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“Responding to Iran’s Nuclear Ambitions: Next Steps”

Thank you Mr. Chairman, Ranking Member Biden, and distinguished Members of the Committee for this opportunity to discuss U.S. policy toward Iran, in particular, next steps in responding to Iran’s nuclear ambitions.

In the aftermath of a turbulent summer in the Middle East, the centrality of the challenge posed by Iran is ever more apparent. Offered a historic opportunity to reintegrate into the international community, Iran’s leadership is continuing along a path of confrontation and isolation by refusing to abandon its pursuit of nuclear weapons. Iran escalated its efforts to foment violence and sow discord in both Lebanon and Iraq. At home, Tehran renewed its campaign against journalists, intellectuals, and democratic activists, as President Ahmadi-Nejad tried to turn back the clock and re-impose the obsolete orthodoxies of Iran’s revolution.

Individually, these aspects of Iran's foreign and domestic policy – its nuclear ambitions, support for terrorism, efforts to subvert our interests in the region, and internal repression – present a profound concern for U.S. policy. Viewed comprehensively, it is clear that Iran's regime poses a complex and multi-dimensional threat to an array of fundamental American interests in the Middle East and across the world. The United States has no higher priority than facing and overcoming this threat, and we look forward to the support of this Committee and the Congress in that effort.

The challenge of dealing with Iran is further complicated by history and especially by the painful events of a generation ago – Iran's seizure of our Embassy and holding hostage 52 American diplomats and personnel for more than a year. One bitter legacy of this tragic episode is the absence of formal relations or regular diplomatic contacts between Iran and the U.S. for nearly 27 years.

We have no illusions about the nature and objectives of the Iranian regime. Its leaders aspire to preserve their place in power and to extend and entrench Iran's influence over its neighbors in the Middle East. They view

the presence in the region of the United States and our allies as the paramount obstacle to these regional ambitions.

In many ways, the current Iranian leadership, especially President Mahmoud Ahmadi-Nejad and his supporters, are attempting to make Iran a revolutionary power. They seek radical change in Iran by returning to the zeal and purity, as they see it, of the early years of the revolution under Ayatollah Khomeini. In their foreign policy, they are pursuing a course of aggressive behavior from their arming of Hizballah with long-range rockets to strike Israel to their work to create a nexus of terrorism encompassing Hizballah, Hamas, Palestinian Islamic Jihad, the Popular Front for the Liberation of Palestine General Command, and Syria. This newly aggressive foreign policy is also expressed most ominously in what most countries conclude is a national effort to acquire a nuclear weapons capability.

The urgency and complexity of the Iranian challenge requires an equally vigorous and multi-faceted response. Over the past several years, we have crafted a comprehensive approach to Iran that addresses the broad scope of the challenge and enhances the tools at our disposal for

countering the Iranian threat. During the past 12 months, we have mobilized a strong international coalition to make clear to Iran that its policies at home and across the region carry political, economic and diplomatic consequences. Those consequences are becoming evident to Iran in a variety of ways – first and foremost, at the United Nations Security Council, which has consistently intensified pressure on Iran since March to suspend all enrichment and reprocessing activities and is today considering sanctions in response to Iran’s failure to do so as the Council required on July 31 in UN Resolution 1696.

Our strategy toward Iran does not begin or end with the Security Council, however. The tragic violence in Lebanon has created new opportunities for intensifying pressure on Iran’s support for terrorism, and we are working in coordination with the Government of Lebanon as well as allies in Europe and the region to enforce the arms embargo provided for in UNSCR 1701. We are working with the Iraqi Government to mitigate Iran’s influence and assistance to groups trying to accentuate conflict and divide Iraqis. More broadly, we have deployed a range of financial instruments to raise the costs to Iran of its behavior in the world. In addition, we are taking steps to expand the information flow into Iran, support democratic activists, and

boost people-to-people contacts between our nations. These U.S. efforts are backed and amplified by support and cooperation from a broad-based international consensus.

The emergence of this international coalition of concern is important and may provide the most effective way to use diplomacy to convince or coerce Iran to modify the most dangerous aspects of its foreign policy ambitions. Clearly, if diplomacy is to succeed, we must preserve international unity to convey the most powerful message to Iran's leadership.

The emergence of this coalition is no small achievement. Rather, it is the product of the leadership of President Bush and the sustained diplomacy of Secretary Rice, the State Department, and other U.S. government agencies.

We recognize, however, that even with a diverse set of tools at our disposal and solid multi-lateral engagement, meeting the Iranian challenge successfully will require patience and persistence. Beneath the bombast from Tehran is a determined strategy by Iran's leadership to undermine our efforts, and those of so many in the Middle East, to establish an enduring

pro-Western orientation among the states in the region. Behind Iran's intransigence are a series of clever diplomatic tactics aimed at splintering the carefully-crafted international coalition opposed to Iran's agenda.

We are committed to ensuring that neither these ploys nor Iran's vision for the Middle East will prevail. I will outline our policies for meeting the multi-dimensional challenge posed by Iran and detail the achievements that our coordinated efforts to check the regime's policies at home and across the region have already begun to realize.

Iran Nuclear Proliferation/UNSCR Next Steps

The greatest immediate threat posed by the Iranian regime is its desire to acquire a nuclear weapons capability. For more than 18 years, Iranian leaders pursued a clandestine enrichment program and other undeclared nuclear activities that they hid from the world, in violation of their international obligations. That flagrant abuse of the world's trust has allowed us to mobilize a strong coalition of countries to deny Iran nuclear weapons. While President Bush has always been clear that no option is off the table, the U.S. continues to support a diplomatic solution to the

Iranian nuclear problem, should that be possible. We have worked for a solid year to form a coalition of the Permanent Five members of the UN Security Council and Germany to pressure Iran to open its system to IAEA inspection and suspend specific enrichment activities. Other leading countries such as India, Egypt, Brazil, Japan, and Australia have joined us in pressuring Iran to meet its IAEA obligations. I have traveled to Europe twelve times during the last 18 months to help this coalition unite around these goals.

Our diplomacy is paying dividends. Today, the international community has affirmed in a strong voice that Iran cannot be permitted to achieve its nuclear ambitions, and that a suspension of activities related to enrichment and reprocessing is required in order to rebuild the loss of confidence in Iran's intentions.

The goal is clear: Iran must abandon its quest for nuclear weapons and fully meet its obligations under the Non-Proliferation Treaty.

We have communicated this choice clearly over two years of efforts in the IAEA Board of Governors. In the past year, the UN Security Council

adopted unanimously on March 29 a Presidential Statement calling on Iran to fully suspend all enrichment-related and reprocessing activities and to cooperate fully with the IAEA's ongoing inspections. Iran essentially ignored this UN statement.

On June 6, the governments of China, France, Germany, Russia, the United Kingdom, and the United States presented Iran a generous package of incentives that would provide for economic, political, and technological benefits for the Iranian people following a successful conclusion of negotiations with Iran. Secretary Rice announced that the U.S. would be willing to join negotiations with our European partners and Iran if Iran established a verifiable suspension of enrichment related and reprocessing activities. This was the first significant U.S. offer to negotiate a major issue with Iran in 27 years.

The U.S. and its partners presented Iran with two clear paths to choose: The first was to abandon its enrichment related work and receive the far-reaching incentives included in the P5+1 incentive package, discussed with some of you individually and sent in full to the committee in July. To take

advantage of these incentives, the Iranian regime has to verifiably suspend all enrichment related and reprocessing activities.

As President Bush emphasized last week, the U.S. supports the right of the Iranian people to enjoy the benefits of peaceful, civil nuclear energy. But we and other leading countries do not support Iran mastering the enrichment and reprocessing and other sensitive aspects of the fuel cycle that would allow it to produce fissile material and a nuclear weapon.

Russia and other European countries have proposed an initiative to supply nuclear fuel for civil power reactors, without allowing Iran to conduct these more sensitive operations.

Alternatively, the P5+1 emphasized that the negative choice is for the Iranian regime to maintain its present course of defiance – violating the conditions laid out by the international community. If Iran continues down this path, President Bush and the other P5 leaders have made it clear that there would be consequences. In Paris, on July 12, the P5 and German Foreign Ministers, including Secretary Rice, affirmed their intentions to take Iran to the Security Council should Iran not suspend its enrichment programs.

Unfortunately, Iran failed to take the steps needed to allow negotiations to begin. After two months without a positive, concrete response from Iranian leaders to the incentives package, we and our international partners in the UN Security Council adopted resolution 1696 on July 31, 2006.

This resolution explicitly demanded that Iran suspend all enrichment-related and reprocessing activities, including research and development. 1696 also called upon Iran to take the other steps deemed necessary by the IAEA Board of Governors in its February resolution.

Resolution 1696 also made clear that if Iran did not comply by August 31, the Security Council would adopt appropriate measures under Article 41 of Chapter VII of the UN Charter, which provides for sanctions.

Iran finally responded on August 22 with a 21-page document that was alternatively rambling and vague. Iran's response did not even clarify its stance toward our central offer posed three months earlier – Iran's willingness to suspend its enrichment.

On August 31, IAEA Director General El Baradei reported that Iran had not suspended its enrichment-related activities, was continuing construction of a heavy water research reactor at Arak, and that it continues to deny numerous IAEA requests for information necessary to resolve uncertainties surrounding its nuclear activities. Furthermore, the August 31 board report contained two significant findings: (1) discovery of HEU particle contamination on a waste container at the Karaj Waste Storage Facility; and (2) the temporary loss of continuity of knowledge over a UF6 cylinder. These findings are further evidence that Iran has raised more questions rather than answers regarding its nuclear activities.

Iran's refusal to suspend is disappointing and in our view, a major missed opportunity. The international community warned Iran's leaders that this course would result in further isolation and sanctions. Indeed, operative paragraph eight of UN Security Council resolution 1696 made abundantly clear the Council's intention to pursue sanctions, if Iran failed to comply with the resolution.

We are currently engaged in discussions with our P5+1 partners on a sanctions resolution in the Security Council. I traveled to Berlin on

September 7-8 to confer with my P5+ 1 counterparts on elements to include in a sanctions resolution. I have had numerous conference calls with my P5 +1 counterparts since then to continue these discussions. There was an “experts” level meeting in London on September 14 to review the technical details of the elements we want to include in a sanctions resolution. Secretary Rice and I will pursue this discussion of sanctions at the UN General assembly in New York this week and next. I must today refrain from discussing details in an open session. However, I would be happy to discuss these measures with you in a closed session.

Iran’s continued defiance is a clear challenge to the authority of the UN Security Council and the IAEA Board of Governors, and presents a serious threat to the nonproliferation regime. It is imperative that the international community send Iran a strong message that this defiance will not be tolerated by imposing UN sanctions that target the regime and Iran’s nuclear and missile programs, not the Iranian people.

Going forward, we will do everything we can to maintain the widest possible international consensus on the steps Iran must take, and we will continue to keep Iran isolated on this issue. In the meantime, the High

Representative for the European Union Javier Solana is discussing with Iranian officials a last-minute attempt to convince Tehran to accept the conditions of suspension and agree to negotiations. We support his effort but we will push for the imposition of sanctions if these talks do not produce a satisfactory outcome. The international community is waiting for Iran to give an unequivocal reply to our offer to negotiate.

Our message to Tehran remains clear: abandon the quest for nuclear weapons, and establish a full and verifiable suspension of all enrichment-related and reprocessing activities. If you can do so, the U.S. and others will begin negotiations. If you cannot, you will face sanctions.

Terrorism

With your permission, I would like to also discuss our efforts on countering Iranian terrorism.

All of you are familiar with Iran's infamous status as the world's leading state sponsor of terrorism. Indeed, the Iranian regime has for 27 years

used its connections and influence with terrorist groups to combat United States' interests it perceives as at odds with its own

In Iraq, Iranian activities aim to undermine Coalition efforts. Iran provides guidance, weapons, and training to select groups, some of whom support attacks against coalition forces and are accentuating sectarian violence. It also provides Shia militants with the capability to build IEDs with explosively formed projectiles similar to those developed by Iran and by Lebanese Hizballah. Shia insurgent groups have used this deadly technology in attacking, and in some cases, killing American and British soldiers.

Iran remains unwilling to bring to justice senior al-Qa'ida members it detained in 2003, and it has refused publicly to identify those senior members in its custody. Iran has also resisted numerous calls to transfer custody of its al-Qa'ida detainees to their countries of origin or third countries for interrogation or trial. Iranian judiciary officials claimed to have tried and convicted some Iranian supporters of al-Qa'ida in 2004, but refused to provide details. In failing to identify and turn over these al-Qaida members, Iran is blatantly defying its UNSCR 1267 and 1373

obligations. As the Council discusses the need for a Chapter VII sanctions resolution on Iran as a result of its nuclear defiance, we hope Council members will take note of Iran's continued intransigence on its terrorism-related obligations as well.

We also continue to see evidence that Iran encourages anti-Israeli activity. Both Supreme Leader Khamenei and President Ahmadi-Nejad often praise publicly Palestinian "resistance" operations, and we know that Iran provides Lebanese Hizballah and Palestinian terrorist groups – most notably Hamas, Palestinian Islamic Jihad (PIJ), and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC) – with funding training, and weapons. Iran, Syria, and these groups form a nexus of terrorism that presents a major challenge to our goals of democracy and peace in the Middle East. President Ahmadi-Nejad has threatened more than once the very existence of Israel, not only a close U.S. friend, but a United Nations member state.

As Secretary Rice has said, Iran is the "central banker" of terrorism. In that regard, we have made progress in impeding the regime's terrorism finance efforts. It is universally accepted that attacking terrorist financing

is an essential element to combating terrorism. Treasury's Under Secretary for Terrorism and Financial Intelligence, Stuart Levey, traveled to Europe last week, where he met with banking officials to enlist their support in our efforts to combat terrorism and isolate the Ahmadi-Nejad regime. Treasury also announced on September 8 that it will prevent one of Iran's largest state-owned banks – Bank Saderat – from gaining access to the U.S. financial system. We believe Bank Saderat has been used by Iran to transfer money to Hizballah, Hamas, Palestinian Islamic Jihad, and other terrorist organizations. The only way that Iran can reintegrate fully into the international community is by ceasing all support for terrorist activity.

ILSA Update

Sanctions have been a consistent and valuable tool in our arsenal for dealing with Iran. This June, I testified before the Senate Banking committee on proposed legislation to extend and amend the Iran and Libya Sanctions Act (ILSA). As Secretary Rice also testified earlier this year, we believe ILSA has proven constructive for our Iran policy. But as she also noted, “We are in a different phase now,” ten years

after ILSA's enactment. In confronting the challenges posed by Iran, the Administration supports legislation that would reauthorize the current ILSA statute for an additional five years. A bill to this effect has been introduced in the Senate: S. 2657. We support removing references to Libya from the law, given that ILSA's applicability to Libya was removed in 2004 and given the Administration's decision to rescind Libya's designation as a state sponsor of terror on June 30, 2006.

In today's context, other pending legislation on ILSA raises serious concerns for the Administration. In particular, I would like to say a word about H.R. 282, which was passed by the House of Representatives and is pending before this Committee, and S. 333, also before this Committee. The provisions that freeze current restrictions, set specific deadlines for decision-making, that restrict certain waiver authorities, and -- in H.R. 282 -- that call for divestment of assets and prohibitions on assistance, would narrow the President's flexibility in the implementation of Iran sanctions and strain relations with allies whose cooperation is crucial to our efforts to change Iran's behavior. These bills would effectively penalize

most severely the very allies critical to maintaining our international coalition against Iran.

Iran is still working to create divisions among the international community – including the P5+1. We are concerned that the proposed amendments would take the focus of international attention away from Iran's misdeeds, where it now appropriately lies, and shift it to potential differences between the United States and its allies over ILSA provisions. If so, this would play into Iran's hands and set back the progress that we hope to make diplomatically in stopping Iran's nuclear weapons programs.

Today, there is a perception of heightened political and financial risk associated with Iran continues that will be further fed by Iran's refusal to comply with a Security Council resolution.

Meanwhile, we should do everything possible to strengthen the unprecedented and expanding consensus we have in place. In this regard, I would urge you to support an extension of the current ILSA

legislation and to oppose provisions which will drive a wedge between the United States and the P-5+1.

Democracy and Human Rights

Before I conclude, I would like to turn briefly to another dimension of Iran's challenge to the international community – the regime's reprehensible treatment of its own people. Iran's leaders are determined to preserve a system that endows power, privilege, and vast economic perks to a narrow revolutionary elite. As a result, the Iranian regime's record of human rights abuse is among the worst in the world. Like its nuclear ambitions, the record of the regime at home is equally clear, equally consistent, and equally negative. It is a record of: lack of transparency surrounding judicial proceedings; depressed living standards; intolerance toward minority ethnic and religious groups; discrimination against women as it relates to child custody laws; and limitations on the extent of freedom of speech and assembly.

The Iranian people – an ancient, proud nation of 70 million – deserves much better. They have made clear their desire to live in a modern, tolerant society that is at peace with its neighbors and in close contact with the

broader international community. And we are confident that, if given a genuine opportunity to choose its leaders freely and fairly, the Iranian people would make a very different choice. They would choose leaders who invest in development at home rather than bloodshed abroad and a system that respects all faiths, empowers all citizens, and resumes Iran's historic place as a regional leader.

For this reason, in parallel with our efforts on the nuclear and terrorism issues, we have launched a set of new initiatives intended to achieve an equally important goal – reaching out to the Iranian people to promote democracy and freedom. As President Bush and the Secretary have clearly articulated, we stand with the Iranian people in their century-old struggle to advance democracy, freedom and the basic rights of all citizens. Since the Department received its first Iran-specific appropriation from Congress in FY 2004, our efforts to foster Iran's democratic development have expanded considerably. Congressional allocation of \$66M in FY06 supplemental funding has allowed us to begin initiating a wide range of democracy, educational and cultural exchange programs as well as significantly expanding the flows of free information that are available inside Iran.

Support for pro-democracy activities inside Iran will consume \$20M of this supplemental funding as well as an additional \$11.5M in initial FY 2006 funding. These programs build on our effort initiated since 2004 to support human rights, expand civil society, improve justice and accountability, and advance basic rights and freedoms. Our grantees are assisting independent labor activists, conducting training workshops on civil mobilization and activism for NGO leaders, linking reformers within Iran to like-minded groups outside the country, assembling documentation on human rights abuses in Iran, and creating Persian and English-language internet portals to connect reform-minded Iranians.

Given the nature of U.S.-Iran relations, however, progress toward our goals has predictably been difficult. Our partners on the ground – the brave men and women who have worked for years to advance democratic ideals in Iran – fear in many cases that public association with the U.S. and other governments could jeopardize their work and, possibly, their lives.

Accordingly, we employ all possible safeguards – including confidentiality – to enable them to pursue their work.

The FY 2006 Supplemental has also enabled us to undertake another critical goal in reaching Iranians – enhancing the volume and the quality of information that is available to the people of Iran. Communications are a vital tool in our efforts to champion democracy in Iran. Toward that end, the Broadcasting Board of Governors received \$36.1M of the \$66M that Congress allocated for Iran under the FY 2006 Supplemental, an increase of more than 200 percent of the BBG's initial FY 2006 budget of \$17.6M for Iran broadcasts. This additional funding will enable the BBG to dramatically upgrade its infrastructure, improve Radio Farda service and its website, and increase Voice of America – Persian service television programming from one to 12 hours per day by January 2007.

Ultimately, the most valuable means of reaching out to the Iranian people comes through direct, face-to-face contact. As President Bush indicated last week, we hope to bring more Iranians into our country, even as its regime becomes further alienated from the international community. To that end, we are developing programs to bring more Iranians to the U.S. in the fields of culture, medicine, education, and environment. Similarly, we have developed academic exchanges, overseas seminars, and sports exchanges that will engage teachers, students, athletes, and other

influential Iranians. We are working with respected American non-governmental organizations to maximize our outreach to the Iranian people. One such effort will engage Iranian opinion makers and professionals, including physicians, religious scholars and business leaders. The Department is also partnering with the U.S. Olympic Committee and several national sports leagues to conduct a sports exchange for coaches and athletes in wrestling, soccer and basketball for boys, girls and those with disabilities.

Our Iranian partners want to improve life for all Iranians. Many Iranians share our concern about the imprisonment of political activists and the harassment of opposition journalists. The regime's harassment of Nobel-Peace-Prize winner Shirin Ebadi's legal office and the forced retirements of more than 50 Western-trained professors from Iranian universities are ominous signs of repression. The Iranian regime's unjust treatment of women, its persecution of religious and ethnic minorities, and its continued harassment of critics demonstrate that life is not getting better in Iran.

We believe most Iranians are sympathetic to democratic values. They believe in respect for human rights. Many have taken courageous steps to

advocate for freedom and justice. Still, it may be years before the Iranian people achieve the changes they want and deserve. Against this backdrop, the United States— through these programs, and through our diplomatic efforts —stands with the Iranian people.

Conclusion

As all of us are aware, Iran presents the United States with a critical strategic challenge in its pursuit of nuclear weapons and regional hegemony, support for terrorism, and repression of its own people. Iran's leadership has chosen the path of isolation and confrontation, and now it is the responsibility of the international community to ensure that the costs for Iran of such a course are clear. Our comprehensive approach will require the determined efforts of this Administration and our friends and allies around the world. We look forward to the support of Congress in this historic effort.

