The hearing will come to order. Mr. Secretary,

welcome and I apologize for starting late. As you know, we have

some important votes.

Thank you very much. It’s nice to know I can’t be heard without

a microphone.

I was telling my colleagues here, I said I started to walk in and

Bertie, who runs this committee, said: Don’t go in yet, Mr. Chairman;

we’ve got an overflow crowd in the hall and we’ve got to fill

up another room. So I want to explain, he’s the reason I was an

extra 2 minutes late. But I was here.

Welcome, Mr. Secretary. It may hurt your reputation, but you’re

among friends here. There’s a great deal of respect for you on both

sides of the aisle and both sides of the lectern here on this committee.

So it’s great for you to take the time to be with us.

Let me get right to the point of today’s hearing and let me be

blunt. In my view, as a result of the policies the administration has

pursued the last 6 years, I believe that it’s Iran and not freedom

that has been on the march in the Middle East the last 6 years.

I think Iran’s influence has grown in Iraq. Its proxy Hezbollah has

become ascendant in Lebanon. Its ally Hamas dominates Gaza. It’s

testing intermediate range missiles and Iran is getting closer to a

nuclear weapon capacity by mastering the process of enriching uranium.

The issue is not whether or not Iran presents a real security

challenge. It does over time. The question is whether we have a realistic

view of that challenge and a coherent policy to deal with

that challenge. Iran, to state what seems to be the obvious, but it’s

not so obvious to many of our colleagues and people in town, Iran

is not 10 feet tall. Iran is not the Soviet Union with 42 divisions

ready to move through the Folda Gap. It is not Panzer divisions of

the German army in the late 1930s. Despite its large oil resources,

it faces serious economic problems, including high inflation and unemployment.

It has very few friends and its people chafe under the

social and political repression that exists within that country.

It spends about $7 billion a year on defense every year, about

what we spend for 2 weeks in Iraq—$7 billion a year; we spend

that in 2 weeks in Iraq.

But Iran’s acquisition of a nuclear weapon would dramatically

destabilize an already unstable region of the world and probably

fuel a nuclear arms race in my view in the region. It is profoundly

in our interest to prevent that from happening.

Our choices it seems to me are fairly straightforward. We either

engage, we maintain the status quo, or we use some sort of military

force, whether it’s directly against Iran itself or in the gulf or

against its interests. If we don’t engage, then we’re stuck with the

Hobson’s choice between an ineffectual policy that allows our partners

but not the United States to engage Iran on its nuclear program

and military strikes that could quickly spiral out of control.

Last week, in response to an incentive package that the Permanent

5 members of the United Nations Security Council and Germany,

the so-called P5+1, Iran has said it’s willing to begin comprehensive

negotiations. Time will tell. We cannot take them at

their word, but they have stated they are prepared. But it did not

indicate that it will suspend its uranium enrichment activities as

a precondition for those talks.

Now, as you consult with other capitals on the response to Iran’s

response, I respectfully urge you, Mr. Secretary, to find creative

ways to advance the dialogue with Iran by building on the steps

that the administration has already taken. Among those steps was

Secretary Rice’s decision to personally sign a letter to the Iranian

Foreign Mnister transmitting the incentives package. That may

seem like a minor gesture to everyone but you at the table, but the

truth of the matter is I’m told her signature was taken as a signal

of a real support for the incentives package, not just the idea of our

European friends or the Permanent 5, not just by Tehran, but it

was also taken seriously, her signature, by the P5 plus Germany,

that we were really in it, we really were part of this initiative.

Other similar steps could solidify the P5+1 coalition. For instance,

I’ve seen reports suggesting the administration is considering

establishing an American diplomatic presence in Tehran for

the first time in 30 years. I think that’s a good idea. A diplomatic

presence would increase our knowledge of the forces at work inside

Iran. It would give us a stronger diplomatic hand to play, and it

would decrease the chances of miscalculation. It would also help us

more effectively operate exchange programs so as to increase contacts

between Americans and the Iranian people.

For those who say aren’t we giving up something in return for

nothing from the Iranians, I would argue what I’ve just stated is

something in terms of our interests. I would also suggest the world

should see whether or not Iran would accept—would Iran accept

such a mission, because it will tell us a lot in my view about the

seriousness in being willing to negotiate.

More broadly, Mr. Secretary, I think the time has come for us to

strike a new bargain with our P5+1 partners. The net effect of demanding

preconditions that Iran rejects is this: That we get no re-

sults and Iran gets closer to a bomb. And by the way, the P5+1 already

is negotiating with Iran. What else could we call the process

in which the P5 presents a detailed offer to Iran, which comes back

with a counteroffer, which produces a response from the P5+1? I

call that a negotiation. That’s what negotiations are. I don’t know

what else you’d call that.

I believe the United States should agree to directly engage Iran

first in the context of the P5+1 and ultimately country to country,

just as we did in North Korea. Remember, after we pulled out of

the Agreed Framework we insisted that North Korea fully disclose

and abandon its uranium enrichment program as a precondition for

resuming talks. Pyongyang refused, and instead increased its

stockpile of plutonium by 400 percent. We finally got smart and reengaged

without precondition and now we have a realistic chance

of securing a verifiable end to North Korea’s nuclear weapons program.

There’s a way to go. We have to verify. But there is real

progress.

Direct U.S. engagement with Iran in country to country negotiations

is something that the European Union, Russia, and China

have told me personally, their representatives, and I imagine my

colleagues, that they would welcome.

In exchange, we should insist on firm commitments from those

governments—if we were to do this—to impose serious sanctions if

Iran continues to defy the U.N. Security Council by not suspending

enrichment and related work on plutonium reprocessing. Engaging

Iran and sanctioning Iran are not only compatible, in my view they

are mutually reinforcing, notwithstanding the contrary argument

that always is made in this town. Again, let me say: Engaging Iran

and sanctioning are not only compatible, they are mutually reinforcing.

Sanctions can provide the leverage for negotiations.

I know this point will not be lost on you, Mr. Secretary, given

your central role in the outreach to Libya. We also need to do a

much better job with our public diplomacy. I’m not sure how many

people—I will not take the time, in the interest of my colleagues,

to lay out the grand work you did with regard to Libya. But I remember

getting the call—and I guess you were probably partly to

blame for it—not too many years ago saying: There’s a plane waiting

for you at the airbase to fly to meet with Qadafi.

So why me? They said because they wanted a Democrat, basically,

to go over and face to face look at Qadafi and make clear to

him that I supported the President’s position if he did what was

required. The point being, if we could talk and sit down with

Qadafi, who did engage directly in terrorist activities, we ought to

be able to sit down and engage with Iran.

We should exploit the cracks within Iran’s ruling elite and between

its rulers and its people. The Iranian people need to know

that their government is choosing isolation over cooperation. Right

now, the way we position ourselves, we’re made to look like the bad

guy. Always rebroadcast in Iran is the veiled threats of the United

States of America, when in fact the Iranian people don’t like their

government very much to begin with, and I think it’s very

important they fully understand that it is us who are willing to engage

and not their government if their government chooses not to

engage.

So does the wider international community need to understand

this. We need to publicize the incentives offered to Iran. Those include

greatly expanded trade and properly safeguarded, state of the

art nuclear reactors suited to producing energy and not for producing

materials for weapons programs. The Foreign Ministers of

the P5+1 should use every opportunity to stand together and make

clear to the world, not just to the Iranians, all the benefits that

Iran is forgoing.

When it comes to countering Iran’s regional influence, we have

to be smarter with our diplomacy. I respectfully suggest, Mr. Secretary,

we can undermine Iran’s connection with Hezbollah in my

view by actively supporting Israeli-Syrian peace talks. We can

weaken Iran’s ally Hamas with success in the peace process, that

undercuts the claim that terrorism is the path to a Palestinian

state.

As to Iran’s influence in Iraq, the idea that we could wipe out

every vestige of that, as some of my colleagues suggest, is a fantasy.

It’s a fantasy. Even with more than 140,000 American troops

in Iraq, our ally in Baghdad, the Prime Minister of Iraq, Mr.

Maliki, greets the Iranian leader Ahmedinejad with kisses on both

cheeks, travels to Tehran to consult, to explain, to seek approval.

Like it or not, Iran shares a long border with Iraq. Iran and Iraq

share a long history. The idea that we can somehow expunge that

from the consciousness of both nations I think is fantasy.

The best way to promote more responsive Iranian behavior in my

view, Mr. Secretary, in Iraq is for Iran to confront the possibility

that instability could spill over the borders of Iraq into Iran. We

can do that by making clear our intention to begin to redeploy

American combat forces out of Iraq, not withdraw all of them. But

we do not need 140,000 troops there.

Right now Iran likes it exactly like it is, with the United States

bogged down and bleeding and our ability to present a credible

military threat short of an all-out Armageddon, a credible military

threat, considerably reduced in the eyes of the leaders in Tehran.

Mr. Secretary, I believe that now is the time for aggressive diplomacy

for Iran, including direct U.S. engagement, if for no other

reason than to demonstrate to our allies that we are not the problem

and put the onus on the Iranians either to engage forthrightly

or demonstrate to the world they are the problem and unwilling to

do so.

There is still a realistic chance, not a guarantee, but I believe

there’s a realistic chance that the world can change Iran’s behavior.

If we go the extra diplomatic mile, the world is much more likely

to stand with us if, God forbid, diplomacy fails and we need to engage

in stronger action.

We didn’t do that in Iraq. We should not make that mistake

twice.

I look forward to your testimony, and I always look forward to

the chairman’s comments as well.

Senator Lugar.

Thank you.

Again, Mr. Secretary, it’s a delight to have you here. As I said,

you have universal respect on this committee. We appreciate your

being here, and the floor is yours.

The entire statement will be placed in the record.

Well, Mr. Secretary, at the risk of damaging your

credibility, your statement was music, at least to my ears. I quite

frankly wish we had heard that statement in 2003 or ’04 or ’05 or

’06 or ’07. As usual, Mr. Secretary—I’m not being solicitous—you

are always straightforward in your testimony. It’s appreciated and

it’s welcome, because you give perspective and one of the things

lacking in this discussion about Iran is perspective.

So let me start off again by thanking you. I wasn’t going to say

this, but it reminds me that Senator Kerry and Senator Lugar and

I and maybe others—I apologize if I leave someone out—were, at

the invitation of the White House, down in the Cabinet Room not

many months ago when the President came back from a trip and

he asked our opinion. I was making the point that, quite frankly,

the less rattling of the saber the better, because all it did was unite

the Iranian people behind a government they don’t like.

I said that—I said it’s a little bit like, the only way to get the

North End and Southie in Boston to get together is threaten to

bomb Boston. Senator Kerry said: No; say something about the

Boston Red Sox and that would unite them.

But let me again thank you and get right to my question here.

One of the things you often hear stated as a rationale why we have

to be more bellicose in our relationships—and again I, like you,

have no illusions about the present Iranian regime. I have no illusions

that diplomacy will carry the day. I have no illusions also

that we can do this by ourselves.

But one of the things you often hear is that, you know, these

guys—and this is how it’s phrased: These guys are likely to supply

nuclear weapons or nuclear capability or weapons of mass destruction

to al-Qaeda. How do al-Qaeda and Iran view one another?

My recollection is that al-Qaeda is primarily

Sunni and that Iran is overwhelmingly Shia. I find it an unholy relationship,

to think that that is the place where the Iranian leadership

would move.

I want to skip around just a little bit here if I may, Mr. Secretary.

As you know, there’s legislation before the United States

Senate, referred to as the Iran Sanctions Act, that would require

if passed in its present form the administration to investigate companies,

regardless of where they’re located, companies in the countries

of our allies, our friends, members of the P5 as well as others,

who invest more than $20 million in Iran’s energy sector and to

possibly, for us to possibly extraterritorially sanction those foreign

companies for their actions in Iran.

Now, it sounds good. It sounds like it’s a thing that would diminish

the ability of the Iranians to be able to generate a nuclear capacity,

a weapons capacity. But how would passage of such legislation

here affect in your view the administration’s efforts to keep

the P5+1 coalition together, coherent, and as unified as it appears

to be right now?

Quite frankly, I don’t presume to speak for the

chairman, but I know he shares this view and he’s—I’m not being

solicitous—been the leader in this area for the last 20 years. I just

find it absolutely incomprehensible that we may very well pass a

piece of legislation that essentially nullifies an agreement we’ve

made with Russia, that is the very thing that will allow us to be

able to get further cooperation from Russia on dissuading and making

it more difficult for Iran to pursue the objective we think is the

worst possible outcome.

I just find it—I’m not sure people have thought this through.

But at any rate, I think we’re going to need your input, your

straightforward analysis of what the consequences of essentially

losing that agreement would be on this overall effort, because quite

frankly the thing where the administration has made the most success

in my view with regard to Iran has been in the economic side,

on the banking side. It has not dictated that foreign banks or for-

eign investors cannot be involved with the banking system or the

financial arrangements with Iran, but the effect has been it has

put an incredible chill on other banks dealing with banks in Iran

and it has put a real crimp in their economy.

I’m going to submit for the record, because I’m sure all my colleagues

know, but a lot of the people listening to this will not understand

what the Financial Action Task Force is. It’s a group of

32 countries, including the five Permanent Members of the United

Nations Security Council. And it has issued serious warnings in

less than a year of the risk posed to the international financial system

by deficiencies in Iran’s antimoney-laundering and counterterrorist

financing regime. It has had an incredibly negative impact

on the banking system, legitimately, in Iran.

One of the things I really was encouraged by in

your statement is that you’re the first administration witness—and

there may be others, but the first that I have heard before this

committee—who has pointed out what I think is a very critical

point, that the need to publicize to the world and within Iran the

carrots as well as the sticks that the international community is

offering is vitally important in terms of internal pressure, internal

division within Iran.

Which leads me to my last question in the last 30 seconds I have

here. Is it your understanding—and if it’s not appropriate to answer

in this forum, just say so. But is it your understanding that

China and Russia favor setting aside suspension as a precondition

for further discussions or their encouragement of discussions country

to country by us and Iran?

Can you speak to that?

But is it suspension for suspension or suspension

for discussion?

Thank you very much. My time is up.

Thank you, Mr. Chairman.

With the permission of our witness—and I mean this sincerely—

we’re going to vote in just a few minutes. It’s an important vote.

The leader has asked us to be, at least on the Democratic side, in

our chairs before this vote begins, which will begin in a few minutes.

My friend from Florida only has one question. He can ask as

many questions as he wants, but he only has one question. What

I respectfully suggest we do is I’m going to yield to the Senator

from Florida. When he finishes, maybe we could adjourn until the

vote is over. That’ll be about 15 minutes on Senate time. It’s supposed

to be 6 minutes or 7 minutes, but I’d say between 10 and

25 minutes. I can’t guarantee that, but I promise, because your testimony

and the questions all of us are asking, it’s good for each of

us to hear the totality.

So is that all right with you?

All right. With that, what I’m going to do is I’ll

turn the gavel, the questioning and the gavel over to my friend

from Florida, and when he finishes, unless you want to stay——

[continuing]. When you finish your questions, if

you’d recess to the call of the chair, which should be immediately

after the vote, which is to occur in the next 5 minutes.

I’m happy to have you do that, but he’s going to

leave too, I think. So it’s going to be you by yourself. You’re on your

own, boy. [Laughter.]

You know what I mean? As Lawton Chiles would say, ‘‘You’re on

your own, boy.’’ All right.

Anyway, I yield to my friend from Florida.

[presiding]. Mr. Secretary, I have many more

questions, but we and the staff have had an opportunity to spend

some time with you and you’ve had a long day. You were over in

the House as well today. I just want to end at least my comments

and questioning with a request.

I’d ask you to seriously take a look at how we interact with civil

society in Iran. Specifically, I really would urge the administration

to issue a general license to permit American charities to expand

their own—excuse me—to be able to expend their own funds inside

Iran supporting human rights, women’s rights, and other civil society

activities inside Iran.

The high hurdles in place today have had a really chilling effect

on the groups with which I’ve spoken and my staff on American

nongovernmental activities inside Iran. I find these to be incredibly

self-defeating and I think they have, these hurdles, have a perverse

impact of supporting the policies of Iranian hardliners who don’t

want the Iranian people to interact with any outside human rights

or prodemocracy NGOs or forces.

So I’d like to ask you to take a hard look if you would at this

policy. I know you to be conscientious about this. When you do, if

you could let us know whether or not the administration would be

able to support a general license for American NGOs. I think it

would be—it would be presumptuous of me to say, I think it’s totally

consistent with your testimony and the administration’s enunciated

position today, and it would just be appreciated if you’d take

a look at it.

Mr. Chairman.