Chairman Lugar, Senator Biden, I am honored that

you have asked me to join you again today. You have my written

statement and if I build upon what you have said and what Senator

Santorum has said I think I can be relatively brief and leave

more time for discussion.

You have asked me to address several issues with respect to an

international response to the ongoing Iranian nuclear weapons program.

My basic message is, time is running out, but we have to

manage the time that is available and that will require that we

keep our focus.

More specifically, in the last month the board of governors of the

IAEA has voted, nearly unanimously, to refer the Iranian noncompliance

matter to the U.N. Security Council. This is a very important

development. As you know, the Security Council has not

yet acted on the issue of North Korean noncompliance. There are,

however, a number of parallel diplomatic efforts under way. The

European 3—the United Kingdom, Germany, and France—have

been trying to engage with Iran. They reached an impasse, but my

understanding is that after Iran was unable to agree to the Russian

proposal that was being discussed this week, the EU3 will

meet with Iran tomorrow and, as you know, the next board of governors

meeting will be on Monday, March 6—begin on Monday,

March 6—and that additional information will be then forwarded

to the Security Council for action.

The United States has been supportive of these actions. But I

think your question is, What do we really need to get done.

There—I think there are three general points I would make. One

is to emphasize what is really at stake, that this is, in fact, a serious

matter. The second is to make clear what does need to be accomplished.

Third is to provide viable options that can actually

lead to practical solutions.

Iran is not the only challenge to the Nonproliferation Treaty and

Iran’s nuclear weapons program creates dangers to more than the

treaty. Still, the issue of NPT compliance is critical. If the international

community fails to act now, much more than the NPT

could begin to unravel.

Senator Santorum has mentioned some of the problems in dealing

with Iran and the other witnesses are going to discuss some of

these issues. So let me simply say that we need to stress to the

international community both the importance of the nuclear issue,

but also how it fits into these broader considerations, both political

and economic. The goal must be for Iran to give up its nuclear

weapons program and to do so in a way that gives the international

community real confidence that that has been done.

Iran has had under way a covert and illegal activity, much of

which it has not acknowledged except under pressure from the

IAEA and others. The IAEA continues to express concern over the

lack of Iranian cooperation in resolving these matters.

Now, Iran in particular seeks to develop the ability to produce

fissile material that could be used for nuclear weapons. Many people

think that the issue is one of quantity, how much can they

produce. The problem is if they are permitted to do the research

and development on enrichment it will not only give them the capacity

to, then, quickly move toward industrial production for

weapons, but it also will mask activities that could be under way

that are covert.

So the international community—if I were going to say, what is

the most positive technically related thing that has happened in recent

months, it has been the almost uniform agreement among the

international community that research and development must not

be permitted if we are going to put an end to the risks that are

associated with the program.

You have asked me to comment a bit on what could the Security

Council do and I am going to give you some specifics. I do not want

to manage negotiations. This is a complex dynamic process. But I

want to give you some things that I think could be done that would

be of some value.

One is that I think the Security Council needs to reaffirm its

view, expressed at the head-of-state level by the Security Council

in January 1992, that further proliferation is a threat to international

security. The Security Council has been silent on this matter

for too long.

The second is I think the Security Council should make clear the

existing and essential principle of international law that a state in

violation of its obligations cannot escape the consequences of its

violation simply through withdrawal. International law cannot survive

if withdrawal becomes the ‘‘Get-Out-of-Jail-Free’’ card for violations.

This is something that I think that the Security Council

needs to make clear.

In the case of North Korea and again in the case of Iran, the

threat of withdrawal is used to intimidate. We should not be intimidated

by it. We should understand that we do not care if they

withdraw; they have got to live up to their obligations. That is an

issue.

I think the Security Council should make it clear that if a party

withdraws from the NPT, recognizing that sovereign states have a

right to withdraw from treaties, that nevertheless withdrawal from

the NPT is a matter of concern for the Security Council and ought

to be considered immediately.

I think the Security Council could make clear that these principles

apply not only to the future, but to the existing cases that

we are dealing with. I think that it would be, in my view, inappropriate

not to name Iran specifically, and, in fact, I think they

should strongly endorse at a minimum the measures that the IAEA

Board of Governors have already called upon Iran to implement. In

this case we are talking about a suspension of all enrichmentrelated

activity, including research and development. They need to

deal with the fact that they have the research reactor that is moderated

by heavy water, that could be used for a plutonium approach

to weapons. And they need to implement the additional

protocol.

The IAEA has called for additional transparency measures that

go beyond the norm, and I will come back to this question. But I

think that these are things that the Security Council could and

should endorse to make clear that the Security Council cares and

has authority to act in this area.

I think that Iran, in my view, is in violation of its central obligations.

I think the Security Council needs to step up to that. I think

the Security Council should call upon the members of the United

Nations to be supportive of the IAEA and the Security Council conclusions

on Iran.

There are a number of points that I just want to make briefly.

First, I want to commend the committee for bringing regional specialists

here. As you know, one of my particular concerns is that

in the post-cold-war era we have an even greater divide between

the so-called functional experts, people who do nonproliferation as

I do, and the regionalists. Everybody was something of a

Sovietologist in the cold war, but now we are dealing with many

more different cultures and I think the questions that Senator

Biden raised at the beginning are very much at the heart of how

do we understand these cultures so that we can deal with them

more effectively.

I want to emphasize, again, that we can talk at length about all

the technical aspects of discrepancies and nondisclosures and

things, but I think the important point to remember is that we

should not be blinded by the fact that Iran has under way a nuclear

weapons program and we need to look at it from all of its perspectives.

The second thing is that you may remember that when we were

working the North Korean problem we actually had an agreement

that most people have forgotten, the North-South Denuclearization

Agreement. We were actually rather proud of achieving that. But

as you may remember, one of its provisions went well beyond the

NPT. It called for no reprocessing and no enrichment on the Korean

Peninsula.

Now, at the time I referred to that as an NPT-plus regime and

the point I tried to make was that Korea is a particularly dangerous

place and business as usual in Korea is not adequate, and,

therefore, I thought the North-South Denuclearization Agreement

was a very important achievement.

Now, interestingly enough, because we caught that North Koreans

reprocessing there was a preoccupation with reprocessing and

for a while people forgot that enrichment was also a concern. Then

later, as we know, there was concern about enrichment. In Iran we

have the opposite. People are focusing very, very much on the enrichment

issue, and all I would like to say is do not forget reprocessing.

The Iranians are putting a lot of effort into this and they

are pursuing a number of different paths.

Senator Santorum and Senator Biden have mentioned some of

the issues and you have mentioned, Mr. Chairman, some of the

issues related to stronger measures such as sanctions. I have got

some of that in my written remarks. I think I agree, we all want

smart sanctions. We have got to figure out what smart sanctions

are. In the end, I think we do have to recognize that there is a

chance we will fail. If we do fail, we do have to consider how we

strengthen our defenses and how we shape and tailor deterrence to

deal with the situation.

My bottom line is this. I think people have not yet internalized

how serious it will be if you have a nuclear-armed Iran. A whole

series of paths will start to be pursued by a wide range of people.

Some of that will be in the area of proliferation, but I think there

will be political consequences, consequences for the international

security architecture, how nations relate to each other, and there

will be economic consequences.

I would not be at all surprised to see these feed on each other,

and the result could be very serious economic downturns, recession,

perhaps depression, in some parts of the world or on a global basis,

increased war and violence in these troubled regions. So again, Ben

Franklin talked about the horseshoe nail. The IAEA findings may

seem like a horseshoe nail, but there is a real war out there and

I think we need to recognize this is very serious.

Thank you, Mr. Chairman, members of the committee.

I agree that it is not too late, but it is going to be

quite a challenge. You focused on the question of the price and I

think the price will be determined by how we play the game. I

agree it is going to take a substantial price even up front.

There are sort of two ways to think about this. One is that it is

a sort of pay me now or pay me later. I do think we need to understand

the consequences of postponing action. The price later may

be very, very high and we will wonder why we did not do something

earlier.

But there is another key factor the other witnesses Ray and Pat

have mentioned. That is to a large degree the price is going to be

determined by how much others are with us. Now, the good news

right now is that much of the international community is with us,

and, in fact, even on these somewhat arcane issues such as the R

and D on enrichment they get it. They understand now that there

is a real issue here.

So you have asked about, the chairman asked about, the economic

calculations. I have seen a lot of data. I have not seen a good

comprehensive study. I would caution that, of course, it is going to

be scenario-based because the various options play in a dynamic

political world. So who is with us, how firm are they, how serious

are they, will determine what kind of sanctions you can get, what

impact it will have.

Now, all the sanctions history is sort of a subset of the old question

of who has got more leverage, the debtor or the creditor. I

would translate that into the carrot and stick issue. So, for example,

with Russia and its nuclear activities or China and its oil, on

the one hand that puts them somewhat beholden to Iran. On the

other hand, it gives them leverage on Iran, and if they are really

sincerely going to be with us—and I have to note that, despite all

of the efforts to work with the Iranians this week, the Russians

have still, at least judging from the press reports, have hung firm

on the matter of principle.

So, I think that I would not—I think you are absolutely right,

Senator Biden. If we walk in to the world and say, here is what

we have decided, we have decided cut off all the oil now, there is

going to be sticker shock up front. On the other hand, if you build

the case and try the options and play the game well, I do not rule

out that people will do the calculation and if that becomes necessary

people may well step up to it.

To say that it is unacceptable for Iran to have nuclear

weapons correctly invites the question: So what do you do

about it? I think we just need to recognize, as Pat and Ray have

said very eloquently, this will be very, very bad. So the result for

us is not to go slice our wrists. The result is we are going to have

to do something about it.

I just came back from the gulf and I just want to echo what Ray

and Pat have said. The dynamics are so complex there. You are

going to have some of the states in those regions that are coming

to us and basically asking us to make commitments that this body

may not wish to make. At the same time, if you are not prepared

to make those commitments they are going to go in a different direction,

in some cases acquiring their own daddy rabbits, their own

protectors, or their own weapons, or make their own accommodations.

This is an incredibly volatile region. So yes, we should not just

make declarations of moral outrage. We have got to recognize we

have got to roll up our sleeves.

This is one where I have a disagreement, having

dealt with the Indians and the North Koreans and the Iranians all

these years. There is almost no relationship we have with anybody

in the world that does not result in a talking point for them. I

agree we have to listen to how they play the game, how they speak

to their domestic audiences; how they speak to their international

audiences. And, frankly, we are not very good, often, at rebutting

what are basically rhetorical devices for covering up what they are

doing.

All of these parties have done that. When we tried to engage

North Korea—when the Clinton administration tried to engage

North Korea under the Agreed Framework—the Iranians used that

as a major, major attack on why the United States was still urging

restraint in nuclear dealings with Iran while they were engaging

with North Korea, which was in violation of the NPT. That is a far

stronger argument, even though it still is a subterfuge for the fact

that Iran is violating the NPT, than the argument that we are trying

to engage the Indians, who are not a party to the NPT, to try

to get them to move in the right direction in terms of supporting

NPT, supporting restraint, or at least ending their war on the NPT

and supporting a broader approach to nonproliferation.

Now, I am no apologist for the Indians. I am certainly no apologist

for the Pakistanis. But I am not about to give the Iranians

cheap arguments.

Senator, you asked me to address this question of

the path and I will do my best. The biggest problem we have in

dealing with the nonproliferation regime and its core, the Nonproliferation

Treaty, is that you are trying to apply universal rules

and principles to what are different circumstances. So I think Senator

Obama is correct; there is a lot of confusion about how you do

that. But I would argue there are coherent policies and paths and

that we can understand what those are.

I think that Iran is a good example of the need to shape the process

to deal with the culture, the security conditions, the economic

interactions, and we have got to do that.

Now let me say, I am somewhat lukewarm about the contact

group proposal myself, but let me explain my thinking and maybe

Ray and I will come to a common view. Let me use the example

of North Korea. It is a dangerous region. We had a package. It was

the NPT-plus with the North-South Denuclearization Agreement,

the IAEA safeguards, the South Koreans are going to have inspections

in the North and vice versa. It really looked like it was going

somewhere.

Then what happened? Well, we discovered that, despite all of

that, the North Koreans were still running the program and, in

fact, had developed a very large reprocessing facility which they

had just begun to use. Everybody seemed united. We just had this

great head-of-state summit, a Security Council resolution that further

proliferation was not unacceptable but a threat to international

peace, which is the code word for we really mean it.

Now, a year later what happens? The Security Council will not

endorse Hans Blix’s request to do a special inspection in North

Korea. What happens to all of this plea for multilateralism? The

answer was: Turn to the United States and say: Uncle Sam, hey,

why don’t you guys go deal with this?

So we got off track because the international community said basically,

is this not something they have got to deal with the United

States? And we lost the support. We ended up—we tried again and

again by various means, some better, some worse, but all well in-

tended, to try to address, as I think Ray correctly says we have to,

the broader security and economic issues in North Korea.

In the end, why did we end up in six-party talks? The answer

was that basically the United States, by itself, cannot solve the

problem. It requires the help of other people and we have to be a

part of that.

But what we have never done on North Korea is get the international

community to stand firm and say this is what it is all

about. So, before we go off and get Uncle Sugar to take the heat,

I think what we need to do is get the international community to

say: All right, are you here or not? And if this is the end of the

Nonproliferation Treaty, if it is over, we know what to do about

that. But let us find out now.

All of the nations whose actions will be essential

to be successful with Iran have multiple interests. They have economic

risks, security risks. They are going to balance all of these

things.

Having said that, I am struck by not so much the difference in

the three witnesses, but the similarities of our views and by the

fact that that is what I find if I go to Europe, that is what I find

elsewhere, is that more and more at sort of the policy wonk level

there is more and more cohesion about what it is that we need to

think about. So I think if the West holds firm we have got a real

shot at this.

Now, I have said ‘‘the West.’’ What I mean is the Europeans,

Northeast Asia, us, North America. But I think that we need to remember

that still two key players are Russia and China, and we

cannot pander, but at the same time there are several things that

matter to Russia and China that play in the Iranian case. Some of

those are related actually to security, but the most obvious and

public have been the economic. But I think we also ought to remember

that there are political factors. They already have nuclear

weapons. Their status problem is they want to be players, and they

can decide, do they want to be players who gain their status by

being in opposition or do they want to be players because they can

make meaningful contributions to something that everybody supports.

I think that is the theme and the approach that we ought

to take.

Thank you, Mr. Chairman.