Ambassador Burns:

Ambassador BURNS. Thank you very much, Mr. Chairman, Congresswoman

Ros-Lehtinen, and members of the committee. Good

morning and thank you for the opportunity to appear before the

committee today to discuss United States policy toward Iran. As

you mentioned, I have just returned from 3 years as Ambassador

in Moscow, and I look forward very much to working with all of you

in my new position. I would ask that my written statement be included

in the record and, with your permission, I will offer a very

brief oral summary and highlight a few key points.

First, the behavior of the Iranian regime poses as serious a set

of challenges to the international community as any problem we

face today. Iran’s nuclear ambitions, its support for terrorism and

its efforts to undermine hopes for stability in Iraq and Afghanistan

including lethal backing for groups attacking American troops are

all deeply troubling. So are its destructive actions in Lebanon, its

long standing rejection of a two-state solution for Palestinians and

Israelis, and the profoundly repugnant rhetoric from its leaders

about Israel, the Holocaust, and so much else. Compounding these

concerns is Iran’s deteriorating record on human rights. Ten years

ago, we saw signs of opening in Iran’s political and social systems.

Today sadly, Iranian citizens are subjected to increasingly severe

restrictions on basic rights and increasingly blatant manipulation

of the electoral process.

Second, it is important to understand not only the dangers posed

by Iranian behavior, but also the vulnerabilities and complexities

of Iranian society. To be sure, the Iranian regime is a potent regional

adversary, tactically cunning and opportunistic and good at

asymmetric conflict. But it is not 10 feet tall. It often substitutes

assertiveness and self-aggrandizing pronouncements for enduring

power promoting the illusion of Iran as the real counterweight to

the United States or to the institutions of global order, especially

the United Nations and the International Atomic Energy Agency.

The truth is a little bit more sobering for Iran because of its behavior.

It can count on few allies in the world beyond the unimposing

trio of Belarus, Cuba and Venezuela, and sometimes Syria, and no

real friends that could offer a strategic reassurance, vital investment,

or a secure future in a globalized world.

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Its neighbors are all wary. Most Iraqi leaders want normal relations

with Iran, not surprisingly. But as the Maliki government’s

capacity and confidence slowly grow, its priority is to assert Iraq’s

own sovereignty. The readiness of the Iraqi Government and security

forces to confront Iranian-backed militias has also produced

new support and cooperation from its Arab neighbors.

So far Jordan, Bahrain and the United Arab Emirates have decided

to send ambassadors back to Baghdad and we are pressing

other Arab governments to do the same. Meanwhile, Syria’s active

involvement in indirect peace talks with Israel is a reminder to

Iran that even its regional partners may have higher priorities

than their relationship with Iran.

And beneath its external bluster, Iran faces a number of internal

contradictions. Despite $140-a-barrel oil, its economy is stagnating

and a remarkably inept Iranian leadership is failing its own people.

Inflation is running at 25 percent and food and housing costs are

skyrocketing. Because of bad economic management, the oil windfall

has failed to generate anywhere near the 1 million new jobs

that Iran needs each year just to keep up with population growth

or to bring desperately needed diversification to the economy.

In these circumstances, it is fair for Iranians to ask whether the

cost of its defiant nuclear program, which could run into the tens

of billions of dollars, is really worth it. Iranians need only look

across the Gulf to the spectacular rise of an advanced innovative

economy in Dubai, the rapid expansion of Qatar’s natural gas exports

and gas-based industries, and the efforts of Saudi Arabia and

other oil-rich states to reduce debt, undertake needed reforms and

invest in future capacity to appreciate the opportunities squandered

by their own leaders.

In Iran, the fourth largest oil producer in the world, nearly half

of all refined petroleum products still need to be imported. With

two-thirds of its population under the age of 30, Iran is also a society

with a mounting appetite for modernity, advanced technology

and connections to the rest of the world. Its younger generation is

far more attuned to what those connections can offer than warped,

isolated, impoverished places like North Korea and far more likely

to feel the pull that comes through the Internet and satellite television

and travel abroad.

My third point against that backdrop is that the purpose of our

policy is to change the behavior of the Iranian regime making common

cause with as much of the international community as we can.

We should not let the Iranian regime off the hook about its behavior

or allow it to divert attention from its domestic failings and external

adventurism under the false pretext that it is under existential

threat from the outside. The problem is the regime’s behavior

which endangers not only the international community, but the self

interests of the Iranian people. Our strategy is built on toughminded

diplomacy, maximizing pressure on the Iranians at multiple

points to drive home the costs of continued defiance of the rest

of the world, especially on nuclear issues. At the same time, however,

we are trying to make clearer to Iran and its people what

they stand to gain if they change course.

My fourth comment considers the stick side of the equation. The

progress, sometimes frustratingly slow but nonetheless tangible,

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that we have made in sharpening the downsides for Iran of its continued

refusal to heed the Security Council or the IAEA. Three

Chapter 7 sanctions resolutions have significantly complicated

Iran’s pursuit of its nuclear ambitions as well as its international

financial position. While deeply troubling, Iran’s real nuclear

progress has been less than the sum of its boasts. It has not yet

perfected enrichment and as a direct result of U.N. sanctions,

Iran’s ability to procure technology or items of significance for its

nuclear and missile programs, even dual-use items, has been impaired.

Key individuals involved in Iran’s procurement activities

have been barred from travel and cut off from the international financial

system.

Iran’s front companies and banks are being pushed out of their

normal spheres of operation away from the dollar and increasingly

away from the euro too. Last year, Iran’s credit risk rating was

downgraded from five to six on a scale of zero to seven. As a result,

the cost of export credits to Iran has increased by 30 percent and

the overall level of credits has diminished. A growing number of

major international financial institutions have cut ties with Iran

over the past year and more are moving in that direction.

In this respect, renewed willingness by European Union states to

tighten pressure on Iran is especially welcome. Two weeks ago, the

EU adopted new sanctions against 38 individuals and entities including

imposing an assets freeze on Iran’s largest bank, Bank

Melli. Last week, the EU began formal consideration of additional

measures. We are consulting quietly with other major players such

as Japan and Australia about what more they can do. Our partners

in the P5+1, Britain, France, Germany, Russia, and China, remain

committed to a two-track approach and that will mean consideration

of new steps beyond Resolution 1803 if Iran refuses our recent

incentives package and ducks its U.N. Security Council and

IAEA obligations.

To reinforce multilateral actions, the United States has also implemented

a series of autonomous sanctions against Iran. In particular,

the Departments of Treasury and State have carried out an

effective campaign to limit Iranian access to the international business

community.

Indeed, yesterday we designated 11 additional Iranian entities

and individuals for proliferation activities. These measures, combined

with warnings such as the ones issued last year and early

this year by the financial action task force, reverberate in financial

sectors making Iran less hospitable for business and aggravating

the impact of the regime’s economic mismanagement.

My fifth and final point focuses on the carrots or incentives side

of the equation, on our intensifying efforts to make clear to the Iranian

people what is possible with a different pattern of behavior.

Javier Solana’s recent visit to Tehran helped highlight the opportunities

before Iran if it cooperates with the international community.

Solana carried a package of incentives including an offer of assistance

on state-of-the-art light water reactor technology along with

a letter signed by the P5+1 Foreign Ministers, including Secretary

Rice.

None of us dispute Iran’s right to pursue civilian nuclear power

for peaceful purposes. But Iran needs to answer the questions

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posed by the IAEA, comply with U.N. Security Council’s resolutions

and restore confidence in its intentions. Major powers like South

Korea have realized the benefits of civilian nuclear energy without

the need to enrich and reprocess. And that is a path that is open

to Iran too. While skepticism about the Iranian regime’s reaction

to international incentives is almost always a safe bet, we are

working with our P5+1 partners in an intense public diplomacy

campaign to explain what we are offering directly to the Iranian

people as well as to others in the international community, like

leading members of the nonalign movement who might also help

drive home the advantages of cooperation.

We want the Iranian people to see clearly how serious we are

about reconciliation and helping them to develop their full potential,

but also, who is responsible for Iran’s isolation.

The truth is that Iran’s nuclear weapons ambitions bring it less

security, not more. They set back rather than advance Iran’s ability

to play the significant regional and international role that its history,

culture, and geopolitical weight should bring it.

Interpreting Iran’s domestic debates is always a humbling business,

but there are some interesting commentaries beginning to

emerge after Solana’s visit. In one newspaper column, the former

deputy head of Iran’s atomic energy organization wrote that spinning

3- or 4,000 centrifuges at semi-industrial levels is useful for

political maneuvering and talks, but if it means the imposition of

technological economic and welfare hardship then it raises the

question of what other vital interests are being harmed by immovable

stubborn Iranian officials.

It is hard to say where any of this will lead. But it at least suggests

that it is well worth the effort to explain and publicize what

we are putting on the table. The Iranian regime has provided an

initial reply to the P5+1 proposals and has proposed a further

meeting with Mr. Solana in the coming weeks to discuss this in

more detail. We are also trying to find creative ways to deepen our

own engagement with Iran and its people, who remain among the

most pro-American populations in the region. And while that is admittedly

a low bar these days, it is striking how curious Iranians

are about connections to Americans.

With the generous support of Congress, we are in the second

year of successful people-to-people exchange programs partnering

with the U.S. Olympic Committee. We invited 15 members of the

Iranian national table tennis team to the United States last week.

This group included the first female Iranian athletes who have ever

been to the United States in this program. In cooperation with the

National Basketball Association, we are bringing the Iranian Olympic

basketball team here next week for the NBA summer league.

We are committed to using educational, cultural, and sports exchanges

to help rebuild bridges between our two societies after 30

years of estrangement.

Mr. Chairman, I have no illusions about the grave dangers presented

by the behavior of the Iranian regime or the difficulties of

changing that behavior. I am convinced that we cannot do it alone,

and that a strong international coalition is crucial. Hard-nosed diplomacy

backed up by all the tools at our disposal and as much leverage

as we and our partners can muster is also an essential in12

gredient. As Secretary Rice said earlier this year, America has no

permanent enemies. We harbor no permanent hatreds.

Diplomacy, if properly practiced, is not just talking for the sake

of talking. It requires incentives and disincentives to make the

choice clear to those with whom you are dealing that you will

change your behavior if they are willing to change theirs. That is

the kind of approach that helped produce significant breakthroughs

with Libya several years ago, including its abandonment of terrorism

and the pursuit of nuclear weapons.

It is the kind of approach that is beginning to produce results in

our multilateral diplomacy with North Korea. It may or may not

produce results on Iran with whom we have had a relationship burdened

by deep-seated grievances and suspicions and a long history

of missed opportunities and crossed signals. But it is important for

us to try. Bearing in mind that our audience is not only the Iranian

regime but also the Iranian people and the wider international coalition

we are seeking to reinforce. At a minimum, it seems to me

it is important to create in this administration a strong and international

diplomatic mechanism as we possibly can to constrain Iranian

behavior on which the next administration can build. Our

choices are not going to get any easier in the months and years

ahead, but they will be even more difficult if we don’t use all our

diplomatic tools wisely now.

Thank you very much, Mr. Chairman. Again, Mr. Chairman, I

look forward to your questions.

[The prepared statement of Mr. Burns follows:]

PREPARED STATEMENT OF THE HONORABLE WILLIAM J. BURNS, UNDER SECRETARY

FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE

THE STRATEGIC CHALLENGE POSED BY IRAN

The behavior and the policies pursued by Iran’s current leadership pose profound

and wide-ranging challenges for our interests, for our friends and allies in the Middle

East and in South Asia, and for the international community as a whole.

These policies include Iran’s nuclear ambitions; its support for terrorist groups,

particularly Hizballah, Hamas, and Palestine Islamic Jihad; its longstanding rejection

of a two-state solution to the Palestinian-Israeli conflict; its efforts to sow violence

and undermine stability in Iraq and Afghanistan, including lethal support for

groups that are directly responsible for hundreds of U.S. casualties; and finally, the

strategic implications of Iranian behavior for Gulf security. Across the broader Middle

East, Iran’s actions jeopardize the peaceful and prosperous future that the region’s

responsible leaders, with the support of the United States and the international

community, are striving to build.

*Iran’s Vulnerabilities*

Iran’s vulnerabilities, and the complexities of Iranian society, need to be considered

along with the challenges posed by Iran’s behavior. For its part, Tehran seems

to relish heightening concerns by promoting the illusion that Iran is on the ascendance.

We are all familiar with the repugnant rhetoric, employed by some Iranian

leaders intended to aggrandize Iran as a powerful counterweight to the U.S. as well

as the institutions of global order, especially the United Nations and the International

Atomic Energy Agency (IAEA). However, Iran is not ten feet tall, nor is

it even the dominant regional actor. Iran’s regime has some real insecurities—not

least the widespread alarm and resentment that its policies and rhetoric have generated

throughout the region and the international community at large. In the late

1990s, Iran endeavored to rebuild its ties to its neighbors and the world as a whole.

However, today, Iran has no real friends anywhere that could offer strategic reassurance,

vital investment, or a secure future in a globalized world. Many of its

neighbors retain wary relations, its alliances are limited to a handful of countries,

such as Syria, Belarus, Cuba, and Venezuela, and its destabilizing actions have

drawn the international community closer in unprecedented fashion.

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And, while Iran may benefit from a degree of instability in Iraq, Afghanistan,

Lebanon, and the Palestinian territories, it is also facing a new and more challenging

situation in many of these arenas. The complexities of internal politics and

a revival in responsible regional diplomacy are complicating Iran’s pursuit of regional

hegemony.

In Iraq, for example, Iran’s destabilizing activities are beginning to encounter new

obstacles in the form of a more capable and coherent Iraqi government. Most Iraqi

leaders want normal relations with Iran, but as the central government’s capacity

and confidence grows, its priority is to assert Iraq’s own sovereignty. The Iraqi Security

Forces’ move into Basra earlier this year, and similar operations elsewhere in

southern Iraq, in Baghdad, and now in northern Iraq are clear examples of indigenous

Iraqi efforts to assert the central government’s authority and counter Iraqi

militants, including militias receiving Iranian support. Prime Minister al-Maliki’s

recent meetings in Tehran, where he lodged protests against Iran’s support for terrorist

groups in Iraq, made clear the limits to Iranian-enabled lethal attacks in Iraq.

In addition, the readiness of the Iraqi government and security forces to confront

Iranian-backed groups has also produced new support and cooperation from its Arab

neighbors. So far, Bahrain, Jordan, and the UAE plan to send Ambassadors to

Baghdad, and we hope other Arab governments will heed their example and do the

same.

The Doha Agreement, which allowed a partial resolution of that crisis, is an example

of a new and positive activism on the part of Arab governments, in part due

to their concern over Iran’s destabilizing activities and growing regional aspirations.

The strong Arab role in the process sent a direct message to Iran that the leadership

in Tehran will not be given free rein to further undermine the democratic process

in Lebanon through its support to Hizballah. We are watching with interest

Iran’s relationship with Syria. Syria has begun indirect peace talks with Israel, and

this follows Syria’s attendance at last fall’s Annapolis Peace Conference, a move

that apparently surprised the Iranian leadership and led to some adverse commentary

from Iran. Syria appears to be conducting a policy toward Israel that is

independent from Iran’s, presumably leading some in Iran to worry that in the future

the extremely close relationship between the two governments could weaken.

We also see the concern of other governments translated into new cooperation and

an expanding coalition of countries that oppose Iran’s aggressive behind-the-scenes

policies. Many regional governments that feel threatened by Iran are working more

energetically to counter and diminish its influence in the region. This is evidenced

by the changed dynamic between Iraq and its neighbors, including the reintegration

of Iraq into regional affairs through its participation in Gulf Cooperation Council

meetings with Egypt and Jordan in a GCC plus 3 configuration. In addition, Gulf

nations participating in the Gulf Security Dialogue are working cooperatively among

themselves and with the United States on security issues of mutual concern. These

states support the responsible and transparent development of civilian nuclear energy

but have publicly declared their opposition to the pursuit of nuclear weapons.

To that end, in direct contrast to Iran, some regional governments have chosen to

conclude nuclear cooperation agreements in partnership with the U.S., without the

development of an indigenous fuel cycle, contradicting Iran’s claims that the West

seeks to prevent the pursuit of nuclear energy for peaceful purposes. This is also

consistent with the choice made by South Korea, and others.

In addition to the political and diplomatic vulnerabilities Iran’s leadership has

created for itself, Iran’s current leaders also confront well-documented internal challenges,

the direct product of the current leadership’s extraordinary economic mismanagement.

Ten years ago, we saw hopeful signs that Iran’s government was slowly beginning

to appreciate the political and economic imperatives of democracy. Today, unfortunately,

those small steps toward moderation and greater popular participation have

been all but erased by the hard-liners who hold sway in Tehran. The international

community rightly criticized the Iranian government’s treatment of its own people,

and the regime’s record of human rights abuse has only grown worse over this past

year. The regime regularly commits torture and other forms of inhumane treatment

on its own people—including labor leaders, women’s rights activists, religious and

ethnic minorities, and critics of the regime, severely restricts basic freedoms of expression,

press, religion, and assembly to discourage political opposition, and manipulates

Iran’s electoral process, particularly through the mass disqualification of candidates.

It is an irony that despite its abundance of hydrocarbon resources, Iran’s policies

have made it necessary to rely on imports of refined petroleum products to meet internal

demand. The Iranian government is failing its own people. Iran’s nuclear activities

may eventually cost billions of dollars, which could be better spent to benefit

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the Iranian people. Inflation in some sectors is running well above 25 percent—a

heavy burden for the Iranian people and a profound vulnerability for the regime.

Food and housing costs, especially in Iran’s major cities, are high and rising. Many

foreign investors, particularly from Iran’s historic trading partners, are reluctant to

commit capital in such a precarious political environment and while Iran continues

to pursue threatening policies. Record oil revenues may sustain the regime for the

time being, but thanks in large part to the disastrous policies pursued in recent

years, this oil windfall has failed to generate the jobs, growth and diversification

that Iranians desperately need. Iranians need only look across the Gulf—to the

spectacular rise of an advanced, innovative economy in Dubai, the rapid expansion

of Qatar’s natural gas exports and gas-based industries, and the wise efforts by

Saudi Arabia and other oil-rich states to reduce debt, undertake needed reforms,

and invest in future capacity—to appreciate the opportunities squandered by their

own leaders.

Iran’s people aspire to more. Their population, two-thirds of which are under 30,

have a mounting appetite for modernity, advanced technology, and the better relations

with the international community that would derive from expanded trade and

economic development.

We hope that the new dilemmas Iran is beginning to face at home, in the region,

and in the broader international community, will provoke a serious reconsideration

of its provocative policies, revive internal debates about the utility of moderation

and responsibility, and move Iran toward a more cooperative and constructive path.

Until that time, however, the U.S. and the international community remain committed

to meeting the challenges posed by Iran.

*The U.S. Response*

The purpose of our policy is to change Iran’s problematic policies and behavior by

making common cause with as much of the international community as we can. Our

goal is to convince Iran to abandon any nuclear weapons ambitions, cease its support

for terrorist and militant groups, and become a constructive partner in the region.

As President Bush has said, ‘‘all options are on the table, but the first option

for the United States is to solve this problem diplomatically.’’ This requires tough

minded diplomacy, maximizing pressure on the Iranians at multiple points to drive

home the costs of continued defiance of the rest of the world, especially on the nuclear

issue. At the same time, however, we are trying to make clear to Iran and

its people what they stand to gain if they change course. As Secretary Rice said at

Davos earlier this year, ‘‘America has no permanent enemies, we harbor no permanent

hatreds. Diplomacy, if properly practiced, is not just talking for the sake of

talking. It requires incentives and disincentives to make the choice clear to those

with whom you are dealing that you will change your behavior if they are willing

to change theirs. Diplomacy can make possible a world in which enemies can become,

if not friends, then no longer adversaries.’’

This Committee is intimately familiar with the dual-track strategy that we have

employed in concert with our P5+1 partners—the UK, France, Germany, Russia,

and China—to put before the Iranian leadership a clear choice, so that it chooses

a better way forward. Javier Solana’s June 14 visit to Tehran to present the updated

incentives package was an essential element of this approach, stressing the

significant political, economic, technological, and energy benefits that could accrue

to Iran if its leaders chose cooperation over their current course.

President Bush emphasized last month at the US–EU Summit that we seek to

address this issue through a multilateral framework. He said: ‘‘Unilateral sanctions

don’t work . . . One country can’t solve all problems . . . A group of countries can

send a clear message to the Iranians, and that is: ‘We are going to continue to isolate

you. We’ll continue to work on sanctions. We’ll find new sanctions if need be

if you continue to deny the just demands of a free world.’ ’’

Consistent with the President’s vision, Iran’s failure to restore the international

community’s confidence in its intentions has not gone without consequences. The

UN Security Council has adopted four resolutions on Iran, including three imposing

Chapter VII sanctions. While some have questioned the impact of these measures,

we do see a tangible effect. Two and half weeks ago, the European Union adopted

sanctions on 38 additional Iranian individuals and entities, including prohibiting

business with, and imposing an asset freeze on, Iran’s largest bank, Bank Melli. The

EU began formal consideration of additional measures last week. These actions,

taken together, undermine Iran’s ability to portray this problem as a bilateral one,

and also weaken Iran’s argument that the U.S. and the West are isolated in this

cause.

The international community is more unified than in the past on the necessity

for Iran to fully and verifiably suspend its proliferation sensitive nuclear activities

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and reestablish international confidence in the peaceful nature of its nuclear program.

There is also a mounting consensus for Iran to come clean on its past efforts

to build a nuclear warhead, based on the information presented in recent reports

by the IAEA Director General which describe Iran’s continued failure to cooperate

with the IAEA investigation into Iran’s weaponization activities.

While Iran seeks to create the perception of advancement in its nuclear program,

real progress has been more modest. It is apparent that Iran has not yet perfected

enrichment, and as a direct result of UN sanctions, Iran’s ability to procure technology

or items of significance to its missile programs, even dual use items, is being

impaired. In addition to limiting Iran’s access to proliferation sensitive technologies

and goods, key individuals involved in Iran’s procurement activities have been cut

off from the international financial system and restricted from travel, and Iran’s

banks are being pushed out of their normal spheres of operation. Last November,

Iran’s OECD sovereign credit risk rating was downgraded from a 5 to a 6, on a scale

of 0 to 7, and as a result, the cost of official export credit from OECD countries to

Iran and its state-controlled enterprises has increased by approximately 30%, while

availability of credit has shrunk. A number of export credit agencies have withdrawn

or dramatically reduced exposure (notably those of the UK, Canada, Italy,

and France), and almost all first tier banks have also withdrawn business from

Iran.

The UN Security Council, U.S., and EU designation of Iranian banks further

hinders Iran’s reach. The most recent UN Security Council Resolution requires that

states exercise vigilance with respect to the activities of banks in their jurisdictions

with all banks domiciled in Iran and their branches and subsidiaries abroad. It

mentions Banks Melli and Saderat, in particular. The Financial Action Task Force,

a group composed of 32 countries including each of the five permanent members of

the UN Security Council, has issued two serious warnings in less than a year, warning

of the risks posed to the international financial system by deficiencies in Iran’s

anti-money laundering and counterterrorist financing regime. And the world’s leading

financial institutions have largely stopped dealing with Iran, and especially Iranian

banks, in any currency. They do not want to risk unwittingly facilitating the

regime’s proliferation or terrorism activities. All of this adds up, keeping Iran on

the defensive, forcing it to find new finance and trade partners and replace funding

channels it has lost—often through more costly and circuitous mechanisms.

Government and private sector action on Iran has a psychological impact, as well.

Iran has expressed its desire to assume the economic and political role it believes

it deserves in the region, and to be seen as a legitimate player on the global stage.

But the series of UN Security Council resolutions has shown the world—and Iran—

that the international community will not allow an irresponsible actor such as Iran

to expand its power unchecked. The effects of Iran’s growing international stigma

may, in the end, be as substantial as the direct economic impact of any sanctions.

Losing the ability for a single Iranian bank, such as UN-designated Bank Sepah,

to conduct business overseas is painful to Iran. Having major international financial

institutions refuse to do any business with Iran because of the legitimate business

risks that such trade present may be worse. This increasing pressure is only being

amplified by the regime’s own economic mismanagement, as it fails to deliver on its

promises to improve the lot of average Iranians.

We have been working with our regional partners to help them develop the kind

of cooperation that will help them better manage the political, diplomatic, and security

challenges Iran poses. These efforts are beginning to show signs of success. Examples

include inter-Arab cooperation to help dampen the political crisis in Lebanon,

the Gulf Security Dialogue, and the new interest on the part of the Arab governments

in dealing with the Government of Iraq.

Finally, in tandem with the diplomatic and financial measures that are focused

on the Iranian regime, we remain committed to charting a new course for U.S.-Iranian

relations by intensifying our engagement with the Iranian people, with the

hope of bridging the divide. We are now in the second year of a successful peopleto-

people exchange program. Partnering with the U.S. Olympic Committee, we invited

15 members of the Iranian table tennis national team to the States last week.

This group included the first female Iranian athletes who have ever been to the U.S.

on this program. In cooperation with the NBA, we will bring 25 members of the Iranian

Olympic Basketball Team here next week for the NBA Summer League. We

also hope to bring the Iranian soccer team to the U.S. later this year. Over the longterm,

we hope to build connections among our people through educational, cultural,

and other exchanges which can overcome 30 years of estrangement that has severed

links between our societies.

The United States stands with the Iranian people in their struggle to advance democracy,

freedom, and the basic civil rights of all citizens. We believe the Iranian

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people have made clear their desire to live in a modern, tolerant society that is at

peace with its neighbors and is a responsible member of the international community.

We are confident that if given the opportunity to choose their leaders freely

and fairly, the Iranian people would elect a government that invests in development

at home rather than supporting terrorism and unconventional warfare abroad; a

government that would nurture a political system that respects all faiths, empowers

all citizens, more effectively delivers the public services its people are asking for,

and places Iran in its rightful place in the community of nations; a government that

would choose dialogue and responsible international behavior rather than seeking

technologies that would give it the capability to produce nuclear weapons and foment

regional instability through support for terrorist and militant groups.

*Looking to the Future*

In summary—

We have presented the Iranian government with a historic opportunity to do two

things: to restore the confidence of the international community in its nuclear intentions,

and to give its own people the access to technology, nuclear energy, education,

and foreign investment that would truly open the way to economic prosperity.

We have made clear that we do not object to Iran playing an important role in

the region, commensurate with its legitimate interests and capabilities, but also

that Iran is far more likely to achieve its desired level of influence if it works with

the international community and its neighbors, rather than if it works against

them. We recognize that it would be useful for Iran to be ‘‘at the table’’ on major

international matters if Tehran is willing to contribute in a constructive fashion.

The dual-track strategy to which we often refer in connection with the nuclear

file, in fact, applies more broadly. Engaging in a diplomatic process on the broad

range of issues at stake between our two states and working toward the restoration

of Iran’s relationship with the international community would offer clear benefits

for Iran and the Iranian people. But equally so, any continuation on its present

course will entail high and increasing costs for Iran. Putting that choice to the Iranian

leadership as clearly and acutely as possible is the core of our policy.

What we seek, let me emphasize, is a change in Iran’s behavior—a change in how

it assesses and interacts within its own strategic environment. We should not let

the Iranian leadership entrench itself on the false pretext that it is under threat

from the outside. We have committed repeatedly and at the highest levels to deal

diplomatically with the Iranian regime. The fact that this diplomatic dialogue has

been limited to less than satisfying talks in Baghdad is the unfortunate choice of

the Iranian leadership. As the recent presentation of yet another P5+1 offer makes

clear, we do not exclude engagement. We remain ready to talk to Tehran about its

nuclear program and the array of other American concerns about Iranian policies,

as well as to address any issues Iran chooses to raise in a diplomatic context.

The Iranians are not completely closed off, and neither should the United States

be. Careful consideration suggests that in certain contexts, we should have overlapping

interests with Iran—for example, in a stable, unified Iraq at peace with its

neighbors, in a stable Afghanistan, and in stemming narcotics trafficking. Broadly

speaking, a responsible Iran can and should play an important, positive role in the

region. This is possible, if Iran is willing to work constructively with the international

community and its neighbors.

We recognize that we have not yet achieved our desired goals: Iran has still not

agreed to suspend uranium enrichment and other proliferation sensitive nuclear activities.

Iran has not ceased unconventional warfare and some of its policies continue

to contribute to regional instability. Iran’s current leadership may be so dogmatic

or paralyzed by internal disagreements that it cannot agree in the near-term

to terms so obviously to its advantage. With our long-term goal of persuading Iran

to change its current course in mind, our immediate actions are intended to clarify

the price of defiance by forcing Tehran to find new finance and trade partners and

replace funding streams it has lost. We have made several notable successes, and

will continue to work toward the objective of triggering a strategic recalculation in

Iran’s thinking.

Ambassador BURNS. Thank you very much, Mr. Chairman, and

I will try to run through those five or six questions quickly and

concisely. First, with regard to Russia’s role, I think Russia’s role

in the international coalition to build pressure on Iran to change

its behavior on the nuclear issue is essential. I don’t think we can

solve the Iranian nuclear problem diplomatically without Russia

and without working with Russia. Second, it seems to me that with

regard to Russia’s behavior and its actions on the Iranian nuclear

issue in recent years, we have seen, I think, some significant

progress. We have seen Russia join us over the last 2 years in

three Chapter 7 Security Council resolutions.

We have seen Russia transform its approach to the Bushehr

project in a positive way in the sense that what Russia has done

is to revise that program so that Russia provides the fuel for the

project and then takes back spent fuel and actually helps us and

the rest of the international community to demonstrate to Iran that

it doesn’t need to master the full fuel cycle in order to pursue a civilian

nuclear program. It doesn’t need to enrich and reprocess.

And in the judgment of the President and the administration and

of our coalition partners, that is a positive step.

Finally, Russia has also moved in ways, which I can describe in

more detail in closed session, to clamp down in tangible ways on

any connections or activities involving Russian entities’ illicit activities

and those involved in an Iranian nuclear program, to answer

your question. But Russia’s behavior, I would say, has also

been mixed in the sense that there has also been in from our point

of view a disturbing provision of air defense systems to Iran. We

have objected to that strongly and we continue to object to that and

Russia has been sanctioned under United States law as a result of

that. So there have been aspects of Russian behavior that cause us

serious concern as well.

With regard to the 123 Agreement, the agreement for civil and

nuclear cooperation between Russia and the United States, I would

say that it has been extraordinarily helpful in helping to reinforce

the more positive pattern of Russian behavior that I described before.

Aside from the technical merits of the agreement itself and

the potential commercial benefits, I think there are two big stra18

tegic benefits. The first has to do with Iran and that is that I think

it is no coincidence that as we negotiated the 123 Agreement over

the last couple of years, you have seen those positive actions from

the Russians with regard to the nuclear sphere and Iran. And

Chapter 7 resolutions, the way in which Bushehr has been transformed

the other steps——

Ambassador BURNS. And that is exactly why I said the overall

performance is mixed because the truth is that Russia and China

as well have not moved as far and as fast as we think it is essential

to do in terms of U.N. Security Council resolutions. But if you

take a step back and look at where we were a couple of years ago,

it is no small thing that they have moved to support those three

resolutions, but more needs to be done.

Ambassador BURNS. Thank you, Congressman Ackerman. Certainly

the administration is prepared to use all the tools that the

Congress has provided and that the U.S. law provides. With regard

to the ISA, we look very seriously at every piece of information

about prospective business transactions that would fall under the

ISA. Sometimes it turns out that the Iranians, in particular, exaggerate

the scope of those deals and it turns out that the information

isn’t as solid as it first appears. Sometimes, when we press

hard as we do and try to use the deterrent effect of the ISA, companies

draw back from prospective investments or business transactions.

It is important to note that over the course of the last year or

so some of the big energy majors—Total, Shell, ENI, Repsol—have

all pulled back from significant operations in the South Pars gas

field on which Iran shares with Qatar and which is the largest natural

gas field in the world. And sometimes there are situations in

which the facts warrant further serious review. One example that

I would offer is the Norwegian project, Stat Oil, where the facts do

warrant, in our view, a further serious review because of progress

that seems to be made on that particular business transaction and

we are going to take a careful look to see whether that transaction

falls within the purview of the ISA. So we do take it very seriously.

Ambassador BURNS. Mr. Ackerman, first with regard to the

Swiss gas purchase that you mentioned, that was an extremely disappointing

development, and——

Ambassador BURNS. Yes.

Ambassador BURNS. Yes, sir. Well, with regard to the Swiss deal,

and you asked our reaction, and we did make very clear in public

and in private how disturbing we found——

Ambassador BURNS. With regard to that deal, it appears to us it

is——

Ambassador BURNS. On that deal, then I will come to it—on that

deal it appears to us it is a purchase as opposed to an investment,

and it may not fall under the ISA. I did just cite one example of

a transaction involving Stat Oil that does warrant further serious

review so that we can look to see whether it falls—as it stands

today whether it falls under the ISA. And we are going to conduct

that further serious review.

Ambassador BURNS. Congressman, first, we share your serious

sense of urgency about this issue. I don’t think the international

community faces a bigger challenge than the Iranian nuclear issue

or the problem posed by Iran’s behavior. And I absolutely agree

with you that we need to mobilize and maximize every bit of pressure

we can.

I do think that the Europeans in recent weeks have demonstrated

a new willingness to take serious measures. And the example

I cited before, their designation of Iran’s largest bank, Bank

Melli, is a significant step. We need to do more in the future, because

an enormous amount is at stake here. And I agree with you.

Ambassador BURNS. Sir, just one very quick comment.

Ambassador BURNS. Thanks, Mr. Sherman.

Ambassador BURNS. Thank you.

Ambassador BURNS. Mr. Sherman, I mentioned one example in

which——

Ambassador BURNS. Over the course of the last 71⁄2 years—again,

I am 7 weeks in this job—but no, we have not made such a designation.

Ambassador BURNS. There has been a serious review during that

period, or serious effort to look at the information that you have

cited in financial publications as well as all the other information

that we have access to. Sometimes, as I mentioned before, and as

you know, it turns out that that information is not as well-founded

as it seems. Sometimes it turns out that companies draw back as

a result of the deterrent effect——

Ambassador BURNS. The fact is that we have never made such

a designation.

Ambassador BURNS. Mr. Sherman, all I can say is that we continue

to look very carefully at the information. And I cited one example——

Ambassador BURNS. No. I am—as a Foreign Service officer, I follow

the law, and the law you just described. And so it is my obligation

to try and make the best determination I can, along with my

colleagues, about whether or not particular investments, particular

transactions fall under the purview——

Ambassador BURNS. Congressman Royce, I think, as you rightly

said, we have seen a renewed willingness on the part of the Europeans,

of the EU, to take significant measures. The Bank Melli example

is the most powerful one. You are exactly right; all too often

in the past, whether it has been Dubai or others in the Gulf, there

has been a tendency to point to what the Europeans aren’t doing.

Now that argument doesn’t hold water anymore, and so we are

pushing hard in the Gulf, in Asia, and elsewhere around the world

to try and follow the example that we set some years ago that the

Europeans are now following through on so that we can mobilize

maximum international pressure.

Ambassador BURNS. Part of it, Congressman, I think, is the

power of example. It is building up a record in which not only the

United States is taking action, but our European partners are;

building a pattern in which we are moving ahead beyond the three

Chapter VII Security Council resolutions we have already set up so

that we widen the coalition of people who are not just making

strong statements, but actually taking practical steps. And I hope

very much that in Dubai and elsewhere in the Gulf we will see

those measures.

Ambassador BURNS. Two quick comments. First, no. I mean, Chinese

behavior, beyond supporting these three resolutions, has been

frustratingly slow with regard to the magnitude of the challenge

that we all face, and we want to continue to push in that direction.

Second, with regard to public diplomacy, we have certainly

worked very hard to underscore the grave dangers not just for the

United States, but for the international community of a failure to

ensure that Iran does not acquire a nuclear weapons capability.

And we have tried to intensify that public diplomacy and also

sharpen the choice for Iranians to make clear, on the one hand, the

costs in terms of economic pressure, continued isolation of moving

down the current path, and on the other hand, what Iran and its

people stand to gain if they change their behavior and change

course. And that is something we try to advertise around the world

so that others can bring pressure to bear on Iran to change its behavior.

Ambassador BURNS. Yes, ma’am. Well, what we have tried to do

with our coalition partners in the P5+1 is to make clear that there

is a choice before Iran and its people. Down one path, that is the

continued pursuit of its nuclear ambitions without answering the

questions of the IAEA, without meeting its obligations to the Security

Council, lies increased economic pressure, increased international

isolation, a scenario which is not going to realize the full

potential of Iranians.

Second, but at the same time, we have tried to make very clear

what Iran and its people stand to gain if it changes course. And

again, this is an issue that involves the international community’s

deep concerns and growing concerns about Iran. It is not about the

United States versus Iran. If Iran changes course and meets its

international obligations, then an awful lot is possible, and that is

what Mr. Solana tried to explain when he visited Tehran a few

weeks ago. That is what we have tried to make clear through our

own diplomacy.

Ambassador BURNS. No, ma’am. We use lots of our own means,

through the Voice of America, through Radio Farda, our European

partners. Many of our partners in the international community

have tried to amplify this message to Iranians. And as I mentioned

earlier, it has been interesting to see the debate that has been triggered

in Iran about some of these issues, people asking questions

about whether or not Iran’s current tactics, its defiance of the

international community really makes sense.

Ambassador BURNS. Well, ma’am, I am very well aware of the

story that you mentioned, and I can’t, obviously, comment on sensitive

intelligence matters. But what I do honestly believe we have

done is to make clear—and we worked very hard, especially in the

last few weeks, to sharpen the choice for Iranians, to make clear

that there is a path that we believe is not going to serve—certainly

not going to serve the interests of the international community,

that is only going to raise the dangers for all of us, but it is not

going to serve the self-interests of Iranians either. But at the same

time there is another path that can bring enormous benefit to the

Iranian people.

Ambassador BURNS. Mr. Chairman, may I respond just very

briefly?

Ambassador BURNS. Yes, sir, I think it has had an impact, and

particularly as I emphasized in recent weeks after Mr. Solana’s

visit to Tehran, we have tried to use all of those means of communication

to highlight the choice that I described before, the choice

that is available to Iran and its people to change behavior, and all

that it stands to gain by doing that. So I think we have had some

success.

Ambassador BURNS. We are doing everything we can think of.

We are trying to make the best possible use of not only the VOA,

but of Radio Farda to get this message out. We are working with

our international partners, too, who are trying to convey and emphasize

the same message so that it is not just coming from Americans.

So we are always looking for new ways to reinforce that message,

because it is critically important right now. But I think we

are making the best possible use of the existing tools.

Ambassador BURNS. Sir, I think, as I said before, Russia has a

crucial role to play in our international diplomacy with regard to

the Iranian nuclear issue. I can think of no circumstance under

which we are going to reach a diplomatic solution to this problem

without working with the Russians. So to answer your question,

they have a crucial role to play.

Ambassador BURNS. Well, sir, I think two things. First, we have

a complicated relationship with Russia today. It is a mixture of cooperation

on some very important issues, but also competition and

sometimes political conflict on others.

Ambassador BURNS. Sir, and Congressman Berman mentioned

this earlier, the Russians have certainly contained their enthusiasm

for our missile defense plans, that is true.

Ambassador BURNS. Thanks, Mr. Chairman.

First, let me just reemphasize that we and the administration

are fully committed to diplomacy with regard to the Iranian nuclear

issue. We view the use of force as an option that is on the

table, but as a last resort. And no one underestimates the potential

consequences of that kind of an option. We do not believe that we

have exhausted all the diplomatic possibilities on the Iranian nuclear

issue. We are fully committed to using all of those diplomatic

tools.

Second, Iran does have an international obligation that is made

clear in three Security Council resolutions to suspend enrichment

and reprocessing, and that is an international obligation that to

this day it has not complied with.

Third, Iran has not answered the questions that the IAEA has

put to the Iranian Government about its past weaponization activities.

Mr. El-Baradei at the end of May, in his most recent report

to the IAEA Board, was very clear in saying Iran’s failure to answer

those questions remains a matter of serious concern to the

IAEA.

Thank you.

Ambassador BURNS. Thank you, Congressman Pence.

First, I would say that the rhetoric that you cited from some Iranian

leaders is deeply repugnant. And I will have to—I can get you

a more considered answer with regard to the specific question you

asked about the U.N. But it is certainly true that that kind of rhetoric

and those kinds of threats violate all standards of international

civilized behavior. To threaten the destruction of another

member of the United Nations violates all of those standards. So

I would be glad to get you a more considered answer.

Ambassador BURNS. Well, sir, I promise I will be glad to get back

to you on that specific question with regard to the U.N. statutes

and everything else, but I will say again that not only is the rhetoric

deeply repugnant, but it does violate every standard of civilized

international behavior.

Ambassador BURNS. Sir, it is hard not to conclude that the Iranians

are pursuing a nuclear weapons capability.

Ambassador BURNS. The NIE that was released recently highlighted

three ingredients for an Iranian—potential Iranian nuclear

weapons program: Enrichment, the ability to produce fissile material

for use in a weapon; second, delivery systems—and Iran reminded

us again today that it is moving ahead on missile systems

which could be used to deliver a weapon—and then third, a weapon

itself, weaponization. And what the NIE made clear is the conviction

of our Intelligence Community that Iran had a weapons program,

that it suspended it toward the end of 2003, and that it

could restart it at any point. So that is not in total a very comforting

picture about Iran’s nuclear ambitions.

Ambassador BURNS. Yes, sir. First, with regard to the last point

on exports, in the year 2000, there was passed by the Congress,

with the support of the administration, the Trade Sanctions Reform

Act. And the purpose of that piece of legislation was to liberalize

certain categories of exports in agricultural and medical goods to

the Iranian people as a way of demonstrating that our problem was

with the Iranian regime, not the people. So it is not surprising in

some ways that after that legislation was passed in 2000, you have

seen an increase in exports, mainly in those two categories of agricultural

and medical goods. I would underscore that those United

States exports, despite the rise that you mentioned, today constitute

only 1⁄4 of 1 percent of Iran’s total imports.

Ambassador BURNS. Mr. Scott, we are—we have made clear our

willingness at the level of Secretary Rice to sit down and talk to

the Iranians on the basis of a proposal that is not just an American

one, it comes from the P5+1, to negotiate face to face about the nuclear

issue and talk about any other issue the Iranians want to

talk about.

Ambassador BURNS. Yes. The Iranians at Natanz, for example,

have a facility which they are operating that the Russians don’t

participate in, Bushehr is a separate facility.

Ambassador BURNS. I would have to provide you the details on

that in a closed session, but I would be glad to do that, sir.

Ambassador BURNS. Thank you very much.

First with regard to the last point, I listened very carefully to

Mr. Ackerman’s explanation, Mr. Pence’s explanation, and it seems

clear to me that you are not talking about a blockade or a declaration

of war. That is what you said explicitly.

Second, with regard to engaging Iranians, I tried to make very

clear that we are fully committed to diplomacy right now; that we

do engage directly with Iranians, as you know, about the issue of

Iraq. We have had three sets of meetings. We are prepared for another

meeting to talk about what are very important interests with

regard to Iraq.

Ambassador BURNS. Well, ma’am, first, my understanding is, of

the resolution you are talking about, a sense-of-the-Congress resolution

anyway. So I don’t see that a sense-of-the-Congress resolution

necessarily is an obstruction to continuing discussions with

Iranians in Baghdad about Iraq. The truth is—just to pick up on

your broader point—the truth is in the past, in 2001, 2002, we engaged

directly with the Iranians—I am sorry, excuse me.

Ambassador BURNS. I don’t have any information on that issue.

I would be glad to check on it, but I am not aware of that.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE DONALD A. MANZULLO

We have no information that would suggest that China is pursuing permanent

basing rights in Iran.

Ambassador BURNS. Well, I think it is clear that some of the

reckless and provocative statements and behavior of the Iranian re38

gime have tended to increase people’s worries about whether it is

access to the Strait of Hormuz or other issues that do affect the energy

market. And so I think there have been instances where it has

had a very negative effect.

Ambassador BURNS. I don’t know the exact figure, sir, but I

would be glad to check and get it for you.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE DONALD A. MANZULLO

The United States does not permit oil imports from Iran. Executive Order 12959

of May 6, 1995 prohibited the importation of all goods and services of Iranian origin,

including oil, into the United States. This was reaffirmed in 1997.

Ambassador BURNS. Yes, ma’am.

Well, just to pick up where I was with regard first to the issue

of engagement, because you raised a very important point with regard

to Iran, and I had mentioned the ongoing talks we have with

regard to Iraq. I was beginning to describe 2001–2002, when we

did talk directly and quietly to the Iranians about Afghanistan, and

they turned out to be useful discussions in some respects. We have

a proposal on the table now along with the P5+1 to engage directly

with the Iranians, including at ministerial level, to talk about the

nuclear issue or other issues that the Iranians want to bring up.

So the issue is not our willingness to engage in serious diplomacy,

the issue really is Iranian behavior and the choice we have posed.

You asked also about the NIE, and we stand by the judgments

of the Intelligence Community that were reflected in the NIE. One

of those judgments was that Iran had a weaponization program, it

suspended it toward the end of 2003, it could restart it at any time.

I am not aware of any evidence that it has been restarted. But I

would also cite the other two elements of a nuclear capability that

the NIE highlighted; that is to say enrichment as well as the development

of advanced delivery systems. And in both of those two

areas, the Iranians continue to try to expand their capabilities as

best they can.

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So the overall picture remains a very worrisome one. If the Iranians

want to dispel those concerns and suspicions, there is a very

straightforward way to do it, and that is to answer the questions

that the IAEA, Mr. El-Baradei, has posed about past weaponization

activities. And they are very precise. They don’t depend only on

American intelligence information, as Mr. El-Baradei has said publicly.

They are the result of multiple sources of information from

other countries in the world. So if Iran wants to dispel those suspicions,

there is a very straightforward way of doing it.

Ambassador BURNS. No. No, Madam Congresswoman. We remain

fully committed to a diplomatic approach.

Ambassador BURNS. Well, ma’am, what we have made clear,

along with the P5+1 partners, is our willingness to negotiate directly

with Iran about the nuclear issue. And that is laid out now

in three Security Council resolutions. It is premised on Iran’s meeting

its international obligation to suspend enrichment and reprocessing,

but we are ready, with our partners, to engage directly with

Iran on that basis.

Ambassador BURNS. Well, it would be—I mean, it is a suspension

for a suspension, in the sense that there are two sides to this.

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What the international community would do, the P5+1, is suspend

the application of the existing Security Council resolutions and

their sanctions. And, in return, what Iran would do is suspend all

enrichment and reprocessing activity to provide a basis for negotiation.

Ambassador BURNS. It would have to be verified by the IAEA,

yes, ma’am.

Ambassador BURNS. Yes, ma’am.

Ambassador BURNS. Well, we have, with the generous support of

the Congress, a very active outreach program to connect to civil society

groups in Iran, to promote exchanges, scholarships. There is,

as I mentioned in my opening remarks, a real thirst on the part

of Iranians, especially in the younger generation, for connections to

the rest of the world.

Ambassador BURNS. Not in my understanding. It pertains to investment

as opposed to purchases.

Ambassador BURNS. Well, ma’am, Iran is a big player in the

international energy market and so——

Ambassador BURNS. That is right. As a big player, they have influence.

They can use it constructively or they can use it negatively,

as other big players can as well.

And what is incumbent upon us is something that is beyond the

purview of my current job, but it is to develop sensible national energy

strategies, it is to look for ways in which we can try and ensure

the stability of the energy market as best we can, ensure secure

access through the Straits of Hormuz, as we have for 60 years.

Ambassador BURNS. Thank you very much, Congressman.

I think the truth is that the political landscape in Iran, over the

course of the last 10 years, has shifted in a more conservative direction.

I think, as a political force, reformists, who seemed to be

on the rise 10 years ago, are more marginal than they were then.

There has been a deterioration in the human rights situation in

Iran over the course of that decade. But there does remain a debate

that you can see in Iranian society over different kinds of issues,

whether it is social issues, the issue of economic mismanagement,

even tactics over the nuclear issue. As I mentioned, over the last

few weeks, we have seen a debate in the media within Iran over

that issue as well.

I think not only the United States but other countries around the

world can contribute, in a way, to that interest on the part of Iranians,

especially in the younger generation, in connections to the

rest of the world. We do it through many of the programs that the

Congress has generously funded. And there are other countries

around the world and the European Union who do that as well.

I think that is a very important investment on the part of the

United States, because it helps demonstrate to Iranians what it

has to lose by its current behavior on the nuclear issue but also

what it has to gain through connections to the rest of the world,

moving beyond its current isolation in a direction that can benefit

Iranians and Iran over the long term.

Ambassador BURNS. Well, sir, there have been different ways in

which that deterioration has been expressed: The detention and ar42

rest of individual civil society activists. And we have spoken out,

as have the Europeans and others, about some of these specific

cases. There remain serious problems with regard to religious freedoms

and the repression of groups like the Baha’is. And, again, we

have spoken out about that, but so have international NGOs, other

governments, the Europeans in particular.

And so, just as you suggested, we try to ensure that we are part

of a chorus of voices that are expressing these concerns. Because

I think that has the most impact, in terms of being supportive of

those voices in Iran, and also the most impact over time on Iranian

behavior.

Ambassador BURNS. I guess the first point I would make, sir, is

that a certain amount of humility is always important when Americans

look at the Iranian political system. There is no shortage of

examples where we have gotten it wrong before. It is a very complicated

and sometimes opaque system.

Second, you are absolutely right, it is the supreme leader. Ali

Khamenei is the ultimate decision maker in the Iranian political

system. Now, there remains a complicated array of power centers

beneath him that are going to have a lot of influence on any number

of decisions, whether it is management of the economy, or the

nuclear issue, or Iran’s support for terrorist groups overseas.

And the current President represents one of those power centers,

but it is a very complicated political system. But it is one where

we hope we can affect the calculus of costs and benefits, especially

on the nuclear issue.

Ambassador BURNS. Yes, ma’am.

Ambassador BURNS. Thank you, Congresswoman.

The idea of the interests section, as Secretary Rice suggested, is

an interesting one, and it is one that is worth looking at carefully.

I mean, I can’t go beyond that in terms of talking about our internal

deliberations.

But I would re-emphasize what Secretary Rice said, and that is

that we do have a real and abiding interest in deepening our connection

to Iranian society and to Iranians. We would like for there

to be more interactions, for all the reasons you just described. We

would like to make it possible for more Iranians to visit the United

States, whether it is through the kind of exchange programs in

sports and culture that we have already set up or simply through

people obtaining visas and traveling on their own.

So for all those reasons, and also as a way of showing respect for

Iranians and for Iranian society, we want to find ways to increase

those kinds of interactions.

Ambassador BURNS. Thank you, Mr. Engel.

First, those transfers of weapons and financial support clearly

are a violation of 1747. We have acted in two ways to try to highlight

that and act on it.

First is autonomous steps the United States has taken. Last

year, for example, when we designated the IRGC and the Quds

Force, that was in large part because of the violations that you

have described.

And, second, we have used the U.N. Sanctions Committee to

highlight those violations and encourage member-states like Tur45

key, for example, when they intercepted a shipment of weaponry on

a train that was headed to Syria, again, to bring that to the Sanctions

Committee.

And we have certainly used those violations as a basis for further

action in the Security Council, such as Resolution 1803 and the

measures to increase vigilance on the part of all U.N. memberstates

to try as best we can to ensure that these violations don’t

take place in the future.

Ambassador BURNS. Just as you said, Congressman, Iran remains

the main supporter of international terrorism. It continues

to provide tangible support to Hezbollah, to Hamas, to Palestinian

Islamic Jihad, to many other extremists groups who threaten anybody’s

hopes for a better future in the Middle East.

And we have worked with the U.N. in all of its various forms.

We have worked with our partners in the region to try as best we

can to bring pressure to bear against that kind of behavior. We

have used U.N. Security Council resolutions. We have used autonomous

U.S. designations of groups.

We have, I think, made some fair progress against financial terrorism

and in trying to close off the means that the Iranian regime

uses to support these groups, whether it is in the designation of

particular banks by the United States or in efforts that the EU and

others have made to designate those banks as well.

Ambassador BURNS. Just on that one, sir, as I said before, I can’t

really go much beyond saying that the interests section is an interesting

concept, that it is worth looking at carefully. But in terms

of our internal deliberations, I can’t go beyond that.

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In terms of the facts, the United States does, through the Swiss,

have an interests section—what is called an interests section in

Tehran, but there are no American diplomats there.

And under the Pakistani Embassy in Washington, the Iranians

have an interests section which employs something like two dozen

people. None of them are Iranian diplomats, to the best of my

knowledge. They are all either U.S. citizens, dual nationals, or

green card holders. But they don’t have Iranian diplomats at that

interests section.

Ambassador BURNS. Correct.

Ambassador BURNS. Correct. Yes, sir.

Ambassador BURNS. Well, Mr. Chairman, first point is just to repeat

what I said before about humility being a good guide to Americans

trying to figure out Iranian political behavior. And we have

had a pretty checkered history in the past about trying to guess

who is a pragmatist and who is a moderate and who is not. It does

remain, as you yourself said, a fairly opaque system.

Having said that, there is a debate—and we have seen some of

it in public in recent weeks—about tactics, whether it is with regard

to economic management at home or the nuclear issue. And

there does seem to be a debate, and you see this played out in the

press sometimes in Iran, amongst those who think it is worth testing

the proposition that Mr. Solana put on the table a few weeks

ago in Tehran on behalf of the P5+1.

You asked what we can do to help, to the extent we can, affect

that process. And it seems to me that what we need to do is to continue

to make very clear our seriousness about the propositions

that Mr. Solana put forward and to try and sharpen the choice as

best we can for Iranians about what they stand to gain in a change

in behavior and what they stand to lose through continuation of

current behavior.

Ambassador BURNS. Sure, I would be glad to meet with you.

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Ambassador BURNS. No, certainly, I mean, what I would say in

this setting is that the Iranians did provide a response at the end

of last week. It was in a written form and also in the form of a

telephone conversation between the principal Iranian nuclear negotiator,

Mr. Jalili, and Mr. Solana.

The thrust of both of those forms of communication was to suggest

that Iran is interested in trying to find common ground and

that it is interested in a further discussion of these issues and that

it is interested in moving toward negotiations.

But, beyond that, I think what we are going to continue to do is

make clear our seriousness, and we will see if the Iranians are serious.

Ambassador BURNS. Thank you very much, ma’am.

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With regard to the four memoranda of understanding that the

United States has entered into with Jordan, Bahrain, UAE and

Saudi Arabia about civilian nuclear programs, our view is that

these kinds of efforts actually help to demonstrate that you can develop

civilian nuclear programs for peaceful purposes but you don’t

need to enrich and reprocess. And, in each of those memoranda, it

is made very clear there is not going to be any enrichment or reprocessing.

So, in our view, one of the big challenges, not just in the Middle

East but around the globe, as you look out over the rest of this administration

and the next administration is: How do you deal with

what remains as, sort of, the central gap in the NPT regime? And

that is the ability of member states to enrich and reprocess right

up to the point of nuclear weapons capability.

And what we have worked on with the Russians and with others

is to develop a different path, a path that doesn’t require mastery

of the fuel cycle, that doesn’t require enrichment and reprocessing.

It shows many countries around the world that you can develop civilian

nuclear power for peaceful purposes without the proliferation

dangers of enrichment and reprocessing.

So, in that sense, we think that what we are about with those

four countries in the Middle East is a way of underscoring that it

is that pathway which we think provides a safer and more beneficial

future in terms of civilian nuclear power, not just in that region

but around the world.

Ambassador BURNS. No, I don’t believe we have done that.

Ambassador BURNS. No, sir.

Ambassador BURNS. Well, Mr. Sherman, the concerns, as I understand

them, about divestment, whether it is with regard to Iran

or in general, have had to do with questions about its potential impact

on capital markets, questions about its impact on foreign partners,

foreign governments, and our ability to continue to increase

other forms of economic pressure on Iran and mobilize a strong

international coalition. So——

Ambassador BURNS. No, I don’t necessarily think so. But, sir, I

can try to get you a more considered answer on that question.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE BRAD SHERMAN

The Administration understands and fully shares Congressional desires to find effective

means to pressure the government of Iran to comply with its international

obligations. We do need to take care that any new sanctions are likely to be effective

and do not in fact work against our efforts to maintain international support for

pressure on Iran.

Congressional authorization for State and local governments to divest from foreign

companies doing business with certain sectors in Iran could be seen (however

incorrectly) as effectively converting State actions—which States are already taking—

into federally protected privileges, thereby undercutting the Supremacy Clause

and the President’s powers thereunder.

The Administration bears the responsibility of developing a coherent policy on

Iran; this is not a responsibility which can or should rest with states. Our concern

is that measures such as the divestment authorization will lead to a fragmented approach

rather than a unified message to the rest of the world.

Ambassador BURNS. I don’t know, Mr. Sherman. I do know that

the United States has voted against those kinds of efforts consistently

since——

Ambassador BURNS. And, finally, I also do know that there

haven’t been any new programs that the World Bank has started

with regard to Iran since——

Ambassador BURNS. I will.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE BRAD SHERMAN

The Administration has consistently opposed World Bank lending to Iran. The

United States has opposed every lending proposal since the early 1980s. The United

States Executive Director (USED) at the World Bank actively makes the United

States’ views on Iran known to both Bank management and to other Bank shareholders

and has strongly opposed the individual loans and guarantees to Iran that

were brought before the World Bank Board of Directors in previous years. However,

the U.S. does not control a majority of the voting shares of the Bank and we cannot

block lending on our own.

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Iran only qualifies for non-concessional loans based on market rates. It receives

none of the funds the Congress annually appropriates to the International Development

Association (IDA), the World Bank’s concessional lending window for the poorest

countries. There have been no new loans or guarantees since 2005 (before UN

sanctions were first imposed in December 2006). The Department of Treasury assesses

that the Bank is in compliance with UN and OFAC sanctions against Iran

in how the funds are disbursed. We expect no new loans to be proposed in the foreseeable

future. Due to the World Bank’s contractual obligations, and based on the

votes of its shareholders, some disbursements of previously-approved funds may

occur in the future.

We will continue to oppose any Bank, MIGA or IFC loans or other types of financial

assistance to Iran, and strongly urge other shareholders to oppose them as well.

In addition, we will work to ensure that all World Bank operations are consistent

with the letter and the spirit of all relevant U.N. Security Council resolutions.

Ambassador BURNS. At this stage, sir, I would have to get back

to you in a classified setting with a specific answer on that question.

But we do know the Iranians are continuing to enrich in violation

of their international obligations.

Ambassador BURNS. No, but my only point, Congressman, is that

precisely because the Iranians have not answered all the questions

that the IAEA has posed to them about past weaponization questions,

it is important for the Iranians to meet their international

obligation to suspend enrichment.

Ambassador BURNS. Well, Congressman, just as you said yourself,

I mean, I don’t think the American people would appreciate

that.

Ambassador BURNS. Well, I am sorry, Congressman. I don’t quite

know how to respond to that hypothetical question.

Ambassador BURNS. Congressman, I am sorry. I don’t understand

the question.

Ambassador BURNS. I am sorry, I am not an expert on blockades.

Blockades are often commonly understood to mean efforts that are

enforced, whether it is by the Navy or by others, I mean, such as

the blockade that applied in Cuba 40 years ago or so during the

missile crisis. So I don’t—but, I mean, I am glad to try to get you

a more precise technical definition.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE RON PAUL

U.S. policy toward Iran does not constitute a ‘‘blockade.’’

The United States has maintained a strict trade and financial-related sanctions

program against Iran for almost 30 years. This program prohibits virtually all commercial

trade between the U.S. and Iran. Our efforts in recent years have focused

on a conduct-based targeted financial action aimed at disrupting Iran’s proliferation

and terrorism activities. We have shown that these types of targeted, conduct-based

financial measures aimed at particular bad actors can be quite effective, in part because

they unleash market forces by highlighting risks and encouraging prudent

and responsible financial institutions to make the right decisions about the business

in which they are engaged. In doing so, we demonstrate to the Iranian regime the

high costs of their proliferation activities and support for terrorism.

These sanctions are complemented by multilateral measures, achieved through

UN Security Council Resolutions, and designed to protect the international financial

and trading systems from the threat of Iran’s proliferation activities.

The P5 plus 1 have offered Iran a generous package of incentives, including economic

cooperation, in return for Iran’s suspension of enrichment activities.

Ambassador BURNS. Sir, it doesn’t. When we say all options are

on the table, in the same breath we always emphasize, the President

has always emphasized, that we are fully committed right

now to a diplomatic approach. And he hasn’t gone beyond that, nor

have other senior American officials, with regard to, you know,

anything beyond saying that all options remain on the table.

But our focus is a diplomatic one. We are convinced that we have

not exhausted all the diplomatic options before us and the rest of

the international community. As I have tried to make clear today,

we are determined to try to maximize the possibilities for a diplomatic

solution.

Ambassador BURNS. No.

Ambassador BURNS. Well, yes, ma’am. All I can speak to is what

our focus is on, and our focus is very much on diplomacy now. And

that is what we are determined to try to exhaust.

And as I said before, I am convinced we have not exhausted all

those alternatives, that there is more that we and others in the

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international community can do to sharpen the choice I described

for Iranians.

Ambassador BURNS. It certainly is very much a part of our concerns,

not only American concerns, but those of international

NGOs, the U.N. and others who have highlighted both human

rights abuses and the deterioration of human rights situations in

Iran and also problems of religious freedom.

Ambassador BURNS. Yes, ma’am, and we absolutely do. I cited

before the case of the Baha’is as one example, who have been detained.

We have spoken out publicly and pushed with other governments

to seek their release.

Ambassador BURNS. I would be glad to look it into it and get you

a more considered response on that.

Ambassador BURNS. Certainly, as you mentioned, there have

been cases involving other countries of concern around the world

where we have used such envoys. I am not familiar with the background

with regard to Iran, but we would be glad to look into it

and get back to you.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE SHEILA JACKSON LEE

We are always reviewing our options for sharpening the choice for Iran between

a productive, diplomatic way forward and further international isolation. The envoy

concept has been useful in various situations in the past. At this point, we have very

robust diplomacy taking place both with our P5 plus 1 partners and with like-minded

allies outside the Security Council, but our diplomacy will continue to evolve as

needed to meet the challenges and opportunities posed by Iran.

Ambassador BURNS. Well, certainly, Congresswoman, we work

through a number of institutions with a number of our partners

around the world to try as best we can to ensure stability in the

global energy market.

Ambassador BURNS. No, but we have certainly seen the kind of

threats that have sometimes come out, threats to take action that

would disrupt the flow of energy coming out of the Strait of

Hormuz. And not only the United States but others have been

equally emphatic.

Ambassador BURNS. Yes. We have certainly made that clear, that

we don’t object to Iran’s right to develop civilian nuclear programs

for peaceful purposes. Part of what Mr. Solana proposed on behalf

of the P5+1 was a pathway to do that. But we need the Iranians

to meet their international obligations.

Ambassador BURNS. Thank you, Congressman.

On the MEK, there is a mandated review process that we have

begun in 2008, and that is a 5-year review that is required after

the last redesignation of the MEK as a foreign terrorist organization

in 2003. So we have begun that process. And since it is an ongoing

process, I can’t really offer a judgment right now about where

it is going to go.

Our judgment with regard to FTOs is essentially an autonomous

one, so it is not necessarily influenced by judgments that might be

made elsewhere.

Ambassador BURNS. Well, Congressman, by the very nature of

contingency plans of that sort, I can’t really talk about those sorts

of things in an open session except to re-emphasize——

Ambassador BURNS. Well, sure, it is part of our job throughout

the U.S. Government to try to think ahead about different sorts of

challenges. But that doesn’t make us any less committed today to

trying to exhaust every possible diplomatic means.

And I am absolutely convinced, as I said before, we haven’t exhausted

them and that there are a number of other steps that we

can take which would maximize the chances that the Iranians are

going to make what we view as the right choice, change course

with regard to the nuclear issue, meet their international obligations,

and open up what we think would be a much brighter future

for the Iranians.

Ambassador BURNS. Well, first, I would say our policy, as I have

said before, is focused on the behavior of the regime.

Second, what the Iranians do with regard to their own regime is

a very difficult thing to predict. And I return to my earlier comment

about humility and outsiders trying to evaluate Iranian politics.

This is——

Ambassador BURNS. It seems to me, sir, that this Iranian regime

has proved remarkably durable through all sorts of huge challenges—

through the war with Iraq, through all kinds of other domestic

challenges, natural disasters like earthquakes.

There clearly is a thirst on the part of lots and lots of Iranians

for a more hopeful economic future, for more connection with the

rest of the world. What impact that is going to have on the behavior

of the regime or on the makeup of the leadership in the future,

I honestly don’t know. But I think those are realities that any Iranian

leadership is going to have to come to grips with.

Ambassador BURNS. First, Iran’s behavior, just as you described,

in Iraq has continued to be dangerous and destabilizing. We

pushed back against that behavior in a variety of ways. First, we

talked directly to the Iranians about it in the talks that we have

had periodically in Baghdad.

Second, we do everything we can to help strengthen the central

government in Iraq. And it is interesting and important to note

that the Iraqi central government and its security forces have

taken some quite successful steps in recent months in Basra and

elsewhere in Iraq against extremist militias backed by the Iranians.

The Iraqi Prime Minister also visited Tehran recently and

delivered what we understand to have been a very direct message

about his concern about Iranian meddling and support for extremist

militias in Iraq.

Third, we also try to encourage other Arab states to strengthen

their support for the Iraqi central government. And I mentioned

earlier several recent examples of steps that have been taken by

Arab states to return their ambassadors, to forgive Iraqi debt. And

I think that all contributes to a situation in which we can help

limit and push back the kinds of destructive Iranian behavior that

you described.

Ambassador BURNS. I have to get you a specific answer with regard

to whether there has been an increase in IEDs or other kinds

of weaponry provided by the Iranians, but in general their behavior

remains a significant problem.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE WILLIAM J. BURNS TO

QUESTION ASKED DURING THE HEARING BY THE HONORABLE TED POE

Our diplomatic efforts have contributed to a number of favorable developments in

recent weeks involving Arab neighbors increasing their engagement with Iraq. In

mid-June, King Abdullah of Jordan announced plans to visit Iraq and named a new

ambassador. Bahrain and Kuwait were in discussions with Iraq about reopening

their embassies and naming ambassadors. On the occasion of Iraqi Prime Minister

Maliki’s July 7, 2008 visit to Abu Dhabi, the United Arab Emirates named a new

ambassador and announced that it will entirely cancel about $7 billion in Saddamera

debt. Also in early-July, Oman sent a delegation to Baghdad to meet with Iraqi

officials and businesses about new trade and investment.