And thank you, Mr. Chairman. I would like to state

my desire to work closely with you, as indeed I think we have in

the past. And I think this hearing today should help us better work

through some of the great challenges that you and I talk about:

The challenges that Iran poses to the security of the United States.

So again, Congressman, I thank you for calling it.

Mr. Chairman, the Iranian regime is a state sponsor of terrorism,

and I can attest to that, because I was in Haifa last July

as Iranian-backed Hezbollah was sending rockets into the town of

Haifa, where I was. And frankly, those rockets came from Iran and

Syria.

Iran is aiding militants in Iraq. It is determined to develop nuclear

weapons, or at least its President, its head of state, is. President

Bush has rightly declared that unacceptable, which is all the

more so, by the way, with the messianic Ahmadinejad in Iran’s

presidency as the one who wants to develop these nuclear weapons.

Unfortunately, I think you and I agree, Americans agree, that

the world has been very slow to respond. The international community

has not made a lot of progress, but lately the U.N. Security

Council imposed limited sanctions on Iran. And Under Secretary of

State Burns originally testified that China’s and Russia’s backing

of U.N. sanctions against Iran at first was more important than the

actual sanctions themselves. Because if we can build international

pressure, and we will see what the Security Council does this week,

but if we can build that pressure, it may derail Tehran’s nuclear

weapons program.

The regime’s weak spot is its economy, which is distressed. Government

spending and inflation are spiraling up. Unemployment is

spiraling up. Corruption is rampant. And meanwhile, Iran’s oil

windfall has been very mismanaged; the oil infrastructure is in

shambles, desperately needing foreign investment. Despite its plentiful

oil reserves, Iran right now has got a refining shortfall and

imports 42 percent of its gasoline. Public discontent is growing.

The good news is that Iranians view President Ahmadinejad as

bearing responsibility for these economic woes. Legislators have

formally complained there about his economic policies. His popularity

has fallen through the floor. The President’s party did very

poorly in recent municipal elections there in Iran. And we seem to

have found, frankly, an effective pressure point, that being Iran’s

financial sector, because the international business community has

noticed the risks. As a consequence, the foreign banks have left

Iran.

Many companies are withdrawing from Iran. And they are doing

it because of the risks of doing business there. Iran’s foreign exchange

transactions are being pinched. Iran’s oil minister has complained

that oil production is being hurt by Iran’s international isolation.

Now, here is where we can be doing more. There is one element

of engagement of subsidy by Europe which keeps some of their

businesses in the game, and that is the export credits for commerce

in Europe, which keep companies that otherwise wouldn’t do business

in such a risky place. That is, in fact, being subsidized by the

taxpayers in Europe.

Now, Japan is scaling back. Germany must scale back. The European

Union trade with Iran we understand is considerable, but remember,

it is underwritten by the taxpayers in Europe. Sanctions

and financial pressure are the best course of action for now with

respect to Iran.

The United States must also reach out to the people of Iran, telling

them that we have no issue with them, but that we must oppose

a regime that backs terrorism and is developing nuclear weapons.

So our message has to be Ahmadinejad’s policies are isolating

you, hurting your economy, hurting your livelihood, and it could get

worse.

This realization is already setting in. We need to step up our

public diplomacy, including radio broadcasts, and they have got to

communicate that message. And they have got to communicate a

message also of freedom. Regrettably, our public diplomacy efforts

have been poor; that is a subject for another day. But it has not

been anything like what we had in Eastern Europe.

The Nuclear Nonproliferation Treaty is a bulwark against Iran

developing nuclear weapons, and of course Iran is twisting the

MPT, claiming the right to enrich uranium, which would place it

far too close to possessing nuclear weapons. Their President has declared 2007 to be the year to celebrate Iran’s right to develop nuclear

power. The regime has even put the atomic symbol on its currency,

trying to stoke national pride. Unfortunately for him, that

currency is increasingly inflating in value.

Nevertheless, we would be in a weaker position, by the way,

without the MPT. And Chairman Lantos and Chairman Sherman

have introduced legislation promoting an IAEA-based nuclear fuel

bank designed to dissuade countries from enriching uranium and

reprocessing plutonium exercising this alleged MPT right. No doubt

they have Iran in mind. There are questions about the workability

of an international fuel bank, but this legislation forces this important

issue. And I would like to give credit to Chairman Sherman

for our chairman’s leadership on that.

On a procedural point, my hope is that the TNT Subcommittee

would give it full attention, including hearings, before the legislation

is moved. And I thank you again, Chairman Brad Sherman.

Yes. And as you mentioned, Dr. Berman, those payments

are certainly questionable. The possibility of Iran being a

good business partner is really called into question by the conduct

of the regime.

But how do we explain the actions of the government-sanctioned

import-export credits to Iran? In my opening statement I talked

about Italy and Germany, France, and the fact that their government’s

taxpayers were underwriting this. And this is one of the few

things that is keeping any lifeblood in that economy.

So let us discuss for a minute, does this take an action by the

EU? Does it take a U.N. Security Council resolution? How do we

get the point across that when businesses in Europe are pulling

out, the government in Europe shouldn’t be subsidizing this?

And let us ask also, let me ask you, Dr. Levitt, you probably have

the best information on this, which are the prime offenders worldwide,

in terms of export-import credits, that should be addressed?

We will start with that aspect.

Both per capita and in overall terms. I think this

would be important, because this should be a prime focus.

I appreciate that.

Yes, we talk about diplomacy, but frankly, how do

you get the Europeans to address it? Again, do you go through the

EU? What is the process? A U.N. resolution? How do we get that

leverage?

Okay. Now we go over to Dr. Byman. Your comment,

we have got to strengthen the voices in Iran that worry that the

nuclear program will lead to international isolation, which in turn

would derail their economy.

Who are these voices? How strong are these voices? How do you

amplify those voices? How do you strengthen them?

Well, he is the richest man in the country, so the destruction

of wealth in the country impacts him.

And I want to ask Mr. Berman. You say Iran is currently

interacting with the clandestine nuclear cartel of Pakistani

scientist A.Q. Kahn. Kahn is under house arrest in Pakistan. We

are trying to see him.

Are you suggesting that that network is still active?

I figured you were going to say that.

Gentlemen, thank you very much for your testimony.