Prior to 2004, Professor Kittrie worked for 11 years at the United States Department of State. And for 3 years, he served as an attorney specializing in trade controls in which capacity he was the principal drafter of U.N. Security Council resolutions, U.S. executive orders and U.S. regulations imposing and implementing embargoes on terrorism and supporting other outlaw regimes.

Professor Kittrie is a proud Mexican American and is active in the Latino community and a speaker about crime and immigration issues. He has earned his undergraduate degree from Yale University and is a J.D. from the University of Michigan.

Welcome, professor.

KITTRIE:

Thank you, Chairman Meeks, distinguished members of the committee and subcommittee. I appreciate the opportunity to speak with you today.

If President Obama is to persuade Iran to negotiate away its illegal nuclear programs, he will first need more leverage than what the Bush administration has left him. The Iranian regime continues to insist there are no incentives, no incentives in exchange for which would halt or even meaningfully limit its nuclear program. So incentives are going to be a necessary part of any deal with Iran, but are apparently not sufficient to convince Iran to halt its nuclear program.

The IAEA, followed by Joint Chiefs Chairman Mullen, recently announced that Iran has sufficient nuclear fuel to enrich into a bomb. And Iran last month launched a satellite into orbit. We are at 5 minutes to midnight when it comes to stopping Iran from acquiring the capacity to launch a nuclear-armed missile. The time is now to change Iran's cost-benefit analysis.

During the campaign, then-Senator Obama stated that, and I quote, "Tough-minded diplomacy would include real leverage through stronger sanctions on Iran." With H.R. 1327, you can take a first step towards assisting President Obama's diplomacy by increasing U.S. leverage over Iran.

Congresswoman Waters described sanctions' powerful success against apartheid. The international community has learned in recent years that strong sanctions can also stop illicit nuclear weapons programs.

For example, strong sanctions induced Libya's government to both forsake terrorism and completely and verifiably relinquish its nuclear, chemical, and biological weapons programs. As a result, Libya

allowed a team of British and American government experts to enter Libya and completely dismantle Libya's WMD infrastructure by April, 2004. That's what I hope happens with Iran.

However, the sanctions imposed on Iran by the international community thus far are much weaker than the sanctions which stopped the Libyan nuclear weapons program. It's no surprise that sanctions have yet to have an impact on the Iranian regime and its nuclear program. In fact, the Iran sanctions are thus far weaker than the sanctions imposed by the Security Council on South Africa in response to apartheid, weaker than those imposed on Liberia and Cote D'Ivoire during their civil wars, and Sierra Leone in response to its May, 1997 military coup, on the Federal Republic of Yugoslavia during the Bosnian crisis, and Haiti in response to its 1991 military coup.

Others will tell you that sanctions on Iran have proven ineffective. In my opinion, strong sanctions on Iran have yet to be tried. That is unfortunate because Iran's heavy dependence on foreign trade leaves them potentially highly vulnerable to strong economic sanctions.

Well, why are the Security Council's sanctions on Iran so weak thus far? In considerable part because Russia and China have used their vetoes over Security Council sanctions to protect their lucrative trade with Iran.

Europe has played a more constructive role, but could do much better. Europe supplies one-third of Iran's imports, including a high proportion of Iran's sophisticated machinery needs and 40 percent of Iran's total gasoline. If Europe were to follow the U.S. lead and impose a nearly comprehensive embargo on Iran, it might quickly succeed in coercing Iran to cease its nuclear weapons program.

The E.U. exported about \$15 billion worth of goods to Iran in 2007. Although vital for Iran, this was less than 1 percent, less than 1 percent of the E.U.'s total worldwide trade.

However, despite this relatively cheap price, there's currently no sign that the E.U. plans to impose such vigorous additional sanctions against Iran. And there is unfortunately even less hope of the Security Council doing so, thanks to Russian and Chinese opposition.

But what can Congress do? Congress can increase U.S. leverage over Iran by putting these foreign countries and companies that keep the Iran economy afloat to a business choice -- putting them to a business choice -- the choice between doing business with Iran and doing business in the United States.

The U.S. Treasury has successfully put foreign banks to such a choice, convincing more than 80 banks, including most of the world's top financial institutions, to cease all or some of their business with Iran.

The result has been increased pressure on the Iranian regime. For example, in November, 2008 a group of 60 Iranian economists called for the regime to drastically change course. These 60 Iranian economists said in an open letter that President Mahmoud Ahmadinejad's tension-creating foreign policy has, quote, "Scared off foreign investment and inflicted heavy damage on the economy."

The economists said the current sanctions, as weak as they are, have cost Iran billions of dollars. Additional sanctions imposed by you here in Congress could contribute to reaching a tipping point in

which economic pressures and protests convince the Iranian regime its illicit nuclear program poses too great a risk to its grip over the Iranian people.

Then-Senator Obama made similar points in 2007 when he introduced a bill nearly identical to H.R. 1327. I, Orde Kittrie, have testified in favor of Iran pension divestment bills before the state legislators of Maryland, Virginia, and Ohio, as well as before the D.C. city council and have advised several other state legislatures that were considering such bills.

I've heard state legislators express concerns about the very preemption and fiduciary obligation issues so effectively addressed by your bill. I'm convinced that if it is enacted into law, more states will choose to divest their pensions from companies involved with Iran's energy sector.

Fourteen states have thus far enacted such divestment laws or policies. With H.R. 1327, I hope we can get much closer to 50. As Congressman Sherman suggests and as my written statement indicates, I urge that H.R. 1327 be amended to include as potential targets for divestment the handful the companies that supply refined petroleum to Iran.

Iran's heavy dependence on imported gasoline is a potential Achilles heel. Targeting those few foreign companies that supply refined petroleum to Iran could help convince them to stop.

In conclusion, in light of Iran's rapidly advancing nuclear program, a failure by the U.S. to quickly and dramatically improve its peaceful leverage over Iran will inevitably leave us with a terrible choice: allowing Iran to obtain a nuclear arsenal or taking military action to stop Iran's nuclear weapons program.

H.R. 1327 can contribute to increasing leverage over Iran and thus improving the prospects for successful diplomacy with Iran. The 110th Congress passed no Iran sanctions legislation. I urge this Congress to do better by quickly passing this bill and others that will increase U.S. leverage over Iran in additional important ways.

Thank you.

MEEKS:

I thank you. Just prior to taking the testimony, I note Mr. Ellison was here, and I'm going to give him first the opportunity for an opening statement if he would like?

ELLISON:

Mr. Chairman, thank you for your opportunity to allow me to make an opening statement. And in some ways the statement I was going to make has in some ways already been answered, because today, Mr. Chairman, my point is not to make a lot of statements about what my beliefs are, but actually to learn from the witnesses.

I think that one of the real questions as we proceed with this legislation is whether or not it's effective, does it really work, what are the metrics we would apply to determine whether it works? How do we know if this effort is working?

As has been pointed out already, we've been trying punitive economic sanctions for quite a while now. One of our witnesses has pointed out that what he believes is they haven't been tough enough. But at the same time, we've had almost no direct diplomacy over the past 30 years and it seems to me that if you just compare the passage of time, that we might try some real diplomacy, and because of the position that the Obama administration seems to be pointing us toward, we may well have an opportunity at that.

My next question is timing. Is this the right time? It's not as if there are no economic sanctions against Iran. Do we need more, and at this time will this signal be one that might thwart or undermine what progress we could make with direct negotiations without preconditions?

Let me say that there's no question that given the human rights issues that take place in Iran, which I'm extremely concerned about, which many of my constituents have brought to my attention, given Iran's support for militant organizations which has contributed to instability in the region, and given the extreme danger of introducing nuclear weapons into the Middle East, or at least more, because we know there already are some countries that have them, that this is dangerous to the region and the world.

But the question is not how much can we demonstrate our anger towards Iran for doing these things -- human rights issues, the nuclear weapons issues, supporting militant organizations -- not how well can we demonstrate our anger toward them, but how effectively can we change their behavior? And I think that needs to be how we operate and what we focus our attention on.

We're clearly angry with Iran and have been ever since the incident with the American victims of kidnap that were taken in 1979. And that issue has remained an issue for the United States ever since. But are we willing to let go of some of that in order to be, in order to have a wise, smart and effective policy?

So those are the questions that I hope get answered for me today.

Thank you, Mr. Chairman.

MEEKS:

Thank you, and we'll start questions I guess. I guess I'll start by asking Senator Deutch first, because this bill specifically deals with divestment from state and local municipalities.

And some question has been raised by observers that there may be difficulty in tracking company business in Iran. And some have argued that there may be tax penalties to state governments, and I was wondering if you could just answer giving us the experience of Florida about tracking, and who's doing business in Iran and how to get them to divest and, as well what, if any penalties have the state of Florida felt as a result of that divestment?

DEUTCH:

Sure, thank you Mr. Chair.

One of the greatest objections to our divestment legislation was that it would be extremely difficult, if not impossible, to determine what companies should be on the list. It would be extremely costly to sell the shares in those companies, and most importantly that there would be violation of the obligation of the fiduciary duty that the fund managers have.

In terms of identifying the companies, our pension board, the SBA, despite their opposition to the bill, have carried out their obligations since the bill passed better than we ever could have hoped. There is a quarterly reporting requirement that the SBA uses. They conduct research using outside research groups first. There are several independent research groups that they employ to do the screening of the companies, to investigate which company should be on the scrutinized company's list.

And then when they come back, when those recommendations are made, they then with their own internal investigators analyze SEC reports, industry analysis, government agencies, including the SEC's Office of Global Security Risk, the Office of Foreign Asset Control at Treasury, Congressional Research Service. There is extensive research that goes into determining which companies should be on the list. So they've figured out how to do it, that information is available to the public, which I think will help other states as we go forward.

And then just briefly in terms of cost, Mr. Chair, what we have learned is that there is a -- there are transactions on a daily basis, stocks, equities that are bought and sold every day, there is a budget to do that. There has been no dramatic impact on the cost of those transactions by fulfilling the mandate of the divestment legislation that we passed.

MEEKS:

Let me ask you a question. In my opening statement I clearly believe that there has to be sticks, and I also believe there has to be carrots. I'd like to get your viewpoint on, even though it's not the specific subject matter of this hearing, but given the fact that we, and I think that we need these sticks, what carrots do you think can be also offered for this?

KITTRIE:

That's a very good question. With respect to carrots, my sense is that there are a number of carrots already on the table. These were the offers made by the European Union with American concurrence to the Iranians. These carrots included increased trade, included assisting the Iranians with light water reactors.

I think we also need to provide the Iranians security assurances as part of a kind of grand bargain with them in which they would halt their nuclear program and also their support for terrorism. But as I

mentioned, there is, I don't get the sense that the carrots currently on the table or in fact any carrots are sufficient to get the Iranians to halt their nuclear program and their support for terrorism.

Thus, we need increased leverage. And indeed Senator Obama in his statements last year supporting a very similar bill seemed to talk in those terms. He said, "I've called for direct engagement with Iran over its efforts to acquire nuclear weapons, but direct dialogue should be part of a comprehensive diplomatic strategy to head off this unacceptable threat. So should the legislation Senator Brownback and I are introducing today," H

He said, Obama said, "Sustained and aggressive diplomacy combined with tough sanctions should be our primary means to deal with Iran. It's incumbent upon us to find and implement ways to pressure Iran short of war, ways that demonstrate our deep concern about Iran's behavior, ways that will help us to exert leadership on this issue. This bill is one of those ways."

And I've seen nothing -- I thought Senator Obama was right when he said that a couple of year ago, and I've seen nothing in the ensuing 2 years to change my sense that what's necessary is both diplomacy, talks and increased leverage.

Thank you.

MEEKS:

I see my time has expired on this, and I'm going to try to be closer to the time so that we can go around more, if we can, and then ask and engage in more questions.

So I now yield to Mr. Paulsen, sir.

PAULSEN:

Thank you, Mr. Chair.

You know beyond the two options of stalled diplomacy and military action such as a blockade, there is a consensus growing on a third option, you know, to tighten sanctions. However, the Iranian regime is likely to absorb such sanctions if the United States does not simultaneously reach out to the Iranian people themselves.

You know, Professor Kittrie and Mr. Isaacson in particular, you know, what impediments exist right now to the United States government reaching out to the Iranian opposition groups such as the National Council of Resistance of Iran and the MEK? First, if you could comment on that?

KITTRIE:

In terms of opposition groups in Iran, I'm not an expert by any means on Iran opposition groups. I know that some such as the MEK have been tied to acts of terrorism. It seems to me we need to be very careful in reaching out to Iranian opposition groups, to reach out to groups that are constructive players and can be constructive players.

The Iranian people, we know from polls, that the Iranian people don't support the current regime in Iran. They wish for something more moderate. We ought to be reaching out as best we can to opposition figures that are more moderate, as opposed to the MEK who may be in some ways just as radical.

PAULSEN:

And Mr. Isaacson, maybe before you comment, I understand the United Kingdom and the E.U. have both removed these organizations from their terrorist lists right now. And, you know, why does the United States continue to list them? It's the situation where Europe's going down the road and not having tough sanctions and they're kind of being more lenient with these groups as well. Maybe you can kind of...

ISAACSON:

Like Professor Kittrie, I have some recollection of past reports on these groups, the MEK in particular. I believe that we have to find ways certainly to reach out to the Iranian people.

There are particular opposition groups that I think the United States has been able to engage in the past and should continue to engage, but I'd be very careful as we move forward in looking at the records, at the principles of some of the groups that we do engage.

But it is essential that people-to-people exchanges be encouraged in ways that can advance the policy that you have been advocating, Congressman. We have to find ways to demonstrate that it's not the Iranian people that we have a grudge against. It is the actions of the Iranian regime which threaten the region and threaten the world.

PAULSEN:

And the president has stated that the U.S. policy toward Iran will be based on tough principled diplomacy, including engagement, and the administration is currently in the midst of a policy review and then it's going to decide how and when to engage you know. But the president has already stated that U.S. policy will be clear, that Iran should not be allowed to acquire a nuclear weapon, have that capability.

Again Professor Kittrie, Mr. Isaacson, you know, if you could design the administration's policy of engagement, how would you do it -- just kind of keeping in mind, you know, the ultimate goal is to deny Iran the capability of getting these weapons capability? And in a short period of time, obviously -- you mentioned we are 5 minutes to midnight.

ISAACSON:

If I can continue, Congressman. As was said by an earlier witness, there are some common interests that the United States and Iran clearly have that have to do with some regional security questions. There is an opportunity for certain kinds of engagement, but it has to be extremely clear-eyed and it has to have certain deadlines and certain goal posts, as I said in my testimony.

You know, for several years, the European Union had these endless discussions with the Iranian regime. The stockpile of carrots was very high, the stockpile of sticks was very small, and the result of this was endless frustrating discussions that led nowhere.

I'm very concerned that if we engage without making sure that we are maintaining tough sanctions, that we are keeping the Iranians focused on the downside of continuing on the path that we're on, we're going to go nowhere. And also we don't have time to kill. This is a matter of weeks or months. It's not a matter of years.

The Europeans earnestly tried to resolve this problem of the Iranian nuclear program. They tried for years and it really got nowhere, regrettably. The U.S. was a side party to that; it wasn't directly involved in those negotiations. But as we pursue the negotiating option, the diplomatic option, which does have merit, does have potential, we have to be very careful that we not take our foot off the sanctions pedal as well.

PAULSEN:

And Professor Kittrie, I mean how do we prevent the Iranians from simply dragging out negotiations if we have weeks and months?

KITTRIE:

Yes, I think we have to learn very carefully the lessons of the European engagement with Iran. If you look at the record of that engagement, it went on for years and the Iranians mostly continued to move their nuclear program forward during that time.

There are some quotes from Iranian leaders afterwards, including some quotes that I have in a scholarly article I wrote about this issue, in which the Iranian negotiators crowed, bragged about the fact that they moved their nuclear program forward while talk, talk, talking with the Europeans.

We don't want that to happen to us, especially because at the current pace, 90 days of negotiations may be enough for the Iranians to enrich close to another full bomb's worth of low-enriched uranium. So it seems to me we need to set very clear deadlines and we need to put on the table carrots, including I think very generous carrots, as I mentioned, even more generous carrots than those that were put on the table by the Europeans, carrots that only the U.S. can bring to the table, including security assurances and the like.

But at the same time, we have to make very, very clear what is coming down the pike in terms of sanctions, tough sanctions, and we need to get as best we can. And I think the Obama administration seems to be doing a good job of this. We need to get the Russians and hopefully the Chinese on board because the only way to get the U.N. Security Council sanctions is to get them on board. So in some senses we may need a grand bargain with the Russians before we can effectively get the Iranians to agree to a grand bargain.

MEEKS:

Ms. Waters?

WATERS:

Thank you very much, Mr. Chairman.

Let me just first say to Mr. Parsi that I am extremely sympathetic to the Iranian people on the ground, the innocent civilians and citizens who are at the mercy of the leadership of the Iranians in charge and United States government.

So, and we had to confront that very, very issue when we imposed sanctions against the apartheid regime in South Africa, and it was very hard to do that because the military and the police structure, regime, they put pressure in so many ways. People lost their lives on and on and on.

But we persisted and, of course, you know the end of that story. We were able to bring down the unconscionable apartheid in South Africa, so I'm not dismissing that at all.

But let me get a little bit discussion from you about your statement, "It is not the threat or imposition of new sanctions that is likely to achieve the desired changes in Iranian behavior, but the promise of lifting existing ones."

Without trying to envision a total negotiation, give me some example of what you mean. How would that kind of discussion go? What existing sanctions could be lifted that would cause the Iranian government to take some significant action against its continued development of nuclear capability? What? Give me some idea of what you're thinking.

PARSI:

Thank you so much, Congresswoman. And I very much appreciate your comments about the effects of the sanctions on the Iranian people.

The case of South Africa is obviously a very interesting one. Let me just quickly address that. You had a situation, as you correctly pointed out, the opposition inside the country favored the sanctions.

They wanted the sanctions to be imposed because of the apartheid regime. You have an opposite situation in the country right now.

Polls have consistently shown that the Iranian people are opposed to the sanctions because they feel that they are being radically affected by them. Obviously, South Africa did not have any oil, and there was a consensus in the international community about targeting South Africa with sanctions. And that was very much important in making sure that that was a successful case of a sanctions regime.

Unfortunately, those factors do not really exist in the Iranian case. One more added factor there. In order for a threat or a promise to be effective, the other side has to feel confident that if they cease to do an activity that is objectionable from our end, then we would cease to do the punishment.

I think after about 15 or 20 years now there have been sanctions in which various efforts of outreach have taken place by both sides. There is, unfortunately, very little confidence that any change in the Iranian behavior actually would lead to a change in the sanctions.

This has been cemented by some of the outreaches that occurred during the Bush administration. For instance, a 2003 proposal that goes directly to your question, in which the Iranians put on the table a negotiation offer that included a wide variety of different issues.

What they asked for in return, I think, was very interesting. It was a lifting of existing sanctions. I think there is a lot of things that can be achieved precisely because of the way that existing sanctions have hurt the Iranian economy.

If there is a negotiation in which we are willing to say, "We want to see a cease to the support for militant organization; we want to see a completely different Iranian behavior in Iraq and Afghanistan, a constructive behavior. And in return, what we are offering, instead of what we are threatening, is the lifting of existing sanctions."

Precisely because of the different weight that existing sanctions have versus the imposition of new sanctions while we, at this point, have essentially no trade with that country.

WATERS:

I'd like to, if I may, Mr. Chairman, ask Mr. Ike Isaacson how -- do you think that that is a way to proceed? That there is a possibility of the lifting of sanctions could result in the kind of positive behavior that we're looking for from Iran to cease and desist any number of things, whether it is involvement in Iraq, or whether it is continuing on the path toward development of nuclear capability? Do you think that this kind of lifting of sanctions could extract those kinds of actions from the Iranian government?

ISAACSON:

Congresswoman, not without something in return. I think as the end goal of the negotiation, the lifting of U.S. sanctions should the Iranians comply with their international obligations. That would obviously

be something that we would be in a position to offer, and it would be I think worth a great deal to the Iranians.

I'd also like to just respectfully disagree with a comment that Mr. Parsi said, if I may do that, Congresswoman, on this very issue. I think that what we can do with the kind of legislation that is before you today is to expand the scope of the pressure that has been put on the Iranian regime. It's not just a unilateral effort by the United States.

By imposing this economic pressure from foreign companies that are doing business with Iran, I think that what you have the chance of doing is giving greater leverage to what the United States is already trying to do.

People have said that unilateral sanctions don't work, that the history of sanctions over the years has not had the desired effect. I think before we take all of those sticks off of our table, let us try something different. Let us try something more comprehensive. Let's make sure that the rest of the international community, the rest of the business community, is brought into this game as well.

I really do not believe, and I don't believe anyone does, that the Iranians are just going to give up their quest for nuclear weapons without extreme pressure. I think that the kind of legislation you have before you will add to the pressure that is already existing. And then if the Iranians demonstrate that they are willing to take the steps that are necessary, not just in the nuclear program, but on support for terrorism, on human rights issues, other concerns of yours and of the international community, then certainly those sanctions will be backed off. That is obviously going to be part of the bargain.

WATERS:

Thank you.

MEEKS:

We've been joined by a freshman member, a new member of the committee, Mr. Steve Driehaus from Ohio.

DRIEHAUS:

Thank you very much, Mr. Chairman, and thank you for calling this hearing.

I support H.R. 1327, and Dr. Kittrick, I was a member of the Ohio legislature when you came to testify, and I supported that legislation at the time.

As has been mentioned, I think the South Africa example is a prescient example. I was a student at Miami University at the time and helped form a group that tried to get Miami University to divest its interests in South Africa. And it was through those hundreds of efforts such as that across the country

that I think we brought enormous pressure upon the government of South Africa to bring an end to the regime, the apartheid regime, that was so onerous to the people.

But Mr. Parsi, I do respect the concerns that you raise concerning the people of Iran. And I think it's a point that we have to take very, very seriously.

But you mentioned in your testimony a couple of things. First, that you believe that lifting some of the sanctions would be beneficial. I would simply suggest to you that that carrot doesn't exist unless you impose the sanctions in the first place. And so without the stick already in place, it's impossible to get to the carrot.

But you also made another point which I think is very interesting, and when you were talking about South Africa, you mentioned the consensus that the international community had when it came to sanctions against the apartheid regime.

Dr. Kittrie, you talked a bit, quite a bit, about our European partners. And while I don't hold much hope that China and Russia will be joining us anytime soon in calling for sanctions against Iran, I do believe there is greater hope amongst our European allies. And when we talk about one-third of Iranian imports coming from our European allies, it seems to me that there is a possibility that we could reach the type of consensus, Mr. Parsi, that you spoke of.

So I guess, Mr. Kittrie, what I'm asking, Dr. Kittrie, is can you give me specific steps that you might suggest in terms of working with our European partners to achieve this type of international consensus? Because my fear is that despite the multitude of efforts that might exist in the United States, it's not enough, because it's not enough of the pie that we are affecting when it comes to Iran.

KITTRIE:

All right. Your question, Congressman, is a very good one. And it seems to me that we have a track record of success from which we can learn lessons with respect to the Europeans, and that track record of success is Undersecretary Stuart Levey's efforts at the Treasury Department.

I think it's a very important signal that, as I understand it, the Obama folks have carried him over, taking the relatively rare step of taking what was a Bush political appointee and now he's going to be Obama's undersecretary for terrorist finance.

And what he's done is he has gone directly to the companies and he's managed to convince 80 banks, including many of the largest banks in Europe, to stop doing business with Iran. And what he's discovered is that sometimes it's easier to put the companies to a business choice and then get the governments to come around, than it is to go to the governments alone.

And so one of the nice things about H.R. 1327 is that it puts these companies to a business choice. It says to them, "You companies, if you continue to invest in Iran's energy sector and do some of these other things, you will lose investors from these various states."

So I think in some senses, we are with this legislation, taking the lessons learned from Undersecretary Levey's very successful efforts which depend in part on special leverage the Treasury has, and we're giving to the states the same kind of leverage so they can replicate that approach of going directly to the companies.

DRIEHAUS:

Could you further extend that example, Dr. Kittrie, by suggesting not that we only work through Treasury and the banks, but also through United States contracts? And you know we spend an awful lot of money with foreign contractors. We have an awful lot of friends in Europe that use U.S. tax dollars when it comes to a multitude of contracts. Could you not extend that same logic to U.S. contracts and allow our partners to engage in that business decision? If they want to accept U.S. tax dollars, then they have to go down this road.

KITTRIE:

Your suggestion is an excellent one. In fact, I'll give you a very specific example of how it is playing out currently. As I mentioned, Iran imports 40 percent of its gasoline. It doesn't have sufficient refinery capacity. It imports 40 percent of its gasoline.

The leading supplier of gasoline to Iran is a Swiss company called Vitol. On January 16th, the last 4 days of the Bush administration, the Department of Energy entered into a contract to buy tens of millions of dollars of gasoline from Vitol. The Bush administration could have put Vitol to a choice, "We'll buy from you, if you stop selling to Iran." But the Bush administration didn't do that.

About 10 days ago, several of your colleagues, Congressman Berman, Congressman Sherman, various others, about eight of them got together and wrote a letter to the Department of Energy saying, "Look, can you put a hold on this contract? Can you put Vitol to a choice between selling to the Department of Energy and selling to Iran?"

And this was a particularly powerful message with respect to Vitol because Vitol in fact in November, 2007 was convicted of grand larceny in New York state court in connection with the Oil for Food Program in the Iraq sanctions, so there's an argument that Vitol anyway should have been debarred. But that's exactly the sort of choice that Congress and the Obama administration could be putting these companies to, and potentially having a very large impact.

DRIEHAUS:

Thank you, Mr. Chairman.

MEEKS:

Mr. Ellison?

ELLISON:

I want to thank all of the panelists. It's been a very illuminating panel today.

Mr. Isaacson, I just have a question for you first. I'm curious to know, you know, what metrics do you propose we might apply to determine the effectiveness of the divestment measures here? How do we know they're working, and how can we sort of assess our progress?

ISAACSON:

Well, of course, we'll be on an accelerated timetable I'm afraid, because we don't have a whole lot of time. I think we all know when the negotiators that the Obama administration is planning to use to engage Iran find results in these discussions.

ELLISON:

Thank you.

I understand Dennis Ross has been appointed to the Iran desk. Have you checked in with him about -- I mean recently, I know that he has made statements over time -- but I mean right now, what is his assessment of this bill in this moment, now that he's gotten this new assignment? Have you had an opportunity to...

ISAACSON:

I'm afraid I can't tell you that, Congressman. I certainly haven't spoke about this...

(CROSSTALK)

ELLISON:

Sure. That's fair, and I agree. I just took a stab wondering whether we did that.

Let me ask you this question, Dr. Parsi. Do you have any idea as to what metrics we might apply to determine whether this divestment action and maybe even our previous sanctions are working, are having a desired effect?

Because I know there's a lot of criticism that national intelligence has to make, that was in December of 2007, I think. But one of the things that it said that I think needs some attention is that the Iranian

government is not immune from manipulation, from having it, from changing its position. Can you dismiss sanctions as part of what that assessment might have been referring to? Or what are your views about this?

PARSI:

I think sanctions, obviously in any comprehensive approach, plays a significant role. The question is, do you put it at the center, as we have for the last 15 years, particularly during the last eight years? Or is it one of the instruments that are being used?

I think we have a lot of focus on sanctions. I hear -- in regards to the question of metrics -- we've heard a lot of people saying it's been a success. Well, the ultimate metric of success is to see, well, has Iran's nuclear program stopped from advancing? Let's just remind ourselves in 2003, when it first was revealed, or end of 2002, the Iranians operated probably less than 50 centrifuges. After several years of sanctions, intensified sanctions, more economic pressure, they are now above 4,000. Let's use that as one of the metrics of seeing how it's not gone forward.

And I wanted to say, if I could, part of the reason why the Bush administration in my view was not very successful in dealing with Iran, was because we had an approach in which we were not building consensus with our allies. We were pressuring our allies. If we are sanctioning and targeting companies of our allies, that is not an effort to build consensus. That is an effort to further pressure them and we've seen the results of that in the last eight years.

ELLISON (?):

Dr. Parsi, you've been to Iran. You were born there. You are an American citizen and all, but you have a lot of familiarity with Iran. And this is a difficult question to ask you, and I allow that, but could you tell us anything about the psychology, the collective psychology of the Iranian regime, which might make it less subjected to what it views as coercive force? I mean could you speak to that issue?

How do they view this? Do they view this as, "Oh, they're getting on us now so we better do it"? Or do they say, "No, we're going to resist because..." I mean, how do you view their reaction to something like this?

PARSI:

First, let me say, I'm on way of becoming a citizen. And secondly, understanding the Iranian government is a very, very tricky thing.

ELLISON (?):

Yes.

PARSI:

They have a policy that they call "Simulated Irrationality." They want the outside world not to be able to figure them out. In fact, they want them to think that they're irrational. They think it buys them security. I think it's a disastrous policy for them to pursue.

(UNKNOWN)

(inaudible)

PARSI:

Yes, it certainly is.

But there's a couple of things I think we can say. For instance, after the offer of changing the policy as it was made in 2003 and the Bush Administration did not even respond, what happened was that the elements within the government who were arguing that the United States actually is not interested in changing Iranian behavior, they're just interested in defeating and weakening Iran, they're the one who were strengthened, because it was an offer to change the behavior and it wasn't even responded to.

And I think we see a mirror image. They're having a similar debate right now. How do they put more pressure on the United States?

MEEKS (?):

I just want to make a final comment.

You know this debate, I've been following. I've tried to pay attention to it and I get a certain sense of concern when I hear experts and leaders in our country say, "They're immune from any incentives." And then of course we hear their people in their government who say we are immune from anything.

It seems like we're setting up a situation where maybe we won't get to even talk about talking.

(UNKNOWN)

Mr. Chairman, if it's appropriate, I'd like to respond to the question as well.

PARSI:

Only if I get to respond, too, Mr. Chairman.

(UNKNOWN)

Thank you, Congressman.

MEEKS:

I'm just going to make sure we're out of here by 12 o'clock.

(UNKNOWN)

Thank you.

I wanted to respond to the question of how do we tell whether this is a success. And I would first of all, refer you to the news just yesterday that executives of Total announced that they were going to -- they have chosen not to move forward with a proposed contract for oil fields in Iran.

That is success. They cited the sanctions movement in the United States in making that decision. It is -- that is the kind of success that is -- that we're capable of achieving here with respect to these companies. But one broader point, and that is I don't believe we can measure success only by looking at the results in Iran.

This is not the government's money we're speaking of. This is the money of our citizens that's being invested. It will be a success, I would respectfully suggest, if our citizens have the ability to make the determination for themselves through their elected officials at every local and state government, to make the decision that they don't want their money invested in companies that are making it easier for Iran to develop nuclear weapons. If they have that voice, if we give them that voice, which this legislation will do, that I would suggest would be a great success.

KITTRIE:

Thanks.

I just wanted to say in terms of metrics for success, which is a very good question, that the U.N. Security Council has provided us with metrics for success. The U.N. Security Council in three Security Council resolutions, including Resolution 1737 in December, 2006, has issued an order to Iran, binding under international law, that Iran shall without further delay suspend various proliferation-sensitive nuclear activities, including all enrichment-related and reprocessing activities and work on all heavy-water projects.

Rather than comply with this legally binding Security Council mandate, Iran has openly and admittedly accelerated its enrichment activities, as reported by the International Atomic Energy Agency. And if Iran wants the sanctions to come off, all it needs to do is comply with international law, comply

with the U.N. Security Council resolution ordering it to stop enrichment reprocessing and heavy-water work and comply with U.N. Security Council Resolution 1373 which bans support for terrorism.

If Iran wants the sanctions to stop, that's all it needs to do. The recipe is clear and the metrics are clear. Thank you.

ELLISON (?):

Well, I just want to say that I appreciate everything the panel said. I understand that, you know, probably, you know, the three of you gentlemen probably see this issue similarly, but I do hope that you'd spend time after the hearing talking with Dr. Parsi, because I think that there is a lot to be learned from everyone at this table.

And I think, my gut tells me that the real proof is in the pudding is in the tasting. That is, to begin to impact Iranian behavior around these issues, and we can't get married to tools. We have to be focused on a goal. The goal is not, in my view, senator, to, you know, take negative action on a particular company. It's to stop Iranian weaponization.

The goal is not to -- the metric can't be -- it is the standard that the U.N. has set that Professor Kittrie speaks of, but the ultimate measure of a successful program is whether it achieves its end goal, which is to cease that enrichment.

So with that I'd just thank you, Mr. Chairman, and all the members of the panel. Thank you very much.

MEEKS:

We've been joined by Congresswoman Gwen Moore from Wisconsin, and I don't know if you have any questions, but if you have, please feel free at this time.

MOORE:

Well, Mr. Chairman, I'm very grateful to be here -- sorry to disrupt the meeting. I'm very grateful to have been here. I had another subcommittee meeting on Capital Markets, very interesting the mark-to-market, so I'm very grateful that you're still assembled, and I'll reserve my questions for the next panel.

MEEKS:

This is it.

MOORE:

Oh.

MEEKS:

If you have any questions, we've got to be out of here in the next 10 minutes.

MOORE:

Oh, okay.

MEEKS:

This is your one and only shot.

(LAUGHTER)

MOORE:

Well, I just appreciate all of your coming here. I think that the -- it's very important I think to disaggregate sanctions, you know, against a regime that continues to enrich uranium without the sanction of the International Energy Commission.

But I do think that it's important for us to develop other means of dealing with this other than sanctioning them, because I understand that there's a great deal of misery among the Iranian people. And so I welcome, Mr. Chairman, the opportunity to come up with more innovative and creative ways and diplomatic ways of, as Mr. Ellison said, to de-weaponize the Iranian regime, other than imposing real hardship on the Iranian people.

Thank you.

MEEKS (?):

Let me please ask, as we wrap up. I was just looking and reading an article talking about, you know, that and I think it's the general sense of most American citizens also that war is not the answer. And for me, that's one reason why, you know, I've looked at the sanctions bill essentially because war is not the answer.

But the bill does have a great need of dialogue and of conversation. And I know that during the campaign season, there was questions of whether or not you dialogue with Iran without pre- conditions or with pre-conditions, et cetera, especially dealing with the incentives that are necessary.

I was wondering if I could just hear from each of you in regards to should there be dialogue with Iran and should there be dialogue with or without pre-conditions.

KITTRIE:

Sure. I agree completely with what Senator Obama had to say a couple of years ago in introducing a bill very similar to this one. He said, "While we should take no option, including military action, off the table, sustained and aggressive diplomacy, combined with tough sanctions should be our primary means to deal with Iran."

He said, and I agree, "It's incumbent upon us to find and implement ways to pressure Iran short of war, ways that demonstrate our deep concern about Iran's behavior. This bill is one of those ways," he said. And I believe that this bill, H.R. 1327, is very similar to the bill he introduced, is one of those ways.

And I do believe -- I spent many years at the U.S. State Department negotiating nuclear agreements between the U.S. and Russia. I don't love the Russians, but you've got to talk with your adversaries, and you've got to see if you can come up with a deal. And if you're creative, you often can come up with a deal.

I think the Russians had certain incentives then that perhaps, as I mentioned, the Iranians don't share, and as I mentioned I think we're going to need to, as Senator Obama called for, increase the pressure on Iran, while also talking to them and trying to be creative in terms of incentives to come up with a package deal.

I just want to mention, I've heard now several times a concern that H.R. 1327 might harm humanitarian interests. I'm very sympathetic to the need to not want to hurt the innocent, but neither current U.N. nor current U.S. sanctions deprive Iran of either food or medicine, neither will this bill, H.R. 1327, deprive Iran of either food or medicine.

If the people of Iran are not as prosperous today as they'd like to be, it's because the Iranian regime has mismanaged the Iranian economy and chosen to isolate itself from the international community by persisting in its nuclear program, in explicit defiance of three legally binding U.N. Security Council resolutions.

Seems to me that whatever inconvenience the Iranian people might incur from a tightening of sanctions is attributable to this. H.R. 1327 would pale in comparison to the humanitarian costs to the United States and its allies of an Iranian nuclear arsenal, including the greatly increased risk of stepped-up terrorism under an Iranian nuclear umbrella, a likely cascade of nuclear proliferation in the Middle East, and the greatly increased risk of a nuclear 9/11, which would cost more than half-a-million American lives per detonated nuclear weapon. Thank you.

MEEKS:

Mr. Isaacson?

ISAACSON:

Thank you, Mr. Chairman.

I think you're facing a couple of choices with Iran. As panelists here have said and as you yourself have said, Mr. Chairman, the danger that is posed by a nuclear-capable Iran is so ominous and is so foreseeable that we have to try a path away from that.

And if we are to avoid having to go to war to prevent Iran from having a nuclear device, we need to try everything. We need to try the toughest possible sanctions. We need to try diplomatic engagement without releasing the constraints that are put on Iran, the pressure that is put on Iran from those sanctions that we have already applied and from further sanctions.

Engagement can work. It has worked in instances in the past. Diplomacy must be tried, but it must be tried with clear goals and clear deadlines. I think the kind of sanctions legislation that is being discussed today will add to the arsenal that the United States has and really must be pursued.

PARSI:

As to your first question, negotiations without pre-conditions, I would say absolutely precisely because of the time factor. While we insisted on pre-conditions for 5 years, the Iranians went ahead with their nuclear program, because there was no opportunity to negotiate because we insisted on a pre-condition that even senior State Department officials said were self-defeating, including President Obama.

I would argue that precisely because of the danger of seeing nuclear proliferation in the region, which I believe would be the case if the Iranians were to weaponize and it would spread, precisely because of that danger, precisely because of the lack of time we have to really get serious about matters. And if sanctions and a strategy based solely on coercion had been successful in the last 15 years, we would not be sitting here today talking about it being 5 minutes to twelve.

If we are in this situation of "5 minutes to twelve," we have to try something new, something that we didn't dare to try before, something that has been successful elsewhere, but we have not yet given it a full chance with Iran.

I think actually my biggest fear is that if we continue on this path of only course of diplomacy, then we will eventually see a nuclear-armed Iran and I think that would be disastrous. That's the path we've gone so far.

DEUTCH:

Thank you, Mr. Chairman

Mr. Chairman, the Florida legislator does not engage in foreign policy, nor do any of our fellow legislatures around the country. We follow the foreign policy of the United States.

American foreign policy and the congressional legislation in support of it, dictates that American companies cannot make investments in the Iranian energy sector at this level or they will be subject to sanctions.

Currently, the only way to effectively convince our foreign companies to make the same decision to leave Iran, and when they leave take with them the financial resources that the Iranians require to develop nuclear weapons, the only way to do that is to help them understand that we, through our pension funds, do not support the positions and the investments that they are making.

What we do is entirely consistent with American foreign policy. I believe we should do everything we can, and in legislatures and county commissions and city councils this is the option that we have.

I beseech of you and this committee and the members of Congress that while time is running out, it is running even faster for state legislatures throughout the country. This legislation will make it possible for all of those legislatures to move forward.

I believe that we must do everything we can. I don't want to look back at a time when the Iranians have nuclear weapons to wish that we could have done more. Mr. Chairman, there is one moment in world history to prevent the Iranians from having nuclear weapons and this is it.

I ask that you move this good bill forward so that we at the local level can do everything we can to support you and American foreign policy.

MEEKS:

Ms. Moore's got her footing now and she wants one question and this will be the final, final question.

MOORE:

Thank you so much, Mr. Chairman, and forgive me if this has already been addressed in the hearing. It literally is 5 minutes to twelve, Mr. Parsi.

(LAUGHTER)

MOORE:

I guess I really am sincerely asking a question I don't know the answer to. And that is, I know that sanctions worked very well eventually with South Africa ending apartheid.

What compelling evidence in terms of the development in Iran can you give us that these kinds of sanctions will in fact work to pressure the Iranian government to end its nuclear ambitions? I mean sanctions haven't worked so far, but so what can you tell us?

DEUTCH:

Thank you, Congresswoman.

Yesterday Total, who is one of the largest players in the Iranian energy sector, announced that they're not going to move forward with the proposed contract in the fields of Iran. That is exactly the kind of success that we will be able to have if this bill passes and states and local governments are able to divest. When the companies that we have divested from in Florida understand that it is not in their interest to continue to make major investments in the Iranian oil and natural gas sector -- and that's all that we're focused on, no consumer products. When they realize it is in their best interest and they start to pull out as we saw just yesterday, the result will be that there will be a rapid decline in the amount of investment in those oil fields.

When the -- with that reduction it will become exceedingly more difficult for the Iranian government to continue to move forward with its plans to build this energy sector, and without that foreign investment it cannot go forward. This is but one piece of the puzzle, and I think we're all in agreement on that. But there have been successes -- those successes will multiply if this good legislation is passed.

ISAACSON:

Thank you.

I very much enjoyed listening to the senator from Florida, but if it's not (inaudible), we may have a slight disagreement. I think the senator is absolutely right and I mentioned it earlier on, there are plenty of companies that have, as a result of many different factors including sanctions from the United States, pulled out of Iran. That is definitely true. I wouldn't call that a success. I would call that a tactical victory.

Success happens when you actually achieve the objectives of the sanctions policy, when you have a reversal of the nuclear program in Iran, when you have an end to Iranian meddling throughout the region or support for militant organizations. We have not yet seen any indication that sanctions will actually bring that about.

If the aim solely is to hurt Iran's economy, then yes, success is there. But if the aim is to change the behavior and particularly on this most pressing issue of a nuclear program, then I fear that sanctions will actually, additional sanctions, will actually be an obstacle, because it will make it more difficult for the president to pursue diplomacy with the Iranians.

MEEKS:

The chair notes that some members may have additional questions for this panel which they may wish to submit in writing. And without objection the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

Let me thank the witnesses for being here, and as one who does believe in dialogue and thinking that will help resolve, let me end with two quotes from Yitzhak Rabin: One, "Peace is not made with our friends; peace is made with our enemies"; and two, "The path is indeed long, and our work is not nearly done."

Thank you for being here.

The hearing adjourned.

CQ Transcriptions, March 12, 2009

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## List of Panel Members and Witnesses

### PANEL MEMBERS:

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JASON ISAACSON, DIRECTOR, OFFICE OF GOVERNMENT AND INTERNATIONAL AFFAIRS,  
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