Thank you very much, Mr. Chairman. It is a pleasure

to be back here in front of you again, and I always look forward

to these opportunities and I hope we will have many more such to

exchange views, but I also appreciate the opportunity you provide

and the administration to both present its approach to these issues

that are vital to U.S. interest and also to hear of your concerns and

to take them into account as we go forward.

Today, as you have pointed out, we are going to focus on Iran,

and I wanted to lay out to you how we address those concerns and

give you a sense of how we view what is happening there and how

we see the potential for change there affecting our own approach.

The United States concerns regarding some aspects of Iranian

foreign policy practices remain unchanged, as does our determination

to effectively address them.

As I said, our concern about some aspects of Iranian

foreign policy practices, particularly in the area of weapons of mass

destruction and terrorism, those concerns remain unchanged, as

does our determination to effectively address them.

As the State Department’s recently published annual report on

terrorism made clear, Iran continues to be the most active State

sponsor of terrorism. Throughout 1991, Iran continued to train and

equip known terrorist groups, especially Hizbollah, Hamas, and

Palestine Islamic Jihad, and to support the violent opposition to

the Middle East peace process.

Iranian agents assassinated at least 13 Iranian dissidents abroad

in 1997. At least two of those attacks occurred after President

Khatami’s inauguration. The fatwa against Salman Rushdie remains

in place, along with a $2.5 million reward offered for his

murder.

The Iranian regime still seeks to protect its regional influence

through a conventional military buildup and through the development

of weapons of mass destruction and advanced missile systems.

Iran continues to pursue nuclear technologies, chemical and biological

weapons components and production materials. Iran’s acquisition

of ever more sophisticated missile technology presents an increasing

threat to our friends and allies, as well as to our own military

presence in the Gulf.

In particular, Iran’s pursuit of an indigenous capability to

produce long-range ballistic missiles poses a threat to the stability

of the Middle East, a region of vital interest to the United States.

I know you, Senator Brownback, and you, Senator Robb, have both

been particularly concerned about this development, as are we.

The international community remains deeply concerned by Iran’s

human rights record. While the U.N. Special Representative has

documented some progress, particularly in the area of freedom of

speech, the U.N. High Commission on Human Rights once again

this year adopted a resolution expressing concern regarding continuing

human rights abuses such as severe restrictions on freedom

of religion, another issue which I know you are concerned about,

Mr. Chairman.

The United States has sought to address these issues by obstructing

Iran’s ability to acquire the technology and materials necessary

to develop the weapons of mass destruction and missile systems.

This has been one of the highest priorities of the Clinton administration,

a challenge that the President, the Vice President,

and the Secretary of State have devoted considerable energy to confront.

We have made real progress with China and with the Ukraine

in restricting their nuclear cooperation with Iran. We have begun

to see the Russian Government taking tangible steps to shut down

the cooperation Iran has received from Russian companies for its

Shehab long-range missile program, but more needs to be done.

We will continue to pursue this issue with the greatest vigor

with the new Government in Russia, which has recommitted itself

to a cooperative effort to end assistance by Russian entities to the

Iranian missile program.

In recent days, President Yeltsin has made strong comments on

the need to enforce export controls on WMD and missile technology.

Further, the Russian Government appears to be issuing the

necessary decrees and regulations to implement the January 22,

1998 executive order issued by then Prime Minister Chernomyrdin

expanding the authority to control technologies of concern.

You may have seen press reports today of those decrees being

issued, which would provide, amongst other things, for the establishment

of monitoring agencies within each company that is involved

in these areas of concerns.

But I should emphasize again that full implementation of all of

these measures will be critical.

We also work assiduously with our international partners to improve

cooperation between law enforcement intelligence organizations

to impede the ability of Iran or its surrogates to carry out terrorist

attacks, and also to punish the perpetrators in the event of

successful attacks. These measures are by no means foolproof, but

due to strong international cooperation they are becoming highly

effective.

Although we have an obligation to take the lead, we cannot be

fully effective in nonproliferation and counterterrorism efforts if we

act only alone. We need the cooperation of others in the international

community.

We continue to apply unilateral economic pressure on Iran to

make the point that there is a price to be paid for pursuing policies

which violate international norms. Unilateral sanctions have proven

costly to American business. However, we believe that Iran

poses threats so significant that we have no choice but to accept

those costs. Economic pressure has an important role in our efforts

to convince Iran to cease its efforts to acquire weapons of mass destruction

and missiles and its efforts to sponsor terrorism.

We will continue to seek the most effective means of using this

policy to further our goal of changing Iran’s policies on terrorism,

weapons of mass destruction and missile development, and other

areas of concern. Our basic purpose is to persuade Iran that it cannot

have it both ways.

It cannot benefit from participation in the international community

while at the same time going around threatening the interests

of its member States. It cannot improve its relations and standing

in the West and in the Middle East while at the same time pursuing

policies that threaten the peace and stability of a vital region.

Mr. Chairman, Iran can play a constructive role in the Middle

East, and we would welcome that. Iran can have a constructive relationship

with the United States, and President Clinton has made

clear that he would welcome that.

We continue to advocate a Government-to-Government dialog in

this regard as the most effective means of addressing the concerns

of both countries, but as long as Iran threatens the interests of the

United States and our friends in the Middle East, we will continue

to oppose those policies.

We will continue to press for enhanced international cooperation

to counter the threat of Iranian weapons of mass destruction and

the threat from terrorism, and to address the human rights situation

in Iran. These are issues of fundamental import to the United

States.

For almost a year now since the election of President Khatami

we have watched events unfold in Iran with great interest. Will

Iran’s Government change anything? We believe the prospects for

change are indeed there. President Khatami’s election in May 1997

reflected this desire for change on the part of a large majority of

the Iranian electorate.

Khatami was not the candidate of the regime’s dominant conservative

faction and, since his election, he has continued to make

clear that he intends to challenge the rule of the conservative clergy

by meeting the demands of the Iranian people for greater freedom,

for more respect for the rule of law, and for a more promising

economic future.

The new Government’s power and ability to achieve such objectives

have been questioned, yet since Khatami’s inauguration, one

surprise seems to have followed another. Parliament first of all approved

all of his cabinet choices, including the placing of a woman

in a significant cabinet portfolio. The United Nations Special Representative

on Human Rights in Iran noted in his most recent report

that public debate in Iran has now become more open. There

is a vigorous exchange in the Iranian press, even on delicate subjects

such as the rule by the clergy and the role of women in an

Islamic society.

President Khatami has spoken out on foreign policy issues, and

his rhetoric on terrorism in particular on the Middle East peace

process and the desirability of people to people dialog with the

United States has been in sharp contrast to previous Iranian Government

positions.

Iran’s new Government has made it clear that it wants increased

cultural contacts between the United States and Iran. This in itself

is a significant change, if one remembers the taking of American

hostages and the burning of American flags. Some steps have al-

ready been taken on both sides to encourage such exchanges, and

we expect these steps to continue.

Perhaps the most revealing incident since President Khatami’s

inauguration was the arrest and then subsequent release of

Tehran’s Mayor Karbaschi, whom the Iranian public considers to

be one of Iran’s most effective public servants and reformers.

His arrest on corruption charges sparked a potentially serious

confrontation between the supporters of President Khatami, who

believe the arrest to be politically motivated, and opponents of the

President from the conservative flanks. University students demonstrated

in support of Karbaschi and President Khatami.

The crisis clearly showed the fault lines within Iran, and the

very real challenge that Khatami faces in reforming Iran’s domestic

as well as its foreign policies.

Although President Khatami is challenging the conservatives on

important issues, the presidency of Iran has not typically controlled

national security policy, nor the critical Iranian institutions like

the military, the police, security and intelligence services, and the

Revolutionary Guards, all of which have a critical role in national

security policies.

These institutions remain the domain of the supreme leader,

Ayatollah Khamenei, and it is not clear how far President Khatami

is able to go to exert control in these areas, yet it is precisely in

the national security domain that Iran continues to pursue policies

of greatest concern to us.

If President Khatami is able to turn his constructive rhetoric into

real change in these areas of concern to us, that would lay the

foundation for an appropriate response on our side, including better

relations between our two countries. To sustain any effort to improve

relations, however, such changes in actions, in policies, are

essential, and in the meantime we will continue to focus our energies

on countering the effect from Iran in these areas.

Thank you very much, Mr. Chairman.

I do not have the number off-hand, but when I look

at your map I think it is a pretty good depiction of many of the

areas of concern.

Thank you, Mr. Chairman. First of all, I would emphasize

our public record. As you very well know, there are a lot

of rumors that are produced by the rumor mill, particularly in this

town, but I appreciate the opportunity to come before you so we

can deal with what the reality is, and I think that you would agree

that we pull no punches in our State Department report on terrorism.

The question that you ask on ILSA is one that is difficult for me

to answer at this moment. It is an issue which is under active consideration.

I think it is correct to say that a decision is imminent.

Under Secretary Eizenstadt will be briefing you and other Senators

and Congressmen I think in the next few days, but because the decision

has not been made, it is not appropriate for me to talk about

it in public session, the decision itself.

What I will say, however, in response to your question is that it

is important to understand that whatever the decision turns out to

be, it will be made on the basis of a commitment of the administration

to uphold the law and the purposes of this particular piece of

legislation.

This, the ILSA legislation’s purposes, as I think you are very familiar

with, was to encourage cooperation to help us in our efforts

to prevent the activities you are talking about, particularly terrorism

and weapons of mass destruction proliferation, and at the same

time to discourage foreign investment in Iran’s oil industry.

It is our judgment that Iran continues to be the leading

sponsor of terrorism.

I am not sure what you mean by expansionist- oriented,

because——

I think that in that regard we have seen a change

under President Khatami. There has been an effort since the

hosting in Tehran of the OIC, the Organization of Islamic Countries

summit, by the new Government in Iran to reach out, particularly

to its neighbors, many of the countries on this map, and to

try to turn a new page in their relations with those countries, particularly

in the Gulf, where the—actually you could color in some

more of the map here, I see, because countries like Kuwait and

Bahrain and UAE, there has been some real concern, and of course

in Saudi Arabia, at the activities of Iran to promote terrorism and

subversion.

And you can be sure that when these Governments, our friends

and allies in the region, receive these overtures from the new Gov-

10

ernment of Iran, that the issues that you are talking about that

you are discussing today were uppermost on their agenda, and I

think that they made clear to the Iranians that if there was to be

an improvement in relations, then this kind of activity had to

cease.

And the interesting thing is that, although the jury is still out

on this one, that what we hear from those Governments is that the

level of activity has decreased, their level of concern has decreased

in this area, so I do not want to exaggerate it, but there is a change

afoot in terms of Iran’s efforts to repair its relations with its near

neighbors and terrorism and its support for subversive elements is

very high on their agenda in that regard.

I hear you, Mr. Chairman. I hope you understand my

difficulty in responding, given that the decision has not yet been

made, so I will have to make a general response, which I started

to make before, which is that whatever the decision, the assessment

of the administration in making this decision will be based

on an assessment of how best to promote the purposes of the legislation,

which is not only the law, but its objectives are those that

we hold in common with you.

There is no disagreement about the objectives of wanting to find

ways to discourage Iran’s efforts to acquire weapons of mass destruction

or sponsor terrorism, and the judgment will have to be

made by the Secretary of State based on that assessment, but the

objective is clear, and the assessment has to take into account how

best we can achieve one of the objectives of the legislation, which

is cooperation from other members of the international community

in the pursuit of those objectives that I just outlined.

I do not think it will be announced by me.

The issue of secondary boycotts, which the ILSA legislation effectively

provides for, is something that no Governments particularly

welcome, and we ourselves have not welcomed it in other cases. In

fact——

And so when you ask about the reaction of the

French, I do not have to speculate. We know pretty clearly what

the reaction of the French Government and other EU countries is

to this legislation and Helms-Burton. We have seen their vigorous

opposition and the considerable heartburn that it causes, and in

this particular case, even among our closest allies. The sanctions

under ILSA are seen as an attempt by the United States to penalize

their companies, companies from their countries, for activities

that their Governments regard as not only legal but, from their

point of view even desirable.

That is clearly not our point of view, and that is why we have

worked with the Congress first of all to tailor the legislation in a

way that would make it effective, and then have worked with Congress

to implement it.

But you asked about their view, and their view is very hard over.

They do not see why their companies should be punished for things

which they consider to be the right thing to do in terms of international

commerce, and they view the legislation as an issue of

extraterritoriality, where we are trying to extend our law to other

countries and other companies.

So their reaction is very negative, and that is what I was suggesting

when I said that one of the purposes of the legislation is

to try to encourage cooperation from these countries, and we are

only going to be effective—I mean, there are certain things we can

do on our own that we are doing unilaterally, but in order to be

effective against the threats that we see here, we need international

cooperation, and there is always a question of what is the

best way to achieve that international cooperation.

Well, we have to do our best to get it. That is the

objective here, and if we do not get that cooperation, then the purposes

of the act are not going to be fulfilled. We would have to then

look at it.

I am not sure whether that answers your question.

If I might respond just again, Mr. Chairman, to say

that one of the reasons that this process has taken some time is

that we have been engaged in intensive efforts to stop the investments

and to gain the cooperation of our allies and friends in the

international community that can affect Iran’s behavior and the

legislation——

I am not sure what you mean by separate front. If

you mean progress on cooperation against terrorism or weapons of

mass destruction, yes, that is the purpose of the legislation.

We have to be careful with terms here, but if I understand

your point, what I am saying is that the purpose of the legislation

is to achieve a change in Iranian behavior in these areas of

concern that we share, and the purpose of the legislation is to encourage

cooperation in that regard, and that is why the legislation

has built into it—it has built into it a very extensive waiver provision

with all sorts of different options, because the legislators recognize

that this could be used as a vehicle for trying to achieve the

ultimate objective.

And so that is the context in which we have been trying to work,

and we countries, not just the countries that have companies involved

in the particular transaction at South Pass Field, but also

other countries, to try to assure maximum effort to counter these

areas of concern by Iran.

Policies with regard to the policies pursued by the

countries that are affected by this legislation, or other countries

that have dealings with Iran and can therefore influence Iran. In

that sense, it is an indirect approach. We are obviously trying to

deter investment in Iran. That is also part of the purposes of the

legislation, and that is, as it were, the direct approach, but the indirect

approach is to try to change the policies of the countries involved

to step up their cooperation in these areas of concern.