

**Testimony of Under Secretary of State R. Nicholas Burns
Submitted for the Record to the Senate Banking Committee
Thursday, June 22, 2006**

Thank you Chairman Shelby, Ranking Member Sarbanes, and distinguished Members of the Committee for this opportunity to discuss United States policy toward Iran, and in particular the re-authorization of the Iran and Libya Sanctions Act.

IRAN

Acknowledging the grave challenge Iran and Libya posed to American interests, Congress enacted the Iran and Libya Sanctions Act (ILSA) in 1996. The effort was a good one and provided us, as Secretary Rice has said, "a useful tool" to combat both countries' dangerous behavior. In particular, the existence of this law has underlined the depth of our global concerns about the spread of weapons of mass destruction and support for terrorism, and has given the United States a platform to raise those concerns with our allies.

Over the past decade since the creation of ILSA, there has been a major shift in the international community's strategy for confronting Iran and

Libya. In 1996, we were concerned about our allies' commitment to put pressure on Iran through the implementation of multilateral and bilateral sanctions.

In 2006, we are operating in a vastly different international environment. Our allies in Europe, the Middle East and Asia are very much with us in seeking to isolate and pressure Iran to give up its nuclear weapons ambitions. Over the past 15 months, the U.S. has assembled a broad international coalition to deny Iran a nuclear weapons capability; to stop its sponsorship of terrorism in the region and around the world; to blunt Tehran's aggressive regional ambitions; and to extend support to the Iranian people who suffer under the regime's repression and economic misrule. President Bush and Secretary Rice have worked to create a united response of the world's major powers to blunt Iran's designs. I have traveled to Europe over a dozen times as the primary liaison with the EU-3 and Russia and China on this issue.

As a result of our efforts, we have achieved an unprecedented unity among the major powers of the world on how to address the Iranian regime's nuclear ambitions. President Bush and leaders of the European Union noted in a statement yesterday -- after the U.S.-EU summit in Vienna -- that over the past year U.S.-EU cooperation on Iran has reached a new and qualitatively positive level. We have worked closely with European allies, Japan, Australia, India, Russia, China and other countries at every stage of the ongoing attempts to address the question of Iran's nuclear program. We have agreed on a set of far-reaching proposals as a basis to find a negotiating solution with Iran.

Back in 1996, Libya was pursuing policies that endangered the national security and foreign policy interests of the United States. It was sponsoring terrorism and pursuing weapons of mass destruction. Libya was implicated in terrorist incidents, including the destruction of the Pan Am Flight 103 over Lockerbie, Scotland in December 1988 in an incident in which 270 people, among them many Americans, perished. As with Iran, ILSA helped galvanize international pressure against Libya.

Ten years later, on May 15, Secretary Rice announced our intention to restore full diplomatic relations with Tripoli and remove Libya from the list of state-sponsors of terrorism. This is the latest decision in a careful, step-by-step process begun in 1999 when Libya began to seriously address our terrorism concerns and surrendered the suspects in the Pan Am 103 bombing for trial. The U.S. and UK began direct talks with Libyan representatives in 2001 and in August 2003 Libya confirmed its renunciation of terrorism in a formal letter to the UN Security Council. Then, on December 19, 2003, Libya announced its historic decision to dismantle WMD programs and long-range ballistic missiles. Throughout this process, we have acknowledged progress by Libya while continuing our review at every stage.

ILSA

From 1996 onwards, ILSA served its constructive purpose in our policies toward Iran and Libya. In 2006, ten years later, we must look at the very different political context when assessing legislation and policy. As we move forward in confronting the challenges of Iran and Libya, the Administration supports legislation now before this committee, S. 2657,

that would reauthorize the current ILSA statute for an additional five years.

At the same time, we support removing references to Libya from the law. The President in 2004 took action, under the provisions of the existing law, to terminate the application of ILSA to Libya, so the significance of removing references would be symbolic, rather than practical. For instance, it would demonstrate to Iran the potential benefits that could accrue over time if it chooses the path of cooperation and greater prosperity envisioned in the P5+1 package offered to Iran on June 1.

As far as the Iran provisions in the legislation, I want to re-emphasize our strong support for the bill now before the Committee. However, there is other legislation pending in both houses of Congress that directly affects ILSA. HR 282, which was recently passed by the House of Representatives, and S. 333, pending before the Senate Foreign Relations Committee, incorporate features that we regard as highly problematic.

We believe that some elements of those bills – in particular the provisions that freeze current restrictions, set specific deadlines for decision-making, that restrict certain waiver authorities, and (in HR 282) that call for divestment of assets and prohibitions on assistance – would narrow in many important ways the President’s flexibility in the implementation of Iran sanctions and strain relations with close allies whose cooperation is crucial to our efforts to change Iran’s behavior.

Despite the international consensus to prevent Iran from acquiring nuclear weapons, Iran is still working very hard 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 U.S. and its allies over ILSA provisions. Such an eventuality would play into Iran’s hands and retard the progress that we hope to make diplomatically in stopping Iran’s nuclear weapons programs.

We have to consider how the “message” of the ILSA amendment proposals would be received by the audiences it would reach. In key

European and Asian capitals, adoption of these proposals could lead to an extensive public debate over the “extraterritorial” reach of U.S. sanctions. It would be far better to keep the debate in those capitals centered firmly and squarely on Iranian misbehavior and conduct.

We should be doing everything possible to strengthen the unprecedented and expanding consensus we currently have in place. We would be deeply concerned about any move, such as enacting the problematic legislative provisions I have described, that would undercut and complicate this diplomacy.

In a practical sense too, the situation that ILSA addresses has changed markedly in recent years. Despite Iran’s immense hydrocarbon resources and the thirst for energy that today’s high oil prices reflect, foreign interest in investing in Iran’s oil and gas sector appears to be slowing, not accelerating. Major business and financial publications have recently called attention to the perception of heightened political risk that is now associated with doing business with Iran. Some private banks have already decided to limit or cut off their dealings with Iran altogether, including UBS and Credit Suisse. The OECD has recently

downgraded Iran's credit rating for official credits, raising the costs and risks for those considering investing in Iran.

A number of factors have helped create this perception; but the most important are perhaps Iran's being found in noncompliance with its IAEA Safeguards Agreement, and the fact that an unprecedented international effort is underway to deal with this threat, including within the UN Security Council. There is also growing international concern over the Iranian regime's support for terrorism, its brutal repression of the rights of the Iranian people, and its aggressive foreign policies and actions that threaten our allies and friends in the region.

Iran's Pursuit of Nuclear Weapons

I would now like to outline in more detail steps the Administration is taking to deny Iran a nuclear weapons capability; stop its sponsorship of terrorism; blunt its aggressive regional ambitions; and extend support to the Iranian people who suffer under the regime's repression and economic misrule. Secretary Rice said on May 31 that the vital interests of the United States and our friends and allies in the region are at risk

because of Iran's continued defiance of the international community, and that the United States will act accordingly to protect those common interests.

There is no doubt about Iran's determination to develop a nuclear weapons capability. For 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 commitments and obligations. The international community's serious concerns about Iran's nuclear program led the IAEA Board of Governors to adopt a resolution on February 4 that reported Iran to the UN Security Council, a decision not only supported by the U.S. and Europe, but also by Russia, China, Brazil, Egypt, India, and many others. In response, 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 cooperate fully with the IAEA's ongoing investigation. The world is still waiting for the Iranian government to take those steps.

To underscore the U.S. commitment to a diplomatic solution, the President authorized Secretary Rice on May 31 to announce that if

Iran fully and verifiably suspends all of its enrichment-related and reprocessing activities, the United States will join the EU-3 (British, French, and German) negotiations with Iran to give diplomacy the greatest chance of success. This step would make possible the most significant negotiations involving the U.S. and Iran in over a quarter century.

On June 1, Secretary Rice agreed with our P-5+1 partners – France, Germany, Russia, China, and the UK – on a reasonable offer to the Iranian regime in the form of a package of positive and negative incentives to end its pursuit of nuclear weapons. On June 6, EU foreign policy chief Javier Solana conveyed to the Iranians the package on behalf of the P5+1 countries.

The P-5+1 is presenting a clear choice to the Iranian leadership -- two paths that have vastly different consequences for the Iranian people. On one path, the Iranian regime would alter its present course by immediately resuming suspension of all enrichment-related and reprocessing activities, as well as full cooperation with the IAEA, and returning to implementation of the

Additional Protocol. This path would lead to real benefits and longer-term security of the Iranian people, the region, and the world.

On the other path, the Iranian regime would maintain its pursuit of nuclear weapons in defiance of the international community and its international obligations. We and our international partners agree that this path will lead to greater international isolation and progressively stronger political and economic sanctions against Iran.

Sponsor of Terrorism and Regional Ambitions

A second critical U.S. and international concern is Iran's continuing role as a leading state sponsor of terrorism in the world and destabilizing role in Iraq, Afghanistan, Lebanon, and elsewhere. Iran provides money, weapons, and training to HAMAS, Lebanese Hizballah, and Palestinian rejectionist groups – which undermines prospects for Israeli-Palestinian peace.

The groups Iran supports are some of the world's most deadly terrorist organizations, responsible for the killing of hundreds of innocents, including Americans. Hizballah caused more American deaths than any other terrorist organization until al-Qaida's attack on the U.S. in 2001.

We see continuing – and deeply troubling – indications of Iranian interference in Iraq, particularly its provision of weapons, training and explosives-related components to militants who target Iraqis and Coalition forces in Iraq. We will continue to work closely with the new Iraqi government to address these and all issues related to Iraq's stability and security.

Iran also remains unwilling to render to countries of origin, bring to justice, or provide information on, senior al-Qaida members it detained in 2003. We call on the Iranian regime to immediately turn over all al-Qaida related terrorists to appropriate jurisdictions, in accordance with its international obligations under UN Security Council Resolution 1267.

We have sanctioned Iran as a State Sponsor of Terrorism, and called for the regime to abide by the requirements of UN Security Council Resolution 1373 to deny safehaven to those who plan, support, or commit terrorist acts, and to affirmatively take steps to prevent terrorist acts by providing early warning to other states by exchange of information.

We also continue to urge other governments – including the European allies and Arab states of the Middle East – to press Iran on its support for and sponsorship of terrorism, and on its generally threatening behavior towards its neighbors. At the same time, we will continue to work with our friends and allies in the region to strengthen their defensive capacity, counterproliferation and counterterrorism efforts, and energy security capabilities.

State of Iranian Democracy and Human Rights

As we work to end the threat posed by Iran's nuclear ambitions and sponsorship of terror, we are standing with the Iranian people in their aspirations for freedom. Iran is a vastly important nation and is home to one of the greatest civilizations of the world. Iran has a rich history, a vibrant culture, and has contributed much to civilization. Through the centuries, Iranians have achieved distinction in medicine, science, poetry, philosophy, and countless other fields.

Tragically, the hardliners in Iran have solidified their corrupt hold on the regime and its people – culminating in last June's flawed election of Mahmoud Ahmadi-Nejad as its president. The regime's poor human rights record worsened throughout 2005 and has continued to deteriorate in the first half of

2006. Summary executions, disappearances, use of torture, and other degrading treatment remained a tragic reality. Juvenile offenders have been executed, and sentences of stoning continue to be handed down.

The regime has arrested and tortured pro-democracy protesters. Journalists and webloggers continue to be arrested and mistreated for publishing their views. In February the Iranian regime answered the pleas of Tehran bus drivers for better working conditions by sending paid thugs to beat them. Journalist and political activist Akbar Ganji spent nearly six years in prison for reporting on the murders of Iranian dissidents and for his advocacy of a secular Iranian republic. The Baha'i faith has been singled out for harsh treatment since before the Iranian revolution and lately has become subject to a new round of persecution, arrest, and harassment.

We oppose the regime's continued hostility towards its own people's efforts to have their voices heard. It is important that the ability of every person to criticize the government and contribute to the country's debates about the future be respected – regardless of where he or she lives. We are deeply saddened that this fundamental right is denied to the people of Iran. This is why the United States – in cooperation with the international community – is

seeking to help Iranians to bring about ***peaceful*** democratic change, so the Iranian people can choose the government they want. They deserve no less.

We welcome Congress's partnership in this effort. For FY06 – including the supplemental budget – Congress authorized \$76.1 million to support the cause of freedom and human rights in Iran. This includes \$30 million for democracy and human rights promotion, \$5 million for educational and cultural exchanges, \$5 million for public diplomacy efforts, and \$36.1 million for the Broadcasting Board of Governors' Persian-language broadcasting. We greatly appreciate Congressional support for this important priority.

Since FY04, with the support of Congress, we have awarded \$4 million to programs that support civil society and non-governmental organizations. With the FY06 funding, we will expand outreach to Iranians who have never experienced a democratic government that respects the rule of law. We will foster development of respect for human rights and religious freedom, promote greater understanding of, and affinity for, Western culture and values, and provide the Iranian people unbiased sources of information.

We also plan to augment professional, cultural, sports and youth exchanges to build bridges between our two nations. Our programs will bring hundreds of new Iranian visitors – including teachers, religious scholars, journalists, athletes, and musicians – to the United States.

We already reach out to Iranians through our Farsi language website, which had over 100,000 visitors from Iran last month. In addition, we plan to develop further cutting edge initiatives – what we call e-Diplomacy – to promote active connections between Iranians and Americans.

One such innovative outreach effort is our planned Virtual Gateway program. Content on the Virtual Gateway sites will include scheduled online chats with officials, academics, popular artists, actors and musicians, information on educational opportunities, accurate information about events inside Iran, and online consular services to ease the process for Iranian visa applicants.

Additionally, we will work with the Broadcasting Board of Governors to expand the quality and quantity of our Persian-language television broadcasting into Iran to penetrate Iran's government-dominated media in the short to medium term. While we look forward to the day when Iran's behavior will permit us to

have normal diplomatic relations, we will not let this obstacle prevent us from reaching out to the Iranian people in the meantime.

CONCLUSION

Let me conclude by thanking the Congress for the effort and interest that you have devoted to Iran, and for your support. As we move forward, we will need your help on a variety of fronts:

- to continue to support the Administration as we seek to stop Iran's pursuit of nuclear weapons, its support for terrorism, its harmful meddling in the affairs of the region, and end its repression of its own citizenry;
- to help our friends and allies protect themselves from the danger posed by Iran and the terrorists it sponsors and harbors;
- to re-authorize the Iran-related provisions in ILSA in their current form. Doing so will facilitate the strengthening of the broad global coalition that is already achieving real progress in addressing Iran's nuclear ambitions;
- to remove references from the law to Libya – which is meeting its international commitments.

We are under no illusions about the difficulties we face in blocking Iranian ambitions in each of the areas I have outlined, and in rolling back Tehran's

dangerous policies. But we are resolute in our determination to achieve a better, more democratic future for the Middle East and greater security for U.S. interests across the world. The challenge of dealing with an authoritarian Iranian regime has become entrenched over the course of an entire generation, and it may require a generational struggle to address it; but we have no choice but to do so in a serious, committed and effective way.