

Written Statement

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Regarding

H.R. 1327, the Iran Sanctions Enabling Act of 2009

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Chairman Meeks, Ranking Member Miller, and distinguished members of the Subcommittee, thank you for the opportunity to speak with you about H.R. 1327, the Iran Sanctions Enabling Act of 2009. In this testimony I will discuss the following: the grave threat posed to the United States by Iran's nuclear program, the current status of Iran's nuclear program, two examples of how strong sanctions have previously stopped illicit nuclear weapons programs, Iran's vulnerability to sanctions and the current status of those sanctions, and how H.R. 1327 can contribute to increasing the prospects for preventing Iran from acquiring nuclear weapons.

I. The Grave Threat Posed to the United States by Iran's Nuclear Program

Iran's nuclear program is a grave security concern. It is also a grave economic concern. Armed only with boxcutters, the nineteen al Qaeda hijackers on September 11, 2001 killed almost 3,000 people and caused tens of billions of dollars in damage to New York City, the Pentagon, and the global economy.¹ This toll would be dwarfed by a "nuclear 9/11." Detonation of a single small, crude nuclear weapon in a city such as New York or Washington, DC could kill more than 500,000 people and cause over one trillion dollars in damage.² Such a "nuclear 9/11" attack on America within the next decade is "more likely than not" according to nuclear nonproliferation experts including Graham

¹ See, e.g., Charles Meade & Roger C. Molander, Rand Ctr. for Terrorism Risk Mgmt. Policy, CONSIDERING THE EFFECTS OF A CATASTROPHIC TERRORIST ATTACK xvi,6 (2006).

² See, e.g., Matthew Bunn, Anthony Wier & John P. Holdren, Nuclear Threat Initiative, CONTROLLING NUCLEAR WARHEADS AND MATERIALS: A REPORT CARD AND ACTION PLAN 15–16, 18 (2003).

Allison³ and Robert Gallucci.⁴ The odds of such a devastating “nuclear 9/11” attack on Tel Aviv may be as high or higher.

Where would such a bomb most likely come from? Iran. The Iranian regime’s apocalyptic messianism and exaltation of martyrdom may make it impossible to deter Iran’s leadership from using, or enabling its terrorist proxies to use, nuclear weapons to achieve its avowed aims of destroying the United States and Israel.⁵ While mutual deterrence kept the United States and the Soviet Union from attacking each other during the Cold War, significant elements of Iran’s leadership may be undeterrable.⁶ Even if Iran’s leadership turns out to be deterrable, there would be a considerable risk of rogue elements within Iran taking it upon themselves to transfer nuclear arms to Iran’s terrorist allies. As we saw with Pakistan’s A.Q. Khan, who proliferated under the comparatively secular and responsible Musharraf government, one key rogue figure can be sufficient to share an insecure country’s nuclear technology with others. And with A.Q. Khan now freed from even the very minimal punishment of house arrest which he had received, the message to Iranians who may wish to copy him is that even if they are caught the punishment is likely to be minimal.

Another hazard of relying on deterrence to protect the United States from an Iranian nuclear arsenal is the possibility of miscalculation, which was reflected in several close calls with the Soviet Union/Russia, both during the Cuban Missile Crisis and since then. For example, in 1995 the launch of a Norwegian weather rocket prompted fears in Russia that a surprise attack by the United States was underway, leaving Yeltsin and his top aides to ponder a possible retaliatory strike.⁷ Fortunately, relations between the

³ Graham Allison, *NUCLEAR TERRORISM: THE ULTIMATE PREVENTABLE CATASTROPHE* 15 (2004). Allison is former dean of Harvard’s Kennedy School of Government and served as Assistant Secretary of Defense for Policy and Plans during the Clinton Administration.

⁴ Robert L. Gallucci, *Averting Nuclear Catastrophe: Contemplating Extreme Responses to U.S. Vulnerability*, *ANNALS AM. ACAD. POL. & SOC. SCI.*, Sept. 2006, at 51, 52. Gallucci is current dean of Georgetown University’s School of Foreign Service and served as Assistant Secretary of State for Political-Military Affairs during the Clinton Administration.

⁵ See *Iranian Leader: Wipe Out Israel*, CNN.com, Oct. 27, 2005 (quoting Iranian President Mahmoud Ahmadinejad as saying, “God willing, with the force of God behind it, we shall soon experience a world without the United States and Zionism” and Israel “must be wiped out from the map of the world.”); *Iran: Tehran’s Nuclear Recklessness and the U.S. Response, Hearing before the Subcomm. on Fed. Fin. Mgmt., Gov’t Info. & Int’l Sec. of the S. Comm. on Homeland Sec. & Governmental Affairs*, 109th Cong. (2005) (testimony of former CIA Director R. James Woolsey) (including the following quote from Hassan Abbassi, chief strategist for Iranian President Ahmadinejad: “We have a strategy drawn up for the destruction of Anglo-Saxon civilization.”). Some analysts argue that the international community should not be overly concerned by Ahmadinejad’s statements because he does not fully control Iran’s nuclear policy. In addition to the Presidency, the major power hubs in Iran are the Supreme Leader, Ayatollah Khomeini, and the Expediency Council, currently chaired by former Iranian President Rafsanjani. Former Spanish Prime Minister José María Aznar has revealed that Khomeini told him in a private meeting that “setting Israel on fire” was a preeminent Iranian goal. Khomeini explained to Aznar “why Iran must declare war on Israel and the United States until they are completely destroyed.” Verter, *Aznar: Khomeini Said in 2001 Iran Aimed to ‘Set Israel Alight’*, *Haaretz*, Mar. 15, 2006. Rafsanjani, the chair of the other power hub in Iran, said the following in a speech at Tehran University: “the use of even one nuclear bomb inside Israel will destroy everything. However, it will only harm the Islamic world. It is not irrational to contemplate such an eventuality.” *Iran: Rafsanjani warns of high cost of US support for Israel*, BBC Worldwide Monitoring, Dec. 15, 2001.

⁶ See, e.g., Bernard Lewis, *August 22: Does Iran Have Something in Store?*, *WALL ST. J.*, Aug. 8, 2006, at A10 (in which Lewis, a leading expert on Islam, describes “the apocalyptic worldview of Iran’s present rulers” and asserts that “[f]or people with this mindset, MAD [mutual assured destruction] is not a constraint, it is an inducement”).

⁷ See, e.g., *Rocket that Spooked Moscow in 1995 Goes Up Again*, *cnn.com*, Jan. 21, 1999, available at <http://www.cnn.com/TECH/space/9901/21/rocket.launch/>.

United States and Russia were good enough that Yeltsin decided there must be a mistake, that the United States could not possibly be attacking. Absent similar reservoirs of goodwill between the U.S. and Iran, a miscalculation could result in disaster.

However, even before Iran launches a nuclear attack, and indeed even if it never does, an Iranian nuclear arsenal will make Iran far more dangerous than it is today. The current Iranian government is already the world's leading state sponsor of terrorism.⁸ An Iranian nuclear arsenal could serve Iran as a "nuclear umbrella," making countries victimized by Iranian-sponsored terrorism even more reluctant to retaliate against Iran. This could make Iran an even more self-confident sponsor of terrorism.

Another danger of Iran acquiring a nuclear arsenal is that many of its neighbors in the Middle East could feel compelled to follow suit. The fear that an Iranian nuclear arsenal will unleash a cascade of proliferation across the Middle East has been heightened by at least twelve Arab states in the last two-and-a-half years announcing plans to pursue nuclear technology.⁹ An editorial in the Egyptian government daily newspaper *Al-Ahram* put it as follows: "Iran's nuclear capability . . . will spur many powers in the region to develop a nuclear program."¹⁰ Such a cascade of proliferation in the Middle East would likely lead to the worldwide collapse of the already tottering nuclear non-proliferation treaty (NPT) regime.¹¹ In addition, the proliferation of nuclear weapons in the Middle East tinderbox, with its border disputes, religious fanaticism, ethnic hatreds, unstable governments, terrorist groups, and tendency for conflicts to spiral out of control, seems likely to result in a devastating nuclear war.

II. Current Status of Iran's Nuclear Program

The international community has thus far responded with remarkable passivity to the grave dangers posed by the Iranian nuclear program. As a result, there is at present nothing but time standing between the Iranian regime and a nuclear arsenal.

The United Nations Security Council, in three Security Council Resolutions including Resolution 1737 of December 2006, has issued an order, binding under

⁸ See, e.g., OFFICE OF THE COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE: COUNTRY REPORTS ON TERRORISM: 2007 (stating that in 2007 "Iran remained the most active state sponsor of terrorism.").

⁹ See, e.g., William J. Broad & David E. Sanger, *Fearing Iran, Arab States Seek Nuclear Power*, INT'L HERALD TRIB., April 15, 2007, <http://www.iht.com/articles/2007/04/15/news/nuke.php>; Richard Beeston, *Six Arab States Join Rush to Go Nuclear*, TIMES (London), Nov. 4, 2006, at 1; INT'L INS. FOR STRATEGIC STUDIES, NUCLEAR PROGRAMS IN THE MIDDLE EAST: IN THE SHADOW OF IRAN 7 (2008), available at <http://www.iiss.org/publications/strategic-dossiers/nuclear-programmes-in-the-middle-east-in-the-shadow-of-iran/read-the-dossier/>.

¹⁰ H. Avraham, Middle Eastern Media Research Institute, *Inquiry & Analysis Series – No. 277, Arab Media Reactions to Iran's Nuclear Project*, May 23, 2006 (quoting editorial in AL-AHRAM, Apr. 16, 2006); see also Roe Nahmias, *Mubarak Hints: We'll Develop Nukes*, ynetnews.com, Jan. 5, 2007 (stating that Egyptian President Mubarak hinted that if Iran proceeds to attain nuclear weapons, Egypt will follow suit).

¹¹ The U.N. Secretary-General's High-Level Panel on Threats, Challenges and Change warned of "the erosion and possible collapse of the whole [nuclear nonproliferation] Treaty regime," explaining: "We are approaching a point at which the erosion of the non-proliferation regime could become irreversible and result in a cascade of proliferation." The Secretary-General, *Report of the Secretary-General's High-Level Panel on Threats, Challenges and Change*, at 39-40, U.N. doc. A/59/565 (Dec. 1, 2004).

international law, that “Iran shall without further delay suspend” various “proliferation sensitive nuclear activities” including “all enrichment-related and reprocessing activities, including research and development” and “work on all heavy water-related projects, including the construction of a research reactor moderated by heavy water.”¹² Rather than comply with this legally binding Security Council mandate to cease the production of nuclear fuel by enrichment and other methods, Iran has openly and admittedly accelerated its enrichment activities. In its report of February 19, 2009,¹³ the International Atomic Energy Agency states that Iran has dramatically increased its installation of centrifuges (now numbering more than 5,400), has accumulated a total of 1,010 kilograms of low enriched uranium, and continues to manufacture uranium fuel rods for Iran’s Arak heavy water reactor while refusing to allow IAEA inspection of the reactor. The IAEA report also expresses concern at “the continued lack of cooperation by Iran in connection with the remaining issues which give rise to concerns about possible military dimensions of Iran’s nuclear programme.”

These unresolved IAEA concerns about possible military dimensions of Iran’s nuclear program were discussed in more detail in the February 22, 2008 IAEA report on Iran, which included information about Iranian explosives testing and development activities “which the Agency believes would be relevant to nuclear weapon R&D” and Iranian work on modifications to the Shihab-3 missile which would make it “quite likely to be able to accommodate a nuclear device.”¹⁴ The February 2008 IAEA report urged Iran to be more forthcoming in response to this information, which the report said was “a matter of serious concern and critical to an assessment of a possible military dimension to Iran’s nuclear programme.”¹⁵

In addition, on February 25, 2008, IAEA Deputy Director Olli Heinonen presented to diplomats evidence of sophisticated research by Iran that Heinonen said was “not consistent with any application other than the development of a nuclear weapon.”¹⁶ The evidence, which includes a video showing work done on designing a nuclear warhead capable of fitting atop Iran’s Shihab-3 missile,¹⁷ suggests that Iran’s nuclear weaponization work continued for at least some time after the NIE said it was suspended.¹⁸

As Iran’s enrichment-related and other nuclear activities have progressed, President Ahmadinejad and other Iranian officials have consistently declared that they are not interested in negotiations over their nuclear activities. For example, Ahmadinejad

¹² S.C. Res. 1737, U.N. Doc. S/RES/1737 (Dec. 3, 2006).

¹³ Available online at <http://www.iaea.org/Publications/Documents/Board/2009/gov2009-8.pdf>.

¹⁴ Int’l Atomic Energy Agency, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006) and 1747 (2007) in the Islamic Republic of Iran*, Report by the Director General, IAEA Doc. GOV/2008/4 (Feb. 22, 2008).

¹⁵ *Id.*

¹⁶ William J. Broad and David E. Sanger, *Vienna Meeting on Arms Data Reignites Iran Nuclear Debate*, N.Y. TIMES, March 3, 2008, at A1.

¹⁷ William J. Broad and David E. Sanger, *Vienna Meeting on Arms Data Reignites Iran Nuclear Debate*, N.Y. TIMES, March 3, 2008, at A1.

¹⁸ Joby Warrick and Colum Lynch, *U.N. Says Iran May Not Have Come Clean on Nuclear Past*, WASH. POST, March 2, 2008, at A16.

was quoted as telling Japan's Kyodo News Agency: "This is a non-negotiable subject. Iran is a nuclear country and has no reason to give up the technology."¹⁹

III. Examples of Strong Sanctions Stopping Illicit Nuclear Weapons Programs

The sanctions imposed on Iran thus far – including by the United Nations Security Council, the European Union and the United States – have obviously thus far failed to dissuade Iran from continuing to pursue its nuclear program. It could be tempting to conclude from this experience that sanctions can under no circumstances succeed in stopping Iran's nuclear weapons program. Such a conclusion would be both unfortunate and incorrect.

The international community has learned in recent years that strong sanctions can stop both illicit nuclear weapons programs and terrorism. For example, it was discovered, in the wake of the U.S. occupation of Iraq, that strong U.N. Security Council sanctions had destroyed Iraq's nuclear weapons program and succeeded in preventing Saddam Hussein from restarting it between the Gulf War in 1991 and the coalition occupation of Iraq in 2003.²⁰ The sanctions helped discourage Saddam from rebuilding his nuclear weapons program, contained his ability to rebuild it by blocking the import of key materials and technologies, and provided the UN with critical leverage to ensure Iraqi cooperation with UN inspections and monitoring.²¹ Rolf Ekeus, chief UN weapons inspector in Iraq from 1991 to 1997, put it as follows: "Keeping the sanctions was the stick, and the carrot was that if Iraq cooperated with the elimination of its weapons of mass destruction, the Security Council would lift the sanctions. Sanctions were the backing for the inspections, and they were what sustained my operation almost for the whole time."²²

Strong UN Security Council sanctions also induced Libya's government, a regime that had become synonymous with international terrorism, to forsake terrorism and completely and verifiably relinquish its nuclear, chemical, and biological weapons programs. Libya ceased its support for terrorism following the Security Council's imposition on it of strong sanctions in 1992 and 1993.²³ In exchange for removal of the Security Council sanctions, Libya, in August 2003, formally accepted responsibility for the bombing of Pan Am Flight 103 and paid \$2.7 billion in compensation to its victims.²⁴ In addition, Libya announced on December 19, 2003, that it had decided "to get rid of [weapons of mass destruction] materials, equipment and programs, and to become totally

¹⁹ *Iran Nuclear Drive 'Non-Negotiable,'* IRNA, Apr. 4, 2008.

²⁰ See Central Intelligence Agency, COMPREHENSIVE REPORT OF THE SPECIAL ADVISOR TO THE DCI ON IRAQ'S WEAPONS OF MASS DESTRUCTION (Sept. 30, 2004 and March 2005 addenda); George A. Lopez & David Cortright, *Containing Iraq: Sanctions Worked*, FOREIGN AFF., July/Aug. 2004.

²¹ George A. Lopez & David Cortright, *Containing Iraq: Sanctions Worked*, FOREIGN AFF. (July/August 2004).

²² *Id.* (quoting Rolf Ekeus).

²³ Bruce W. Jentleson and Christopher A. Whytock, *Who "Won" Libya?*, 30 INT'L SECURITY 47, 68 (Winter 05/06).

²⁴ Felicity Barringer, *Libya Admits Culpability In Crash of Pan Am Plane*, N.Y. TIMES, Aug. 16, 2003, at A6.

free of internationally banned weapons.”²⁵ Libya proceeded to allow a team of British and American government experts to enter the country and completely dismantle its WMD infrastructure by April 2004.²⁶

The sanctions on Libya both contained Qaddafi’s ability to develop WMD and ultimately coerced Qaddafi, including by threatening his grip on Libya. The sanctions’ impact on Libya’s ability to purchase replacement parts for its most sophisticated machinery crippled the Libyan air force²⁷ and eventually ground down Libya’s petroleum extraction industry.²⁸ Production by Libya’s oil industry declined from a peak of 3.3 million barrels a day in the late 1970s to 1.1 million in 1999.²⁹ The World Bank estimated that the UN sanctions cost Libya eighteen billion dollars in oil revenue,³⁰ and during this period the Libyan economy entered a long recession, resulting in thirty-percent unemployment and a fifty-percent inflation rate.³¹ The Qaddafi regime, which “depended for its survival on buying the population’s acquiescence,” became the target of demonstrations, “at least two military coup attempts and an Islamic insurgency.”³² As with Iraq, the sanctions also reduced Libya’s ability to develop WMD, including by making the process more time-consuming and forcing Libya to import “shoddy merchandise at exorbitant prices.”³³

IV. The Current Sanctions on Iran

The sanctions imposed on Iran by the international community thus far are much weaker than the sanctions which stopped the Iraqi and Libyan nuclear weapons programs. Security Council Resolution 687 of April 1991 imposed comprehensive economic sanctions on Iraq. Security Council Resolutions 731 and 748 of 1992 and Resolution 883 of 1993 imposed with respect to Libya mandatory sanctions including a ban on flights destined for or originating in Libya; a ban on the supply of aircraft, aircraft parts, or servicing to Libya; an arms embargo; a freeze on various Libyan assets abroad; and a prohibition on the export to Libya of oil pumping, transport, and refining equipment. In contrast, the mandatory sanctions imposed with respect to Iran by Security Council Resolutions 1737, 1747, and 1803 include merely 1) restrictions on the export to Iran of certain specified nuclear and ballistic missile items, materials, equipment and technology; 2) a freeze of overseas assets of various named Iranian officials and institutions; 3) a ban on the export of arms by Iran; and 4) a ban on overseas travel of a handful of Iranian officials.

²⁵ *Libyan Call Against Arms*, N.Y. TIMES, Dec. 20, 2003, at A10 (text of Libyan government statement).

²⁶ Judith Miller, *Gadhafi’s Leap of Faith*, WALL ST. J., May 17, 2006, at A18.

²⁷ Stephen D. Collins, *Dissuading State Support of Terrorism: Strikes or Sanctions? (An Analysis of Dissuasion Measures Employed Against Libya)*, 27 *Stud. Conflict & Terrorism* 11 (2004).

²⁸ Milton Viorst, *The Colonel in His Labyrinth*, FOREIGN AFF., Mar.–Apr. 1999, at 71–72 (quoting Hammouda el-Aswad, head of Libya’s National Oil Corporation).

²⁹ Patrick E. Tyler, *Libyan Stagnation a Big Factor in Qaddafi Surprise*, N.Y. TIMES, Jan. 8, 2004, at A3; Viorst, *supra* note 39, at 71–72 (quoting Hammouda el-Aswad, head of Libya’s National Oil Corporation).

³⁰ Collins, *supra* note 38, at 12.

³¹ *Id.*

³² Ray Takeyh, *The Rogue Who Came in from the Cold*, FOREIGN AFF., May/June 2001, at 65.

³³ Judith Miller, *Gadhafi’s Leap of Faith*, WALL ST. J., May 17, 2006, at A18.

Indeed, the Iran sanctions are thus far weaker than the sanctions imposed by the Security Council in response to many lesser threats to international peace and security, including on Liberia and Cote D'Ivoire during their civil wars, Sierra Leone in response to its May 1997 military coup, the Federal Republic of Yugoslavia during the Bosnian crisis, and Haiti in response to its 1991 military coup.

Due to its ideology, the value to the Iranian regime of engaging in nuclear proliferation and sponsoring terrorism is particularly high. Yet, the price the international community has exacted from the Iranian regime for its violations has thus far been remarkably low. Security Council Resolutions 1737, 1747, and 1803 are too weak to coerce Iran into compliance, contain Iran's ability to advance its nuclear weapons program, or deter other states from following Iran's lead and developing their own nuclear weapons program. This is unfortunate, because Iran's heavy dependence on foreign trade leaves it highly vulnerable to strong economic sanctions. For example, Iran depends on other countries to refine forty percent of the gasoline it needs for internal consumption.³⁴

Many Iranians have strongly criticized the Iranian government for endangering its economy and international relationships over the nuclear issue. For example, in November 2008, a group of 60 Iranian economists called for the regime to drastically change course, saying that President Ahmadinejad's "tension-creating" foreign policy has "scared off foreign investment and inflicted heavy damage on the economy." Sanctions-induced further weakening of the Iranian economy could strengthen the hands of these opposition figures.

Why are the Security Council sanctions on Iran so weak? In considerable part because Russia and China, which have vetoes over Security Council sanctions, are prioritizing the short-term profits to be gained from business as usual over the long-term security to be gained by forcing Iran to stop before it succeeds in developing nuclear weapons. Indeed, the weakness of the sanctions imposed by the Security Council stands in stark contrast to major Russian and Chinese transactions with Iran that were unaffected by the sanctions and thus represent leverage lost. For example, Russia was, at the very time of the vote on Resolution 1737, in the process of delivering to Iran 29 Tor-M1 anti-aircraft missile systems purchased by Iran for \$1.4 billion dollars.³⁵ The anti-aircraft systems are, by the way, being stationed around Iran's nuclear sites.³⁶ The Bushehr nuclear reactor which Russia is building in Iran and was exempted from the sanctions is an \$800 million project.³⁷ In addition, during the week prior to the passage of Resolution 1737, China's national oil corporation signed a \$16 billion agreement to develop Iranian gas fields.³⁸

³⁴ Orde F. Kittrie, *How to Put the Squeeze on Iran*, Wall St. J., Nov. 13, 2008, at A19.

³⁵ *Russian Anti-aircraft Weapons Sales to Syria, Iran on Schedule*, AGENCE FRANCE PRESS, Jan. 2, 2007.

³⁶ *Id.*

³⁷ Colum Lynch, *Sanctions on Iran Approved by U.N.*, WASH. POST, Dec. 24, 2006, at A1.

³⁸ R. Nicholas Burns, *Under Sec'y for Political Affairs*, U.S. Dep't of State, Conference Call on UN Sanctions Resolution 1737 (Dec. 23, 2006), available at <http://www.state.gov/p/us/rm/2006/78246.htm>

In the two years since passage of Resolution 1737, Russia and China have consistently worked to both delay and water down additional sanctions. At this point, United Nations Security Council sanctions on Iran seem to have reached an impasse. It became clear last September that the UN Security Council sanctions process may have run its course. The IAEA's September 15, 2008 report described Iran's rapid progress in enriching uranium contrary to international law, provided evidence that Iran's purpose is to create a nuclear weapon in violation of international law, and detailed Iran's continued lack of cooperation with the IAEA. Eleven days later, the Security Council responded with a fourth resolution, Resolution 1835 of September 27, 2008, which called on Iran to comply with its legal obligations but imposed no additional sanctions.

If the EU, which supplies nearly half of Iran's imports (including all of the forty percent of Iran's gasoline that it imports and nearly all of Iran's sophisticated machinery needs),³⁹ were to follow the US lead and impose a nearly comprehensive embargo on Iran, it would, in my view, quickly succeed in coercing Iran to cease its nuclear weapons program. The EU exported about \$15 billion worth of goods to Iran in 2007. Although vital for Iran, this trade was less than one percent of the EU's total worldwide trade. However, there is no sign that the EU plans to impose such vigorous additional sanctions against Iran.

V. How H.R. 1327 Can Help Prevent Iran from Acquiring Nuclear Weapons

As many of you know, then-Senator Obama in 2007 introduced a bill very similar to H.R. 1327 which is before you today. Senator Obama's bill was titled the Iran Sanctions Enabling Act of 2007 and was a counterpart to Chairman Frank's identically titled bill in the last Congress.

Here are a few of the key statements, right out of the Congressional Record, that then-Senator Obama made about his Iran Sanctions Enabling Act of 2007, which unfortunately did not pass the Senate. As you will see, the reasoning and urgency underpinning then-Senator Obama's eloquent statements of support for a bill nearly identical to H.R. is even more compelling now than it was when then-Senator Obama spoke these words in 2007:

This bill will enable citizens, institutional investors, and State and local governments to ensure that their money is not being used by companies that help develop Iran's oil and gas industry. This would place additional economic pressure on the Iranian regime with the goal of changing Iranian policies.

. . .

Iranian leaders are exporting militancy, sectarianism, and rejectionism throughout the Middle East. Fueled by the billions of dollars it earns from oil and gas exports, Iran has been pumping money into radical Islamist

³⁹ European Commission Bilateral Trade Relations: Iran, http://ec.europa.eu/trade/issues/bilateral/countries/iran/index_en.htm.

terror groups like Hezbollah and Hamas. Every bit as worrying is the rhetoric of President Mahmoud Ahmadinejad publicly calling to “wipe Israel off the map.”

...

[D]ivestment legislation can dissuade foreign companies from investing in energy operations whose profits will be used to threaten us.

...

[W]hile 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. It is incumbent upon us to find and implement ways to pressure Iran short of war, ways that demonstrate our deep concern about Iran’s behavior, and ways that will help us to exert leadership on this issue. This bill is one of those ways.

I have called for direct engagement with Iran over its efforts to acquire nuclear weapons. But direct dialogue, as we conducted with the Soviet Union during the Cold War, 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.

I hope my colleagues will cosponsor the Obama-Brownback legislation. On the House side, I hope my colleagues in that Chamber sign on to the Frank bill.

As then-Senator Obama said of his Iran Sanctions Enabling Act of 2007, the Iran Sanctions Enabling Act of 2009, H.R. 1327, can contribute to increasing leverage over Iran and thus improving the prospects for preventing Iran from acquiring nuclear weapons. Sanctions, including H.R. 1327, are not a substitute for diplomacy. Rather, they are a tool to increase leverage over Iran in a situation where the leverage is currently insufficient to convince Iran to step back from the nuclear brink. There are two types of leverage in international relations: carrots and sticks. In June 2006, the so-called “Permanent Five Plus 1” (the U.S., Russia, China, France, Britain, and Germany) offered Iran a generous package of incentives if it were to permanently and verifiably curb its nuclear program.⁴⁰ Security Council Resolution 1803 of March 2008 confirmed that the June 2006 offer still stands. In conjunction with the June 2006 offer, Iran was also reportedly threatened with various sanctions if it did not agree to curb its nuclear program.⁴¹ Despite Iran’s failure to negotiate seriously and notwithstanding Iran’s persistence with its nuclear program in defiance of international law, few of those threatened sanctions have thus far been imposed on Iran.

In light of Iran’s advancing nuclear program, a failure by the West to quickly improve its peaceful leverage over Iran will inevitably leave us with a terrible choice:

⁴⁰ See, e.g., Kenneth Katzman, *CRS Report For Congress: Iran: U.S. Concerns and Policy Responses*, Jan. 30, 2008, at 20.

⁴¹ *Id.*

taking military action to stop Iran's nuclear weapons program or allowing Iran to obtain a nuclear arsenal.

H.R. 1327 would not likely in and of itself bring an end to Iran's nuclear program. It is impossible to know what measure would be the tipping point that would convince Iran's regime that the price for its nuclear program has become too high, that the risk from sanctions to the regime's survival has become so great that the regime is better served by halting its nuclear program rather than further risking its grip over the Iranian people. In light of the gravity of the danger posed to the United States by the Iranian threat, we must take every possible economic, political and diplomatic measure that might reasonably contribute towards reaching that tipping point. Passage of H.R. 1327 will immediately move us closer to achieving that tipping point.

H.R. 1327 would authorize and facilitate state and local pension fund divestment from certain foreign companies doing business in Iran. State and local pension fund divestment can contribute significantly to discouraging foreign companies from investing in Iran. The threatened withdrawal from such companies of billions of dollars of state and local pension fund investment provides such companies with a strong incentive to withdraw from the Iranian market. Arizona, California, Florida, Georgia, Illinois, Louisiana, Maryland, Michigan, Indiana, and New Jersey have already passed Iran divestment laws. Colorado, New York, Ohio, Texas, and Washington have implemented Iran divestment policies. Passage by Congress of Iran divestment enabling legislation would encourage more states to take that positive step.

I have testified in favor of Iran pension divestment bills before the state legislatures of Maryland, Virginia, and Ohio, as well as before the DC City Council, and have advised several other state legislatures that were considering such bills. I have heard concerns expressed about the issues addressed by this bill, H.R. 1372, and am convinced that if H.R. 1327 is enacted into law, more states will choose to divest their pensions from companies involved with Iran's energy sector.

In voting for H.R. 1327, you would be empowering the states to provide the federal government with one more tool with which to convince Iran to peacefully step back from the nuclear brink. You would also be enabling states to ensure that their investments reflect the values of the good people of that state rather than supporting terrorism and a terrorist Iranian regime bent on developing nuclear weapons. You would be enabling the people of each state to dissociate themselves and their pensions from an Iranian regime which supports terrorism, violates human rights, threatens genocide, and is working to develop nuclear weapons capability. You would be enabling them to send the foreign firms from which they divest a powerful message: "Your firm may choose to invest in Iran, but you won't do so with the money of the people of my state."

You would also be sending an important message to the people of Iran. As Chairman Frank noted in his markup of a similar bill last year:

We have heard from some of the Iranian propagandists that, “Oh, the American people are not anti what the Iranian government is doing. It is the big bad American government.” One of the advantages of this approach is that it makes it very clear that the actions taken under this bill will be actions taken by the American people, by elected state governments, by elected state officials, by individuals acting with regard to their own money. And, in addition to the real impact this could have, it makes a very important political point that the revulsion at the way in which the Iranian government has conducted itself in so many aspects is widespread throughout the United States. It transcends partisan and ideological and ethnic and other bounds. This bill gives voice to that.

Some will argue that H.R. 1327 is wrong because it encourages unilateral sanctions on the part of the United States and its state and local government entities. This is an argument that you should reject.

The weak multilateral sanctions imposed thus far on Iran by the United Nations Security Council are simply not up to the task of slowing Iran’s nuclear program. Nor is there the prospect of sufficiently stronger U.N. or other multilateral sanctions if things proceed as at present. Each of the three binding Security Council resolutions in response to Iran’s nuclear program has requested a report from the IAEA Director General on whether Iran has complied. The resolutions have also stated that in the event that the report shows Iran has not complied, the Council will “adopt further appropriate measures . . . to persuade Iran to comply.” The idea has been to slowly ramp up the pressure on Iran.

This race between Iran’s advancing nuclear program and tightening Security Council sanctions is a race Iran is clearly winning. Even in the face of Iran’s explicit defiance, the resolutions have been too slow in coming and each has added incrementally less tightening than the one before, with the most recent Security Council Resolution in response to Iran’s continued noncompliance adding no tightening of sanctions at all. The net result thus far is sanctions far weaker than those which stopped the Iraqi and Libyan nuclear weapons programs.

Indeed, the Iran sanctions are thus far weaker than the sanctions imposed on Liberia and Cote D’Ivoire during their civil wars, Sierra Leone in response to its May 1997 military coup, the Federal Republic of Yugoslavia during the Bosnian crisis, and Haiti in response to its 1991 military coup. Were Liberia, Cote D’Ivoire, Sierra Leone, and Haiti greater threats to international peace and security than Iran is today? No, there was simply less profit to be made from those countries than there is to be made from Iran today. That calculus is not going to change unless we make it change, unless we make it clear to foreign countries and companies that the profits to be made in Iran from continuing to do business with Iran will be dwarfed by the profits they will lose in the United States from continuing to do business with Iran. We cannot allow our national security to be held hostage to the lowest common denominator of the United Nations Security Council. H.R. 1327 would help return our fate to our own hands.

The U.S.'s recent successes with banking sanctions on Iran show that unilateral sanctions can be very effective in both directly impacting the target country and persuading third countries to lessen their ties to the target country. The U.S. Treasury Department's outreach to foreign banks has reportedly convinced more than 80 banks, including most of the world's top financial institutions, to cease all or some of their business with Iran. H.R. 1327 would help build on those successes.

Proposed Amendment

I recommend that the Committee slightly broaden the scope of this bill. In section 3 (c)(1)(B), the bill provides a list of types of energy sector related activities in Iran. The bill supports and facilitates the decision of state governments and others to divest from entities that engage in these types of activities in Iran. I recommend that the bill be amended so as to insert the phrase "refined petroleum" in 3(c)(1)(B), so that it reads as follows:

(B) in a person that provides oil or liquefied natural gas tankers, refined petroleum, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector in Iran . . .

Iran has an economic Achilles heel—its extraordinarily heavy dependence on imported refined petroleum (and especially imported gasoline) – that has yet to be exploited. The amendment I propose could contribute to peacefully creating decisive leverage over the Islamic Republic.

Iranian oil wells produce far more petroleum (crude oil) than Iran needs. Yet, remarkably for a country investing so much in nuclear power, Iran has not developed sufficient capacity to refine that crude oil into gasoline and other refined petroleum products such as diesel fuel. Iran must import some 40% of the gasoline it needs for internal consumption.

In recent months, Iran has, according to the respected trade publication International Oil Daily and other sources, purchased nearly all of this gasoline from just five companies. During the campaign, then-Senator Obama declared his support for peacefully cutting off gasoline sales to Iran until it stops its illicit nuclear activities. For example, during the presidential candidates' debate on Oct. 7, Obama said, "Iran right now imports gasoline . . . if we can prevent them from importing the gasoline that they need . . . that starts changing their cost-benefit analysis. That starts putting the squeeze on them."

How do we stop the gasoline from flowing? The U.S. should put these companies to a choice between doing business with Iran and doing business in the United States. For those companies that supply refined petroleum to Iran and are publicly traded, the divestment from them of state and local pension funds could help convince the

companies that continuing to supply gasoline to Iran is simply not worth the opportunity costs.

VI. Conclusion

Iran's nuclear program is a grave threat to U.S. national and economic security. The international community has thus far responded with remarkable passivity to Iran's dangerous insistence on developing its nuclear capabilities in explicit violation of three mandatory U.N. Security Council resolutions. As a result, there is at present nothing but time standing between the Iranian regime and a nuclear arsenal. The international community presently has insufficient leverage to persuade Iran to halt its nuclear program.

In light of Iran's advancing nuclear program, a failure to exert American leadership in quickly improving our leverage over Iran will inevitably leave us with a terrible choice: taking military action to stop Iran's nuclear weapons program or allowing Iran to obtain a nuclear arsenal. In light of the gravity of the danger posed to the United States by that Iranian threat, we must take every possible economic, political and diplomatic measure to convince Iran's regime that the price for its nuclear program has become too high, that the risk from sanctions to the regime's survival has become so great that the regime is better served by halting its nuclear program rather than further risking its grip over the Iranian people.

H.R. 1327 can contribute to increasing leverage over Iran and thus improving the prospects for preventing Iran from acquiring nuclear weapons. I urge its passage.

Thank you.