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 de3

clared 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.

Mr. SHERMAN. Thank you for that excellent opening statement.

We will continue here until they tell us we have about 7 minutes

to go vote. And even if I am in the middle of this carefully constructed

opus, I will suspend, we will go vote, and we will come

back. But again, I think the witnesses can relax.

I want to thank the Middle East Subcommittee for joining us, at

least in spirit, with these hearings. I suspect that Chairman Ackerman

and Ranking Member Pence will be with us at some point

after the votes.

I do want to commend the ranking member, Mr. Royce, for his

opening statement. The general comment and concern I have is

how much time do we have, and how quickly are we moving. And

I fear that the approach that we are taking now may end up being

a day late and a dollar short.

In mid-2002 and Iranian opposition group held a press conference

revealing the existence of a covert effort to produce enriched

uranium, including the now-infamous Natanz pilot enrichment

plant, and the planned industrial-scale facility for some

50,000 centrifuges to be built underground at that site.

Subsequent to these revelations, we learned many more details

about the concerted Iranian nuclear program that had gone unreported

for nearly two decades. Iran had no operational nuclear

plants at that time. Nuclear fuel is cheap, readily available from

a variety of international suppliers. The Russians, who were actually

building the only Iranian nuclear plant under construction,

would surely supply the fuel for that and any future plant.

The effort to enrich uranium, in the words of one expert, made

about as much economic sense, if electric power was the objective,

it made as much economic sense as building a slaughterhouse because

you want a sandwich. Even if you buy the argument that

Iran, with its natural gas and oil resources, needs nuclear power—

that is a very hard argument to buy, given the fact that they are

flaring natural gas—but even if you buy that argument, there is no

explanation for the enrichment of uranium, except a desire to develop

nuclear weapons.

The number one state sponsor of terrorism is trying to gain the

most powerful weapons yet invented. In September 2005, we were

able to achieve a referral of Iran to the U.N. Security Council. That

is to say, it took more than 3 years to get the Iranians into the

docket, and we celebrated that as if it was a great victory.

Just over a year later, in December 2006, nearly 41⁄2 years after

the Iranians were caught red-handed with a covert program to develop

nuclear weapons, the world finally took the basic step of cutting

off nuclear-relevant commerce with Iran. And that is what we

have achieved.

We are told that this is enormous progress. All we have done is

to make it just a little bit harder for Iran to continue to do what

we know they have been doing.

Given another 4 years we may finally get a ban on international

travel by regime officials. Maybe another 4 years—which I would

call the no Disneyland for Ahmadinejad sanction. And then maybe

4 years after that, we would be able to ban him from visiting Magic

Mountain, as well. Needless to say, the nuclear program of Iran is

going much more quickly than the sanctions effort.

At this point I am going to suspend. When we come back, I will

finish this opening statement, and then we will hear any other

opening statements from other members. Then we will go to witnesses.

Thank you.