Senator LUGAR. Why, thank you, Mr. Chairman, for holding this

important hearing on our policy toward Iran.

Two weeks ago, as you pointed out, the International Atomic

Energy Agency released a report on Iran that reached four major

conclusions.

First, the report said that, ‘‘There remains a number of outstanding

issues which give rise to concerns about the existence of possible

military dimensions to Iran’s nuclear program.’’

Second, Iran has refused to permit IAEA inspectors access to

additional locations related to the manufacture of centrifuges,

research and development on uranium enrichment, and uranium

mining and milling.

Third, unless Iran implements transparency measures and the

additional protocol, the IAEA will not be in a position to provide

credible assurance about the absence of undeclared nuclear material

and activities in Iran.

Last, the report said Iran has not suspended its enrichmentrelated

activities or its work on heavy-water-related projects.

The exact status of Iran’s nuclear program and the degree of

progress Iran has made toward a potential nuclear weapon have

been debated extensively, but, as the IAEA report underscores,

Tehran clearly is not complying with international nonproliferation

regime, and there is widespread agreement that Iran has not been

truthful about its nuclear program or its missile development. Its

decision to move ahead with uranium enrichment was condemned

by the international community. Iran’s intransigence has triggered

United Nations Security Council sanctions on three occasions.

In recent weeks, Tehran announced the launching of its first

domestically produced satellite into space. Iran has also announced

that the Russian-built nuclear powerplant at Bushehr will undergo

testing prior to beginning operations this year.

Despite these steps, the international community’s leverage with

regard to Iran has increased significantly in recent months. The

Iranian regime is under economic pressure due to falling oil prices

and multilateral sanctions. Iran’s isolation has contributed to lagging

investments in its oil and natural gas industries. The National

Academy of Science speculates that this trend could lead to sharply

lower Iranian energy exports by 2015.

United Nations sanctions have also encouraged foreign governments

and banks to curtail or end commercial ties to Iran.

It is clear that Tehran would like to split the international community,

or at least delay concerted action. The task for American

diplomats continues to be to solidify an international consensus in

favor of a plan that presents the Iranian regime with a stark choice

between the benefits of accepting a verifiable limitation on its

nuclear program and the detriments of proceeding along the current

course.

And even as we pursue sanctions or other joint action, it’s important

we continue to explore potential diplomatic openings with

Iran. I strongly supported the Bush administration’s decision to

send Under Secretary of State Bill Burns to participate in negotiations,

hosted by our European allies, with Iran’s chief nuclear nego-

tiator, the so-called ‘‘P5+1.’’ I believe we must be open to some level

of direct communication with Iran. Even if such efforts do not

produce agreements, they may reduce risk of miscalculation, improve

our ability to interpret what is going on in Iran, and dispel

anti-American rumors among the Iranian people, and strengthen

our efforts to enlist the support of key nations in responding to Iranian

threats.

Despite the Iranian Government’s provocative policies, the young

and educated people of Iran are among the most pro-American populations

in the Middle East. Most Iranians favor greater economic

and social integration with the rest of the world, access to technological

advancements, and a more open political system. Positive

transformation in Iran is inhibited by the lack of accurate information

reaching the Iranian people about what their government is

doing and about the international community’s efforts to resolve

the current crisis.

The United States and other nations must work to broaden the

information available to Iranians. Among other steps, the possibility

of establishing a United States visa office or some similar

diplomatic presence in Iran should be on the table, and such an

outpost would facilitate more exchange and outreach with the Iranian

people.

Regardless of its precise strategy on Iran, the Obama administration

must make execution of an Iran policy a priority, and this will

require focused diplomacy, with European allies and with other

partners, on constructing a multilateral program that intensifies

the costs to Tehran if it resists transparency and continues its

nuclear weapons activities.

I welcome, along with our chairman, the distinguished witnesses

that we have before us, and look forward to their testimony.

Thank you.

Senator LUGAR. Thank you, Mr. Chairman. Let me just pick up

where you left off. One of the positive aspects, although it may be

superficial, is that there is a new administration here in the United

States. There is a congratulatory letter that has arrived from the

President of Iran to President Obama. Some would say that it is

not sincere, but, nevertheless, this might be true of communications

from leaders of many countries around the world who look for

a new policy.

Some of you have suggested that we formulate, in the next few

weeks, a new policy, and that we do so publicly. In other words,

that the American people have some idea what the arguments are,

as they will, listening to our conversation this morning. As people

try to pin down what it is we want to do we must remember that

are not only selling it to the international community, but also to

the American people.

We’ve been on a different course, at least some Americans have

been, starting with the ‘‘axis of evil.’’ This policy identified three

targets, and Iran was one of them. And the regime-change idea has

been out there, and it still may have some supporters that believe

we should provide foreign assistance to help various groups within

Iran who are democratically inclined to infiltrate the system. This

strategy still has supporters and so we continue to have a debate

within our own congregation here.

But, let us say that we finally decide what this policy is—and I

think, as you said, Dr. Haass, this may not come easily for us,

quite apart from our explanation to our allies. Nevertheless let’s

say we try to sell it to the allies, and we reencounter some of the

problems that we have had already seen with Russia and China,

but, likewise, with Europeans who have commercial interests and

others. It is not an easy sell to any of the above, each of the governments

have different agendas.

Meanwhile, we are busy working through the problems of

Afghanistan and Pakistan which intersect Iran. And, as some of

you have suggested, this will probably require, at minimum, some

Americans talking to some Iranians. As we formulate our overall

policy, we must determine the best way to communicate with Iranians.

How do we reach out to those elements of Iranian society

who we believe have some affinity for us. In other words, how do

we ensure that our efforts to communicate with people in Iran

produce results. As all of you have said, we want the people of Iran

to be watching and monitoring international discussions and negotiations

on these matters. Not only do we want our allies and the

American people watching how we are attempting to build a comprehensive

relationship. An equally important message to the Iranian

people is that we here in the United States have differences

of opinion but we’re trying to resolve those.

Finally, discussions of additional economic sanctions on Iran continue.

A wide variety of forms and degrees of sanctions have been

suggested. The global economic crisis is making this process harder

for all involved. It is difficult to set a baseline for action when the

condition of the United States economy in 2009 is unknown as are

the economies of Russia, China, or Iran.

Six months ago we could not have imagined what changes the

economic crisis would have on foreign policy. The collapse of banking

institutions, currencies, and economies has dramatically

changed the international landscape. The economies of countries

who rely on incomes generated from natural resources have

changed markedly. Iran is such a case. As you’ve pointed out, perhaps

the Ayatollah is unaffected by the economy but the rest of the

country is feeling the effects. Conceivably, the GDP of Iran may

sink almost interminably, and you would still have those preaching

that you’re on the right trail. If we had communicated better and

been more transparent in what we are doing, the Iranian people

would have a better understanding of the rationale and implications

of sanctions and they would appreciate how and why we take

each step. The sanctions will have more consequence and greater

affect on Iranian society if we better understood the Iranian

economy.

For the moment, we have a superficial idea of the affects of sanctions

on politics of the country, the rural people who may or may

not have been very well served, quite apart from students and so

forth. But, we’ve really not concentrated, in an academic way, on

the effects of sanctions in Iran. And we probably ought to have that

as a part of our argument with the international community,

because other economies are going to be affected by either turning

on or off various situations.

But, the overall effect of this could be positive, even if there are

not decisive steps taken. In other words, the fact that we are

engaging with the American people, the world community, and

hopefully Iranians themselves on how nuclear strategy ought to

proceed in Iran. The goal would be to help Iranians to come to

grips with the costs and tradeoffs of the nuclear program and

options that would permit their stated objectives while reassuring

the international community of their stated peaceful intentions.

Before we adopt a new policy, we’re going to have to convince our

constituents and the international community that our proposal is

the most appropriate and most likely to succeed and your suggestions

here today have helped this immeasurably.

Let me just ask if any of you have any reactions to this overall

summary that we’ve tried to give.

Yes, Richard.

Senator LUGAR. Well, my time is expired, but I appreciate almost

a description of metrics of trying to determine how much enrichment

is possible, or how we’re progressing. On the other hand,

what—how the screws are turned, what they do with regard to

this, whether it be the oil prices, the international community, and

what have you. But, it’s very helpful.

Thank you, Mr. Chairman.