

1 EXECUTIVE BUSINESS MEETING TO CONSIDER AN ORIGINAL BILL
2 ENTITLED, "THE IRAN SANCTIONS ACT OF 2008;" AND THE
3 NOMINATIONS OF RICHARD T. MORRISON, DAVID D. GUSTAFSON,
4 AND ELIZABETH CREWSON PARIS, TO BE JUDGES OF THE U.S. TAX
5 COURT; HON. ERIC M. THORSON, TO BE INSPECTOR GENERAL,
6 U.S. DEPARTMENT OF THE TREASURY; EDWIN ECK, TO BE A
7 MEMBER OF THE INTERNAL REVENUE SERVICE OVERSIGHT BOARD,
8 U.S. DEPARTMENT OF THE TREASURY; AND TO CONSIDER S.J.
9 RES. 38, A JOINT RESOLUTION WAIVING CERTAIN PROVISIONS OF
10 THE TRADE ACT OF 1974 RELATING TO THE APPOINTMENT OF A
11 DEPUTY U.S. TRADE REPRESENTATIVE, AND A DIRECTION TO THE
12 CHAIRMAN, UPON ENACTMENT OF S.J. RES. 38, TO REPORT THE
13 NOMINATION OF HON. DEANNA TANNER OKUN, TO BE DEPUTY U.S.
14 TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT
15 WEDNESDAY, JUNE 18, 2008
16 U.S. Senate,
17 Committee on Finance,
18 Washington, DC.

19 The meeting was convened, pursuant to notice, at
20 10:08 a.m., in room 215, Dirksen Senate Office Building,
21 Hon. Max Baucus (chairman of the committee) presiding.

22 Present: Senators Rockefeller, Conrad, Bingaman,
23 Lincoln, Wyden, Schumer, Stabenow, Cantwell, Salazar,

1 Grassley, Snowe, Kyl, Smith, Bunning, Crapo, Roberts,
2 Ensign, and Sununu.

3 Also present: Democratic Staff: Russell Sullivan,
4 Staff Director; Bill Dauster, Deputy Staff Director and
5 General Counsel; Demetrios Marantis, Chief International
6 Trade Counsel. Republican Staff: Kolan Davis, Staff
7 Director and Chief Counsel; Stephen Schaefer, Chief
8 International Trade Counsel; Nick Wyatt, Tax Staff
9 Assistant; Paraskevi Maddox, Detailee.

10 Also present: Emily McMahon, Deputy Chief of Staff,
11 Joint Committee on Taxation; Claudia Bridgeford Poteet,
12 International Trade Policy Advisor; John Dooley, Bureau
13 of International Security and Non-Proliferation; Adam
14 Szubin, Deputy, Office of Foreign Asset Control, State
15 Department; Josh LeVasseur, Deputy Clerk; Amanda
16 Forsythe, Staff Assistant; and Ayesha Khanna, Detailee.

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1 OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM
2 MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

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4 The Chairman. The committee will come to order.

5 Today we will consider Iran sanctions, several
6 pending nominations, and a Joint Resolution that relates
7 to one of our nominees. The committee meets today to
8 consider eight items: an original bill regarding Iran
9 sanctions, five non-controversial nominations, S.J. Res.
10 38 relative to the nomination of Deanna Okun, and the
11 Okun nomination, contingent on the enactment of S.J. Res.
12 38.

13 Abigail Adams said, "Great necessities call forth
14 great leaders." Today we are faced with a great
15 necessity. We must act to ensure that Iran does not
16 continue its uranium enrichment program. We must act to
17 prevent Iran from developing a nuclear weapon.

18 To meet this necessity, America must lead. We must
19 lead our allies in efforts to address the grave threats
20 that Iran poses to the security of not only America, but
21 our friends and allies around the world. To fulfill this
22 purpose, today we consider an original bill, the Iran
23 Sanctions Act of 2008. This bill builds on legislation
24 on which this committee held a hearing on April 8, and
25 many Senators on this committee have strongly supported

1 legislation to tighten sanctions on Iran. I applaud
2 their efforts and look forward to reporting the bill
3 before us out of this committee.

4 And as is usually the case, the mark before us today
5 is a cooperative effort, which I offer on behalf of
6 Senator Grassley and myself. The Iran Sanctions Act of
7 2008 would deter the Iranian government from producing a
8 nuclear weapon by strengthening U.S. sanctions on Iran.
9 It would expand our trade ban, tighten financial
10 sanctions, and ensure that U.S. companies comply with our
11 sanctions laws.

12 But it would not punish the Iranian people. Rather,
13 it would authorize money to allow Iranian youth to come
14 to America and witness first-hand the fruits of a
15 peaceful democracy. The bill would not punish our
16 friends and allies. Rather, it would recognize that we
17 must join with other countries in a global effort to
18 ensure a nuclear-free Iran.

19 This bill strikes the right balance. It would
20 address the great necessity of halting Iran's nuclear
21 ambitions and it would pave the way for American
22 leadership in addressing this urgent global challenge. I
23 invite my colleagues to expeditiously approve the Iran
24 Sanctions Act of 2008 this morning.

25 Today we will also consider the nominations of

1 Richard Morrison, David Gustafson, and Elizabeth Paris to
2 be judges on the U.S. Tax Court; Eric Thorson to be
3 Treasury Inspector General; and Ed Eck to be a member of
4 the IRS Oversight Board.

5 We will consider Senate Joint Resolution 38 in
6 connection with the nomination of Deanna Okun to be
7 Deputy U.S. Trade Representative, and we will consider
8 the Okun nomination contingent on the enactment of S.J.
9 Res. 38.

10 The increasing complexity of the tax laws demands
11 the appointment of highly skilled judges to the bench.
12 Mr. Morrison, Mr. Gustafson, and Ms. Paris each bring
13 with them a combination of government and private sector
14 work in the tax field and I am confident that their
15 experience and extensive knowledge make them well-suited
16 to be judges on the Tax Code.

17 Mr. Thorson has proved to be tough and fair in his
18 current position as Inspector General of the Small
19 Business Administration. Before that, he served for both
20 the Senate Finance Committee and the Senate Permanent
21 Subcommittee on Investigations, and I believe his wide-
22 ranging experience will help him be fair and impartial as
23 he carries out his duties as Treasury Inspector General.

24 Ed Eck brings with him 30 years of experience with
25 tax laws as a practitioner, as an Assistant U.S.

1 Attorney, and as an academic. Over the past 30 years, Ed
2 Eck has looked at the tax laws from all sides and I
3 believe that his vast array of experience will make him a
4 valuable member of the IRS Oversight Board.

5 Deanna Okun also brings a wealth of experience to
6 the position for which she has been nominated--the Deputy
7 U.S. Trade Representative. She served as a trade and
8 foreign policy aide to former Senator and Finance
9 Committee member Frank Murkowski, and she currently
10 serves as Commissioner of the International Trade
11 Commission, where she oversees the enforcement of U.S.
12 trade remedy laws.

13 I have long urged USTR to beef up its enforcement
14 efforts. I hope that Ms. Okun will use her enforcement
15 experience at the International Trade Commission to deal
16 with the challenging enforcement issues that confront
17 USTR, especially as they relate to China and Korea. I
18 look forward to working with her in this capacity.

19 The committee counsel advises, however, that the
20 Trade Act of 1974 bars Ms. Okun's nomination. That Act
21 prohibits individuals who previously represented a
22 foreign government in specified matters from serving as
23 USTR or Deputy USTR. To help move Ms. Okun's nomination
24 forward, Senator Grassley introduced the Joint
25 Resolution, S.J. Res. 38, that is before this committee

1 today. That resolution waives application of the
2 statutory bar with respect to Deanna Okun.

3 The Finance Committee passed a similar resolution to
4 approve Charlene Barshefsky as USTR during the Clinton
5 administration. I support passage of this resolution and
6 urge other Senators on the committee to do so, as well.

7 After the committee considers S.J. Res. 38, the
8 committee will order the Okun nomination reported upon
9 enactment of that Joint Resolution. Thus, the committee
10 will hold its votes today. But we will only formally
11 report the Okun nomination to the calendar upon enactment
12 of the Joint Resolution that makes doing so in order.

13 So let us strengthen the peace and security of
14 America through the Iran Sanctions Act of 2008, let us
15 consider the Joint Resolution before us, and let us move
16 to allow important jobs to be filled.

17 Senator Grassley?

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1 OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR
2 FROM IOWA

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4 Senator Grassley. Thank you, Mr. Chairman, for
5 holding this hearing and moving along these nominations.

6 I know the administration appreciates it very much as
7 well.

8 You have gone through a great list of the nominees
9 we have before us, very much complimenting them and
10 justifying their appointment by going through their
11 accomplishments and backgrounds, so I will not repeat
12 that except for one person, Elizabeth Paris, to the Tax
13 Court. She has been a loyal member of my staff, of the
14 Finance Committee staff.

15 I think everybody on both sides of the aisle, and
16 maybe even most people in the Senate, understand her
17 background as a tax attorney and the qualifications she
18 brings to the Tax Code. So I would point her out for a
19 special thank-you for her service to the Senate Finance
20 Committee, to the Senate, and to you and me. She is one
21 of these people, like a lot of people on your staff, that
22 is very nonpartisan and serves both sides very, very
23 well.

24 I would only give her the ultimate compliment--and
25 she might not consider this a compliment--but the best

1 thing for the U.S. Senate would be if she were not
2 confirmed from the standpoint of continuing her service
3 as a member of the U.S. Senate. But because of her hard
4 work--and it is hard to exceed that by anybody--she
5 deserves the appointment to the Tax Court. I hope she
6 tells me a year from now she is not sorry she got the
7 job. She deserves it, and so I am going to obviously
8 support her nomination and wish her well.

9 In regard to Iran, I think I ought to acknowledge
10 also the strong leadership of Senator Smith in addressing
11 the imperative to get tougher with respect to Iran's
12 nuclear ambitions. Senator Smith introduced the Iran-
13 Contra Proliferation Act of 2007 about a year ago. The
14 committee held a hearing on that bill two months ago.
15 Today's markup is a direct outgrowth of Senator Smith's
16 efforts. While I did have some trade concerns with the
17 way Senator Smith's bill was drafted, I am pleased that,
18 working together and with Senator Smith, we have been
19 able to resolve those concerns.

20 The Chairman's modification places a strong bill
21 before this committee. Some of the elements of the bill
22 fall outside of the jurisdiction of the Finance
23 Committee. I will not go into those because the Chairman
24 has covered those well. I encourage all of my colleagues
25 then to follow his advice and avoid delving into those

1 provisions not within the jurisdiction. Any
2 reconsideration of those provisions is better left to
3 subsequent floor action on a very important piece of
4 legislation.

5 I am pleased to see the Finance Committee take up
6 the nomination of Deanna Okun. I could spend a lot of
7 time talking about her qualifications for that particular
8 job, but I think the Chairman has covered them well. He
9 also mentioned my addressing the concern that there is a
10 violation of 141 of the Trade Act.

11 I have introduced that Joint Resolution to waive
12 application of this statutory provision in regard to just
13 her nomination. That resolution is also before the
14 committee today, and I hope we will have full support by
15 people on the committee. That is what we did, just as a
16 matter of precedent. We did it also in a bipartisan way
17 in 1997, when a similar issue arose in connection with
18 the nomination of Charlene Barshefsky to be U.S. Trade
19 Representative.

20 So, I urge my colleagues to support this Senate
21 Joint Resolution in the sense of comity. Maybe there was
22 a lot of controversy about Charlene Barshefsky, but I do
23 not remember any of it, even with the resolution. Maybe
24 I ought to look it up and find out if there was any
25 controversy. I do not recall any controversy. So when

1 people on my side of the aisle would give deference to a
2 Democratic President, I would like to have Democrats give
3 deference to a Republican President choosing somebody
4 whose qualifications in no way can be questioned.

5 Thank you, Mr. Chairman.

6 The Chairman. Thank you, Senator.

7 Now I would like to recognize Senators who wish to
8 make opening statements. I urge Senators to keep the
9 statements to four minutes. If a Senator does not have
10 to speak, that would be greatly appreciated.

11 Senator Wyden. Mr. Chairman?

12 The Chairman. Senator Wyden.

13 Senator Wyden. I will go under four.

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1 OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM
2 OREGON

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4 Senator Wyden. First, I want to commend you, Mr.
5 Chairman and Senator Grassley. I think you have
6 introduced a package of sanctions on Iran that is both
7 tough and smart. That strikes me as the balance you need
8 to address here. If you look at some of the provisions,
9 for example, that clearly would be considered tough, it
10 is codifying and expanding the ban on imports and exports
11 to and from Iran is tough, formally prohibiting the USTR
12 from helping Iran join the WTO is tough, freezing the
13 assets of certain Iranian persons would certainly qualify
14 as tough, and I would say that that general set of
15 provisions is especially important.

16 But we are also adding to the sanctions package a
17 number of provisions that I think are smart. For
18 example, encouraging news broadcasting to Iran strikes me
19 as making a lot of sense, because if you look at Iran,
20 clearly there are hardliners on Ahmadinejad, of course,
21 leading them, but there are also reformers, and
22 particularly reformers in business, and I think there are
23 a surprising number of reformers in the military.

24 So if you look at the provisions that I would
25 consider smart, as I think encouraging news broadcasting

1 to Iran, authorizing money for cultural exchange
2 programs, strikes me as smart. I think you all have put
3 together a good balance. I hope the committee will
4 support it with a relatively small number of amendments
5 today.

6 I thank you.

7 The Chairman. I am going to go back and forth here
8 with recognition, and also in offering amendments.

9 So, Senator Smith?

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1 OPENING STATEMENT OF HON. GORDON SMITH, A U.S. SENATOR
2 FROM OREGON

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4 Senator Smith. Thank you, Mr. Chairman. I am very
5 pleased that the committee is taking up the nomination
6 and confirming Deanna Okun as a Deputy U.S. Trade
7 Representative. She will be a wonderful addition to USTR
8 in this capacity.

9 I have always believed that trade is one of the
10 pillars of a prosperous American economy at home and
11 evidence of a competent foreign policy abroad. I am not
12 always a fan of unilateral U.S. economic sanctions, but I
13 am in this case, which is why Senator Durbin and I
14 introduced this piece of legislation.

15 The richness of the American market makes
16 sanctioning rogue states a powerful weapon when used to
17 help solve pressing issues like Iran's nuclear program
18 without resorting to force. I believe in diplomacy. I
19 would rather withhold dollars and euros than spend
20 bullets and lives, and that is why I have joined Senator
21 Durbin in this effort. We have 71 co-sponsors. I
22 commend the Senate and all of those co-sponsors for
23 participating in this.

24 Thanks to the disclosures of Iranian dissidents in
25 2002 and Iran's further admissions to the IAEA, we know

1 that Tehran has had a clandestine nuclear program for
2 years, in violation of the Nuclear Non-Proliferation
3 Treaty. Iran's support for terrorism, its hostility to
4 Israel's existence, and the harassment of its regional
5 neighbors makes Tehran dangerous enough without a nuclear
6 capacity, and truly devastating with that capacity.

7 So the world now stands at a crossroads. Down one
8 path lies a nuclear-armed Iran, a global non-
9 proliferation regime in tatters, atomic-capable
10 terrorists, and an Israel living within nuclear missile
11 range of an enemy sworn to destroy it.

12 Down the other lies a reinvigorated, comprehensive
13 diplomatic process, including both sticks and carrots
14 that can sway the Iranian regime from attaining and
15 perfecting a closed nuclear fuel cycle. Effective
16 diplomacy requires an effective effort by the
17 international community, working through the U.N.
18 Security Council and regional coalitions, to increase the
19 economic costs to Iran of nuclear enrichment.

20 The U.N. Security Council's sanctions resolutions
21 are the most effective tool currently at our disposal.
22 Efforts to strengthen U.N. sanctions on Iran, however,
23 can sometimes be buttressed by sanctions legislation in
24 individual countries, especially our own.

25 The bill before us today, prepared by Chairman

1 Baucus, is part of that process as a balanced successor
2 to S. 970, and I hope it will complement other
3 legislative efforts like the Iran Sanctions Act on which
4 I was proud to work with Senator Schumer in 2001, and I
5 look forward to considering the Chairman's bill, as well
6 as the nomination of Ms. Okun.

7 I thank the Chairman and I thank the Ranking Member,
8 Senator Grassley.

9 The Chairman. Thank you, Senator.

10 Senator Stabenow?

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1 OPENING STATEMENT OF HON. DEBBIE STABENOW, A U.S. SENATOR
2 FROM MICHIGAN

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4 Senator Stabenow. Thank you, Mr. Chairman. I will
5 be brief. First, I just want to thank you for your
6 leadership in bringing this forward, and I would echo
7 what Senator Wyden said about this being both tough and
8 smart. I would just notice also that our European allies
9 are also beginning to see the importance of sanctioning
10 Iran. Tuesday, Prime Minister Gordon Brown announced
11 that Britain and the EU are planning economic sanctions
12 against Iran, and they are now seeing the economic
13 pressures that can be provided to persuade Iran to end
14 its nuclear program.

15 So, this is the right thing to do at the right time
16 and I am very pleased to support it.

17 The Chairman. Are there any other Senators?
18 Senator Bunning?

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1 OPENING STATEMENT OF THE HON. JIM BUNNING, A U.S. SENATOR
2 FROM KENTUCKY

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4 Senator Bunning. Thank you, Mr. Chairman, for
5 taking the time to hold today's markup on the Iran
6 Sanctions Act of 2008.

7 The possibility of a nuclear Iran poses a grave
8 threat to our national security. Now more than ever we
9 need to use every economic tool at our disposal to
10 prevent Iran from acquiring the means to destroy our
11 allies.

12 We have had sanctions against Iran in place since
13 1987. These sanctions, along with other multilateral
14 efforts, have served to put a financial chokehold on
15 Iran's rogue behavior. Now is the time to expand these
16 sanctions even further and close several loopholes in
17 existing law.

18 This is why I have offered an amendment to require a
19 mandatory ruling on investigations of potential
20 violations of existing Iran sanctions on the Iran
21 Sanctions Act of 1996. Under present law, investigations
22 can continue indefinitely. There is no time limit on
23 them, giving the sanctions little or no enforceability.
24 My amendment imposes a reasonable time limit on future
25 investigations while still providing flexibility through

1 he use of a presidential waiver. If a company is found
2 in violation of the Iran Sanctions Act, the President
3 will retain the ability to waive sanctions if it is in
4 our national interest.

5 The President already has done so once when he found
6 violations of the Iran Sanctions Act by a French company,
7 Essay of France, and its Russian and Malaysian partners.
8 He waived sanctions then and he can do so under my
9 amendment for any reason, including the need to avoid
10 WTO-sanctioned trade retaliation.

11 Let me be clear: my amendment does not seek to
12 eliminate the President's flexibility, it simply requires
13 investigations on whether or not a company or country has
14 violated our sanctions laws to conclude within a
15 reasonable period of time.

16 Requiring a decision on investigations will be an
17 important step forward in the work we are doing today on
18 Iran sanctions. Through increasing economic isolation we
19 can deny Iran the financial capital needed to fund their
20 nuclear proliferation and support for international
21 terrorism.

22 I thank the Chairman and Ranking Member for holding
23 this markup today and ask my colleagues to support my
24 amendment. Thank you very much.

25 The Chairman. Thank you, Senator.

1 Are there others that seek recognition? Senator
2 Lincoln?
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1 OPENING STATEMENT OF HON. BLANCHE L. LINCOLN, A U.S.
2 SENATOR FROM ARKANSAS

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4 Senator Lincoln. Thank you, Mr. Chairman. And
5 thanks to you and Senator Grassley for holding this
6 markup and moving forward on this bill. I know you have
7 worked hard on this, and the staff has as well done an
8 outstanding job.

9 I just want to voice my support for the legislation,
10 noting that it would make such an important contribution
11 to our Nation's goal of preventing Iran from acquiring
12 nuclear weapons and further destabilizing an already
13 volatile region. We look forward to its passage out of
14 committee today.

15 I am just hoping that we, as well as the
16 administration and others, will continue to work,
17 however, to engage Iran. We know this is not the only
18 solution, it is a part of the solution, and I hope we
19 will continue to work towards that.

20 I would also, Mr. Chairman, want to just take a
21 brief moment to offer my heartfelt congratulations to
22 Elizabeth Paris, who is one of the Tax Court nominees
23 that we are reporting out of committee today as well, I
24 hope. Everyone involved with this committee certainly
25 knows what an integral role Elizabeth has played in

1 crafting our tax policies over the last several years.
2 Not only does she know the Internal Revenue Code inside
3 and out, she has provided us with the best technical, I
4 think, advice we could have ever hoped for. But she
5 also, maybe more importantly, knows how to forge
6 compromises.

7 She works extremely hard, both across the aisle, but
8 more importantly just to simply get results and get
9 things done. Certainly in my time on the committee I
10 have always appreciated the fact that any time I have had
11 a question or need help with proposals, or just better
12 understanding the Tax Code, she has always been willing
13 to roll up her sleeves and help me figure out what I am
14 dealing with and what the possible solutions are. We
15 have had great fun over the years and I am certainly
16 going to miss her, and I know that the committee will.

17 But Elizabeth, a special thanks to you for all that
18 you have done over the years for me and for the
19 committee, particularly in your work on all of the tax
20 issues that we have been dealing with. We wish you well,
21 and great success. Thanks again for being here.

22 Thanks, Mr. Chairman.

23 The Chairman. Thank you, Senator.

24 Any other Senators who wish to be recognized?
25 Senator Roberts?

1 OPENING STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR
2 FROM KANSAS

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4 Senator Roberts. Yes. Thank you, Mr. Chairman. I
5 will try to be brief. Of particular note, Richard
6 Morrison is a native of Hutchinson, Kansas, which brings
7 Kansas values to the table, a strong work ethic, and a
8 commitment to common-sense government. He has a very
9 strong background in government experience in the legal
10 field and it makes him ideal for a judgeship on the Tax
11 Court.

12 Ms. Paris. I would simply associate myself with all
13 the remarks. We have all been witness to her tax genius
14 as counsel. We will just label her a tax genius. And my
15 very strong support for Deanna Okun's nomination for
16 Deputy U.S. Trade Representative. Senator Grassley has
17 already pretty well summed up.

18 Thank you, Gordon Smith. For over a year you have
19 worked on this. I used to sit next to Senator Smith in
20 the Senate before we moved around a little bit, and we
21 used to talk about the threat of Iran and noted that Iran
22 was the big bully on the block. Senator Rockefeller
23 knows this, as the Chairman of the Intelligence
24 Committee, and I do as well. So we certainly need this
25 Iran sanctions bill.

1 Gordon, I think we have 72 sponsors on your bill.
2 Thank you for your steady and firm commitment to getting
3 this done. Senator Bunning has already summed it up,
4 others have summed it up, the Chairman has summed it up:
5 this is a matter of national security. Finally we are
6 waking up the EU, as Senator Stabenow has indicated, to
7 the world's energy supply and the right of Israel to
8 exist. So, I think it will be a good day for the
9 committee when we pass all of these things.

10 Thank you, Mr. Chairman.

11 The Chairman. Thank you, Senator.

12 Senator Cantwell?

13 Senator Cantwell. Yes, Mr. Chairman. Can I submit
14 a statement for the record?

15 The Chairman. Absolutely. [Laughter.]

16 [The prepared statement of Senator Cantwell appears
17 in the appendix.]

18 The Chairman. Senator Kyl, you are next.

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1 OPENING STATEMENT OF HON. JON KYL, A U.S. SENATOR FROM
2 ARIZONA

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4 Senator Kyl. Just to indicate, I think this is a
5 good day because it is another example of how, in a very
6 strong bipartisan way, we can work together on this
7 committee to get important legislation through. There is
8 a very strong consensus in support of this legislation
9 because of the need for it.

10 I have a series of amendments which I think would
11 strengthen it, but in view of the strong consensus I
12 think the better approach to amending it today is to work
13 together when the bill comes to the floor to see if that
14 consensus remains on any other improvements to it, and
15 therefore, again, unless there are other attempts to
16 amend it, I would not offer the amendments that I have.

17 I would just indicate that it will be difficult for
18 us, because of the calendar and other factors, to get
19 this legislation before the full Senate. I hope that we
20 have the same commitment and support that we do here
21 today in the committee to get the bill before the full
22 Senate so that we can actually translate this into law.
23 The House has acted, the Senate needs to act as well.

24 Thank you, Mr. Chairman.

25 The Chairman. Thank you, Senator.

1 Senator Salazar?
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1 OPENING STATEMENT OF HON. KEN SALAZAR, A U.S. SENATOR
2 FROM COLORADO

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4 Senator Salazar. Thank you very much, Chairman
5 Baucus and Ranking Member Grassley.

6 I want to just, first of all, associate myself with
7 the comments of Senator Lincoln and others concerning
8 Elizabeth Paris. I think when you look at the kinds of
9 accolades that she gets from both Democrats and
10 Republicans, she typifies not only the kind of work that
11 we do in this committee and the kind of staff that we
12 have, but I think also a good example for those of us who
13 are U.S. Senators. So, I want to thank her for being a
14 great role model.

15 Two, on the Iran Sanctions Act of 2008, Chairman
16 Baucus, Senator Snowe, Senator Nelson, and I were
17 actually in Iraq less than a year ago. I still remember
18 at one of the bases we were at seeing remnants of IEDs
19 with Iranian-type language on it so we could tell where
20 the IEDs had come from, and there is no doubt that Iran
21 really has been the bully on the block. So, I commend
22 all those who brought this legislation forward and look
23 forward to supporting it.

24 The Chairman. Thank you, Senator.

25 Senator Crapo?

1 OPENING STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM
2 IDAHO

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4 Senator Crapo. Thank you very much, Mr. Chairman.

5 I just have three very brief things.

6 First, with regard to the Iran Sanctions Act, I join
7 with all of my colleagues in support of it and appreciate
8 all of those who have done what has been necessary to
9 bring it forward today, and hope that we do have the
10 ability to move it forward quickly on the floor.

11 Second, I join with all of those who have given
12 accolades to Elizabeth Paris. She is truly deserving of
13 all the things that have been said about her. I will add
14 to that that she is a results-oriented person. She has
15 helped this committee get to the results we wanted to get
16 to time and time again, and she will be a tremendous help
17 on the Tax Court.

18 Finally, I want to just remind everybody that our
19 nominee, Deanna Okun, is originally from Idaho, which is
20 another very strong qualification for her. I appreciate
21 the work of the Chairman and our Ranking Member in moving
22 forward with the resolution that will then make it
23 possible for us to move her nomination forward promptly.

24 Thank you very much.

25 The Chairman. Are there any other Senators who

1 wish to speak?

2 Senator Snowe. Mr. Chairman?

3 The Chairman. Senator Snowe?

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1 OPENING STATEMENT OF HON. OLYMPIA J. SNOWE, A U.S.
2 SENATOR FROM MAINE

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4 Senator Snowe. Thank you, Mr. Chairman. I, too,
5 would like to include a statement in the record and offer
6 my strong support as a co-sponsor of this legislation. I
7 want to commend Senator Smith for introducing the Iran
8 Sanctions Act because I think it certainly strongly
9 builds upon previous actions that have been taken by
10 Congress, but most necessary to send a very strong
11 message to Iran.

12 That has certainly been demonstrated by the
13 testimony that we have received in public, and as a
14 member of the Senate Intelligence Committee by the
15 Director of National Intelligence, and of course the IAEA
16 that has further indicated that there are matters of
17 serious concern with their uranium enrichment.

18 In fact, in an Institute for Science and
19 International Security's subsequent report David
20 Albright, widely regarded as the foremost expert on
21 nuclear weapons programs, confirmed that Iran is making
22 significant progress on developing and operating its
23 centrifuges.

24 So it is clear from all of the empirical evidence
25 that we need to move forward. It is built upon the

1 actions that have been taken in the past. It is
2 obviously working, particularly at a time that it is
3 affecting the Iranian economy. These further steps, I
4 think, will certainly buttress those efforts, but also
5 hopefully will reinforce international efforts. Again, I
6 think that is critical in all of this, is to make sure
7 that multilateral efforts are under way. But obviously
8 we have an obligation as well to move singularly on this
9 question as well.

10 Given the reports that have been submitted to the
11 U.N. Security Council, it again demonstrates the
12 necessity of addressing and confronting this matter that
13 poses a serious threat, obviously, to global security and
14 to the Middle East. So again, I commend you, Mr.
15 Chairman, for bringing it up and for the bipartisanship
16 that this legislation portrays. Thank you.

17 The Chairman. Thank you, Senator.

18 [The prepared statement of Senator Snowe appears in
19 the appendix.]

20 The Chairman. Senator Schumer?

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1 OPENING STATEMENT OF HON. CHARLES E. SCHUMER, A U.S.
2 SENATOR FROM NEW YORK

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4 Senator Schumer. Well, thank you, Mr. Chairman. I
5 would like to thank you for marking up this excellent
6 legislation. I am a strong supporter because it takes
7 strong steps to halt Iran's nuclear program and gives the
8 administration several important tools.

9 At this time I would like to briefly discuss
10 amendments I was going to offer on this bill, but will
11 not and will offer them in Banking because I know that
12 you and Chairman Dodd have worked out an accommodation
13 here that can help move the bill quicker to the floor.

14 The first amendment expresses the sense of Congress
15 that the administration should use its full range of
16 diplomatic tools to halt Iran's nuclear program,
17 including scrapping the ill-conceived missile shield in
18 central Europe in exchange for Russia's support for
19 stronger economic sanctions against Iran.

20 The bottom line is, it is economic sanctions that
21 have done the most good here. You talk to experts and
22 they will tell you, a military action against Iran, while
23 never can it be taken off the table, is difficult because
24 Iran has dispersed and buried underground much of its
25 nuclear activities.

1 On the other hand, our mild action, boycotting the
2 banks, has worked and we should go further. But the one
3 problem that prevents us from squeezing Iran--we now have
4 the European nations on board with Sarkozy and Merkel
5 being heads of France and West Germany--is Russia.
6 Russia continues to help Iran all the time and that
7 prevents a real economic boycott from working. I believe
8 an economic boycott could have real effect because the
9 Iranian people tend to be young, secular, and western.

10 The Iranian culture, the Persian culture, has been a
11 mild culture and fundamentalism does not really work
12 there. But they care most, not about political or
13 religious freedom, but about economic advancement. If we
14 can slow that down we can have real pressure on the
15 regime, and even perhaps have it be overthrown. But
16 without Russia, we cannot do that. Russia hates the
17 anti-missile system in eastern Europe, and most experts
18 do not even know what that is all about. We are building
19 an anti-missile system.

20 We certainly have to keep eastern Europe in NATO, we
21 certainly have to keep them away from the Russian orb.
22 Putin is a nationalist; he wants to get them back. But
23 the missile system has little to do with that. Many
24 people believe--I certainly do--that if we went to the
25 Russians and said, hey, we may stop building this system,

1 but you join us in a full boycott of Iran, it could work.
2 This is just a sense of the Senate that would say we
3 ought to pursue that. I have mentioned this directly to
4 President Bush and Vice President Cheney.

5 The second amendment is also a sense of the Senate,
6 encouraging the administration in the strongest possible
7 terms to designate the Central Bank of Iran as a
8 supporter of terrorism and weapons proliferation. I
9 mentioned a minute ago that our boycott of their banks by
10 the European countries has worked, but what has happened
11 now is the Central Bank is taking over the banking
12 functions of the commercial Iranian banks and doing the
13 same thing, so it has become less effective. We ought to
14 boycott the Central Bank of Iran. They have been
15 involved, we believe, in funding of terrorism and
16 financing of proliferation activities, and it would have
17 a real significant effect.

18 I will offer amendments in the Banking Committee on
19 both of these, but I wanted to inform my colleagues about
20 them because I think they would help us in our goal of
21 making Iran less of a threat to us.

22 The Chairman. Thank you very much, Senator.

23 Senator Sununu?

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1 OPENING STATEMENT OF HON. JOHN E. SUNUNU, A U.S. SENATOR
2 FROM NEW HAMPSHIRE

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4 Senator Sununu. Mr. Chairman, I was going to just
5 submit a statement for the record. I will still do so,
6 but since all of my colleagues have congratulated Senator
7 Smith on his fine work on this legislation I did not want
8 to be the only one not to do so, because Senator Smith is
9 the type to hold a grudge, as we all know. [Laughter.]

10 It is an important piece of legislation, though, for
11 the national security reasons that have been mentioned.
12 It sends the right message to our allies and our
13 adversaries, and in all seriousness Senator Smith has
14 worked very hard. You do not get 70, 71, or 72, as the
15 case may be, co-sponsors without doing a lot of legwork
16 and a lot of preparation, so I do want to thank him.

17 Welcome to all of our nominees. Deanna Okun and the
18 other nominees will all do an outstanding job, and I hope
19 we pass them on not just through the committee, but
20 through the Senate, very quickly.

21 The Chairman. Thank you, Senator.

22 [The prepared statement of Senator Sununu appears in
23 the appendix.]

24 The Chairman. Senator Lincoln?

25 Senator Lincoln. Mr. Chairman, I just wanted to

1 add my support to Senator Grassley's resolution, and
2 certainly support the nomination of Deanna Okun.

3 The Chairman. Good. Thank you.

4 Senator Lincoln. Thanks.

5 The Chairman. Seeing no other Senators seeking
6 recognition, the next order of business is the mark of
7 the Iran Sanctions Act of 2008. There is a modification
8 of the mark before the committee. The mark is so
9 modified.

10 The next order of business is to walk through the
11 mark and the modification. That modification contains
12 both tax and trade items.

13 Ms. McMahon of the Joint Committee, would you
14 briefly describe the tax provisions of the mark? Then I
15 am going to ask counsel to describe the trade provisions
16 of the mark and modification.

17 Ms. McMahon?

18 Ms. McMahon. Thank you, Mr. Chairman. The tax
19 item of the modification would extend the amortization
20 period for geological and geophysical expenditures
21 incurred by U.S. oil producers to 10 years in situations
22 where the oil producer or an affiliate is subject to
23 economic sanctions for investing in Iran, or if the
24 affiliate is foreign, where it would be subject to those
25 sanctions if it were a U.S. person.

1 Geological and geophysical expenditures are
2 generally costs that are incurred in connection with oil
3 and gas exploration. Under present law, those costs are
4 amortized over two years in the case of independent oil
5 producers or small oil companies, or over seven years in
6 the case of major integrated oil companies.

7 The extension of the amortization period to 10 years
8 would apply to any U.S. oil producer or integrated oil
9 company, regardless of size, if any of its U.S. or
10 foreign affiliates invests in Iran that would result in
11 economic sanctions. The provision would be affected for
12 five years, beginning in 2009, and the Joint Tax
13 Committee has estimated that the provision would raise
14 \$46 million over the 10-year budget window.

15 Thank you.

16 The Chairman. Are there questions from Senators?
17 Actually, before I ask for questions let me have Ms.
18 Khanna, Trade Counsel, if you could describe the trade
19 provisions in the mark and modification.

20 Ms. Khanna. Thank you, Mr. Chairman.

21 There are additional trade-related and other non-
22 binding sense of Congress provisions reflected in today's
23 modification. First, there is a sense of Congress that
24 foreign governments should encourage their state-owned
25 and private companies to cease exports to and imports

1 from Iran of refined petroleum products and investments
2 in Iran's energy sector.

3 Second, there is a sense of Congress that Iran
4 should fully comply with U.N. Security Council
5 resolutions and a sense of Congress that the U.N.
6 Security Council should issue new resolutions to tighten
7 sanctions on Iran.

8 Third, there is a sense of Congress that Federal and
9 State pension programs should divest holdings and
10 entities that have invested in Iran's energy sector.

11 Fourth, there is a sense of Congress that the United
12 States should pursue measures to restrict Iran's ability
13 to conduct international transactions and do business
14 with banks that conduct U.S. dollar transactions.

15 The Chairman. I might ask Ms. Poteet if you have
16 anything to add regarding the mark or modification.

17 Ms. Poteet. I have no further comment. Thank you.

18 The Chairman. Thank you.

19 Are there any questions among Senators or staff
20 about the provisions in the mark and modification?

21 [No response.]

22 The Chairman. Seeing no questions, it is now in
23 order for Senators to offer amendments. Once again, I
24 ask Senators to keep their statements short in offering
25 amendments.

1 Do any Senators seek recognition to offer any
2 amendments? Senator Bingaman?

3 Senator Bingaman. Mr. Chairman, I do want to offer
4 an amendment. I think it is amendment number 1 in the
5 listing that the committee has passed out.

6 What it would do is to strike Section 7 of the bill
7 in its entirety and replace it with a sense of the Senate
8 resolution on this issue of Russian nuclear cooperation.
9 Mr. Chairman, the Iran Sanctions Act, the way it is now
10 before us, would prohibit the United States from entering
11 into a civilian nuclear energy cooperation agreement, a
12 so-called Section 123 agreement--that refers to Section
13 123 of the Atomic Energy Act--with Russia.

14 On May 13 of this year, just last month, the United
15 States signed a Section 123 agreement with Russia. That
16 agreement in many ways is a culmination of the work we
17 have been doing through the Nunn-Lugar program, our
18 efforts to dismantle weapons of mass destruction and
19 their associated infrastructure in the former Soviet
20 Union.

21 So the legislation before us, this Section 7 of the
22 bill before us, would have the effect of killing that
23 civilian nuclear cooperation agreement with Russia. To
24 my mind it substantially repudiates the Nunn-Lugar
25 program as part of that. The legislation would turn its

1 back on what I believe is probably the greatest non-
2 proliferation success we have had since the end of the
3 Cold War.

4 I think it is irresponsible to go ahead with that
5 section in the bill. I know the purpose of the overall
6 legislation, as many around here have said in their
7 opening statements, is to lessen the likelihood that Iran
8 would obtain nuclear weapons. To my mind, Section 7
9 increases the likelihood that Iran will obtain nuclear
10 weapons rather than lessening that likelihood.

11 The committee is voting on this issue without having
12 considered crucial intelligence information as to how the
13 123 agreement will help with our counter-proliferation
14 efforts, and the committee has failed to avail itself of
15 the technical expertise that is present with the Foreign
16 Relations Committee on this subject.

17 Let me just go through each of those three points a
18 little more. On this first point, nuclear cooperation
19 with Russia, in my view, has produced some tangible and
20 substantial results in the effort to stop Iran from
21 developing nuclear weapons.

22 Now, I am not an apologist for Russia. Russia has
23 not been as helpful as it could have been in dealing with
24 Iran, most notably in the 1990s when Germany stopped work
25 on the Bushehr reactor in Iran because of non-

1 proliferation concerns. Russia completed its
2 construction and it shipped nuclear fuel there, but it
3 does not follow from that fact that Russia has been
4 entirely unhelpful to us. Russia now has an agreement in
5 perpetuity to take back all spent fuel from Bushehr so
6 that it cannot be weaponized.

7 Russia has proposed the creation of an international
8 enrichment facility where countries can enrich uranium
9 for civilian purposes on Russian territory and under IAEA
10 supervision. This facility would rob Iran and other
11 proliferators of any pretext that they might have that
12 they need to enrich their own uranium to develop a
13 domestic civilian nuclear energy industry.

14 The U.S. and Russia also proposed the creation of an
15 international spent fuel storage facility together. The
16 United States, in my view, needs this 123 agreement that
17 they have worked out. And we have a letter here that I
18 have passed out to all members from Secretary Rice
19 indicating her strong concern and her support for
20 striking this section of the bill before us because of
21 this same issue.

22 But the United States needs this agreement to
23 continue with the international enrichment facility, with
24 the spent fuel bank, with the collaboration in developing
25 proliferation-resistant nuclear technologies, as well as

1 with the research and development that we have jointly
2 pursued with Russia to the benefit of both our countries.

3 Finally, Russia has supported four resolutions in
4 the U.N. Security Council aimed squarely at stopping
5 Iran's nuclear ambitions. These are Resolution 1696 in
6 2006; Resolution 1737 in 2006; Resolution 1747 in 2007;
7 and Resolution 1803 in 2008. These resolutions impose
8 progressively tougher sanctions on Iran, and Russia has
9 been part of those sanctions.

10 I think that it would be a mistake if we go forward
11 with this language and repudiate the 123 agreement with
12 Russia. I think that takes away a lot of the incentive
13 that Russia might have to continue cooperating with us in
14 the Security Council. We need Russia as a partner to
15 contain Iran's nuclear ambitions. The 123 agreement is a
16 way to secure that partnership.

17 I made the point before--and Senator Rockefeller is
18 much better informed on this than I am, of course--that
19 classified briefings from the State Department affirm
20 that Russia has been increasingly helpful in containing
21 Iran and I think committee members should have the
22 benefit of those briefings before considering this
23 section. So, I urge the committee to seek out those
24 classified briefings from the Bush administration before
25 we vote on this effort to kill this accord.

1 Finally, Mr. Chairman, I respectfully submit that
2 our committee, although we are powerful in many respects,
3 is not the right place to be debating U.S. policy on
4 international civilian nuclear cooperation. Section 123
5 of the Atomic Energy Act gives the Foreign Relations
6 Committee jurisdiction over 123 agreements. Foreign
7 Relations staff has deep expertise on these agreements.
8 We are very jealous of our jurisdiction, as we should be,
9 in tax matters, in trade matters, in issues related to
10 Medicare and Medicaid, Social Security, a whole range of
11 issues. But I think we should defer to the Foreign
12 Relations Committee on this subject.

13 I would note that one of the other things that has
14 been provided to you and Chairman Grassley is a letter
15 from Chairman Biden and Ranking Member Lugar objecting to
16 the inclusion of this provision.

17 Let me just also say that Senators Nunn and Lugar
18 have done an op-ed piece in the *New York Times*, which I
19 have distributed a copy of, arguing strongly in favor of
20 going ahead with this 123 agreement. I hope members
21 would have a chance to review that before they vote as
22 well.

23 They say in that op-ed piece that we should not
24 sacrifice our most promising long-term non-proliferation
25 strategy in pursuit of short-term leverage that is likely

1 to backfire. I think that sums it up pretty well, so I
2 would urge members to support my amendment to strike this
3 Section 7.

4 Senator Kyl. Mr. Chairman?

5 Senator Smith. Mr. Chairman?

6 The Chairman. Excuse me. I might say, I
7 appreciate the statement you made, Senator. And you are
8 correct, this matter is clearly outside the jurisdiction
9 of the Finance Committee. It is really the jurisdiction
10 of another committee, the Foreign Relations Committee, to
11 be more specific. I think that, frankly, this issue
12 therefore should be addressed by Members in a different
13 forum. This is a very complicated foreign policy issue.
14 This is not the forum in which to address this issue.
15 There are other, more appropriate forums in which to
16 address this issue and I would urge Senators to keep that
17 in mind as we report this bill out.

18 There will be plenty of opportunities to address it,
19 but this is not the committee of jurisdiction. I would
20 urge Senators to keep that in mind as we vote on the
21 amendment.

22 Senator Smith? Excuse me. Senator Kyl sought
23 recognition first.

24 Senator Kyl. Go ahead, Gordon.

25 Senator Smith. Mr. Chairman, I respect Jeff

1 Bingaman greatly and I understand what he is saying, and
2 I acknowledge that it is in America's interest to
3 cooperate in nuclear non-proliferation with Russia, and
4 the Nunn-Lugar program has been a success. But it is a
5 very frightening irony that on the one hand we are trying
6 to control the proliferation of nuclear materials, and at
7 the same time, after the discovery of what Iran was
8 doing, Russia has been the principal aider, abettor,
9 financer, and enabler of nuclear proliferation to a
10 nation that swears almost daily that they will use it,
11 and they will use it against an ally.

12 I think it is time for us to just step back and say
13 there is a huge loophole here and it may be working on
14 one hand, but out the backdoor it is hemorrhaging nuclear
15 materials to the most dangerous actor on earth. So, this
16 debate needs to go forward. This bill needs to move
17 forward. I hope that we leave these provisions in.

18 The Chairman. Does any other Senator wish to be
19 recognized? Senator Rockefeller?

20 Senator Rockefeller. Thank you, Mr. Chairman. I
21 support the Bingaman amendment. The point that he made
22 at the end, I think, is crucial. There are members of
23 the Intelligence Committee on the Finance Committee. But
24 in that this is not in our jurisdiction, but I do
25 understand why the Chairman is doing what he is doing,

1 this is going to get stripped out in the Foreign
2 Relations Committee for sure, Section 7.

3 I really would encourage members, regardless of
4 whether this passes or not today, to go read some of this
5 intelligence. Any Senator can read any amount of
6 intelligence. All they have to do is show up and ask for
7 it. If members have not done that on something of this
8 nature, of this importance, of what is the actual
9 situation--somebody is talking. That was me, actually,
10 that was talking. [Laughter.] But they should go down
11 and they should read that intelligence. Now, not all
12 intelligence is available to all members, but
13 intelligence, as Chairman Roberts understands, is dished
14 out in various ways and to various people, and it is
15 very, very powerful as one of the arguments against this.

16 To me, obviously preventing Iran from getting
17 nuclear capability is an absolute top priority. I think
18 it will happen, and I think it is happening. That is the
19 reason why I support the Bingaman amendment. Russia is
20 crucial. It is indispensable in partnering with our
21 efforts to prevent Iran from getting a bomb. I
22 understand what Gordon Smith has just said.

23 The provision in this bill dealing with our nuclear
24 cooperation with Russia would do very serious damage to
25 this partnership which is budding. So is our

1 relationship on this matter with European countries who
2 are more fed up with what is going on in Iran and are
3 ready to make stronger sanctioning decisions.

4 But the fact is, this would not only be very bad for
5 the nuclear non-proliferation agreement, which is
6 fundamentally the best thing that has happened in nuclear
7 matters in this country for a very, very long time--we
8 tend to lose sight of it because it has been on the books
9 for a while. It is not current enough, but boy, its
10 effect is enormous.

11 But it would do something else. If we leave it in
12 and vote this amendment through, it would effectively
13 make our nuclear cooperation with Russia contingent on
14 Iran's actions, giving Iran, our adversary, as has been
15 pointed out, veto power over our cooperation with Russia
16 on nuclear proliferation efforts. I think--and Senator
17 Bingaman made exactly the same point--that passing this
18 makes peaceful resolution of nuclear matters with Iran
19 less likely. Less likely. That is a very bad deal.

20 I feel very strongly about this. I believe that I
21 know what I am talking about. I obviously always reserve
22 the right to be wrong, but I just think this is a
23 mistake. I understand how these mistakes come to be, and
24 the pressures, and all the rest of it. But we do have an
25 agreement with the Russians. We are very, very vigilant,

1 more so than any would really know, with respect to what
2 is going on in Iran and their nuclear program. Not just
3 vigilant, but--well, let us just say vigilant. I would
4 hope that the amendment would pass.

5 Senator Kyl. Mr. Chairman?

6 The Chairman. Senator Kyl?

7 Senator Kyl. Mr. Chairman, having served on the
8 Intelligence Committee for eight years, I can tell you
9 that no argument succeeds in stopping debate like, oh,
10 you should go read the intelligence. I have read the
11 intelligence. About two weeks ago I was briefed on this
12 precise issue by the full panoply of people who have
13 briefed others on the Intelligence Committee. There is
14 nothing in that intelligence that argues against keeping
15 this bill exactly as it is.

16 Open-source material confirms the following: the
17 Russians have supplied the nuclear technology and fuel to
18 the Iranians. Contrary to what Senator Bingaman said,
19 the Iranians have not agreed to return their used fuel.
20 In fact, they stiffed the Russians and it is one of the
21 things that have really hacked the Russians off, but
22 there is not a lot they can do about it.

23 Second, open-source material will reveal the
24 extensive conventional weapon sales from Russia to Iran,
25 primary the most sophisticated anti-missile and air

1 defense system that the Russians have, which, when fully
2 operational in Iran, will make it exceedingly difficult
3 for anyone to attack any facility in Iran. Some may
4 think that is a good thing, but it certainly takes an
5 option off the table and may accelerate the time when
6 somebody decides to utilize that option because of the
7 difficulty after this system is in place, and those are
8 not the only conventional weapons that have been sold.

9 People ask, do the Russians understand that this is
10 against their interests, too? I think open-source
11 material also engages in some of this speculation that
12 intelligence engages in, but the open-source material
13 reveals that there is an element of money-making and
14 profit here that overrides concerns that the Russians
15 otherwise might have.

16 Let me just make a couple of other points here.
17 This provision on 123 has nothing whatsoever to do with
18 Nunn-Lugar. Nunn-Lugar proceeds. Everybody is in favor
19 of that. This does not prevent that at all. This has to
20 do with a new series of agreements that we might want to
21 enter into with the Russians, that the Russians would
22 very much like to enter into with us. The question is,
23 do we make that deal while they are refusing to cooperate
24 with us or after they have agreed to cooperate with us
25 with regard to Iran?

1 I found a *Los Angeles Times* editorial in this regard
2 to be instructed just a couple of days ago, June 18th. I
3 will just read the first and last sentences:

4 "Stonewalling, obfuscation, threats, and two years of
5 Iranian intransigence have removed any doubt that the
6 leadership in Tehran is determined to develop the
7 technology for a nuclear bomb, if not the weapons
8 themselves, as quickly as possible."

9 Then here is the last paragraph after they have
10 talked about the Europeans finally coming around to help
11 us a little bit: "Iran may proceed to make bombs despite
12 British and European opprobrium and Russia and China may
13 continue to block stronger action by the U.N. Security
14 Council. The western powers must keep working to raise
15 the political cost for such defiance." That is the point
16 of saying, we are not yet ready to conclude a 123
17 agreement with the Russians.

18 The House of Representatives has passed this precise
19 legislation. And by the way, Representative Markey has a
20 resolution of disapproval of the 123 agreement. The
21 point is, it is premature. We need to get the Russians'
22 cooperation and then enter into this 123 agreement with
23 them, but as long as they are supplying this nuclear
24 technology and other elements and the conventional
25 support that they have given to the Iranians, it is not

1 the time to reward the Russians with an agreement which
2 is very much in the Russians' best interest.

3 Finally, with regard to what Senator Rockefeller
4 said, I disagree that it would be contingent on Iran's
5 actions. It is contingent on Russia's actions. We may
6 not be able to stop everything that the Iranians do, but
7 the Russians certainly can stop certain conventional
8 sales, they can stop the technology to the Iranians in
9 getting those systems operational, they can stop the
10 technology transfer and fuel to the Iranians and the
11 Basheer reactor. There is a lot that they can do.

12 Now, open-source material also reveals that the
13 Russians, in some regards, are working with us and
14 cooperating in some respects. That is great, but we need
15 a whole lot more from them. I would just refer my
16 colleagues to a letter that has got a lot of signatures
17 on it, sent to the President on May 7th, including a
18 great bipartisan segment of this committee, that
19 essentially makes many of the points that I just made,
20 but in a more eloquent way.

21 The Chairman. Senator Roberts?

22 Senator Roberts. Thank you, Mr. Chairman.

23 Senator Bingaman, you may recall--I am sure you
24 recall--when you were the Ranking Member and I was the
25 Chairman of the Emerging Threats Subcommittee on the

1 Armed Services Committee, which has direct jurisdiction
2 over the 123 program, or the Nunn-Lugar program.

3 And as you will recall, we spent \$1.1 billion about
4 every year on the Nunn-Lugar program, which is a very
5 good program. We want to continue that, but with some
6 common sense. During those times we tried to put some
7 certification measures in to make sure that all the money
8 that went into the Nunn-Lugar program, whether it be for
9 security, or whether it be for dismantlement, or whether
10 it be for biological, chemical, or nuclear, that none of
11 that money would be spent for anything that we could
12 determine that would not be in our best interests.

13 I will not go into the specifics because they are
14 classified. We had a lot of worries about that. So we
15 put a certification measure in there saying that the
16 President had to certify that. President Clinton did not
17 respond to that and we simply continued with the Nunn-
18 Lugar program.

19 President Bush, when he came in, indicated that he
20 could not certify it, so we got a waiver because we
21 thought the Nunn-Lugar program was so important, with its
22 modest success--I would say modest success in regards to
23 the goals we all hope to achieve. So we simply put a
24 waiver in. I do not know if that would be the case here.

25 The bill reads, "Unless the President certifies to

1 Congress that (1) Russia has suspended all nuclear
2 assistance to Iran and all transfers of conventional
3 weapons..." et cetera, et cetera, if in fact the
4 President felt it was in our national security--or any
5 future President felt it was in our national security
6 best interests to waive this provision perhaps they could
7 do so. But at least it is better, I think, to have it
8 on the books.

9 So I agree with Senator Kyl. I have been to Russia,
10 I have been to several of the secret cities, I have seen
11 some of the things that Senator Lugar--and Senator Lugar
12 has been to almost all of them, except now Russia does
13 not allow you in to some of the ones that we were in
14 before. So, consequently there was success. But I also
15 would point out that a lot of this was a work program
16 just to keep the scientists there, and other things that
17 I thought at the time, we just could not certify any real
18 value to it at the time.

19 So this is a good program. It is known as the Nunn-
20 Lugar program. It has all sorts of trappings of, I will
21 not say godliness, but basically tremendous support. It
22 is a great idea, sponsored by two great Senators, but I
23 will again say it has had modest success in certain
24 areas. We had certifications before. The President was
25 able to waive those. I think we ought to keep this in.

1 It sends a very strong message to Russia for exactly the
2 same reasons as Senator Kyl has indicated.

3 The Chairman. Well, we have had a full debate on
4 this. I think it would be appropriate to vote on it at
5 this point. All those in favor, say aye.

6 Senator Bingaman. I would like a vote, Mr.
7 Chairman.

8 The Chairman. The Senator requests a recorded
9 vote. A recorded vote has been requested. The Clerk
10 will call the roll.

11 The Clerk. Mr. Rockefeller?

12 Senator Rockefeller. No.

13 The Chairman. You are aye.

14 Senator Bingaman. You are aye.

15 Senator Rockefeller. I am aye for him. Yes.

16 The Chairman. Yes.

17 The Clerk. Mr. Conrad?

18 The Chairman. Sorry. I have no instructions from
19 Senator Conrad.

20 The Clerk. Mr. Bingaman?

21 Senator Bingaman. Aye.

22 The Clerk. Mr. Kerry?

23 The Chairman. No instructions.

24 The Clerk. Mrs. Lincoln?

25 The Chairman. Aye by proxy.

1 The Clerk. Mr. Wyden?
2 Senator Wyden. No.
3 The Clerk. Mr. Schumer?
4 Senator Schumer. No.
5 The Clerk. Ms. Stabenow?
6 Senator Stabenow. No.
7 The Clerk. Ms. Cantwell?
8 Senator Cantwell. Aye.
9 The Clerk. Mr. Salazar?
10 Senator Salazar. No.
11 The Clerk. Mr. Grassley?
12 Senator Grassley. No.
13 The Clerk. Mr. Hatch?
14 Senator Grassley. No by proxy.
15 The Clerk. Ms. Snowe?
16 Senator Snowe. No.
17 The Clerk. Mr. Kyl?
18 Senator Kyl. No.
19 The Clerk. Mr. Smith?
20 Senator Smith. No.
21 The Clerk. Mr. Bunning?
22 Senator Bunning. No.
23 The Clerk. Mr. Crapo?
24 Senator Crapo. No.
25 The Clerk. Mr. Roberts?

1 Senator Roberts. No.

2 The Clerk. Mr. Ensign?

3 Senator Grassley. No by proxy.

4 The Clerk. Mr. Sununu?

5 Senator Sununu. No.

6 The Clerk. Mr. Chairman?

7 The Chairman. No. The Clerk will announce the
8 results of the vote.

9 The Clerk. Mr. Chairman, the tally is 3 ayes, 16
10 nays.

11 The Chairman. The nays have it. The amendment
12 fails.

13 Are there other, further amendments?

14 Senator Bingaman. Did Senator Lincoln not also
15 vote "aye"? I think there are four ayes. You folks are
16 short-changing me here. [Laughter.]

17 The Chairman. Let us go back and re-tally.

18 The Clerk. Was Mr. Rockefeller aye or nay?

19 The Chairman. He was an aye.

20 The Clerk. Then it would be 4 ayes, 15 nays.

21 The Chairman. Thank you. The result is not
22 changed. The amendment fails.

23 Are there any further amendments?

24 Senator Bunning?

25 Senator Bunning. Thank you, Mr. Chairman.

1 With your consent I would like to offer my amendment
2 number one and ask for a roll call vote on it. As I
3 mentioned earlier, I am glad to see the committee is
4 taking the necessary steps in today's markup to increase
5 our financial chokehold on Iran. Through even greater
6 economic isolation, we can deny Iran the financial
7 capital needed to fund their nuclear proliferation and
8 support for international terrorism.

9 As we seek to expand our sanctions against Iran, I
10 believe we need to close some loopholes that exist in
11 current law. One such loophole can be found in the Iran
12 Sanctions Act of 1996. Under current law there is no
13 time given to investigations of potential violations of
14 these sanctions. This gives them little or no
15 enforceability. I believe that we should require a
16 mandatory ruling on all investigations launched on
17 potential violations of our sanction laws.

18 I also believe that we still need to afford and to
19 give flexibility to the President when determining
20 whether or not to apply these sanctions through the use
21 of presidential waivers. I hope my colleagues will join
22 me in my efforts to strengthen our sanctions against
23 Iran. Thank you.

24 The Chairman. Any debate?

25 [No response.]

1 The Chairman. Seeing no debate, the question is on
2 the amendment. All those in favor, say aye.

3 [Chorus of ayes]

4 The Chairman. Those opposed, no.

5 [No response.]

6 The Chairman. The ayes have it. The amendment is
7 agreed to.

8 Any further amendments?

9 [No response.]

10 The Chairman. Seeing no Senators seeking
11 recognition to offer--

12 Senator Rockefeller. Mr. Chairman?

13 The Chairman. Senator Rockefeller?

14 Senator Rockefeller. Could I just do something
15 slightly without protocol-consciousness?

16 The Chairman. You may.

17 Senator Rockefeller. I strongly advise Senator Kyl
18 to read the classified annex of the 123 agreements. You
19 would be enlightened.

20 Senator Kyl. I am sure I would.

21 The Chairman. Are there any further amendments?

22 [No response.]

23 The Chairman. Seeing no further amendments, I
24 would entertain a motion that the committee report the
25 Chairman's mark, as modified.

1 Senator Grassley. Mr. Chairman, I move the
2 Chairman's mark.

3 The Chairman. Does any Senator require a recorded
4 vote?

5 Senator Bingaman. Mr. Chairman, I would just like
6 to be recorded as opposed to the motion to report the
7 amendment.

8 Senator Rockefeller. As would I.

9 The Chairman. Let us have a recorded vote on the
10 motion to report.

11 The Clerk will call the roll.

12 The Clerk. Mr. Rockefeller?

13 Senator Rockefeller. No.

14 The Clerk. Mr. Conrad?

15 The Chairman. Aye by proxy.

16 The Clerk. Mr. Bingaman?

17 Senator Bingaman. No.

18 The Clerk. Mr. Kerry?

19 The Chairman. Aye by proxy.

20 The Clerk. Mrs. Lincoln?

21 The Chairman. Aye by proxy.

22 The Clerk. Mr. Wyden?

23 Senator Wyden. Aye.

24 The Clerk. Mr. Schumer?

25 Senator Schumer. Aye.

1 The Clerk. Ms. Stabenow?
2 Senator Stabenow. Aye.
3 The Clerk. Ms. Cantwell?
4 Senator Cantwell. Aye.
5 The Clerk. Mr. Salazar?
6 Senator Salazar. Aye.
7 The Clerk. Mr. Grassley?
8 Senator Grassley. Aye.
9 The Clerk. Mr. Hatch?
10 Senator Grassley. Aye by proxy.
11 The Clerk. Ms. Snowe?
12 Senator Snowe. Aye.
13 The Clerk. Mr. Kyl?
14 Senator Kyl. Aye.
15 The Clerk. Mr. Smith?
16 Senator Smith. Aye.
17 The Clerk. Mr. Bunning?
18 Senator Bunning. Aye.
19 The Clerk. Mr. Crapo?
20 Senator Crapo. Aye.
21 The Clerk. Mr. Roberts?
22 Senator Roberts. Aye.
23 The Clerk. Mr. Ensign?
24 Senator Grassley. Aye by proxy.
25 The Clerk. Mr. Sununu?

1 Senator Sununu. Aye.

2 The Clerk. Mr. Chairman?

3 The Chairman. Aye. The Clerk will announce the
4 results of the vote.

5 The Clerk. Mr. Chairman, the tally of the members
6 present is 15 ayes, 2 nays. The final tally including
7 proxies is 19 ayes, 2 nays.

8 The Chairman. The ayes have it. Senator Conrad is
9 present. Does Senator Conrad wish to be recorded as
10 "present" as opposed to his proxy?

11 Senator Conrad. Yes.

12 The Chairman. He does. The ayes have it. The
13 bill is ordered reported.

14 Next, we have five non-controversial nominations.

15 Senator Grassley. Mr. Chairman, is it possible to
16 do these en bloc?

17 The Chairman. It certainly is.

18 Senator Grassley. Well, would you please do that?

19 [Laughter.]

20 The Chairman. If there is no further debate, I
21 will entertain a motion that all five nominees be
22 considered en bloc.

23 Senator Rockefeller. Mr. Chairman, a question.

24 Okun is not in here, is she? No. All right.

25 The Chairman. All right. Without objection, the

1 five nominations are ordered reported.

2 [No response.]

3 The Chairman. Next we have S.J. Res. 38 relative
4 to the nomination of Deanna Okun. Does any Senator wish
5 to debate or amend the resolution? Senator Stabenow?

6 Senator Stabenow. Thank you, Mr. Chairman. First,
7 I had an amendment to offer, that I am not going to
8 offer, that would create a U.S. Chief Trade Prosecutor or
9 Trade Enforcement Officer just to make the point that we
10 need to be adding more individuals to the USTR that are
11 actually focused on enforcing trade agreements.

12 But I, Mr. Chairman, regret to say that I cannot
13 support the nomination of Ms. Deanna Okun for Deputy U.S.
14 Trade Representative. At a time when our trade policies
15 are forcing American workers to really engage in a race
16 to the bottom, working longer hours for lower wages, less
17 job security, we need leaders at USTR who will enforce
18 trade agreements, be focused on enforcement. We need
19 leaders that are going to make sure that our trading
20 partners play by the rules and American businesses have a
21 level playing field.

22 Unfortunately, the USTR has really gone the opposite
23 direction. But Ambassador Schwab's own admission, the
24 USTR spends only 25 percent of their time and resources
25 on trade enforcement and three-quarters on negotiating

1 new trade agreements. My concern is that Ms. Okun is
2 someone who will be brought on to do the same thing. She
3 will be focused on pushing new trade agreements.
4 Unfortunately, based on responses to my questions, my
5 meeting with her, looking at her record at the
6 International Trade Commission, I do not believe that she
7 is the kind of addition that we need at the USTR at this
8 time.

9 Thank you, Mr. Chairman.

10 The Chairman. All right. So you are offering and
11 withdrawing your amendment. Is that correct?

12 Senator Stabenow. I am withdrawing the amendment
13 and just voting "no" on the resolution.

14 The Chairman. I appreciate that. I deeply
15 appreciate your efforts to move this Congress forward to
16 get a Chief Enforcement Officer. As you know, we have
17 had a hearing on the legislation.

18 Senator Stabenow. Right. Right.

19 The Chairman. I hope to move that forward
20 expeditiously this year. I thank you very much for your
21 efforts.

22 Senator Stabenow. Thank you. Thank you, Mr.
23 Chairman.

24 The Chairman. Senator Rockefeller?

25 Senator Rockefeller. Mr. Chairman, I think that

1 Ms. Okun needs a waiver, and I want to support that
2 waiver. I am not going to support her nomination, but I
3 want to support the waiver because we did that for
4 Charlene Barshefsky. We probably should not have done it
5 for her, but we did it for her. If we did it for her, we
6 should do it for this person, too. I do not know whether
7 that is an amendment or not.

8 The Chairman. Yes. Right. That is what is before
9 us now, is the Joint Resolution to allow her--

10 Senator Rockefeller. To make a waiver.

11 The Chairman. That is right.

12 Senator Rockefeller. All right. Good.

13 The Chairman. Is there further debate on the
14 resolution?

15 [No response.]

16 The Chairman. Seeing none, if no Senator wishes a
17 recorded vote, then the resolution is approved.

18 Senator Stabenow. I would just ask to be recorded
19 as voting "no".

20 The Chairman. Senator Stabenow wishes to be
21 recorded as voting "no".

22 Senator Rockefeller. As would I.

23 The Chairman. As would Senator Rockefeller.

24 Senator Bunning. This is for the resolution.

25 The Chairman. You are for the resolution, not for

1 her.

2 Senator Rockefeller. All right. Well, I am doing
3 my best. The Celtics won big and it was a late night,
4 all right?

5 The Chairman. It was a late night. It was a real
6 late night.

7 Senator Rockefeller. So I will vote properly.

8 Senator Schumer. The Senator from West Virginia is
9 a Celtics fan?

10 Senator Rockefeller. Lifelong. [Laughter.]

11 The Chairman. Now we have before us the nomination
12 of Deanna Okun to be Deputy USTR, contingent upon
13 enactment of S.J. Res. 38.

14 Does any Senator wish to debate the nomination?

15 [No response.]

16 The Chairman. If there is no further debate, I
17 would entertain a motion that the committee report the
18 nomination, upon enactment of S.J. Res. 38.

19 Senator Sununu. I so move.

20 The Chairman. All those in favor vote "aye" by
21 voice.

22 [Chorus of ayes.]

23 The Chairman. Those opposed, no.

24 Senator Rockefeller. No.

25 Senator Stabenow. No.

1 The Chairman. The ayes have it. The nomination is
2 approved.

3 While we are wrapping things up here, I really thank
4 the committee very much for expeditious treatment of this
5 legislation and all the nominations.

6 I ask consent that staff have authority to make
7 changes to the legislative matters before us today for
8 technical, conforming, and budgetary reasons. Without
9 objection, that is so ordered.

10 [No response.]

11 The Chairman. Once again, I thank all Senators.
12 This has been a very good debate.

13 The committee is adjourned.

14 [Whereupon, at 11:20 a.m., the meeting was
15 concluded.]

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