The hearing will come to order.

I just wanted to take a minute as we start to respond to remarks

made by General McChrystal and his staff in a magazine article.

I had a conversation with General McChrystal about a half hour

ago and emphasized to him that I think obviously, those are comments

that he’s going to have to deal with with respect to the Commander

in Chief, his Vice President, and his National Security staff.

I have enormous respect for General McChrystal, I think he’s a

terrific soldier, and this is a critical moment in Afghanistan. And

as far as I am concerned, personally, the top priority is our mission

in Afghanistan and our ability to proceed forward, competently.

It will be up to the President of the United States, as Commander

in Chief to make the decision as to whether or not he and

his national security staff feel that they can do that. But my impression

is that all of us would be best served by just backing off

and staying cool and calm and, you know, not succumbing to the

normal Washington twitter about this for the next 24 hours. We

have troops on the front lines, we have a major mission that we’re

in the middle of and I think the priorities of that mission are best

served by letting the President and his top general have their conversation

and make a determination as to how we proceed forward.

I want to thank you for coming this morning to discuss the next

steps in America’s policy toward Iran. This is as critical an issue

as we could face. The potential of a nation securing a nuclear

weapon when it behaves as outside of the norm of international behavior

as Iran has chosen to behave, raises serious national security

concerns, not just for the United States, but for many other countries.

And I know that regionally, from my meetings with leaders

throughout the region, they are deeply concerned about it. There

is not a leader in the Gulf States or the Arab world who hasn’t expressed

concern about the potential of a nuclear Iran.

Today, we are privileged to welcome two of the principal architects

of our policy toward Iran: Ambassador William Burns, Under

Secretary of State for Political Affairs; and Mr. Stuart Levey,

Under Secretary of the Treasury for Terrorism and Financial Intelligence.

This hearing comes at a crucial moment in our efforts to curtail

Iran’s nuclear ambitions. All of us understand the stakes: A

nuclear-armed Iran would pose an intolerable threat to our ally,

Israel, risk igniting an arms race in what is already the world’s

most dangerous region, and undermine our global effort, which we

have just taken significant steps to underscore with the New

START Treaty, to halt the spread of nuclear weapons.

That’s why, 2 weeks ago, the U.N. Security Council passed Resolution

1929, widening the scope and scale of international sanctions

against Iran. It expands sanctions against the Revolutionary Guard

Corps, subjects Iranian vessels to inspection on the high seas, bans

most categories of arms sales to Iran, and restricts the kind of

investments that are allowed in Iran.

Resolution 1929 also contains a number of nonmandatory measures

which give the Treasury and State Departments important

new leverage to persuade financial institutions, oil companies, and

other countries to divest from Iran. I want to congratulate all of

those who have been involved in this impressive diplomatic effort.

I know it took a lot of personal work, a lot of sitting down and

working through the possibilities with many countries, and particularly,

obviously, with the Perm-5, and among those, China and Russia.

As we gather this morning, Congress is also finalizing legislation

that contains a number of tough new economic penalties aimed at

persuading Iran to change its behavior. Among other measures, it

targets firms that sell refined petroleum to Iran or that deal with

the Revolutionary Guard.

These steps to increase pressure are necessary, not because we

want to target Iran, but because Iran itself has decided to continue

to defy the international community, the International Atomic

Energy Agency, and the U.N. Security Council. Iran’s publicly disclosed

stocks at its Natanz enrichment facility now include more

than 2,400 kilograms of reactor-grade low enriched uranium. I

think I am correct in saying that, at the time that the original deal

was offered for taking the enrichment out of Iran, there were somewhere

around 1,600 or 1,700 kilograms. So, there’s been a growth

in the amount of available nuclear fuel that they have, and that

growth narrows the window with respect to their ability to break

out in terms of nuclearization.

That is enough feedstock, the 2,400 kilograms, is enough feedstock

for two nuclear weapons, though it’s important to note that

Iran, in order to achieve that, would have to first expel inspectors,

and then enrich that materiel to the much higher level required for

weapons purposes, and cross separate weaponization hurdles after

they’ve done that. So, it is especially troubling that Iran has

recently begun enriching small quantities of uranium to a concentration

of around 20 percent, crossing yet another nuclear threshold.

If Iran continues much further down this path—and there is reason

through its prior actions to believe that it intends to—then a

later move to produce bomb-grade uranium would be significantly easier and faster.

Given Iran’s dangerous progress, some will argue that engagement

has been wasted. Well, we all wish Tehran’s response had

been different. But, frankly, our ability to secure a new resolution

at the United Nations, and our ability to persuade allies to go still

further in pressuring Iran came about because we were prepared

to engage and show our willingness to have engagement over some

period of time. And it is the exhaustion of patience with that effort

to engage, that has, in fact, helped to bring a reluctant China and

Russia to the table.

In the end, though, the true test of our policy will not be pressure

applied, but behavior changed. Recent experience suggests

that neither sanctions nor engagement alone will convince Iran to

abandon its nuclear program. Only by combining both pressure and

diplomacy into a comprehensive and coordinated strategy will we

have a chance at altering Iran’s behavior.

Now, there’s no guarantee that Iran will not continue to reject

our diplomatic overtures. And that will present an opportunity to

turn the pressure even higher. But given the stakes involved, if

there is an opening, we must be willing to explore it. When I was

recently in Syria, President Assad talked to me about the possibilities

for that kind of an opening, and for the possibilities of even

building on Iran’s initial offer. I know the administration will look

at any opportunity to legitimately try to do so.

But the current situation brings us to the heart of the questions

at today’s hearing. Given the failure of the previous three U.N.

Security Council resolutions to deter Iran, the pregnant question is,

How will this one be different? How much time do we have and

how long will it take for these sanctions to have an impact? What

are the real redlines for the Iranian nuclear program and what

consequences are we willing to impose if Iran crosses those redlines?

We need to articulate an end state that is rigorous enough from

a nonproliferation standpoint, but also has some prospect of being

acceptable to both parties. America and our allies have put proposals

on the table. The June 2008 proposal by the P5+1 to Iran,

endorsed by both the Bush and Obama administrations, was reiterated

this month as an annex to Resolution 1929. Last October’s

proposal to take 1,200 kilograms out of Iran for further enrichment

for the Tehran Research Reactor held a lot of promise. But Iran

failed to provide a concrete response until the eleventh hour, on the

eve of new U.N. sanctions, even while continuing to enrich uranium

to 20 percent, and having already grown the amount that it

had to that 2,400 kilograms. So, we look forward to hearing from

our witnesses today on the status of each of these initiatives.

We also need to understand how our efforts play into Iran’s volatile

domestic politics. We need to take care that efforts to deter

Iran’s nuclear program don’t come at the expense of the Iranian

people, who may yet emerge as a force for moderation within Iran.

We recently passed the 1-year anniversary of Iran’s flawed Presidential

elections. In the unrest that followed, Iranian security

forces were responsible for widespread violence and for abuse

against their own people. Dozens of democracy activists were killed

and thousands more thrown in jail without due process.

Three American citizens, Josh Fattal, Sarah Shourd, and Shane

Bauer, remain in prison 11 months after being jailed for straying

onto Iranian soil and the whereabouts of Robert Levinson remains

unknown more than 3 years after he went missing in Iran. So, we

will continue to speak up for the rights and well-being of the

Iranian people, but also, of those Americans being held in Iranian custody.

In the interest of time, I’m not going to recite the long and impressive

resumes of our witnesses, other than to note that they are

two of the best public servants that we have in government today.

And before I introduce them, I want to say one other word about

Iran. Any history, any reading of the history of Iran has to elicit

from the United States some statement of responsibility for the

events that took place in the early 1950s with the CIA’s involvement

in a change of government effort there. And that is a

longlasting and deep memory in the Iranian people, it’s something

we don’t always think about.

In addition to that, the Iranian people have an extraordinarily

accomplished, long, long, history in terms of civilization, a lot

longer than the United States of America. And their contributions

to civilization in so many things, in science and art, in discoveries,

are quite extraordinary. It would be wonderful if we could move

beyond the repression of this current administration to embrace

that history and to see Iran take a more legitimate and rightful

place in the context of that global history.

I think Ambassador Burns and Mr. Levey both understand that,

but their task is to hold the process accountable in these days. And

Ambassador Burns’ sustained diplomacy over the course of many

months, working closely with Ambassador Susan Rice in New York,

was absolutely instrumental in securing the passage of the U.N.

Security Council Resolution 1929.

And Mr. Levey’s efforts have been very significant. The Treasury

Department is not as well known in its engagement, here, but it’s

a very, very significant one. And their ability to be able to dissuade

international banks and businesses from doing business with Iran

has had a significant impact, and shown some significant results already.

So, gentlemen, we welcome the both of you, we thank you for

your work and your appearance here today and look forward to

your testimony. Senator Lugar.

Thank you very much, Senator Lugar. I think

that, together hopefully we have framed the questions and the

backdrop for the hearing today if, indeed, as it could easily be that

some of questions wind up taking us to a place that is classified.

We’ll just sort of set those aside, mark them, but we would like to

go into a classified session, then, because I would like to make sure

we make that part of the record.

So, we welcome your testimony, again. Your full testimonies will

be placed in the record as if read in full.

We look forward to any summary you would like to make.

Secretary Burns, why don’t you lead off?

Thank you, Secretary Burns.

Secretary Levey.

Thank you, Secretary Levey.

Let me just follow up quickly with you on that. Are you satisfied,

I mean, do you have the tools that you need, No. 1, and No. 2, do

you feel you have confidence that our partners in this effort are

going to help bring the hammer down sufficiently that all of these

different cutout cardboards, phony shipping documents, et cetera,

that will be able to really have an impact?

Well, probably—I want to come back to some of

that, but first I want to pursue sort of a larger couple of policy

issues with you, Secretary Burns.

First of all, as a threshold predicate to this entire discussion, to

what degree is the administration convinced, and what is the evidence

of it, that if Iran continues, other states in the region are

going to go down the nuclear road? And is that the conviction of

the administration?

So, what is the redline, here? What is the administration’s—

give us a sense of both timeline and redline, if you will,

with respect to whatever the timeline is—what action would precipitate,

conceivably, what by the allies? I mean, we’ve made these

very public protestations—no nuclear weapons program. We’ve laid

out, in some detail, the various threats that it presents to Israel,

to us, to the region, and so forth, so where’s—is there a clarity to

that? Because I haven’t sensed it, to date, through the last administration

and up until now.

Well, I do think that we need to—at the appropriate

time, it may not be today—but we need to go into a classified

briefing to go through some of the parameters of this.

Can you share with us a sense of sort of what steps that Iran

might take that might trigger a next adverse reaction from ourselves

and our allies?

I mentioned in my opening comments the need

to expel the inspectors and go through a series of steps in terms

of enrichment, et cetera. Is it possible that they could get so close

to actual weaponization and/or the adequate level of development

that there’s a breakout capacity—could they do that without expelling

the inspectors, in some clandestine way?

Senator Lugar.

Thank you, Senator Lugar.

Senator Feingold.

Thank you, Senator Feingold.

Senator Boxer.

Thank you, Senator Boxer.

Senator Menendez.

Thank you, Senator Menendez.

Senator Isakson.

Thank you, Senator Isakson.

Senator Webb.

Thank you very much, Senator Webb.

Senator Risch.

Thank you very much.

Senator Kaufman.

Thank you very much.

Senator Shaheen. Senator Wicker, excuse me.

Thank you, Senator Wicker.

Senator Cardin.

Thank you very much.

Thank you very much, Senator Casey.

Senator Shaheen.

Thank you, Senator Shaheen.

Mr. Secretary, I know you want to try to get out of here around

11:30, we’ll try to get you right out of here momentarily, just a couple

of quick questions, if I may.

How much international cooperation, Secretary Levy, do you anticipate

for the nonbinding measures?

And what are the most significant provisions in

1929 that you think are going to bring real economic and financial

pressure on Iran?

And once we’ve got the rules in place et cetera,

what do you—what is the key to ensuring that these new sanctions

are going to be as effective as possible? What do you, both of you,

most——

Just track and push.

You talked earlier about one bank shifting off to

another bank once that bank gets, sort of, the hammer come down

on it. Can they simply do that again, just shift off to yet another

bank or create a bank to shift off to? Don’t they have significant

amount of flexibility in that?

How many do they have?

Now I understand we pay Iran $100 million a

day for oil. Is that accurate?

I’m trying to figure it out. I have seen the ads

on television and recent reports in news media referring to $100

million that goes to Iran, in terms of America’s dependence on foreign

oil. Can you speak to that?

Do you have any sense of how indirectly that

money is getting to Iran? Obviously it’s indirect, I understand that.

Have you not looked at that tracking, I mean,

aren’t there some joint oils fields shared? Don’t the Qataris have

a joint oil field in the gulf? And do we buy from them? Does some of that

proceed go to Iran?

To what degree will our sanctions have the ability

to deal with the indirect support structure, which if it is true,

results in $100 million a day, is kind of counterproductive?

All right.

We’ll get the premise to you more directly. I was

wondering whether you had any—if you could shed any light on

that, because I’ve just seen that in these last days, and I wanted

to try to——

Focus in on it. Fair enough.

Let me thank both of you very much.

Senator Lugar, do you have any additional questions?

Senator Lugar, we’ll leave the record open until

the end of the week, for colleagues, and in addition, there are questions

we do need to ask in classified session. And if we could get

you back, I could—I think you could sense from the participation

of the committee here, the level of interest that obviously exists.

We could try to do that, I hope in the near-term, we’ll try to work

that out with your staffs.

Thank you very much for being here today, very interesting and

very helpful. We appreciate it.

We stand adjourned.