

OPENING STATEMENT BY

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U.S. Senate Committee on Banking, Housing, and Urban Affairs

Minimizing Potential Threats from Iran: Administration Perspectives on Economic Sanctions and Other US Policy Options

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AS PREPARED

Thank you, Mr. Chairman and Ranking Member Shelby.

And welcome to our esteemed witnesses who have agreed to testify at this important and timely hearing, including my colleagues Senator Bob Casey and Senator Sam Brownback.

Mr. Chairman, I would like to thank you for calling this hearing, and I commend you for putting forth a comprehensive plan to arm the administration with the tools they need to put a stop to Iran's rogue nuclear program.

I believe that when it comes to Iran, we should never take the military option off the table.

But I have long argued that economic sanctions are the preferred and probably most effective way to choke Iran's nuclear ambitions.

The Obama administration has recently begun direct diplomatic negotiations with Iran, and the first round of these talks did yield some important concessions from the Iranians last week. These negotiations should continue, but they do not supplant the need for action by this Congress. Iran, when it is caught red-handed, has a habit of promising just enough to avoid a strong response from the international community. Not this time.

We should continue to talk to the Iranians, but we should not trust them. The threat of new sanctions will only serve to strengthen the President's hand as we pursue a diplomatic solution.

By giving the administration the capability to impose crippling sanctions on Iran should they continue to pursue a nuclear weapons program, this Committee today is exploring a tough and smart plan to address the real threat Iran poses to the U.S. and our allies, particularly Israel.

First, Mr. Chairman, I want to commend you for including in that plan key provisions of the Iran Sanctions Enhancement Act of 2009, a bill introduced by Senator Evan Bayh of which I am an original cosponsor.

This bill sanctions companies that export gasoline to Iran. This is one of the few pressure points where we can act unilaterally and have a real effect. The world knows that Iran does not

currently have the refining capacity to meet its domestic gasoline needs and is dependent on imported gasoline. So now is the time to reduce Iran's energy supply if they fail to suspend their nuclear enrichment program as called for in several UN Security Council resolutions.

I am also glad that we will be strengthening export controls to stop the illegal export of sensitive technology to Iran. During the recent Iranian elections we witnessed the Iranian regime go as far as to block the internet and mobile phone communications of their own citizens.

That is why I and Senator Lindsey Graham introduced "The Reduce Iranian Cyber Suppression Act" or "RICA", a bipartisan bill that would bar companies that export sensitive communication technology to Iran from applying for or renewing procurement contracts with the United States Government. I look forward to working with you to make sure that the key provisions of this bill are also included in our plan.

Our comprehensive plan will also address the role that global financial institutions play in enabling Iran to develop a nuclear program. Mr. Chairman, I have long argued that financial sanctions are one of the most effective way to crack down on the dangerous Iranian regime. But we have to make sure that they are designed effectively.

Last year, 27 Democrats joined me and called for the Iranian central bank, known as Bank Markazi, to also be included in our economic sanctions, as they have been heavily involved in terrorism and helping finance acquisitions of nuclear and conventional weapons technology. The central bank has also played a role in helping other Iranian banks circumvent U.S. financial sanctions. We should also include the central bank in the sanctions plan we are developing in this Committee.

All of these actions will go a long way to strengthen global security and reverse Iran's dangerous course. Yet unless we have a fool-proof enforcement regime in place, any new tools we deploy will be less than effective.

Our existing sanctions are riddled with leaks in the form of trading partners who funnel our exports through a backdoor to Iran.

We can help plug these leaks by increasing the amount of inspectors we have stationed in the United Arab Emirates and in other countries where black markets are serving to circumvent our sanctions.

A 2007 GAO report found that enforcement is lacking, particularly for products that are sold to the UAE. At the time of that report, Treasury and Commerce Departments each only had one inspector stationed in the UAE.

To increase the effectiveness of any new sanctions, we must authorize the Commerce and Treasury Departments to enhance their manpower on the ground in UAE and other black market areas to ensure that Iran is not skirting our sanctions. That is why today I am calling on the administration to deploy more inspectors to the UAE and other areas of vulnerability in our enforcement of sanctions.

I hope these proposals are given serious consideration and I look forward to working with the Chairman to passing this important.