Thank you, Mr. Chairman. Thank you for inviting

me to address the subcommittee.

I would like to make a few comments about American policy. I

have in my written comments my assessment of what we have seen

in terms of the Khatami Government’s activities in the areas of

weapons of mass destruction, terrorism, and the Arab-Israeli conflict.

In short, I would say there is a lot more continuity than

change in that area, apropos to your comments before and the

statement by Ambassador Indyk.

With regard to U.S. policy, I would say this. Overall I think the

most important achievement of United States policy toward Iran to

date is its success in containing Iran. That is, limiting its troublemaking

potential, its ability to threaten U.S. allies and interests in

the region by denying it access to arms, technology, and the hard

currency necessary to acquire these arms and technology.

U.S. pressure, diplomatic demarches, and interdiction operations

have thwarted several major conventional arms transfers and

countless smaller ones to date. Moreover, Iran’s economic woes,

which have been exacerbated by United States sanctions, have

forced Iran to cut procurements since 1989 by more than half, and

delayed its efforts to acquire conventional arms and weapons of

mass destruction.

Lacking the funds to sustain a major across-the-board military

buildup, Iran has had to content itself with selectively enhancing

its military capabilities.

Continuing these efforts to deny Tehran loans, credit, and hard

currency at a time of economic distress caused by low oil prices will

compel Iran to continue to spend more on butter than guns in the

coming years so that it could meet its debt service obligations and

heightened expectations among its people that President Khatami

can improve living conditions in that country.

President Khatami’s election and his opening to the American

people, however, have greatly altered the rules of the game and

greatly complicated Washington’s calculations in a way that will require

the United States to modify its approach toward Iran.

Washington will need to muster a degree of sophistication and

subtlety that has been largely lacking in U.S. policy till now if it

is to avoid the dangers and grasp the opportunities created by

these new circumstances.

Past efforts to deny Iran arms, technology, an funds have yielded

a number of important achievements, and such efforts should remain

at the heart of United States policy toward Iran.

However, the United States can no longer rely exclusively on

such measures. In formulating its policy toward Iran, the United

States needs to consider the implications of its efforts on three sets

of actors, (1) the Iranian Government, (2) the Iranian people, and

(3) key third parties such as our Arab Gulf and European allies.

Specifically, the United States needs to better understand how

its policy toward the Iranian Government affects its standing in

the eyes of the Iranian people and its relations with the Gulf Arabs

and its Western European allies.

Most Iranians like Americans and admire the United States and

what it stands for. This reservoir of goodwill is a precious American

asset that must not be squandered and, because the Iranian

people is the main engine for political change in that country, it is

a source of leverage over the Iranian Government.

The potential offered by this leverage was most clearly demonstrated

by President Khatami’s CNN address to the American

people, which more than anything else, in my mind at least, was

a nod to public opinion in Iran which strongly favors normalizing

relations with the U.S.

Moreover, to the degree that the recent Saudi-Iranian rapprochement

was motivated by Saudi desires to distance itself from the

United States following the Khobar Towers bombing to avoid being

caught in the middle of an Iranian-American clash, efforts to reduce

tensions with Tehran would reassure some of our Arab Gulf

allies that we are, in fact, not headed toward a confrontation with

Iran.

This is crucial, since ongoing efforts to contain Iran will require

the continued cooperation of our Arab Gulf allies.

Finally, demonstrating a willingness to increase contacts with

the Iranian people and to explore the possibility of official contacts

with Tehran would strengthen Americans’ case with its European

allies, since it would demonstrate that United States policy toward

Iran is not driven by domestic politics, and that the United States

is eager to test Iran’s intentions. This would better enable the

United States to make the case to its European allies that dialog

and pressure can go hand-in-hand.

On the other hand, it would be a severe setback for United

States policy if the Iranian Government could make a credible case

to the Iranian people and to our Arab Gulf and European allies

that the United States had spurned President Khatami’s call for a

dialog between peoples and other Iranian gestures.

Small, tangible steps by Washington to relax tensions with

Tehran would thus help the United States test Iranian intentions

and, perhaps more importantly, avoid an erosion in its standing

with both the Iranian people and key allies.

Moreover, through its actions, the United States must make it

clear to the Iranian people that it is their Government that is the

main obstacle to increased contact and better relations between the

two countries. This could lead to additional pressure for change in

Tehran.

Now, what does this mean in terms of specific policy recommendations?

First, with regard to the Iran-Libya Sanctions Act,

the United States should avoid issuing a determination of

sanctionability regarding the Total deal for as long as possible to

retain the deterrent value posed by the threat of sanctions, to avoid

a fight with the Europeans, and to avoid the appearance of responding

to Khatami’s opening to the American people with what

could be perceived or portrayed as a slap in the face.

Second, in responding to these new circumstances in Iran, the

U.S. should be flexible in areas where it can afford to, while continuing

to maintain pressure in areas where it needs to. That is,

with regard to weapons of mass destruction, terrorism, and obstruction

of the Arab-Israeli peace process.

There are a number of steps we could take, such as streamlining

visa applications where this is consistent with United States security

concerns, support for people-to-people contacts, and a Presidential

speech to the Iranian people along the line of Khatami’s

CNN interview.

Finally, because Russia and China have demonstrated repeatedly

a disturbing tendency to violate commitments made to the United

States by transferring sensitive arms and technology to Iran when

they believe they can get away with it, sanctions that punish Russian

and Chinese companies that engage in such transfers and that

deny Iran the hard currency required to fund these transactions

will have to remain an essential component of United States policy

toward Iran for the foreseeable future.

Thank you.

Excuse me, Senator Robb, can I jump in here?

Just on the issue of Foreign Minister Harazi’s

statement about Lebanon and the map, I have here the quote of

his statement about Lebanon.

Now, on the on hand I would say it is important to say that in

the past Iranian officials would have welcomed an Israeli withdrawal

as a first step on the road to the liberation of Jerusalem,

so against that historical context the statement is relatively moderate,

but it is perhaps a welcome small change over the past statements.

On the other hand, if you could read the statement in a way

which was—he said if Israel to withdraw, quote, ‘‘the aims of the

resistance would have been achieved in reality.’’ That is simply a

statement of fact, and it does not judge the issue of whether

Hizbollah would continue operations.

So it is positive in a historical context, but the way it could be

read, it is just simply a statement of, well, yeah, they would have

achieved their goal. It does not say what would happen after that.

The other point I would like to make has to do with regard to

the map. The other thing I would point out, in addition to the

statements made by my colleagues, is that it does not portray intensity

of effort.

Now, my understanding—I do not focus on Central Asia very

much, but my understanding in talking to people who do is, their

impression is that Iran’s level or intensity of activity in terms of

efforts to proselytize and exploit the revolution in Central Asia is

much lower than in other areas such as Turkey in recent years,

and among the Palestinians.

Anyhow, so I think it is important to look at the map in that

light.

There is another—I think there is a deeper truth which is also

portrayed by the map. I know this is a map which attempts to

show Iran’s exports of terrorism and fundamentalism. The important

thing, though, is that Iran is not colored in this.

I think that shows a deeper truth, that we have seen in recent

years that the revolution in Iran is a spent force, and the fact is

that I heard recently from an Iranian academician who went to

Turkey, who said he was surprised to find that he felt that Turkey

was a more Islamic society than Iran was today, meaning that the

majority of Iranians are fed up with having religion forced on

them.

The Islamic Revolution has alienated the majority of the Iranian

people from Islam, and this affects Iran’s ability to serve as a

model for Islamic movements elsewhere.

As a result, I think in the eighties our concerns, and early nineties

our concerns about Iran’s ability to export the revolution are

much greater than they should be today. I think their terrorism,

their ability to engage in terrorism worldwide still exists. They do

maintain infrastructures that they could activate.

We know they are stalking our people in various different places

and, in fact, the Rev Guard Commander Safavi in October of last

year, I think, said that if Iran was attacked they would respond on

a worldwide basis, and I think they have the ability to do so, so

I think that certainly still is an area of concern for us.

Actually, I think there are a number of routes

that we have available. For instance, the Farsi Service, the Persian

Service of the Voice of America, is one very effective means, and

there is also a TV Voice of America, TV service, if I understand.

In addition, we know that there is proliferation of satellite stations

in the region which carry American programs, and we know

that there are many Iranians who have satellite dishes. There is

also the Internet.

And finally there is an Iranian-American community of 1 to 2

million strong, depending on who you talk to, who are in contact

with their relatives back home.

I guess what I was saying is less devoted to the

medium rather than the message. I was saying we need to present

a different image and different demeanor in dealing with the initiatives

of the Government.

[continuing]. to the Government, or it could be

spun by the Government in a way which undercuts our standing

in the eyes of the Iranian people and, again, that is our most precious

asset, and it is a source of leverage over the Government

there.

And there was an article by Robin Wright in the L.A. Times a

few days ago which discussed how Iranian officials are disappointed

by the lack of American response to their initiatives and

the like.

I think it was a tendentious listing on their part. I think we have

been more forthcoming than was given by them in that article, but

it raised in my mind the possibility that we could be losing out, we

could be losing the war for the hearts and minds of the Iranian

people which right now we have won.

And it is very important in considering our actions toward the

Iranian Government that we be aware of how what we do is perceived,

mainly by the Iranian people, and then also by our Arab allies

and the Europeans as well, but it is mainly the Iranian people,

because they are the engine for change in Iran today.