

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

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
“Iran Sanctions: Ensuring Robust Enforcement, and Assessing Next Steps”
June 4, 2013

Chairman Johnson, Ranking Member Crapo, distinguished Members of the Committee: Thank you for inviting me here today to update you on our approach to one of our country’s top national security priorities, Iran. The Administration confronts a range of challenges on Iran – its nuclear ambitions, its support for international terrorism and destabilizing activities in the region, and its human rights abuses at home. In confronting these challenges we have employed a range of diplomatic tools, from negotiations, to sanctions, initiatives in multilateral fora, and bilateral engagements; we have also strengthened our efforts to empower the Iranian people and promote their right to the basic freedoms.

Around the world, countries have joined this effort because they share our grave concerns about Iran’s activities. Just last week, Canada announced tough new measures to ban virtually all trade with Iran, just as we do. Today, Iran is under the toughest, most comprehensive sanctions regime ever. The breadth of these international sanctions has been unprecedented, targeting both specific individuals and entities, as well as entire sectors critical to the regime’s illicit activities. Maintaining this coalition will be critical as we move forward.

Over four years ago the President offered Iran a choice: fulfill your international obligations and assume your place among the community of nations, or continue down a path of increasing isolation and pressure. In light of Iran’s refusal to act responsibly, we remain resolved to sharpen that choice for Iran until it decides to change its behavior and resolve the international community’s concerns about its nuclear program.

The Dual-Track Policy

The United States is determined to prevent Iran from acquiring a nuclear weapon and committed to a dual-track approach of pressure and engagement to address the international community’s concerns over Iran’s nuclear activities. On the

engagement track, we have worked within the P5+1 – which include the five members of the UN Security Council plus Germany, and coordinated by the European Union – to pursue a diplomatic solution to address concerns over Iran’s nuclear program. On February 26, 2013, the P5+1 met with Iranian representatives in Almaty, where we jointly presented Iran with an updated, balanced proposal that offered Iran a real opportunity to take steps toward reducing tensions and creating the time and space to negotiate a comprehensive solution to the nuclear issue.

Yet, when on April 5, 2013, the P5+1 returned to Almaty, the Iranian response was disappointing. While the P5+1 had a substantive exchange of views with Iran during the talks, in the end, Iran’s counterproposal to the P5+1 initiative sought to place little or no constraint on its current nuclear activities, while demanding that major sanctions be removed immediately. Given the significant gulf between the two sides, the P5+1 members did not believe scheduling another round was warranted at that time. On May 15, EU High Representative Catherine Ashton met with Iran’s Chief Nuclear Negotiator Saeed Jalili. Consultations on next steps are still ongoing, however we have been clear that we expect to see concrete signs that Iran is prepared to substantively address all aspects of the proposal we discussed in Almaty. While we must give diplomacy every chance to succeed, our patience is not infinite. We have approached these negotiations realistically, conscious of our difficult history, and we will continue to seek results in our talks, not empty promises. But the onus is on Iran.

Simultaneous with our efforts to seek a diplomatic solution, we have bolstered our efforts on the second track of our policy – pressure. This track is robust and focuses on a range of Iranian activities. At international fora such as the United Nations and International Atomic Energy Agency, we have repeatedly highlighted Iran’s activities, including its human rights violations, sponsorship of terrorism, and illicit nuclear program. In our daily interactions with foreign government around the world, we are making clear that actions constitute violations of international norms and are unacceptable. In our courts, we have brought Iranians involved in terrorist or proliferation activities to justice. And we continue to underscore directly to the Iranian people that we will assist their efforts to hold their government accountable and exercise their universal human rights including the right to freedom of expression.

Sanctions have also played a major role within this framework. It is important to remember that we impose sanctions not as an end in themselves, but because they are a valuable tool to increase pressure on the Iranian government to address the international community’s concerns over its nuclear program. Working through

the United Nations and with our allies, we have built and led a global coalition to create the toughest, most comprehensive sanctions to date on the Iranian regime. Indeed, we believe the costs these sanctions are imposing on Iran are one of the reasons the regime decided to restart the negotiations.

Today, our sanctions are having a real impact on the ground in Iran, exacerbated by the regime's own mismanagement of its economy. As a result of our implementation of sanctions under the National Defense Authorization Act for Fiscal Year 2012, Iran exports over 1 million fewer barrels of crude oil each day than it did in 2011, costing Iran between \$3-\$5 billion per month. All 20 importers of Iranian oil have either significantly reduced or eliminated oil purchases from Iran. Financial sanctions have crippled Iran's access to the international financial system and fueled the depreciation of the value of Iran's currency to less than half of what it was last year. Foreign direct investment into Iran has decreased dramatically as major oil companies and international firms as diverse as Ernst & Young, Daimler AG, Caterpillar, ENI, Total, and hundreds more have divested themselves from Iran. The International Monetary Fund projects the Iranian economy will contract in 2013, a significant decrease from the over 7 percent growth six years ago, and far below the performance of neighboring oil-exporting countries. Put simply, the Iranian economy is in a downward spiral, with no prospect for near-term relief.

We continue to increase the pressure through a range of actions. Iranian oil exports will continue to decline as we implement the law through our engagement with the last remaining six importers of Iranian oil. The exceptions to the sanctions under the FY12 NDAA that the State Department has granted the 20 importers are a measure of our success; those exceptions are what permitted us to achieve this monumental reduction in Iranian oil sales that has reverberated throughout the Iranian economy while maintaining stability in the global economy. Iran's currency will remain volatile as we block Iran's revenue streams and its access to funds held abroad. And we will continue to track, identify, and designate individuals and entities assisting Iran's proliferation efforts and attempting to evade sanctions on Iran. To give some recent examples, on May 31 the State Department imposed sanctions on Ferland Company Limited under the Iran Sanctions Act for knowingly concealing the origin of Iranian crude oil carried on a ship under its control, in conjunction with Treasury sanctions against Ferland the same day under its Foreign Sanctions Evader authorities. The same day, we also imposed sanctions on Jam Petrochemical Company and Niksima Food and Beverage JLT under Executive Order 13622 for knowingly engaging in transactions for the purchase or acquisition of petrochemicals from Iran. Finally,

on July 1, the Iran Freedom and Counter-Proliferation Act of 2012 takes full effect, further increasing pressure on Iran by targeting an array of sectors and industries in Iran. Looking forward, as long as Iran continues on its current unproductive path, the Administration will continue to assess and implement additional sanctions on sectors and industries that can serve as pressure points.

One of the keys to our success in ratcheting up the pressure on Iran is that we are not doing so alone. The European Union has enacted its own stringent sanctions regime, including an oil import ban in July 2012 that resulted in all 27 EU member states banning oil purchases from Iran. Australia, Canada, Norway, South Korea, Japan, and others have enacted their own sets of domestic measures. And, even among partners who are frankly skeptical of sanctions, we have seen robust implementation of UN Security Council resolutions and cooperation on specific sanctions issues. As we move forward, it will be critical that we continue to move together and take no steps that undo the progress made so far. Such steps would signal divisions to Iran that it could and likely would exploit. Further, as the effect of our sanctions on Iran depends in part on the actions of our partners, we must ensure that our sanctions do not place an undue burden on those countries. It is not in our interest to create fissures within the international coalition facing Iran, as the impact of our pressure comes from the steps these countries take. So we look forward to continued strong collaboration with members of Congress to develop sanctions and other tools that are smart, effective, and increase pressure on the regime in a way that allows us to maintain the strong coalition we have built.

Even as we significantly increase pressure on the Iranian regime, we remain committed to ensuring that legitimate, humanitarian trade can continue for the benefit of the Iranian people. We take no pleasure in any hardship our sanctions might cause the Iranian people in their everyday lives, and it is U.S. policy to not target Iranian imports of humanitarian items. We have worked hard to ensure U.S. regulations do not unduly interfere with transactions for the sale of agricultural commodities, food, medicine, or medical devices to Iran as long as the transactions do not involve a designated entity or otherwise proscribed conduct.

Human Rights and Support for the Iranian People

In all our efforts on Iran, we have demonstrated that supporting the Iranian people and pressuring the policies of their government are not mutually exclusive. Labeled by press advocacy group Reporters Without Borders as an “enemy of the internet,” the Iranian regime filters online content, slows internet speeds, and blocks access to the internet to prevent Iranian people from freely acquiring

information about their own country and the outside world. With that in mind, last week the Treasury and State Departments unveiled an initiative that will make communications technology that is safe and secure more accessible to the Iranian people. We issued a general license that will allow U.S. companies to export certain mass market, consumer personal communications devices such as smart phones, satellite phones, and basic computer equipment to Iran, as well as related services and software – such as the important security updates to software that make these products safer to use. The license also covers other essential tools to safely navigate the Internet, like anti-virus software and virtual private network technology, so that the Iranian people have the latest tools to combat their own government’s efforts to envelope them with an “electronic curtain” that shuts them off from the world.

In the same vein, last week the Administration designated one individual and two entities for their involvement in serious human rights abuses or censorship activities to curtail or penalize freedom of expression. This was just the latest example of how we are using our authorities to hold the Iranian government accountable on its human rights violations. Indeed, over the last three years, we have imposed sanctions – including asset freezes and visa bans – on 30 Iranian individuals and entities for such abuses, including the Islamic Revolutionary Guard Corps (IRGC), the Ministry of Intelligence and Security (MOIS), Iran’s Cyber Police, and the Islamic Republic of Iran Broadcasting. In addition, we have imposed separate visa restrictions on more than 100 Iranian officials involved in human rights abuses in Iran, and used Executive Order 13606 to target entities using technology to assist in or enable human rights abuses by the Iranian government.

Unfortunately, the Iranian government continues to take actions that underscore how much it fears its own people. This campaign of repression has included the harassment and intimidation of family members of those who speak out for freedoms, the torture of political prisoners, and the limitation of freedom of expression and access to information. These acts of aggression have created a culture of fear in which few dare to voice dissent or challenge regime officials. Students, lawyers, journalists, and bloggers, ethnic and religious minorities, artists and human rights activists are all targets for abuse, intimidation, or discrimination. This trend has only increased as Iran prepares for its June 14 presidential elections. We saw Iran’s unelected and unaccountable Guardian Council disqualify hundreds of candidates based on vague criteria – and declare that women, who make up half of Iran’s population, are barred from serving as president. While Iran’s Supreme Leader called for an “epic” election to demonstrate Iran’s strength, the regime’s

decisions are denying the Iranian people an electoral process that meets international standards.

Levinson, Abedini and Hekmati Cases

Just as we are concerned about Iran's treatment of its own citizens, we remain concerned about Iran's treatment of U.S. citizens detained and missing in Iran. The U.S. government is fully dedicated to the return of American citizen Robert Levinson and U.S.-Iranian dual nationals Saeed Abedini and Amir Hekmati. Mr. Levinson went missing from Kish Island, Iran, on March 9, 2007, and his whereabouts remain unknown. We continue to call on the Iranian government to make good on its promises to assist the U.S. government in finding Mr. Levinson so that he can be reunited with his family. Mr. Hekmati, a former U.S. Marine who served with distinction in Iraq, has been detained in Iran since August 2011, and endured a closed-door trial with little regard for fairness or transparency. Mr. Abedini has been detained in Iran since September 2012 on charges related to his religious beliefs, and reportedly has suffered physical abuse by Iranian officials in prison. Despite our repeated requests, Iranian authorities have failed to provide them with adequate medical treatment or permit visits from our protecting power. We will continue to raise these cases directly and publicly as we also pursue all available options until all three of these Americans return home safely.

Support for Terrorism

We also have grave concerns about Iran's destabilizing activities in the Middle East, particularly its support for Bashar Al Asad in Syria; its support for terrorist organizations like Hizballah; and its unacceptable attacks on innocent civilians worldwide.

Iran is the world's foremost state sponsor of terrorism. Led by the IRGC-Qods Force and MOIS, the "Iran Threat Network" comprises an alliance of surrogates, proxies, and partners such as Hizballah, HAMAS, and Kata'ib Hizballah, among others. Iran funds, trains, and equips these terrorist organizations, in whole or in part, to use in attacks around the world. This clandestine threat network destabilizes countries throughout the Middle East and threatens regional security. Iran's leaders have aimed most of their threats at one of our closest allies, blatantly declaring their desire to see the destruction of the state of Israel. We have a moral obligation and strategic imperative to ensure that Iran never has the tools to make good on that threat.

Israel is not Iran's only target, however. Iranian-American Mansour Arbabsiar pled guilty last year to plotting with members of the Qods Force to murder the Saudi Arabian ambassador by bombing a crowded restaurant here in Washington, DC. The attempt to assassinate a foreign diplomat in our nation's capital is an intolerable escalation of Iranian terrorist activity, and last week it was announced that he will serve 25 years in prison for his crimes.

Iran has also sponsored and directed terrorist attacks against Israeli civilian and diplomatic targets worldwide. On February 13, 2012, a magnetic bomb was placed under the vehicle of an Israeli diplomat's wife in New Delhi, India, seriously injuring her and three Indian nationals. The following day, a similar device was discovered under a vehicle belonging to the Israeli embassy in Tbilisi, Georgia, and safely defused. At the same time, Thai police arrested three Iranian nationals in Bangkok in connection with explosions at a private residence that subsequently revealed bomb-making materials and makeshift grenades intended for use in attacks against Israeli targets.

In June 2012, Kenyan authorities arrested two Iranian members of the Qods Force. Armed with 33 pounds of military-grade plastic explosives, they planned deadly attacks on Western and Israeli targets. On May 6, a Kenyan court sentenced them to life imprisonment for terrorism-related offenses.

Thwarted attacks involving Iranians and Iranian proxies like Hizballah in Cyprus, Thailand, and Kenya – to name a few examples – show a clear willingness on the part of our international partners to target and prosecute Iranian terrorist activity. As evidenced by these disruption and prosecution efforts across Africa, Asia, and Europe, we and our international partners have become increasingly effective at targeting Iranian support for terrorism.

In Syria, Iran has made it clear that it fears losing its closest ally and fellow state sponsor of terrorism and will stop at no cost, borne by both the Syrian and Iranian people, to prop up the Assad regime. Today, Iran is training, arming, funding, aiding and abetting the Assad regime and its atrocious crackdown on its own people. It is coordinating its intervention in Syria with Hizballah, which is itself engaged in training pro-regime militants who attack Syrian civilians, and in direct fighting on behalf of the Assad regime against the Syrian people. Iran and Hizballah fighters are also directing the activities of Iraqi militia groups which have been enlisted to join in the Assad regime's war against the Syrian people. Iran has shown that it is willing to potentially destabilize an entire region if it means keeping the murderous Assad regime in place. Countering such efforts remains a

key priority for the Administration and we are focused on preventing Iran from continuing to support the Syrian regime financially, materially, and logistically. The Administration has used its authorities in several executive orders to highlight the role of Iran in the Asad regime's violation of human rights and hold accountable those responsible.

Conclusion

In sum, what we see is that the Iranian regime's misplaced priorities, corruption and mismanagement of their government are detrimentally affecting the Iranian people. Instead of meeting its people's needs, the regime has chosen to spend enormous amounts of its money and resources to support the Asad regime as well as its militant proxies around the world, and to pursue the development of weapons of mass destruction. Instead of investing in its people, Iran continues to restrain their vast potential through censorship, oppression, and severe limitations on their social, political and even academic freedoms.

The Administration will continue to hold the Iranian government accountable for its actions and increase pressure on the regime until it chooses to become a responsible member of the international community and give the Iranian people the opportunities they deserve. As the President said, we have no illusions about the difficulty of overcoming decades of mistrust. It will take a serious and sustained effort to resolve the many differences between Iran and the United States. But we believe that meeting this challenge is vital. We welcome your ideas and look forward to working together to sustain and expand our efforts.

Thank you.