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[Subject Index](#)+ BOOKMARK    ...[Home](#)[Issues & Press](#)[Travel & Business](#)[Countries](#)[Youth & Education](#)[Careers](#)[About State](#)

You are in: [Secretary of State Condoleezza Rice](#) > [What the Secretary Has Been Saying](#) > [2007 Secretary Rice's Remarks](#) > [October 2007: Secretary Rice's Remarks](#)

Remarks with Secretary of the Treasury Henry M. Paulson

Secretary Condoleezza Rice

Ben Franklin Room
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SECRETARY RICE: Good morning. In May 2006, the United States offered the Iranian Government an historic opportunity to improve its relations with the international community and with us. We said that our nation deeply respects the Iranian people and that we are eager to build a better future together. We offered Iran new incentives to cooperate and negotiate with Russia, China, United Kingdom, France, Germany and the United States. We offered to support a civil nuclear program in Iran under international supervision if it agreed to give up pursuit of the fuel cycle. But we also said that if the Government of Iran continued to violate its international obligations and continued its unwise campaign for nuclear weapons capability that they would face serious circumstances and sanctions.

We and our partners remain fully committed to a diplomatic solution with Iran. On our behalf, the EU's Javier Solana reaffirmed that offer to Iran this week. Unfortunately, the Iranian Government continues to spurn our offer of open negotiations, instead threatening peace and security by pursuing nuclear technologies that can lead to a nuclear weapon, building dangerous ballistic missiles, supporting Shia militants in Iraq and terrorists in Iraq, Afghanistan, Lebanon and the Palestinian territories and denying the existence of a fellow member of the United Nations -- threatening to wipe Israel off the map.

Working with other concerned nations, the United States is pursuing a comprehensive policy to confront the threatening behavior of the Iranian Government. We have worked with our fellow members of the UN Security Council to impose two sets of Chapter 7 sanctions on the Iranian Government and we are now discussing a third Chapter 7 resolution. We're taking additional actions to defend our interests and our citizens and to help our friends to secure their countries.

Today Secretary Paulson and I are announcing several new steps to increase the costs to Iran of its irresponsible

behavior. Many of the Iranian regimes' most destabilizing policies are carried out by two of its agencies: the Islamic Revolutionary Guard Corps, or the IRGC, and the Quds Force, an arm of the IRGC. Because of the Revolutionary Guard's support for proliferation and because of the Quds Force support for terrorism, acting under U.S. law and consistent with our international obligations, the United States today is designating both of these groups. We are similarly designating three Iranian state-owned banks: Bank Melli and Mellat, for their involvement in proliferation activities, and Bank Saderat as a terrorist financier. We are also designating several additional Iranian individuals and organizations.

What this means is that no U.S. citizen or private organization will be allowed to engage in financial transactions with these persons and entities. In addition, any assets that these designees have under U.S. jurisdiction will be immediately frozen. These actions will help to protect the international financial system from the illicit activities of the Iranian Government and they will provide a powerful deterrent to every international bank and company that thinks of doing business with the Iranian Government.

I want to repeat, the United States and our partners are fully committed to a diplomatic solution with Iran. If the Iranian Government fulfills its international obligation to suspend its uranium enrichment and reprocessing activities, I will join my British, French, Russian, Chinese, and German colleagues and I will meet with my Iranian counterpart anytime, anywhere. We will be open to the discussion of any issue. But if Iran's rulers choose to continue down a path of confrontation, the United States will act with the international community to resist these threats of the Iranian regime.

Let me finish by saying a few words directly to the Iranian people. We in the United States have no conflict with you. We want you to have every opportunity to develop and prosper in dignity, including the peaceful use of nuclear power. So we hope that your government will embrace the path of cooperation that we and the international community continue to offer.

And now, I would like to invite Hank Paulson, Secretary Paulson to speak.

SECRETARY PAULSON: Condi, thank you and good morning. Iran exploits its global financial ties to pursue nuclear capabilities, to develop ballistic missiles and fund terrorism. Today we are taking additional steps to combat Iran's dangerous conduct and to engage financial institutions worldwide to make the most informed decisions about those with whom they choose to do business.

The Iranian regime's ability to pursue nuclear and ballistic missile programs in defiance of UN Security Council resolutions depends on its access to international commercial and financial systems. Iran also funnels hundreds of millions of dollars each year through the international financial system to terrorists. Iran's banks aid this conduct using a range of deceptive financial practices intended to evade even the most stringent risk management controls.

In dealing with Iran, it is nearly impossible to know one's customer and be assured that one is not unwittingly facilitating the regime's reckless behavior and conduct. The recent warning by the Financial Action Task Force, the world's premier standard setting body for countering terrorism finance and money laundering, confirms the extraordinary risks that accompany those who do business with Iran.

We have been working closely and intensely with our international partners to prevent one of the world's most dangerous regimes from developing the world's most dangerous weapons. Part of that strategy involves denying supporters of Iran's illicit conduct access to the international financial system. These actors should find no safe haven in

the reputable world of finance and commerce. The UN Security Council has required member states to freeze the assets of, and prohibit persons from doing business with, a number of entities and individuals supporting Iran's nuclear or ballistic missile activities, including Iran's state-owned Bank Sepah.

Today, as Condi said, we are designating Iran's Bank Melli, Bank Mellat, and Bank Saderat. These are three of Iran's largest banks. They all have facilitated Iran's proliferation activities for its support of terrorism. We are also designating the Islamic Revolutionary Guard Corps for proliferation activities and its Quds Force for providing material support to the Taliban and other terrorist organizations.

The IRGC is so deeply entrenched in Iran's economy and commercial enterprises, it is increasingly likely that if you are doing business with Iran, you are doing business with the IRGC. We call on responsible banks and companies around the world to terminate any business with Bank Melli, Bank Mellat, Bank Saderat, and all companies and entities of the IRGC.

As awareness of Iran's deceptive behavior has grown, many banks around the world have decided as a matter of prudence and integrity that Iran's business is simply not worth the risk. It is plain and simple: reputable institutions do not want to be bankers to this dangerous regime. We will continue to work with our international partners to prevent Iran from abusing the international financial system and to advance its illicit conduct.

Thank you.

SECRETARY RICE: Thank you very much.

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 [BACK TO TOP](#)



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