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Minimizing Potential Threats from Iran: Assessing the Effectiveness of Current U.S. Sanctions on Iran

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INTRODUCTION

Good morning. Thank you Chairman Dodd, Ranking Member Shelby, and distinguished members of the Committee for this opportunity to speak to you about the profound challenges posed to our national security interests by Iran. It is my pleasure to be here today with Treasury Under Secretary Levey and Commerce Acting Under Secretary Mark Foulon to discuss the strategy the United States is undertaking to address these challenges.

The topic of this hearing is one of tremendous urgency for U.S. interests in the Middle East and worldwide. We are advancing an ambitious agenda in the Middle East today through efforts to help stabilize Iraq, establish the foundation for a lasting peace between Israelis and Palestinians, promote democracy and freedom in countries like Lebanon, and avert the spread of extremist ideologies and dangerous weapons. We will not fully succeed in any of these endeavors without successfully addressing the challenges emanating from Iran.

Under the radical leadership of President Mahmoud Ahmadi-Nejad, Iran directly threatens vital U.S. interests in multiple arenas and through a variety of instruments – its defiance of the international community in pursuit of a nuclear weapons capability; its efforts to sow chaos and instability throughout the region, particularly in the precarious democracies of Iraq and Lebanon; repressive treatment of its own citizenry; its support for international terrorism; and its long-standing and violent rejection of any Middle East peace.

Crafting an effective response to this Iranian threat is as important as any challenge America faces in the world today. It is critical that we succeed. The endurance of the Iranian regime, the escalation of its provocative policies and abhorrent rhetoric, and the alarming stridency of its leaders mean that inaction or failure is simply not an option. For

this reason, President Bush and Secretary Rice have placed the highest priority on opposing Iran's policies across the board in the greater Middle East region.

The dangers posed by the Iranian regime are complex and diverse, and they necessitate an equally multi-faceted and sophisticated American response. We have constructed a comprehensive strategy that relies on American diplomatic leadership and a robust multilateral coalition that is designed to prevent Tehran from achieving its objectives. And as the United Nations Security Council takes up a second sanctions resolution this week and important countries undertake new efforts to exert bilateral pressure on Iran, it is clear that we are on the right track.

Our policy toward Iran is clear and focused. First and foremost, we have demonstrated to the Iranian regime that its provocative and destabilizing policies will entail painful costs for Iran, including financial hardship, diplomatic isolation, and long-term detriment to Iran's prestige and fundamental national interests. Secondly, and equally importantly, we are working to convince the regime that another, more constructive course is available to it.

We have seen both elements of this strategy play out over the past week in New York. Consistent with our commitment to make clear to Iran that there will be costs for its defiance, I worked closely with my counterparts in the United Kingdom, France, Germany, Russia, and China on a second sanctions resolution, which we hope will be adopted by the full Council this week. This resolution builds on the elements of Resolution 1737 passed in December and increases targeted pressure on the Iranian regime in new areas such as arms sales, export credits and the IRGC.

While we are isolating the regime, we are also offering Tehran a diplomatic way forward. In the P5+1 context, the United States will reiterate the historic offer Secretary Rice first extended in June 2006 to engage in direct discussions with Iran "at any place and at any time," provided Iran completely, verifiably suspends its enrichment activities. This avenue represents the best opportunity for Iran and the United States to begin resolving our differences.

The diplomatic strategy I have outlined represents the best way forward for our country. Despite the fulminations of President Ahmadi-Nejad, Iran is not impervious to financial and diplomatic pressure. It is clear to us that our strategy is paying dividends, in terms of undercutting the regime's sense of ascendancy, unnerving its overconfident leadership, and clarifying the costs of confrontation.

In sum, this diplomatic strategy is just one facet of our policy of applying multiple points of pressure against the Iranian regime. We are also working at the United Nations and bilaterally to increase pressure on Iran to abandon its quest for a nuclear weapons capability. As a result, there is now a major international coalition of countries asking Iran to abandon its nuclear program. Furthermore, we continue our efforts to discourage the Iranian regime's support for terrorism and extremism, while expanding engagement with the Iranian people. Finally, we have stationed two carrier battle groups in the Gulf to reassure our friends in the Arab world that it remains an area of vital importance to us and we have taken steps to counter the destructive activities of Iran in Iraq.

Today, I would like to provide some additional detail on the steps we are pursuing to increase pressure on Iran to abandon its destabilizing policies and expand engagement with the Iranian people.

NUCLEAR ISSUE

The United States and the entire permanent membership of the UN Security Council recognize Iran's right to peaceful, civil nuclear energy under relevant articles of the Nuclear Non-Proliferation Treaty (NPT). However, that right comes

with responsibilities, paramount among them a legal obligation to forgo the pursuit of nuclear weapons and to cooperate with the International Atomic Energy Agency (IAEA) monitoring.

The Iranian regime has, of course, had sufficient time to clarify questions regarding its nuclear activities. Since 2003, the IAEA Board of Governors has called on Iran to meet its obligations under the Nuclear Nonproliferation Treaty. The UN Security Council called on Iran several times—both in March 2006 and again in July 2006—to suspend all enrichment-related and reprocessing activities and to cooperate with the IAEA’s ongoing inspections.

Iran, however, ignored these requests as well as the generous P5+1 incentives package offered last June. Faced with the Iranian regime’s blatant disregard for its international nuclear obligations, the UN Security Council had no choice but to unanimously adopt Resolution 1737. And in the face of Iran’s continued defiance, we expect that the Council will shortly adopt a second resolution increasing targeted pressure on the Iranian regime.

While President Ahmadi-Nejad continues to scorn the Security Council’s efforts and declare its Resolutions “torn piece of paper,” we have observed that the international community is increasingly determined to prevent Iran from obtaining a nuclear weapons capability. We see evidence of this in our unprecedented cooperation with our European partners at the UNSC—cooperation one country recently described as “the best in more than a decade.” We see evidence in the willingness of Russia and China to more rapidly agree to the elements for a second resolution. And we see evidence of this in the international community’s concerted efforts to both implement Resolution 1737 and cooperate on other financial pressures outside of the UNSC. I will leave it to Under Secretary Levey to address those financial pressures in more depth.

ENERGY SECTOR

In recent weeks, we have vigorously engaged relevant companies and countries at senior levels about potential investments in Iran’s oil and gas sector. In making clear our opposition to such deals, we have emphasized the negative impact they could have on international efforts to resolve the nuclear issue, as well as the potential implications under our law. Most of these deals remain in the discussion and negotiation stage. Our approaches are intended to diminish the likelihood of seeing them finalized. More broadly, Iran continues to encounter great difficulties in attracting foreign investment to its hydrocarbon sector and few foreign companies in recent years have committed to developing Iranian oil and gas fields. Some earlier agreements, notably one for developing the Azadegan oilfield, have come apart. Iran’s own behavior and policies have contributed to this situation, but ILSA/ISA has also been a part of the negative investment climate that prevails for Iran today.

We worked last year with Congress on the reauthorization and amendment of the Iran and Libya Sanctions Act (ILSA) which, thanks to the success of our diplomatic and economic efforts with respect to Libya, is now simply the Iran Sanctions Act (ISA). ISA has been extremely valuable in emphasizing to foreign governments and firms our concerns about Iran and highlighting the risks and potential consequences of investing there. As I have noted, we believe that ILSA/ISA has been a factor in Iran’s lack of recent success in attracting the oil and gas investment it seeks.

BLOCKING IRAN’S REGIONAL ASPIRATIONS

We have also acted to blunt Iran’s regional ambitions. In Iraq, Iran continues to provide lethal support to select groups of Shia militants who target and kill U.S. and British troops, as well as innocent Iraqis. We have communicated our redlines to Tehran and made clear that this is unacceptable. As President Bush announced in January, our troops in Iraq will act to disrupt networks in Iraq—regardless of their nationality—which provide weapons to Iraqi groups. These actions

are consistent with the mandate of the Multi-National Forces in Iraq (MNF-I), granted by the United Nations Security Council and the Iraqi Government, to take all necessary measures to contribute to the maintenance of Iraq's security and stability. We have an absolute and indisputable obligation to defend our soldiers – and Iraq's citizens – from such attacks. At the same time, we are supporting the Iraqi Government's efforts to solicit international support for stabilizing Iraq. We were pleased that Iran participated in the March 10 conference in Baghdad and hope that Tehran will begin to play a constructive role in supporting a stable and secure Iraq.

Outside of Iraq we are working with France, Saudi Arabia, Egypt and Jordan to signal our strong support for Prime Minister Siniora's democratically elected government in Lebanon and are working with European and regional allies to enforce the arms embargo imposed by UNSCR 1701 and to prevent Iran and Syria from rearming Hizballah. We have stationed two carrier battle groups in the Gulf to reassure our friends in the Arab world that it remains an area of vital importance to us. And at the regional level, Secretary Rice last autumn launched a series of ongoing discussions with our GCC partners, as well as Egypt and Jordan, regarding issues of shared concern, including the threat posed by Iran.

Combined with our long-term efforts to promote peace and stability in the region and reassure allies, including Israel, these steps mark the natural evolution of our efforts to demonstrate international resolve against Iran's disregard for international law and its aspirations to dominate the region. And they have all had an impact. Iran is now more isolated and under more intense international scrutiny.

TERRORISM

Tehran has long-been the world's leading state sponsor of terrorism; the regime was responsible for the deaths of scores of Americans in the 1980s and 1990s. As we saw just last week, Iranians were implicated in the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) building in Buenos Aires. The United States will continue to support efforts to spotlight and bring to justice Iranians involved in terrorism, such as the Argentine Government's campaign for justice in the AMIA case. Additionally, recognizing Iran's role as the central banker of global terrorism, the Departments of State and Treasury have enlisted foreign support in efforts to deny suspect Iranian individuals and entities access to funds. Through these efforts and domestic designations, we are disrupting Iran's ability to support groups such as Hizballah and Hamas, while increasing the political costs of this support.

ENGAGING THE PEOPLE OF IRAN

As President Bush and Secretary Rice have long noted, our problems are with the Iranian regime, not the Iranian people. Part of charting a new course for U.S.-Iranian relations is intensifying our engagement with the Iranian people. While it is now not feasible for us to have formal diplomatic relations with Iran, it is within our grasp to bridge the divide between our peoples. So in addition to our diplomatic efforts to persuade Tehran to alter its foreign policy, we have launched a program to increase contacts between the American and Iranian peoples. We sent the U.S. National Wrestling Team to compete in Iran in January; we are also bringing hundreds of Iranians on exchange programs to the United States. We are encouraging American athletes, artists, religious leaders and others to visit Iran, as well, to help promote greater mutual understanding. And through intensified Persian language broadcasting efforts we are also communicating directly with the Iranian people, making clear our policies.

Simultaneously, we are continuing our efforts to support development of Iranian civil society. Iranian leaders often claims that Iran has an indisputable right to nuclear power. While we acknowledge that right—in accordance with Iran's NPT obligations—we also believe that the Iranian people have an indisputable right to freedom of expression, transparent judicial proceedings, and the freedom to elect leaders representing a full spectrum of viewpoints.

Unfortunately, the regime's record at home is not equal to the aspirations of the Iranian people. We are working to change this.

As a result of generous funding from Congress we have implemented a wide range of democracy, educational, and cultural programs, as well as significantly expanded our efforts to improve the free flow of information to the Iranian people. Our programs are open to all who are committed to peaceful, democratic progress in Iran. Their goal is to support different parts of Iranian society by promoting basic human rights and religious freedoms; building civil society; improving justice, accessibility and the rule of law; and promoting a deeper understanding of our culture, values, and ideas.

Given Iran's repressive political climate, progress toward our goals has been predictably difficult. But we are moving forward, and many brave men and women are helping promote basic civil rights and the necessity of political dialogue. In the long-term, we hope that a more open political climate that encourages, rather represses, dialogue, will stimulate a change in the behavior of the Iranian Government.

CONCLUSION

The United States is committed to pursuing a diplomatic solution to the challenges posed by Iran. This will require patience and persistence.

We are making every effort to improve U.S.-Iranian relations. But that cannot happen without a change in the Iranian regime's policies. Secretary Rice offered the Iranian Government an extraordinary opportunity, in June 2006, when she pledged to engage in direct talks alongside Russia, China, and our European partners if Iran verifiably suspends enrichment and cooperates with the IAEA. This offer remains on the table, and we will continue to make clear to the Iranian regime that the best way to ensure its security is by complying with, not ignoring, its international nuclear obligations.

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