The National Iranian American Council &
The New America Foundation

A National Policy Forum on

"U.S.-IRAN RELATIONS: COLLISION, STAND-OFF, OR CONVERGENCE?"

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SESSION I: RUSE OR OPPORTUNITY? THE PROVENANCE OF IRAN'S SPRING 2003 NEGOTIATIONS OFFER

Moderator: Trita Parsi, President,
National Iranian American Council

Speakers:
Flynt Leverett, Senior Fellow & Director, Geopolitics of Energy Initiative, New America Foundation; Former Senior Director for Middle East Affairs, National Security Council

Col. Lawrence Wilkerson,
Former Chief of Staff, Department of State

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MR. STEVEN CLEMONS: Good morning folks. For those of you whom I've not met, I'm Steve Clemons. I direct the foreign policy programs at the New America Foundation. For those of you who don't know about the New America Foundation, just very quickly, we're a think-tank in town. People always ask our politics: we consider our politics radical centrist. We're very, very happy to be partnering today with the National Iranian American Council and I am going to invite my partner in today's program, Trita Parsi, to say a few words and then I'm going to reintroduce him and the panel so that he can take over the panel, but please welcome Trita Parsi.

MR. TRITA PARSI: Thank you so much. We're also absolutely delighted to see everyone here today and I'm also delighted to be able to co-organize this with the New America Foundation. Just a few words about NIAC: it's an organization for the Iranian-American community here in the United States and what you see here today is just one out of a series of conferences and staff briefings that we're planning to hold here on Capitol Hill. We believe that there is a tremendous void of expertise on the Middle East and Iran in particular and I think our community is in a perfect position to be able to help out, provide good information so that better decisions can be made.

MR. CLEMONS: Thank you. We're going to be talking about a lot of parts of the political dimensions of the U.S.-Iran discussions right now and I think we've got a fairly diverse set of perspectives to talk about these issues. But the timing is good for a number of reasons: one, there seems to be just a lot more action. I'm beginning to get a little bit optimistic that maybe some things are changing in the dynamic, and we can flesh that out later. But part of this also has to do with the basic intentions and motivations that drive the various parties in this. And in 2003, there was apparently an effort by the Iranians—they suggest or someone, a senior diplomatic from Iran, suggests that it was a response to an American initiative that they were trying—but nonetheless, a body of proposals got faxed in to the U.S. government in various places, and we're going to have a discussion about that, the provenance of it; whether it is, as some writers have suggested, a contrivance and a fabrication by an entrepreneurial Swiss ambassador or whether in fact it had an authenticity and had real impact, because I think it's very important in terms of looking at what is possible and what is not when it comes to thinking through Iranian motivations.

One of the fundamental parts of the Iraq Study Group proposal was, in fact, trying to work implicitly with Iran on a number of tasks because it was in their strategic interest to do so and because they had done so in the past. And Flynt Leverett, my colleague, who is senior fellow and the director of our geopolitics of energy initiative at the New America Foundation, came out and said, "Shame on you. That's not true," because Iran actually cooperated with us in the past because it was motivated to try to change the tenor and direction in course of U.S.-Iran relations. And if you're not willing to do that, then it might in fact govern their behavior in other ways. Well, this memo has been fascinating—this faxed proposal, which Flynt Leverett has been having somewhat—I think it would not be an understatement to call it a spitting contest with Secretary of State Rice, has been very important. And you may have looked in the *Washington Post* today. I think it's there – I saw it at about 11:00 PM last night – an article that even goes into further detail about the memo and provides a link to the actual fax from Tim Guldimann, the then Swiss ambassador to Iran.

So we have Flynt Leverett, former CIA official, former National Security Council official in the Bush administration, and someone who was on the proximity and periphery of this debate. Lawrence Wilkerson to his right. On October 19th, 2005, Larry Wilkerson gave his famous speech at the New America Foundation, which is now automatically part of the history of the administration—Lawrence Wilkerson is a retired colonel in the Army. He was an aide to Colin Powell for 16 years in the Joint Chiefs of Staff role—chairman of the Joint Chiefs of Staff role that Collin Powell played, but also in the State Department for four years plus at State and a very, very insightful person and a great friend of the New America Foundation. And Trita Parsi, who's going actually moderate this, because he also worked for a member of Congress at this time and has some insights into other dimensions of this. So, Trita, the floor is yours.

MR. PARSI: Thank you, Steve. I'll be very brief, just to make that everyone is on the same page and understands what the discussion is about, there is a proposal that reached the United States in May, 2003, in which a framework for negotiations between the two countries is spelled out and the aims of the United States is spelled out, the aims of the Iranians, as well as procedure for how to move forward and make sure that the negotiations

are successful. Part of what the Iranians agreed to discuss was how to disarm the Hezbollah, how to be able to change the relationship that Iran has with rejectionist Palestinian groups such as Islamic Jihad and Hamas, how to be able to cooperate with the United States against al Qaeda, how to be able to open up the nuclear issue, how to be able to stabilize Iraq and ensure that the government there is not according to sectarian lines. Now, curiously enough, in the last couple of weeks we've been hearing that Secretary of State Condoleezza Rice is saying that she has no recollection of having seen this proposal, and what I think would be extremely interesting is to hear from Flynt and from Larry what was happening in the White House at the time, but also what was the reasoning behind the non-response. So I give the floor to Flynt and to Larry to discuss this. Thank you.

MR. FLYNT LEVERETT: Thanks very much to all of you for coming out this morning and thanks to New America and to NIAC for organizing this conference. There has been, as Steve and Trita alluded, a lot of discussion recently about this offer that Iran made to the United States in May of 2003 to negotiate a comprehensive resolution to the outstanding differences between our two countries. If you saw the Glenn Kessler article in the *Washington Post* this morning, you also saw that there are links to two documents. One is the actual document that came in the content of the Iranian proposal; the other document is the cover note that came in with the Iranian proposal from Tim Guldimann, the Swiss ambassador in Tehran at the time. What I want to do in my remarks is basically to outline what this proposal was about. And I think that boils down to four questions. How did it come in? What did it contain? What was its provenance? And how was it handled within the administration? And those are the four questions that I want to address today.

Now, I want to say at the outset that many aspects of this story have been, I think, accurately reported in the media but there are some gaps and inaccuracies in the public record about the Iranian proposal and I want to use my time with you today to fill in or correct those gaps or inaccuracies. But more importantly, I am compelled to use my remarks to point out how the Bush administration, up to and including Secretary Rice, is misleading Congress and the American public about the story of the Iranian proposal and how it was handled here in Washington during the spring of 2003. And I do that with sadness. It is not—it is certainly not a salutary thing to watch a secretary of state say things before Congress that you know are not true and you find it very hard to see how she could not know that the statements that she was making at the time were not true, but we will get into that.

How did the Iranian offer come in? Well, it came in early May 2003, through what we called in shorthand the Swiss channel. This was at the time and still is a well-established channel for official communication between the United States and the Islamic Republic of Iran. The Swiss play this role because, since we, the United States, don't have any diplomatic representation in Iran or any diplomatic relations with the Islamic Republic, the Swiss act as our protecting power in Tehran and the Swiss foreign ministry serves as a regular channel for communications between the United States and Iran. This document – the document that you have copies of – came in like any number of other communications from Iran to the United States: through this Swiss foreign ministry channel. Basically, the Swiss ambassador in Tehran took this document, prepared his cover note, sent it through his foreign ministry channels from which it arrived at the State Department.

The document, as it was formatted in the form that came to the State Department, was one page in length. There are versions of this document that are already available online. You could find one at www.armscontrolwonk.com. You could also find one through a link to Michael Hirsh's story published online last week, February 8th on MSNBC and *Newsweek*. Those versions are not 100% accurate. If you compare the version that you have today that I downloaded from the *Washington Post* with those previous online versions, you will notice some discrepancies in language. If you compare the two versions you'll see that 90% of the language in both is identical, but there are some discrepancies and I will address those in talking about the content of the Iranian offer.

With regard to content, the one page document that came in through the Swiss channel was divided into three parts. The first part is focused on U.S. aims; that is, those issues that Iran agreed to discuss with the United States as part of the broad diplomatic process. In the online versions, this section is actually placed second as the second part of the document, but this is purely a discrepancy in formatting. Specifically, the Iranians agree that they would need to be prepared to deal with four areas of U.S. concern. On weapons of mass destruction they propose that there would be full transparency to ensure that there are no Iranian endeavors to develop or possess

weapons of mass destruction; there would be full cooperation with the International Atomic Energy Agency based on Iranian adoption of all relevant instruments, including the additional protocol to the Non-Proliferation Treaty.

On terrorism, the Iranians offer decisive action against all terrorists, above all al Qaeda, on Iranian territory and full cooperation and exchange of all relevant information. On Iraq, the Iranians propose coordination of Iranian influence for actively supporting political stabilization and the establishment of democratic institutions and a democratic government representing all ethnic and religious groups in Iraq. On this point, the online versions replaced "democratic government representing all ethnic and religious groups" with the phrase, "a nonreligious government."

Fourth, on the Middle East, the Iranians propose three specific measures. First, they propose to stop any material support – they're not limiting it to military support –any material support to Palestinian opposition groups, including Hamas and Islamic Jihad, from Iranian territory and propose and offer pressure on these groups to stop violent actions against civilians within the '67 borders of Israel.

Second, they propose action on Hezbollah so that it would become an exclusively political and social organization within Lebanon. And three, they say they would accept a two-state approach to resolving the Israeli-Palestinian conflict. The online versions actually go a little further on this point; they talk about acceptance of the Arab League Beirut Declaration, the Saudi initiative, and acceptance of the two-states approach. This is why in writing about this previously I have said that this document offered a conditional willingness on the part of Iran to recognize the state of Israel. Clearly, if you're willing to accept the two-state solution in the Israeli-Palestinian conflict, you are accepting a state of Israel, which is going to be one of the two states.

The second part of the document dealt with Iranian aims; that is, those issues that Iranians would want to have addressed in U.S.-Iranian negotiations. In their proposals, the Iranians identified six specific areas they would want on the agenda for discussion with the United States. First, they would want a U.S. commitment to refrain from supporting change of the political system by direct interference from outside. The online versions are a little more explicit, saying they want a halt in U.S. hostile behavior and rectification of the status of Iran in the U.S.

Second, the Iranians want an abolishment of all sanctions by the United States, commercial sanctions, frozen assets, refusal of access to the WTO. The online versions of this document get a little more explicit, wanting to talk also about legal judgments and all impediments to international trade and financial institutions.

On Iraq, the Iranians want our commitment to pursue the MEK, to support the repatriation of MEK members, to support Iranian claims for reparations against Iraq, our efforts to block any efforts by Turkey to intervene militarily in Northern Iraq and respect for Iranian national interests in Iraq and Iran's religious links to Najaf and Karbala. The online versions drop the references to the MEK and replace them with other language.

The Iranians want access to peaceful nuclear technology, biotechnology, and chemical technology. The online version adds the adjective "full" before the noun "access." And then the Iranians want recognition of their legitimate security interests in the region with a corresponding defense capacity. And on terrorism, they want action against the MEK and affiliated organizations in the United States.

The third section of the document focuses on steps or you might call it process. The Iranians propose three specific steps to get a diplomatic process off the ground. First, there would be the release of simultaneous statements by the United States and Iran. Secondly there would be a formal meeting between officials at agreed upon level and at this meeting they would launch specific modes of cooperation on Iraq and terrorism.

The Iranians at this point would also, according to this document, be willing to release a statement that would say, in the language that they propose, that Iran supports a peaceful solution in the Middle East, that it accepts that solution which is accepted by the Palestinians, and that it follows with interest the discussion on the roadmap presented by the quartet. The online version walks back from some of the explicit detail in that language, keeps it more general, but this is the language that the Iranians sent in to the State Department.

And then, as a third step, there would be working groups set up to discuss disarmament, regional security, and economic cooperation.

The bottom line on the substance, I think, is that this was a serious proposal. It was a serious effort to lay out a comprehensive agenda for a U.S.-Iranian rapprochement. It was not vague or lacking in specifics, as some administration spokesmen are claiming on background with various journalists. It was not, as Secretary Rice suggested to the House International Relations Committee last week, just one more in a flood of vague messages coming into Washington from various quarters that Iran, "wants to talk." It was a serious proposal in terms of its substance.

If you compare this message to the messages that came in from the Chinese through Pakistani intermediaries to the Nixon administration 1970 and 1971, messages that ultimately produced Kissinger's trip to China and then Nixon's breakthrough visit to China – if you compare the Chinese messages that came in – and they're available at the GWU National Security Archives online – if you compare those messages with this Iranian proposal, this Iranian proposal is more substantive, more detailed than the Chinese proposals that came in to the Nixon administration. The problem here is the way that this administration responded to the Iranian proposal compared to the way that the Nixon administration responded to these Chinese messages, but I'm going to get to that in a minute.

Let me say a little bit about the provenance of this document. As this Iranian proposal has become more and more a focus of public discussion, the administration has tried to put out a story that the document which came in through the Swiss channel was not in fact an official Iranian proposal. Administration spokesmen speaking on background – at least until this morning – so that they couldn't be publicly challenged for their misleading statements, have suggested that the document was solely the product of the Swiss ambassador in Tehran at the time, Tim Guldimann, or that the administration couldn't determine that the offer was really official or just who on the Iranian side had authorized it.

These claims are all demonstrably false. In addition to the one-page document that I've just described, there is this one page cover note from Ambassador Guldimann, which I downloaded from the *Washington Post* this morning. It describes the circumstances under which he received the document, from whom he had received it, and the representations made by his Iranians interlocutors about the proposal. According to Guldimann's cover note, he received the document from a senior Iranian foreign ministry official Sadeq Kharrazi. Sadeq Kharrazi is a former deputy foreign minister. He was the brother of the foreign minister at the time, Kamal Kharrazi. The Kharrazi family is related to the supreme leader, Ayatollah Khamenei, by marriage. This was not some flake off the street. This was a serious and senior Iranian foreign ministry official.

Now, Guldimann reports that in April 2003, he met with Sadeq Kharrazi to discuss an early draft of what would become the proposal that came in May of 2003. Now, there have been suggestions from the administration that it was inappropriate for Guldimann to do this. I would beg to differ. That was Guldimann's job as the Swiss ambassador, acting as the protecting power of the United States in Tehran. Guldimann came frequently to Washington during his tenure as ambassador in Tehran. He met regularly with officials at the State Department, at the National Security Council, and elsewhere in the government. When he went back to Tehran, it is perfectly appropriate that he would meet with Iranian officials who were interested in exploring openings to the United States and talk with them about what he thought would need to be in any kind of Iranian initiative to make it attractive to the United States. That is not diplomatic freelancing; that was Ambassador Guldimann doing his job.

Guldimann recounts that at the beginning of May, Sadeq Kharrazi came back to him to report that he had presented the first draft of this paper in two separate two-hour meetings with the supreme leader, then President Mohammad Khatami and then Foreign Minister Kamal Kharrazi at which, quote, unquote, "every word of the draft was reviewed." The foreign ministry official also related that he had additional meetings on the document with President Khatami and with the supreme leader individually. On the basis of these discussions, Sadeq Kharrazi asked Ambassador Guldimann to transmit a revised version of the paper to Washington. Kharrazi proposed that if Washington accepted the document, the Iranian foreign minister, his brother, Kamal Kharrazi and then Secretary of State Powell could meet, quote, unquote, "very soon to launch a formal diplomatic process."

If this were not possible initially, Kharrazi said that initial meetings could be held at a lower level and he specifically referred to a meeting that was coming up within a few days between Zalmay Khalilzad and Ambassador Javad Zarif, the Iranian ambassador to the United Nations. This meeting was going to be taking place within a few days and Sadeq Kharrazi suggested, if you couldn't do it at a secretary of state level initially, if you couldn't do it at a deputy minister level with the Deputy Secretary Armitage participating, maybe he could do something at the level of Zarif and Khalilzad.

Now, I suppose that the administration could claim that Ambassador Guldimann simply made up the cover note out of whole cloth, while he was also allegedly fabricating the proposal. I want to say five things about that. First, in my experience dealing with Ambassador Guldimann, I never knew him to be anything other than a first rate professional of complete integrity and an astute analyst of Iranian affairs. It would be completely out of character for Ambassador Guldimann to make up or fabricate the claims that he relates in his cover note. Second, since I left government three and a half years ago, two senior Iranian foreign ministry officials in separate private conversations have confirmed to me that the document passed to Guldimann had indeed been fully vetted at the highest levels of political authority in the Islamic Republic and that the document's transmission to the United States had been authorized at those levels.

Third, even if Guldimann had some role in helping produce a first draft, it doesn't matter. As my wife and sometimes coauthor, Hillary Mann, was quoted saying to *Newsweek* recently, if the Iranians take a document, vet it at the highest levels of their political system, and authorize its transmission to the United States, it doesn't matter if the document originally came from Mars. It doesn't matter if Woody Allen wrote the first draft of this document. What matters is that the Iranians took it, worked with it, and sent it in to see what the American reaction would be. That is what is important here. Fourth, the administration never bothered to find out if Guldimann's representations about the document were accurate. In this regard, the administration's claims about Guldimann's fabrication of the proposal or the proposal's lack of official standing is only the beginning of its efforts to mislead the public and Congress about what really transpired, but, again, more on that in just a minute.

And finally, on a personal note I would ask if this Iranian document, as the deputy State Department spokesman, Mr. Casey, is quoted in the *Post* as having said, if this document has no official standing with the Iranian government, if it has no official standing with the U.S. government, if it is not even a classified document, then why is the White House intervening in the CIA's prepublication review process to forbid me from writing about this document by claiming that to do so would reveal classified information? They need to get their stories straight here.

Now I want to address the question of how the Iranian proposal was handled within the administration. Let me start that with a description of my personal status at the time. I left the National Security Council staff – my position as senior director for Middle East affairs there, I left that position in March of 2003, six weeks before this document came in and I returned to my home agency, the CIA. At the time that this document arrived in early May, I had taken the decision to resign from government service and was within days from my departure from the CIA. I saw the document, but within days of having seen it, I was out of the door with private citizen status.

Now, what happened to the document after it came in? At the State Department I know for a fact from multiple sources that this document went all the way up to Secretary Powell. Larry may have some more to say about that, about how it was dealt with at the highest levels of the State Department. I would also say that my wife, who at the time was on the policy planning staff of the State Department, wrote a memo to Secretary Powell about this document, attached the document to the memo. It went to him. And I can recount that a few weeks later, at a State Department event that my wife and I both attended, Secretary Powell came over to speak with us. On this occasion, he referred to the memo that my wife had written. He said he though it was a great memo, but in his words he couldn't sell it at the White House.

So we know that the document went to Secretary Powell and that there was some kind of communication between Secretary Powell and the White House on this subject. Given Secretary Powell's level as a cabinet level principal, one can I think surmise with whom at the National Security Council staff Secretary Powell might have discussed this document. At the NSC – I know that the document went over to the NSC. People at both the State Department and people who were on the NSC staff at the time have confirmed for me that the document went

over to the NSC. It is unthinkable that a document of this significance would not be put in front of the national security advisor, but this brings me to the question of whether and when then National Security Advisor Rice saw it.

Last week, in testimony to the House International Relations Committee, Secretary Rice said she did not see this document and in fact blamed me, by name, for not having come into her office, put it on the desk, and said that she should pay attention to it. That testimony on her part is shameful. I was no longer at the National Security Council. I had no physical access to her and had not had such access for six weeks before the document arrived. For her to question my competence and integrity before a congressional committee and to blame me for her failure to focus on this document is wholly unworthy of a national security advisor or a secretary of state. She owes me an apology for questioning my competence and integrity in this way and for blaming me for her failure to focus on this document. But she also owes an apology to Congress for misrepresenting my role in this episode. More importantly, she owes Congress an apology for saying that she had never seen the document. In 2006, in two interviews of which I am aware, she acknowledged having seen the Iranian proposal and described to some degree its contents.

Furthermore, in December of last year, in the toing and froing over the draft op-ed that my wife Hillary Mann and I wrote for the *New York Times*, the State Department proposed – as we were trying to talk with the powers that be about what we might be allowed to publish on this issue – the State Department itself proposed allowing us to publish the following language, and I quote, "shortly after the invasion of Iraq, Tehran proposed negotiations for one-on-one talks with the United States, as Secretary Rice and former administration officials have acknowledged." That is language that was proposed by her State Department to us for inclusion in our op-ed.

Beyond that, she owes Congress an apology for suggesting that had she seen such a document – with its clear implications that Iran was conditionally prepared to accept the existence of Israel – that she would have acted on it. The White House in fact had no intention of moving to negotiations on a grand bargain with Iran. There is some speculation there may even have been a trade-off to give the State Department a little flexibility room to maneuver on North Korea in return for not moving on Iran. I don't know if that is true or not. I do know that the White House had no intention of moving to negotiations on this kind of grand bargain with Iran.

Zalmay Khalilzad and Ambassador Zarif did indeed meet within a few days of this message coming in, but within a few days after that the White House cut off that channel – the channel that we had been talking to Iran for almost two years with regard to Afghanistan and related issues and during which, by the way, the Iranians who were participating in those discussions would periodically say, we need to expand this dialogue to cover broader issues. And the people participating in those negotiations on the U.S. side always said, we are not authorized to talk about that. So the idea that the Iranians wanted to expand the diplomatic framework with the United States was not new. The administration didn't want to do it.

I would also ask you on the nuclear issue to compare the incentives package that the Europeans put before the Iranians in August 2005 and the incentives package that the P5 and Germany put to the Iranians in June 2006. The main difference in those two packages concerns the willingness of the people making the offer to include security guarantees for the Islamic Republic. In the latter package, which the United States signed on to, earlier language about security guarantees was all taken out and that language was taken out because the Bush administration was unwilling to sign on to it because it implied movement toward a grand bargain with Iran.

The real issue, though, is where are we going to go with Iran? What the Iranians offered in the spring of 2003 was nothing short of a potential Nixon-to-China breakthrough in U.S.-Iranian relations. This administration, for its own reasons, rejected that possibility. That is the bottom line here. And now they are trying to ratchet up the public pressure on Iran by blaming Iran for the failures of our policy in Iraq. It is still possible, it is still manifestly in American interest, to go down a different road. I was very struck in the Democratic response to the State of the Union Address, when Senator Webb talked about how, when he was fighting in Vietnam, he was being shot at by Chinese ammunition fired from Chinese weapons and fired by Vietnamese troops who were being supported by Chinese advisors, and yet at that same time the Nixon administration was moving toward a major diplomatic breakthrough – an historic breakthrough with the People's Republic of China. And as Senator Webb said, that was the right thing to do.

It is the right thing to do here for the United States to move toward a serious diplomatic opening with Iran. I am afraid that this administration is headed in another direction, but as a matter of historical record, that opportunity has been there in the past. This Iranian offer that came in the spring of 2003 is only one especially salient manifestation of that possibility. And if the administration would come to its senses, I think it is still possible to put U.S. relations with Iran on a more positive trajectory. Thank you very much. (Applause.)

MR. PARSI: Colonel Lawrence Wilkerson.

COL. LAWRENCE WILKERSON: Thanks. Thank you, Flynt, and thank you, Steve, for having me here. Flynt has given you the details, details that even I was taking notes on, because Flynt has a grasp of the details that exceeds mine. I'm going to give you the perspective from the Department of State and I'm going to give you a little overview. I call it the geopolitical, geostrategic dysfunction overview. (Laughter)

First of all, you have to consider what the United States confronted pre-9/11 and then post-9/11 with regards to what has now become called quite commonly unilateralism, ultra-nationalism—whatever you choose to call it. I think it is clear to everyone that even in January 2001, we embarked on a very different foreign policy from that which we had been pursuing for a half-century plus. As a result of that, Secretary Powell found himself having to manage some very important accounts from a position of what I call—and I think very precisely—damage control. In fact, I would submit to you that historians will describe Secretary Powell's legacy in those kinds of terms when they come with dispassion and research to write about it a decade or so hence.

We first had a vivid indication of this with regard to the F-8 and EP-3 aircraft that collided on April 10th, 2001, and this government was utterly dysfunctional, as was the government in Beijing. And so Secretary Powell was able to flow into that dysfunction and essentially take over the most important, in my view, strategic relationship that America has today. He was able to take it over—I say it in those terms, because there were people in the administration who were thinking of China—indeed they still are—as the new Soviet Union, as that entity which would give the national security state reason to exist and to continue to exist. And Powell flowed into that and I must give George W. Bush great credit here, because of his economic instincts primarily, the president flowed with Powell. And Powell and the president together were able to maintain I think that relationship in some equilibrium for four plus years, much to the credit of the financial situation and the economic situation in this country, as well as in China.

Then along came 9/11. We had already been shown a little bit of the unilateralism with what it occurred with the dissolution of the ABM Treaty; the force feeding, if you will, of the Ballistic Missile Defense Program—force feeding, incidentally, against the military's wishes, as well as against other people's wishes in the world—the almost reneging of any rationale to the Kyoto Agreement. Although it was flawed, there was no alternative offered. And then came Secretary Powell getting to forward on his skis, as he put it, with regard to North Korea and having the boldness to insinuate that we might continue the Clinton administration's policy, which incidentally has just been continued again with more rewards to North Korea five or six years later.

So we had 9/11 accelerating this tendency towards unilateralism, ultra-nationalism—whatever you choose to call it. We also had Secretary Powell essentially having to hold the hands of people like Dominique De Villepin, the French foreign minister; Joschka Fischer, the German foreign minister; even Jack Straw. And we had Donald Rumsfeld saying on the brink of Tony Blair's presentation to the British Parliament, which would convince them that Britain should join us in the war in Iraq, Donald Rumsfeld saying that we didn't need the Brits. So he had to hold a lot of people's hands in the transatlantic relationship, do this damage control in order to keep the transatlantic relationship from falling apart. We needed Germany. We needed France. France became—still is I imagine—one of our, if not our best, partners in this war, if you want to call it a war—this counterterrorism effort across the globe.

We also had an absolute failure, much to Secretary Powell's chagrin, to deal in any way, fashion, or form with the principal problem in the Middle East: the Israeli-Palestinian situation. Not only did we have a complete absence of a meaningful approach to that problem, but we also had a president who looked at Ariel Sharon and

called him a man of peace, when in fact everyone involved with the situation in the Middle East would have thought quite differently. And that's not to characterize Sharon or to characterize Likud or the government in Tel Aviv, it's simply to say how inartful such expressions like the axis of evil, man of peace, and so forth were in the diplomatic world and how much damage control had to be done in order to soothe the wounded feelings, in order to smooth over some of the imperfections coming out of this very unilateralist White House.

Moving to Asia again, we had North Korea. I mentioned it. I mentioned Secretary Powell getting too forward on his skis. We had an initiative and we thought that we're going to get some headway on this initiative. It was a two-pronged initiative, which you now see is being implemented. On the one side was what we call the black hard side, where we were going to essentially take on the illicit activities of Kim Jong-il and his regime, everything from drugs to counterfeiting U.S. money. And on the soft side was this six-party mechanism—three-party, four-party, six-party mechanism, which it eventually became. And so that was an account that we felt like we were making a great deal of progress on, though much slower than we thought, and it was taking a lot of energy and it was taking a lot of the secretary's time. We had the 9/11 Commission testimony. Before the 9/11 Commission—first time a national security advisor to my knowledge has testified before such a commission, much fighting about doing that until the groundswell of American public opinion forced her to do that. That sucked a lot of energy out of the room.

But let me come to the second major point I want to make, after that little geopolitical, geostrategic overview: the dysfunction of the National Security Council. The term I heard from almost everyone in the government—Commerce, Treasury, State, across the board—the term I heard when I walked into the deputy secretary of state's office and caught him in the evenings in unguarded moments: dysfunction. The most dysfunctional national security decision-making process in their experience, and I'm talking about people who had 25, 30 years experience in government. It was. It was the most dysfunctional process, probably, that we've had in a long time, if not since the 1947 National Security Act.

Why? Well you've got a national security advisor who is very inexperienced. You also had a national security advisor who made a choice, in my view. She looked at her choices and she said, I can either discipline this decision-making process and in the event I do that, I will have to take on the most powerful man in this administration, Richard Bruce Cheney and his colleague Donald Rumsfeld, and I will lose battle after battle or I can seek real intimacy with the president and perhaps through that intimacy eventually have some influence and cause some decisions the way I want those decisions to be made and maybe even I might get to be secretary of state. And so she not only brought her inexperience to the national security advisor job, she also brought a predilection for other than disciplining the decision-making process, and so we had dysfunction.

Into this strategic geopolitical overview and this dysfunction in the decision-making process flows, as Flynt has said and I agree with him, a proposal not unlike that that Richard Nixon and Henry Kissinger encountered with respect to China. And I was in the same war James Webb was in and I agree with Webb's comments. But was it paid attention to? It was not. And I must clarify one of the things that was intimated by Flynt by saying that from my perspective at the State Department, it was not handled precisely the way you would think it should have been handled, even at the State Department.

Now, there were two reasons for that. One was there was a battle in the State Department, as there always is, and this battle developed along very, very typical lines. The only strategic think-tank in the United States government is the policy planning staff at the State Department. That is a horrible admission for me to have to make, but it is. No one does strategic thought at the NSC staff—no one. And so you've got these people in the State Department, at this point under a very bright ambassador, Richard Haas, who are thinking hard about strategic matters. I served with them for 18 months. They are thinking about how would we deal with Iran if and when we had the opportunity. So they are developing things. Incidentally, they're developing things that don't look a whole lot different from what Flynt just reiterated to you with regards the negotiating points.

Meanwhile in the NEA – in the Near East Affairs, under Bill Burns, Assistant Secretary Bill Burns, there are people who have jealousies, envies, and different agendas. And so you've got a struggle within the State Department between the people who really do the business, the tactics on the ground, and the people who are up here in the ether like George Kennan thinking about the future and developing strategic plans for that future. So

you had this battle in the State Department over essentially, is this really a genuine offering from Iran or is this, as Flynt indicated, simply an embellishment by our protecting power? Is it simply something that we can't pin down? Is it really something that matters or is it insignificant?

You had the secretary of state, in my view, convinced that it probably had a potential to be significant, but you had these different people speaking to him within the State Department as to whether it was or whether it wasn't. But that wasn't, in my view, the straw that really broke the camel's back with regard to the secretary of state. It was the fact that he had so much capital invested in other accounts, so much riding on those other accounts that—and this is going to be my interpretation, please—my interpretation. I'm crawling inside the secretary's head. With the dysfunction that we were seeing in the National Security Council, with the sure knowledge that the vice president and the secretary of defense were making most of the meaningful decisions with regard to national security, with the sure knowledge that we were going to have to take them on full frontal attack on North Korea, I doubt the secretary thought he had the power and the political capital to take them on both accounts simultaneously.

And so if I had to guess why the secretary might not have been as aggressive as he otherwise, as we've seen, probably should have been, it was because of those two factors: the dysfunction of the process and the sure knowledge of that dysfunction and who really made the decisions. And secondarily, he was awfully damn busy doing damage control. That's not a really pleasant thing for me to have to reveal. You should see me in front of my seminars when my 22-year-old, 21-year-old graduate and undergraduate students ask me about this decision-making process and I tell them, you must remember, it's humans. It's people. And sometimes it's people who aren't quite as equipped for the task, aren't quite as talented and capable as you might think.

And I'm not trying to insinuate that Secretary Powell was that way; I'm simply trying to say that he had a lot on his plate, a lot that was riding on his ability to convince this president to do something when he knew damn well the moment he left that president that if Dick Cheney disagreed with it, he'd be in the Oval Office one-on-one with the president and dissuade him from doing it, as he often did. And so it's a very difficult decision-making environment and certainly a difficult execution environment to live in and you do the best you can and you hope at the end of the day you've done more good than you've done bad for your country. That is my view of what happen to this, as Flynt has described to you, probably potential diplomatic opening with Iran in 2003.

And let me just add one more thing before I sit down. Through serendipity, through connivance, through intent, strategic or otherwise – I don't know what – I sense right now that we have regained some of the strategic leverage that we forfeited over the last three or four years with regard to Iran. It's a combination of the military operations that are going on, what's happened in Lebanon, what's happening with the Israeli-Palestinian process, what's happening inside of Iraq, which is getting worse and worse, what's happening in Afghanistan, what's happened to Mahmoud Ahmadinejad in local elections in Iran, and a host of probably other things I don't even know about. But it looks as if today we are approaching, if we aren't already at, a moment we should capitalize on once again. That is to say, we could probably move to meaningful diplomatic talks with the Iranians. And that's what I'm really concerned with, because I don't see the political will in the administration still to do it. Thanks. (Applause.)

MR. PARSI: Thank you so much. This was truly fascinating. I mean, this is a story that absolutely needs to be told because not only does it give a very interesting picture of what has been taking place here in Washington, it would also increase our understanding of what has taken place in Iran. When I was in Iran in 2004—this was before this proposal was made public—and discussed it with a lot of Iranian officials in my interviews, already then you could see that what we are seeing in the last year with a hardening of the Iranian position, a much more firm and uncompromising stance by the Iranians—has more to do with the failure of this proposal to produce a response from the Bush administration than to the rise of Ahmadinejad. The conclusion on the Iranian side was basically that if you put all these things on the table and you're offering to change your policy and that does not prompt a response from the Bush administration, then the Bush administration's concern does not primarily lie in the policies of the Iranian government, but in other things. So if the Bush administration is not that concerned about Iranian policies, why offer compromises on those policies?

The other thing I just wanted to briefly add before we're going to take two quick questions is that I'm very grateful that—Flynt, that you spelled out in greater detail what happened. I just want to add a little bit of additional information. The proposal reached the U.S. primarily through one channel, but it went into several different channels once it got here, and one of those channels was a member of Congress that was approached to ensure that this proposal did reach the White House because at the time there was some concerns that if something goes to the State Department, that may not necessarily be sufficient to ensure that there is some sort of a debate in the administration about it. That proposal did reach the White House through this member of Congress and within two hours he received a call back and there was a discussion about it.

MR. CLEMONS: Which member?

MR. PARSI: This is Congressman Bob Ney, who had been very active on Capitol Hill on U.S.-Iran relations. The only Farsi-speaking member of Congress.

MR. CLEMONS: Now just two quick questions and then we have to move on to the next panel.

Q [Patrick Clawson]: Col. Wilkerson, your comments about that policy planning. Are you suggesting that the Near East affairs bureau at the State Department – the policy professionals at the State Department who were best informed were not enthusiastic about this proposal?

COL. WILKERSON: I'm not only suggesting it, I'm saying it definitively.

Q: Okay. So we've got the policy professionals at the State Department…...

COL. WILKERSON: I didn't say that. I said the leadership in the NEA.

Q: …Who at that time were not political appointees.

And, Flynt, your description of Sadeq Kharrazi—I was intrigued. You might mention that Kharrazi was fired from his position because of unauthorized approaches he'd made to the United States about discussions. I'd be interested in your thoughts about how much credence to put in a proposal made by a gentleman who's now an ambassador to Paris who'd previously been fired from his position for unauthorized approaches to the United States, and he makes yet another approach to the United States?

MR. LEVERETT: First of all, I don't think that's the full story for why Sadeq Kharrazi left his position as deputy foreign minister and took up the position that he had at the time, which was as Iran's ambassador to France. The more critical question is, why should we take this proposal that came in from him seriously? I think we should take it seriously because he gave very detailed representations about how it had been vetted at the highest levels of political authority in Iran, including both President Khatami at the time and the supreme leader Ayatollah Khamenei. I think we should take it seriously because other Iranian officials have been prepared to vouch for the legitimacy of this proposal. It might be the case that if the United States had taken the offer seriously, tried to explore some initial meeting with the Iranians to discuss the proposal – I certainly can't guarantee that things wouldn't have fallen apart on the Iranian side. My point here is that we didn't even bother to go through that exercise. We didn't even bother to try to find out if this was Sadeq Kharrazi making something up, if this was Guldimann making something up, as some have suggested, or if it really was a serious effort by the Iranians to make some kind of diplomatic opening.

I mean, the fact is that Sadeq Kharrazi in the aftermath of the 9/11 attacks had been charged by the supreme leader himself to oversee a policy review on the question of relations with the United States within the Iranian foreign ministry. And his brother, Kamal Kharrazi, was the foreign minister at the time. I think for us not to have eplored the seriousness of the Iranian offer is, as I've described it elsewhere, the strategic equivalent of medical malpractice.

Q [David Isenberg]: The position of the State Department and Secretary Rice has been that she's happy to go and negotiate with the Iranian leadership anytime, anywhere, any place. Only one precondition: that is that

they have to stop the enrichment program forthwith. With regard to the proposal, under the working groups on disarmament, what if anything—because it would seem from what you have circulated—you know, unconditional fulfillment, disarmament. Was that taken to mean that, yes, they would stop?

MR. LEVERETT: Let me point out that at the time that the proposal came in the spring of 2003, Iran wasn't enriching uranium. They weren't spinning centrifuges. They weren't enriching uranium. This is one of the costs that ignoring this proposal has imposed on the United States. They have made significant advances in their nuclear program over the last three and a half years since this proposal came in. And I think, quite frankly, the idea that we're ever going to get zero enrichment as part of a settlement of a nuclear issue is now a pretty remote possibility. If we had moved in 2003, I think it would have been a real option as part of a comprehensive settlement that included arrangements regarding Iranian nuclear activities. So I think she's being disingenuous on that point to say that, well, we'd be prepared to negotiate now if they would just suspend their enrichment program. She could have negotiated with them three and a half years ago when they didn't even have an enrichment program that was actually operative.

MR. PARSI: Thank you all so much. This has been a great discussion. I'm sure it's going to continue and on that note about enrichment is a perfect transition to our next panel that is going to discuss exactly that issue. Thank you.

(END)

Session II: Iran's Nuclear Challenge – Debating the Technical Dimensions

Moderator:
Joseph Cirincione, Senior Vice President for National Security and International Policy,
Center for American Progress

Bruno Pellaud, Chairman, IAEA Experts Group on Multilateral Approaches to the Fuel Cycle; Former Deputy Director General and Head, IAEA Department of Safeguards

Maurizio Martellini, Secretary General for Landau Network-Centro Volta; Consultant on Nonproliferation, Italian Ministry of Foreign Affairs

MR. CLEMONS: So without further ado, let me invite Joe Cirincione to take over. As many of you know, for a long time he headed the nonproliferation activities at the Carnegie Endowment for International Peace, and he's now basically running the foreign policy show at the Center for American Progress, and I love working with him. So, Joe, the floor is yours, and I look forward to this.

MR. JOSEPH CIRINCIONE: Thank you very much…We're going to condense this discussion a bit so that we can end on time so that we don't delay your lunch or Congressman Harman's remarks. What we hope to accomplish in this panel is, one, an understanding of Iran's current technical capacities. Where is this uranium enrichment program right now? Where is it heading? And how long will it take them to get there? These are the essential questions we need to know so we can understand what our timeline is. How long do we have to try to resolve this problem? What's our window here? Is it, as some have suggested, an imminent threat? Are they approaching a point of no return or do we have several years before they will have the capability to develop either fuel for reactors or material for nuclear bombs?

For that question I'm going to first turn to Bruno Pellaud, who's going to elaborate his view of their technical capability. We will then go into possible compromises. What could we do that could allow Iran to proceed on its truly peaceful nuclear program, but not have access to the dual-use uranium enrichment technology that could be used for peaceful purposes, but also could be used to make the fuel for nuclear bombs? And for that we'll go to Maurizio Martellini. Bruno, could you start us off?

MR. BRUNO PELLAUD: My perspective is that of a former IAEA inspector. I spent six years in Vienna in the '90s dealing with North Korea and Iran. I'm not anymore with the IAEA, so don't be confused—I'm not at all linked to the IAEA anymore. Now, where do we stand with Iran's nuclear weapon program? There are very few credible authorities free from political interference who can answer that question. In my view, there are only two kinds of credible voices on that issue: one, the IAEA, because they have inspectors on the ground; and the other credible people are the intelligence communities. The IAEA has said, as far as what they see on the ground, what the inspectors are saying, there is no evidence of a weapons program.

What others are saying—and that could be the intelligence services, such as Mr. John Negroponte, director of the U.S. national intelligence for several years—I mean, his credibility certainly cannot be dismissed out of hand. He has had clear statements over the last two years regarding what has been seen by the U.S. intelligence community and that it's still a long way—5 to 10 years—before there would be any possibility for Iran to have nuclear devices. These views have been confirmed by the head of the German intelligence office, Mr. Ernst Uhrlau. So one can go into the details, but it's not the point. The point is that there is no evidence. What does that mean? Of course, for the IAEA, for the verification agency, it is that you should ignore all that and act in your verification activities as if there were a program, and that's what the IAEA is doing.

Ten days ago, the *New York Times* expressed the view that the many setbacks and outright failures of Tehran's experimental program suggests that its bluster may far outstrip its technical expertise. I'm a nuclear physicist. I'm a nuclear engineer. I have dealt with various people who have good access to the information of what has happened in Iran in the last few years, and the so-called Iranian nuclear program is in bad shape. The quality of the uranium hexafluoride coming out of the Isfahan conversion plant is so poor that the Russians don't want to take it back to Russia to turn it into fuel because it's simply not usable in any modern facility. The process has probably improved in the meantime. Of course, one has to be cautious. Maybe the Iranians will be able to produce good uranium hexafluoride. And what about the centrifuges? The Iranians spun the first centrifuge in 1998. They had acquired a number of centrifuges already in the late '80s, so it took them quite a while to get the first one spinning, and I think it took them almost another 10 years to get a few hundred spinning. So it is a difficult process.

In the meantime, in the recent weeks Iran has announced it will be assembling 3,000 centrifuges; yet they do have the spare parts, in my view, for 2,000, but they talk about 3,000. They would like to assemble these. I doubt

very much that they will assemble these centrifuges in the underground facility in Natanz. You have seen pictures of deep tunnel—simply because with all the noise going around, they will probably never bring together all their centrifuges in a single location because it would be a little bit silly. So what can be done with the few hundred centrifuges that the Iranians have? They have managed to operate one cascade of 164 centrifuges and probably a second. I think one should count with 328 centrifuges properly spinning. The head of the technical program in Iran, whom I met last year in an international meeting, told me they had produced a few milligrams.

The IAEA is on the spot, by the way; you should never forget that there are international inspectors all over the place in these facilities. It is not exactly a secret facility. What can be done with small quantities? Very little. I want to draw your attention on one interesting document which has not been published, unfortunately, which is however available. A number of eminent American scientists: Richard Garwin, winner of the Fermi Award in 1996; Marvin Miller, Wolfgang Panofsky, and Frank von Hippel from Princeton University have written to the government in 2005 to say that a small number of centrifuges of 100 or 200 is equivalent to a zero risk option. Those are American scientists saying so. If you want additional information, contact Frank von Hippel in Princeton and he will tell you whatever he wants to tell you from his colleagues, but I've seen the document and this is very solid stuff. So Iran has a small number of centrifuges, which is of no great strategic importance.

What does all that mean? It's not an issue of minimizing the risk; it's just an idea that there is time for diplomacy. This is an issue at which these American scientists have looked: what could be done with the few centrifuges operating right now? I used these, "American figures" to say if they have 500 centrifuges, what does that mean? Well, it means that there is two to three years before you can get any amount of enriched uranium; let us say one half of the significant quantity that the IAEA uses, which is 25 kilograms, so it takes a few years. And again, the inspectors are always on the spot, so if Iran would like to produce additional quantities to get to a significant quantity, they would have first of all to kick out the IAEA inspectors and this will be known. This will be immediately announced. And there will be an obligation for Iran, practically, to withdraw from the NPT and then the international community can act, and then you can send the fighter bombers if you want, at that point. For the time being, the inspectors are on the ground and the centrifuges are few and they are not operating very well, so there is time for diplomacy.

One point I want to make in this very much shortened version of my presentation: in this country there is an overwhelming tendency to dismiss the activities of international verification organizations like the IAEA. This is very surprising for me because I spent six years in the IAEA in changing basically the safeguard system, which was much too weak and failed in Iraq. And in the '90s under the leadership of Hans Blix and then Mohamed ElBaradei—I was their deputy for safeguards—we managed to change the system into a much more efficient system where the inspectors now are not harmless. They take sample of dust wherever they go, they have satellite pictures at their disposal, they can carry ground-penetrating radars, and so there are other tools available. Where do these tools come from that the IAEA has been using in Iran and elsewhere? From U.S. national laboratories. The U.S. national laboratories brought us their know-how in how to be very efficient inspectors. So all those are American ideas. That's the way we saw it in Vienna: Here are the Americans coming with all these goodies and we'll be able to do a very good job.

And that's what the IAEA has done in Iran, because Iran gambled in 2003. They gambled on a voluntary basis to accept the very intrusive IAEA inspection code under the additional protocol. They did it voluntarily. They gambled that, well, okay let's have the IAEA come here. What happened, of course, with all these new tools the IAEA discovered additional violation of Iran's declaration. Iran should have declared in the '80s and '90s things that they hid from the IAEA. They received from China nuclear materials in the early '90s that they did not declare to the agency. I knew about that when I was at the IAEA from 1993, and I did send inspectors climbing on roofs to try to look down and find where these materials were located, but we didn't have any power to really break down the doors. The IAEA has now a power which can be used—which has been used—and which will provide a degree of assurance to the international community, and I think also to Americans, who are worried about what could happen in Iran.

So when you bring together these things—the fact that there is a weak technical basis for the program, that it will still take a long time, that the IAEA has very powerful tool to deal with—it's time to sit back and say hey, what do we do next? We heard about the "grand bargain" before. Personally, I feel there is a potential for

an understanding with Iran on the nuclear issue, without getting too far away, without getting the whole Middle East involved, simply because the Iranians are very much interested in resolving the issue and they are very much interested in working on the nuclear field with western companies. They would like to get away from the Russians. The Russians have been unable to complete their one and only nuclear power plant in any reasonable time. The Russians are bargaining their support in the Security Council with all kinds of blackmail to have the Iranians order additional nuclear power plants, and I know that the technical people would like to work with the West. That is a basis for an understanding.

But I want to draw your attention on things that have happened in Europe in the last few days, of which you may not have read. Last Sunday, Mr. Ali Larijani, the head negotiator for Iran, was in Munich at an international conference and in that conference his signals were clear: now we can start negotiating. He said, he has written to Mr. ElBaradei at the IAEA to say that within three weeks we could settle the pending issues between the IAEA and Iran. Now, we'll see. Promises have been made in the past. In Tehran, at the same time that Mr. Larijani was speaking in Munich, the foreign affairs ministry issued a declaration which said negotiation should start, and even suspension could be a topic to be discussed in the first round of negotiation. So there is movement. Let's hope that this room will be used in the forthcoming weeks to try to find and accommodation.

You may feel well, why is Iran then bending over backwards to try now a negotiated settlement of the issues? I don't think the military threat is the only dimension. What is very interesting are some of the economic measures that have been recently taken by a number of European countries. For example, now most large banks refuse to deal with Iran. There are no more loans, and there are no more transfers of payment in dollars, and even Euros will not be easy to transfer. There are all kinds of economic developments going on. An interesting fact is that over the last year, the trade volume between Germany and Iran has dropped by one-third, and this apparently is forcing people in Tehran to think twice. They used to be able to do business with the European. But now even in Europe it is difficult even without official sanctions, simply because many companies are trying to keep away from Iran. I think it has an impact, I think this would lead to at least an opening for negotiation, and I hope that's what's going to happen in the next few years. Thank you. (Applause.)

MR. CIRINCIONE: Wonderful, Bruno. Thank you very much. Before you begin, Maurizio, I realize that for those who are watching this and who don't have access to the bios that the audience here has, I just want to remind you that Bruno Pellaud formerly served as the deputy director general of the International Atomic Energy Agency in Vienna, and he was head of the department of safeguards and he holds a degree in nuclear physics. Similarly, Maurizio Martellini is the secretary general of the Landau Network in Centro Volta, which is a high level, worldwide, educational institution promoting exchanges between educational institutions, NGOs and the scientific community. He is a theoretical physicist and currently is an associate professor of theoretical physics at the University of Insubria in Como, Italy.

MR. MAURIZIO MARTELLINI: Thank you, Joseph. Why am I here? I am here since my organization started a quiet, Track-II process with Iran in 2005. And I will explain to you the methodology because otherwise what I'm going to say has no meaning. The basic way of attacking a problem like the reality of the Islamic Republic of Iran is to have multiple dialogues. So we have been able in the past to create a link with different representatives or different entities linked to the supreme leader, linked to the Iranian ministry of foreign affairs, linked to the Supreme National Security Council.

Through this way we established a sort of communication channel. What I'm going to say doesn't reflect at all what my government is saying and I am going to say something about my last visit last Sunday in Tehran. What did we try to do? We tried to move from what Bruno said. To establish some basic elements of understanding. We used a sort of step by incremental step-by-step approach. Speaking with Iran in the presence of such high levels of mistrust with respect to the West, you need definitely the approach that you are applying for the DPRK—an incremental approach of coordinated steps. The nuclear issues for Iran, which have been stressed again in my last visit there, are a tool to open more dialogue concerning the famous grand bargain mentioned here earlier.

Somebody in Tehran sent me this joke. He said to me, look at the Europeans; they try to reduce the problem, the Iranian question that has multiple aspects from the regional, from inside—the society is very complex inside—

the Europeans tried to reduce this big Iranian question to the nuclear problem, and the problem has been further reduced to the problem of enrichment. And the problem of enrichment is further reduced to the problem of number of centrifuges. It's like trying to look at a forest ecosystem, but instead of looking at the forest you're looking at just one tree.

And another point that they stress to us… is that they don't trust the Europeans anymore. Sorry to say that since I am a European, but they don't trust us because they realize they failed to understand who is leading the process: Paris or Germany – or Berlin, or Mr. Solana. So these kinds of misunderstandings on the process of negotiation are also having, I think, an effect over the failings of the last negotiation.

So what did we discuss? I have with me some few copies of a proposal that we floated last September. These proposals have been discussed at high level from the Leader to the president in Iran. The proposal essentially was concentrated—I am a former theoretical physics like my friend Bruno, even if I'm working in international security now as a consultant and also for my ministry of foreign affairs—in finding some exit strategy: how to find some common basis between the zero enrichment option and Iran's requirement to do research?

Sometimes under the pressure of mass media and other political issues, unfortunately we lose the root of the problem. This problem is manageable. It's a technical problem—there is a lot of possibilities we have no time to discuss, but there is one possibility Bruno mentioned: the Russian proposal. The Russian proposal—roughly speaking, a proposal to enrich the hexafluoride, or some uranium gas necessary to feed the centrifuge. The Russian proposal was to enrich the gas on Russian soil. But there is no trust in Tehran to give all supply security guarantee to one source. So the key point was already established two years ago in March 2005, where during the Romanian EU leadership for the negotiator, Iran posed the two basic questions to the international community and I suppose that the agency said no.

The basic questions that are pivotal and very mandatory are two: first, the economics of doing enrichment outside of Iran—so it's a matter of economy, of a feasibility study. The second question, very fundamental, that the Rohani staff posed to the European negotiator, and said it to me very clearly, is the problem of security guarantees. But not security guarantees in regional sense, but security guarantees on the supply of the enrichment fuel done somewhere outside of the borders of Iran. These two basic questions haven't received any clear answer. Even at the end—I was in Tehran from August the 20th until August 24th, exactly when Iran answered the EU proposal.

So—and the question was—was there a mechanism to guarantee security of supply? Why this is important? And I'm going to conclude because I know the time is short. It's important exactly for the argument I said before. Now, I've seen also by my eyes that in Iran there is some fear not only for the military strike—they say to us that they don't care about military strikes—but there is fear concerning the economic situation. So I think that now if some track-II organization supported by the agency is going to resubmit a multilateral nuclear approach to the nuclear fuel—in another sense to establish some international consortium for enrichment service with not only one supplier, we do not only want Russia as the supplier—but with other enrichment supply or service. I mean, from France or from the European sides.

And if this consortium is going to sell the enrichment service, the low enriched fuel would not directly go to Iran, but to a virtual fuel bank under the control of the IAEA, it is the IAEA that must provide the security guarantees. So the way to work now to reopen, I think, the nuclear bargain is to work on these two basic concepts: an international consortium and a virtual fuel bank managed by the agency that must provide the guarantees. And I think Tehran is going to listen to these proposals. Thank you very much. (Applause.)

MR. CIRINCIONE: Thank you very much. Let me start off with a few questions. Bruno, let me start with you. You said there's no evidence in Iran of a secret weapons program. Surely you don't mean that. Perhaps what you mean is there's no proof of a secret weapons program, because we do have some evidence of experiment conducted in the past or activities conducted in the past; for example, involving polonium-210—the now famous polonium-210, whose main use is as a neutron initiator for nuclear weapons. We found traces of highly enriched uranium. The Iranian say they are from the Pakistanis, where they got the centrifuges, but there are some cases where there is no clear answer. Could you elaborate that? From your seat, if you could tell us what you think about the unanswered questions that the IAEA itself is seeking to get definitive answers to.

MR. PELLAUD: Yes, an important consideration is time. The statement I quoted from the IAEA or from John Negroponte has to do with the current status. A brief history of the Iranian program: it started with the shah, who ordered a lot of equipment in the West, trained thousands of scientists and engineers in the United States, in the UK, and Europe in general. And they were already questioning in 1979 just before he was overthrown what his ultimate motives were.

Regarding the Khomeini regime that came in 1979, in my full paper, which is available, I quote a remarkable person whom everybody knows now, which is Zalmay Khalilzad. Coming back from Baghdad to go to the United Nation in New York, he wrote a doctorate thesis covering the Iran nuclear work in 1979, and there he has a very nice sentence regarding Khomeini. He said, the Ayatollah may have an interest in nuclear weapons; however, this interest would really be increased if they find out that their neighbors—in particular Iraq—would do so. He had a pretty good insight of what has happened because it's clear that in the '80s, during the Iraq-Iran war, Iran did start activities which were of a dubious nature in sense with military dimension—polonium, half spherical spheres of metallic uranium, and so on. There were attempts. There was a program without nuclear materials, but there was an interest clearly during the war.

MR. CIRINCIONE: Without nuclear materials, you mean fissile materials. They did not have highly enriched uranium or plutonium.

MR. PELLAUD: They had nuclear material, but they didn't have fissile nuclear material. But they were playing various experiments, so you can call that a weapons program. I would not call it a weapons program, but I would say illegal activity that should have been declared to the IAEA or inspected by the IAEA.

In the '90s, remember, Saddam Hussein had been beaten. There were two governments who did not believe that Iraq had no more weapons of mass destruction—a nuclear weapon—this is in Washington and in Tehran. In Tehran, they simply didn't believe Mr. Blix and the IAEA saying that most of the program has been dismantled. My own conviction is that in 2003, with the fall of Saddam Hussein, Ayatollah Khamenei thought, well, okay, we have a new situation now, let's hide what we did in the past and let's call in the IAEA with the additional protocol and let's do the work.

At the same time, the same people sent a letter to the U.S. government on a broader agreement. I think there was a change in 2003. Since that time, Iran has been under very strict control, and has been at least for two years with the additional protocol. So the conclusion, be it of the American intelligence community, the German intelligence community, or the IAEA, is that right now in the last two years there is nothing visible because of the high scrutiny which has been used.

MR. CIRINCIONE: Okay. So here's my hypothesis and I want to know if both of you agree with this: Iran did have a nuclear weapons program. Remember, they restarted their nuclear activities during the Iran-Iraq war. Surely they were not primarily concerned about nuclear energy at that point, and that's when they got the centrifuges from the A.Q. Khan network. That's when they got the information about how to form uranium into a metal and make it into hemispheres, as you say. The only purpose for that is for weapons. There's no civilian use. That's when they were experimenting with polonium. That's when the military got involved, et cetera, et cetera. My hypothesis is that after the Iraq war ended, as you say, they decreased their interest in that. And then sometime around 2000, they decided to go on the Japan model; that is, to openly pursue a nuclear program. And then after their Natanz facilities were disclosed in the late 2002, they opened up.

And now, what they're trying to do is openly and legally acquire all the materials—with international help—that would put them in a position to make nuclear weapons sometime in the future, should they decide to do so. But they cannot answer these outstanding IAEA questions because it would expose past activity, and that would blow their story line. So they're hoping one way or another to delay answers, and somehow get their past record cleared so they can proceed with in their view a peaceful nuclear program that would put them someday in the position of Japan—all the activities they would need to enrich uranium, reprocess plutonium, and give them a virtual nuclear weapons capability. Tell me what you think about that hypothesis.

MR. MARTELLINI: I think you are completely right.

MR. CIRINCIONE: Thank you very much. (Laughter.)

MR. MARTELLINI: Indeed, when I spoke with Mr. Wanibat out of record– the time is March, 2005—the model that they were looking at was the Japan model. The fuel for the Japan model is coming from other consortia. I mean it's buying the fuel from the U.S. But unfortunately, in order to save the face—they don't want to be humiliated. This is a key point.

So they want to keep alive this incredibly high capital cost, and Bruno may have more information with this, to create the enrichment facility that has no commercial value. I mean, at least, as some have recognized in front of me, and in March 2005, that to do this—in order for the Natanz facility to supply the Bushehr reactor, is not convenient. If and only if you have six or seven nuclear power plants is it convenient to have an enrichment facility. And remember history: six countries today have enrichment facilities, compared to the 40 that have nuclear power plants. And those that have enrichment facilities are the ones that pursued a nuclear weapons activity. So I completely agree on Joseph's point: they were really surprised by the European reaction to say no because they were ready to accept a multilateral approach.

Why am I not pessimistic? I am not pessimistic because the economic factor is the key. I was surprised when our group started to be involved. We are former physicists and got involved because there was no feasibility study on the multilateral approach. The diplomats didn't distinguish an egg from an atom. And now the argument of economy is very good, because the country, Iran, has a problem, you know the Stern report concerning the decreasing of the hydrocarbon production and so on.

So just, if you allow to me repeat the points that they—we—agreed to in our last visit to Tehran. The solution must be based on four principles: a decision to continue or stop providing fuel service to Iran or other country should not depend primarily on technology. What does this mean? I mean, the decision to provide this service must be political and not only technological. Second point, if we create some international consortium, this international consortium perhaps must provide the fuel supply service not only to one country in the Middle East, but must provide the service to also the Arab street. You know the story that Saudi Arabia and Jordan, they wanted to enter, because in this way you decrease the cost.

Last point: it's very important that to avoid the monopoly, there should be several players that provide fuel. That means the consortium providing enrichment can not be represented by only one state—for instance, Russia—but that you need to have more players in order to avoid this trap. This consortium must sell the fuel not directly to Iran or to Saudi Arabia if they start a nuclear program. Perhaps the best way to provide security guarantees for supply is that this international consortium must sell the product to a virtual fuel bank established under the IAEA, because the IAEA is multilateral.

MR. CIRINCIONE: Thank you, because that was the next question I was going to ask you, to elaborate your proposal. Suppose our hypothesis is wrong. Suppose they really do have a secret nuclear weapons program. Do you believe that the combination of international inspections and national technical means—other countries' resources—could detect a secret underground centrifuge facility or weapons activity that some people feel Iran might already be operating?

MR. PELLAUD: Well, it's a difficult question. There is an incredible complementarity between the IAEA's activity on the ground and the so-called national means, which means intelligence available to some states. In my own experience, having been exposed to both starting in the early '90s, Hans Blix said we are going to take into account intelligence information. We are watchdogs and not ostriches, so we got intelligence information. We had visits by the CIA and others. It was incredible how complementary these two were. Watching Iran, Iraq, or South Africa—which was also an issue at the time—from the air can be very frustrating. When you go on the ground as an inspector, if you know where to go—if you know that there is a back door to that building, you are incredibly more efficient. So there is a complementarity. It is difficult for countries to try to circumvent because every bulldozer that starts to dig a tunnel is seen from the sky, and there are people down in Virginia following

almost every square meter of these countries' to know what is happening. And now if you have the ability to send inspectors to these places, it's very efficient.

Let me make a plug again here for the means of the IAEA. What matters for Iran—the first priority for me is not suspension of enrichment; it is the reestablishment of the additional protocol in Iran, because under the Additional Protocol the IAEA can ask access to military facilities or any facilities in the country. This is necessary. The IAEA does not have that power right now because Iran withdrew its authorization. That's the first thing that has to be done, because in that case this complementarity, which I mentioned, becomes very powerful.

And the idea of a parallel program: You have to think the IAEA is now taking dust samples in every facility. When we were investigating South Africa in 1993—remember, South Africa built seven nuclear weapons—we asked the IAEA to come and verify dismantlement of the program. It was very interesting: here we had a real weapons program that we could analyze, so to speak, after the fact. We could trace, thanks to this beautiful tool that we have received from American—from U.S. laboratories—we could trace the movement of the facility manager during the years where he has been, frequently only with the dust sample that he left. Now, if you have a parallel program somewhere under the mountain, you must be sure that you have two sets of scientists. They should have of course two sets of clothes and two sets of papers, and everything to make sure that they never carry minute quantities of uranium from one place to the other. It becomes very difficult, not impossible.

MR. CIRINCIONE: Not impossible, okay. One final question and you have a minute to answer this: what's the significance of the 3,000 centrifuges that Iran is now racing to assemble? Is this a political statement or do you think that these will have a technical capability to advance the program?

MR. PELLAUD: I quoted the *New York Times*. I mean, it's just bragging. They are not in the position. It took them 10 years to get a few hundreds spinning, and I don't think they are in the position to get them spinning in due time.

MR. CIRINCIONE: So they may assemble them, but they're not clear that they can operate them?

MR. MARTELLINI: I think this is political, but concerning the parallel program, you must also consider the following factor: the knowledge that they are applying in the open facility in Natanz—open in the sense that it is under IAEA supervision—I mean, they had some technical problems with running these centrifuges. That is a matter of fact. So I expect the people hidden in some cave in the mountain or under it to have the same difficulty, so you cannot—if you have a no progress in one side, even if there exists a Plan B, they have the same difficulties.

MR. CIRINCIONE: Right, so their centrifuges are not 10 feet tall. Thank you very much. You know that part about allowing you to ask questions? I lied. (Laughter.) We're completely out of time, but the reason is a very good one: our lunch speakers have arrived and they're ready to go. So please join me in giving our two panelists a round of applause. Thank you very much. (Applause.)

(END)

Luncheon:
A Consideration of U.S. Options towards Iran

Introduction By:
Steve Clemons
Director, American Strategy Program,
New America Foundation

Keynote Pre-Lunch Remarks:

The Hon. Jane Harman,
Chairperson, Subcommittee on Intelligence, Information Sharing and Terrorism Risk Assessment, Committee on Homeland Security,
U.S. House of Representatives

Keynote Post-Lunch Remarks:

Francis Fukuyama,
Bernard L. Schwartz Professor Of International Political Economy, School of Advanced International Studies, Johns Hopkins University

Steve Clemons introduced Jane Harman (CA-36), describing her as a "blue-dog Democrat" and a leading congressional expert on terrorism, homeland security, and foreign affairs. Congresswoman Harman has served eight years on the House Permanent Select Committee on Intelligence, the final four as ranking member, where she played a leading role in the creation and passage of the Intelligence Reform Act of 2004.

REP. HARMAN: [Thanks the New America Foundation and the National Iranian American Council for inviting her to speak.] Let me make some comments about Iran... Iran is extremely dangerous. It has a highly developed indigenous missile capability. Iran's missiles can hit Israel in a matter of minutes, they can hit parts of Europe, like Turkey, and ironically they can also hit Russia, which was a major contributor to Iran's ability to have these missiles. Iran is developing nuclear capability. No one argues this. Most intelligence analysts who look at this believe that Iran will be able to produce a bomb by the end of the decade. I was hearing this conversation about centrifuges. I am not an expert and I too would urge caution there. Iran may be bluffing.

Iran is the sponsor of an A-list international terror organization named Hezbollah, which has worldwide reach, and most recently provoked a war with Israel. Hezbollah soldiers in that war were trained and equipped by Iran and were pretty darn effective. Iran has recently meddled in Lebanon, where Hezbollah is helping to destabilize the Siniora government; and in Iraq, where Iranian-made EFPs – I'm sure you talked about this morning – have been used for several years; not just recently, but for several years. And at least there are claims that al-Quds fighters are also in Iraq.

But although Iran is decidedly dangerous, the policy question is what to do about it, and that's really what I want to address today... I think I'm going to come out where many of you are, so don't tune me out yet. (Laughter.)

The recently declassified summary of the second Iraq National Intelligence Estimate – NIE – made clear that Iran's influence in Iraq and I'm quoting, "is not likely to be a driver of violence," so if this is so, why did the administration roll out old information about these EFPs from unidentified senior military sources over the weekend? Why is this happening? Let me offer a couple of answers.

Well, [the president said in an earlier press report that] this is dangerous and I'm in charge of force protection for our troops and so I need to tell everybody. But if that's so, why didn't he tell everybody several years ago? It has been publicly disclosed that this has been going on for some years and I can confirm that. Possibly a reason is to change the subject, to distract attention from the fact that the news on the ground in Baghdad in particular is bad and worse on a daily basis – possibly to provoke Iran. That has been suggested, and surely there are some inside the administration and around and about in this town who think that a conflict with Iran is a good thing or a necessary thing. I don't want to assume anybody would think conflict is good – a necessary thing, and that the sooner the better.

Surely the information that was put out has not been helpful to their cause. There's enormous chatter about how accurate it is. The president was put on the spot this morning – questions about: is this any better than the intel you provided on Iraq? Pretty tough. There's also a statement by Chairman of the Joint Chiefs of Staff Pete Pace who says he does not – he is not persuaded that the Iranian government was behind the production and dissemination of these EFPs, so by putting it out late – and now the administration has to deal with the story about why and how accurate and whether or not there is a direct link proven by intelligence with the Iranian government, and I commend to you a very careful story in *New York Times* by Mark Mazzetti that develops all of that.

So here's my thesis. Rather than go there and talk about Iran's involvement in Iraq, which is not a driver of violence according to our very best and vetted intelligence sources made public by this administration, why don't we go to a place where we are strong and Iran is weak, where we actually have a strategy on this subject that's working? That strategy is called economic sanctions.

If you listen to the experts, and I was in Munich this weekend at the security conference, the one where Putin spoke, Bob Kimmitt, who is our deputy treasury secretary, spoke about how our economic sanctions against Iran

are working. Major international banks – unfortunately not all of them, but major international banks have cut Iran off and its economy is suffering. But it is true that the Iran Sanctions Act passed by Congress is not being fully enforced, and there was a very good article – op-ed – in yesterday's *Washington Post* talking about how it should cause us to refuse to do business with subsidiaries who have major ties here and ties in Iran. Many of them were listed in the article yesterday.

We also know – back to Russia – that Russia still – although it is supporting the sanctions regime and part of the diplomatic pressure against Iran, Russia is still transferring technology, denials by President Putin notwithstanding, and maybe we have some leverage there and that relates to Russia's WTO admission, to make Russia a stronger partner with us. Europe through the EU has agreed to sanctions, but European firms like Royal Dutch Shell have just signed a $12 billion agreement to aid Iranian refineries. China and India still trade, but we have leverage there that we should be using. The Saudis who are berserk about Iranian hegemony in the region have a lot of leverage to deal with India and China and to cut off trade with them – it's spelled O-I-L – if they are not more compliant with the sanctions regime against Iran.

So bottom line: we need to expand sanctions, not saber rattling. As Teddy Roosevelt once said, speak softly and carry a big stick. As Ken Pollack, someone I think who has written extremely carefully and brilliantly about Iran says, let's not snatch defeat from the jaws of victory. But let me say that while I favor sanctions and diplomacy and think they are the right weapons here, I would not favor taking military force off the table. But – listen up – I would require that the use of force be authorized by Congress, and there were a couple of bills in the last session which I supported which were offered and failed, but they did get about 150 votes each.

Why would I require Congress to be in the middle of this? Well, obviously, I know, Congress knows, you know that our military s depleted and overstretched. I know, Congress knows, and you know that our country is strongly divided. Inserting Congress will assure that we bring a clear focus to what the mission is, if any; we circumscribe that mission; we protect our Constitution, which, let's remember, says that it is Congress that shall declare war; and we prevent rogue actions by this administration or any future one.

There may be a time and circumstance which would cause us to want to act militarily against Iran or anywhere else, but I say if that is the case Congress should come together, focus on the circumstances, and vote whether or not to declare war. This was done in a day following the actions against Pearl Harbor. It is not true that this would take forever. And I for one, would hop an airplane from anywhere on the globe to get back to Washington if the circumstances required it.

So in conclusion, let me say that a nuclear Iran in my view threatens U.S. interests, world security, and we must adopt effective strategies, if at all possible, to prevent it. Example: Israel's Deputy Minister of Defense Ephraim Sneh has said that just simply possessing the bomb Iran would do three things: stop peace negotiations, he believes, between Israel and Palestine; limit Israel's military options to defend herself; and cause foreign investors in Israel to flee. That's pretty dramatic, but that's his view of this.

I also believe a nuclear Iran will spur an arms race in the Middle East. Saudi Arabia and Egypt have already indicated this. We have evidence that our economic and diplomatic strategies are working and we should expand them and reject needless saber rattling that will undercut them.

Most observers believe Iran's internal economy and political situation are increasingly fragile, and in that regard let me point out that the bus bombing in Tehran this morning was not carried out by an external force. It was carried out – so we have learned – by Iran's own ethnic Baluch minority who see themselves as heirs of an ancient tradition distinct from ethnic Persians. They identify with a larger community in Afghanistan and Pakistan and with Sunni Islam. So there's plenty of evidence that ethnic groups inside the country and economic pressures inside the country are putting pressure on the government and if we augment that externally with economic and diplomatic pressure, we have a good change to succeed. And if you don't believe me, listen to these two words: North Korea.

This week, for a variety of circumstances having to do in part, I think, with the weakness of the North Korean government and perhaps with the weakness of the Bush administration, an agreement has been signed to curb

North Korea's military nuclear ambitions. The agreement is not perfect. North Korea is further advanced than Iran with its nuclear capability. Many think we should have done this years earlier. I agree. But it is what it is, as they say in politics, and it is a good thing. And if we can do that in North Korea, I think we can do that better in Iran. And I recommend that and I recommend that we keep our policy focused and disciplined. Doing that will achieve something we will never achieve, sadly, in Iraq and that is called success.

Q [NIAC President Trita Parsi]: Congresswoman, I really appreciate your comments. I think we should be cautious about the sudden emergence of terrorist attacks inside Iran that is now being seen as ethnically driven. I am not certain that they are ethnically driven, but even if they are, the Balkanization of Iran is not going to help the situation a bit, I believe. It's only going to make it the situation worse. My question is that I very much welcome the idea of reassessing the premises of the Bush Administration's Iran policy, but I don't think we should confuse the policy of diplomacy with economic sanctions. What we're not seeing right now from the United States is diplomacy, meaning that the United States is a full partner at the negotiation table. I wanted to hear your view on whether there is a risk that economic sanctions will be a slippery slope to war. They certainly did a lot of damage to Iraq, but it still led to an invasion of that country. Thank you.

REP. HARMAN: Well, that's a lot to answer very briefly. Let me say that I'm not for the Balkanization of Iran. I wasn't recommending that, but I was pointing out that there are internal pressures in Iran that could cause this government to change course. That was the point I was trying to make. And you're right that we don't have absolute proof that this bomb event that occurred this morning was caused by this minority. They've claimed credit for it. The press seems to be agreeing with that, but let's make sure we know what we know, or we know what we claim. So that's one.

Number two, you are right. Diplomacy and economic sanctions are different and I agree with you that we need to ramp up our diplomatic effort and I do support the recommendation of the Iraq Study Group that we talk to Iran and Syria.

Q [Mahtab Farid, VOA]: At what level could the United States and Iran engage in dialogue since there's no trust?

REP. HARMAN: I agree that there's no trust. It's also true that the Bush administration has taken this off the table, so it's not going to happen tomorrow morning, but I think there should be a conversation about Iraq. I don't think Iran is really interested in an imploded Iraq. I think that will hurt Iran more than it will help Iran. So you start conversation where you can.

I was in Munich this weekend and Larijani, the head of the Iranian nuclear ministry, was there and he said he would welcome a dialogue, so I think – again, that's what he said. That may not be what he means and it may not be what other leaders are saying, so I'm suggesting we focus on a conversation that could be constructive and then we see what the next steps are.

Q [Suzanne Spaulding]: Picking up on the conversation about how do we engage in a constructive dialogue with that level of mistrust...– one of the factors I think that's out there is our sort of schizophrenic attitude toward the MEK. And you talked about leaving the military option on the table, and clearly there are some clear reasons for doing that. On the other hand, while we still continue to have this odd relationship with this group dedicated to regime change in Iran, and on our state sponsors of terrorism list, at some point I wonder whether sort of coming to some different decision about that might not begin to clear the way for a constructive dialogue.

REP. HARMAN: Interesting question from a woman I know very well and you all do too. I was on the Bremer Commission on Terrorism with Suzanne. She was the executive director and Suzanne, in one of her excellent lives, was the chief of staff to the Democrats on the House Intelligence Committee. You will remember, Suzanne, that the MEK – there was an approach to meet with them and we consulted the State Department, which said, "Oh, my God, oh, my God, don't you dare." And I did not. But I think as the world keeps changing, we should constantly revisit issues like this and I think it's a constructive suggestion to look at it again. I don't know that the conclusion will be different, but I think if we are trying to find a way to cause Iran not to want to develop the bomb, we should at least revisit all the levers we have.

Q [speaker not identified]: My question is in general who do you talk to in Iran?

REP. HARMAN: Well, that is a great question and I'm sure some here would know that answer better. I'm suggesting we start the conversation about Iraq, not a general conversation. That is the recommendation of the Iraq Study Group – as you know, bipartisan, unanimous recommendation. Iran has a constructive role it can play in the containing of the civil war in Iraq and Iran may for its own internal purposes want to talk about that at some point. That's all I'm saying. I would talk, I would think, to the political leadership of Iran, but I'm sure that there are other people whom we could talk to at various levels over time if we can start regaining some kind of a trusting relationship, and this group ought to be the – or groups like this ought to be the ones who provide the nuance which I'm not able to.

MR. CLEMONS: [Thanks Congresswoman Harman] Now we are going to move to one of my favorite public intellectuals... Frank Fukuyama...has been an active board member of the New America Foundation for some time...he is the executive editor of the *American Interest*, a very, very important magazine journal. He is on the advisory board for the National Endowment for Democracy, the *Journal of Democracy*. He is the Bernard Schwartz Professor of International Political Economy at the Paul Nitze School of Advanced International Studies here at Johns Hopkins University and the Director of SAIS's International Development Program.

MR. FRANCIS FUKUYAMA: ...I'm really grateful to the New America Foundation and to NIAC. You might have also mentioned that Trita Parsi was my student at SAIS, so I have multiple connections to the organizers of this conference.

What I want to do is actually not in the first instance talk about Iran, the subject of this meeting today, but to talk about the region and some more general observations about the nature of international politics that will have direct implications for the way that we approach Iran. I had been thinking about this obviously quite a lot in terms of lessons that we could have learned or should have learned from the last six years of American foreign policy in the Middle East and in particular as a result of our engagement in Iraq and I think there are really five important ones that I would draw.

The first one really has to do with the limits to the effectiveness of hard power, meaning military power, in this particular region. If you think about it, Iraq is this little country of about 24 million people. The United States, on the other hand, is a hyper-power. We spend as much on our defense establishment as virtually the entire rest of the world combined and so the disproportion between our power and that of Iraqis, or really any of the other players in this region, is probably about as great as between that of any imperial power in previous periods of human history.

And yet despite the fact that we are nearing the fourth anniversary of the war, we have not been able to pacify this little country. So I think it then requires us to think a little bit: why is this the case? Why is this margin of military superiority – overwhelming force – so unusable? And I think it gets really to the changed nature of international politics. Not everywhere in the world, but in this arc of instability that runs from North Africa through a lot of sub-Saharan Africa, the Middle East, and then into South and Central Asia, because I think that that world operates by rather different rules than the rest of the world and it's a very unfamiliar one because it is not based on strong, powerful, centralized states that can control what goes on in their territory.

And that, unfortunately, does not suit the nature of American power, which is conventional and which is extremely good at dealing with other centralized states, as was the case during most of the 20th century when our opponents were Hitler or Stalin or other – imperial Japan – other nation-states of that sort.

Henry Kissinger actually wrote an article in the *Washington Post* in the aftermath of the Lebanon War, where he remarked this. He said Hezbollah is in fact a metastasization of the al Qaeda pattern. It acts openly as a state within a state: a non-state entity on the soil of a state with all the attributes of a state and backed by the major regional power is a new phenomenon in international relations.

Well, I would beg to submit that it's actually not that new and that in this world, we have been dealing with these non-state actors for some time now. It's just that it's taken a while for this to register with everybody that this is really a changed world in which state weakness is one of the dominant characteristics of the major political actors and therefore these sub-state players are very important and they are embedded in local populations and they are extremely difficult to deal with.

Overwhelming force used against this kind of a quasi-political, quasi-military actor like Hezbollah, like Hamas, like the militia groups in Iraq, like al Qaeda oftentimes is counterproductive because that overwhelming force gets used against the populations against which these groups blend and from which they draw strength, and they lead to very counterproductive political results.

And one of the problems in Iraq is that our military has had a tremendously difficult time. It trains and thinks of itself doctrinally as an overwhelming force army or military that is usable against other nation-states. And one of the big problems in our strategy in Iraq has been the difficulty adjusting to a counterinsurgency strategy in which hearts and minds is predominant and which restraint on the use of force is really the order of the day.

Now this was not, as I said, the whole world. The Far East still has centralized great powers: Japan and China, Korea and so forth. And so conventional power still operates in that realm, but in this part of the world it has great limits.

The second I think important lesson is that preventive war cannot be the basis of American nonproliferation strategy. Now, preventive war crept into the strategic lexicon after September 11th in response to the attacks on that date. They were enshrined in Bush's West Point speech, in the National Security Strategy Document, the one that came out before the Iraq war in September of 2002, as a description of a tactic that you would use against stateless terrorists.

And against that kind of enemy, I don't think anybody would disagree that you need to hit them before they hit you because you cannot use containment and deterrence – the kinds of tools that we had used against the Soviet Union in the Cold War – against that kind of enemy. But the problem was that the Bush administration switched the subject in the middle of that conversation and began to apply that technique to the problem of rogue-state proliferators like the famous axis of evil – Iran, Iraq, and North Korea – and that is a very different ballgame.

Those problems are very serious. They need serious attention, but they are of a lower order of magnitude than the possibility of a stateless terrorist armed with weapons of mass destruction. They are not the same problem and therefore using this tactic of preventive war against that kind of enemy somehow gained currency in a way that I think required a great deal more debate.

Just to review with you why it is that the great German chancellor Otto von Bismarck called preventive war "committing suicide because you're afraid of dying," there are real problems in this approach that I think we have seen played out in Iraq. It really requires that you be able to predict the future that you know the dangers that are lurking two, three, four even longer years into the future are worth the clear risks of short term action. And there are very few cases when not only do you know that about the future, but that you know even what the situation is in the present.

Now, I think that the administration by invading Iraq hoped to raise the perceived costs of proliferation to other would-be proliferators and to make an example of the Iraqis, but obviously what has happened is that the perceived cost to the United States of launching a preventive war has been so high that it has actually encouraged Iran and North Korea to get over that line because, clearly, quite rationally the United States is not going to invade you. Once you have a nuclear weapon, it cannot do regime change and therefore, although it may have deterred Libya, I think it had the opposite effect of actually spurring proliferation in those two cases.

The third lesson I think we should have drawn from the experience of the last six years is the difficulty of using democracy as an instrument of American foreign policy. Now, as Steve Clemons mentioned, I've been on the board of the National Endowment for Democracy for quite a number of years. I believe in democracy. I

believe that the United States is perfectly – quite legitimately tries to encourage the success and survival of liberal democracies around the world – that that's always been an important component of our policy.

But I think that there is a real problem when you instrumentalize democracy promotion in the fashion that the administration has done to make it a tool of the strategic objectives of the United States of America. If you look at the second iteration of the National Security Strategy Document, it doesn't talk about nuclear weapons or aircraft carriers or the other instruments of conventional power or nuclear power. It talks about democracy as the instrument by which the United States will secure its strategic aims.

And I think there are really two problems with it. First of all, it's based on a wrong theory about what's wrong with the Middle East. And secondly it by instrumentalizing democracy actually I think makes the actual pursuit of democracy more difficult in practice because it taints what it otherwise a perfectly good and just activity with association with an extremely unpopular American administration, particularly in the Middle East.

The problem with the theory is one that I can't get into at any great length, but in my view what stimulates jihadist terrorism – of course its ideas coming out of Saudi Arabia and Pakistan and that sort of thing, but a lot of it is actually the confrontation of traditional societies with modernity and so it's not the lack of democracy or lack of familiarity with the great blessings of democracy that creates terrorism.

The terrorists, many of them, like Mohamed Ata or like Mohamed Bouyeri in Amsterdam, actually lived and were educated in western democracies, so they knew perfectly well what those blessings were. They didn't like it because they found it extremely alienating and so I think that there is a perfectly good chance – and part of this alienation goes on in the Middle East itself and so sometimes you go to live in the modern world and sometimes the modern world comes to visit you in the form of cable television and the like, but the point is that more modernization and more democracy in the short run are actually likely to spur more terrorism and more alienation that is, I think, the real proximate cause.

I believe that democracy in itself is a good thing and for other reasons we ought to be pursuing that agenda, but to use it as that central an issue in American foreign policy I think makes that much more difficult.

The fourth lesson I draw from the last few years is the need for multilateral approaches to deal with the proliferation problem. This is obviously a subject that you've been discussing in this conference already today. I think there were actually understandable reasons why the Bush administration was as unilateralist in its first term as it was, because I think there is a big collective action problem out there in the world.

In the Balkans of the 1990s, the Europeans really could not organize an intervention in their own backyard where their interests were primary. And I think the United Nations, as I think all of us are aware, was always a weak institution and had very severe limits on the kinds of interventions that it could authorize and this is the reason that we had this doctrine of benevolent hegemony grow up that the United States would simply have to act on its own to take care of these kinds of problems. And I think one of the things that we simply didn't count on back six, seven years ago when we were hypothesizing about how the world might react to this was this large current of anti-Americanism that I think is absolutely structural in world politics today.

The United States by being so powerful can reach out and touch and change regimes 8,000 miles on the other side of the world from it and they can't do a damn thing to us in return and I think that that lack of reciprocity in those relationships – economic, cultural, political – is what's driving a great deal of the opposition and pushback to American dominance and hegemony and ideas and all sorts of things today. And I think that means that, in fact, approaches to something like nonproliferation really require a fair amount of cooperation.

It's actually quite interesting looking at this emerging North Korean deal, because all along we've been actually counting on China to really put the screws to North Korea. They somehow for some reason that they only understand haven't been incentivized to do this, but apparently the North Korean test last fall gave them a good reason to get much more serious about this. And I think that's one of the things that you discover: that these multilateral approaches sometimes take time and they take the right incentives on the part of the different parties, but they cannot be written off.

The final lesson I would draw is just the incompetence of the American government in actually carrying out an ambitious foreign policy. I really hate to say that, but for an administration that has had or set for itself such unbelievably ambitious goals, the actual implementation has been a little bit like a patient with ADHD. I mean, they get very much geared up for the transfer of power, for an election, for a new constitution, but then in between drop the ball, don't appoint ambassadors, don't appoint senior directors, kind of lose track of where funds are going and the like.

Donald Rumsfeld once famously said that you go to war with the army you have and not the army that you wish you had, and I would say we make foreign policy with the government we have and not the government we wish we had. (Laughter.) But that has an important strategic significance, because if you cannot count on good, competent follow-through in intelligence, in military operations, in nation-building and all of the components of American power, then you should probably set less ambitious goals for yourself and not bite off more than you can chew.

Now, let me just bring all of these five lessons to bear to some more recent cases. I want to talk just briefly about Lebanon because Lebanon in a sense – I have thought that the administration had been moving towards absorbing some of these lessons, particularly the multilateral one, in the lead-up to the Lebanon war, but unfortunately it seemed to me it demonstrated making some of those same mistakes over again, or at least the Israelis in their approaches of the war I think made very similar mistakes to the ones that we made in Iraq by believing that overwhelming conventional military superiority could bring about a vast transformation of the political landscape, in this case by eliminating Hezbollah as a political player in Lebanon. And I think they simply miscalculated on – this was lesson number one that I drew about the limits of hard power. This simply was not possible. It would have been nice if they had been able to pull this off, but it didn't happen.

Part of the reason it didn't happen is that Hezbollah is not simply a tool or a cat's paw of Iran; it is an embedded social group that has very deep social roots in the Shiite population in Southern Lebanon. And the Israelis also copied us in bungling the actual military implementation of the war, so there are other aspects in which we converge. But I think that the whole view expressed by Condi Rice that this was – the war was going to give birth to a new Middle East was actually a throwback to that whole idea that this big, conventional military superiority that we have could be used to achieve these stunning, large, ambitious, political objectives and I think that they were wrong in Lebanon as they had been in Iraq.

Now that brings me to the subject of today's meeting: Iran. Let me make clear at the outset, of course, Iran getting nuclear weapons I think it's a very bad thing for all of the reasons that Congresswoman Harman indicated – all of the demonstration effects, all of the instability and miscalculation that this makes possible. It's a very, very unattractive regime made much more unattractive ever since Mr. Ahmadinejad arrived on the scene and so therefore we want to do everything possible to stop this from happening.

All along there have been three generic approaches to doing it. One is diplomatic, which we have been trying for the last few years. The second is military and the third is what I would call regime change by means other than war: a Democratic revolution or destabilizing the regime or something that would like a deus ex machina somehow get rid of the problem for us without actually having to go and invade that country.

I think unfortunately none of these three options have looked terribly promising, but the military one in particular I think is very problematic for a number of fairly clear reasons that, first of all, since you're not going to invade this country and actually produce regime change you're going to do this operation from the air, which will at best delay this program by maybe a matter of years of even less, but it will not solve the problem with any finality. You've got the problem of poor intelligence that was mentioned earlier. You've got all the political fallout that we of course didn't remotely anticipate when we invaded Iraq that will arise as a result of this kind of action that has to be put in the debit column.

Now, the long-term – I want to be very careful because I don't want to make the same mistake that President Chirac made a couple of weeks ago in talking about Iran's military program, about whether we can live with it. Of course we don't want to have to live with it, but there is an issue that I think has probably not received sufficient debate because there is a strong school of thought that argues that Iran is unlike every other power that has

achieved nuclear weapon status up to the present moment in that it is basically not a rational player – that because Mr. Ahmadinejad belongs to a messianic cult, because of the religious ideology in Iran they would be willing to take risks of, for example, first use of nuclear weapons in a way that all other nuclear states had not been willing to do and that therefore deterrence will not work against this country. And I simply think that this is a proposition that needs to be debated much, much more carefully.

Of course, we don't want to arrive in a situation where we have to rely on deterrence, but my reading actually of Iranian foreign policy really since the 1979 revolution is that when it comes to core national interests they have actually been pretty cautious in what they are willing to risk unlike actually Saddam Hussein, who was actually a much better candidate for taking large risks.

And therefore the proposition that Iran is undeterrable I think is really not by any means a proven one and that is an issue I think that we need to think through very carefully as we proceed into what I believe is unfortunately going to be a fairly dangerous period in the coming weeks and months. So with that I will close and thank you very much.

Q [Maurizio Martellini]: The Iranian foreign policy is quite rational. The best way to understand the Iranian policy is the echo pendulum. It's between ideological stance and pragmatic stance. Indeed, it is very pragmatic Iran with the respect to the Persian Gulf as it's strategic for its output, and it is very ideological with respect to Israel for instance.

So I appreciate your analysis, but perhaps we need also to educate our policymakers, decision-makers that in some threshold areas it's very important to develop our perception and our culture in understanding these systems.

FUKUYAMA: Well, I would just add to that. As Trita Parsi knows well since he's just written a dissertation and is about to publish a book on this subject, even on the question of Israel, Iran has actually been quite pragmatic because they actually negotiated with the Israelis in the arms-for-hostages deal back in the Reagan administration.

Q [Ron Suskind]: Frank, let me ask you a hypothetical. Let's just say the president was watching and was moved by your words as to the instrumentalizing of democracy, which I think is quite profound and compelling.

Let's just say that he asked you...what can I do right now in the remainder of my term to make headway on this so-called hearts-and-minds struggle in which many of our actions have undermined what clearly are our goals? What would you advise him...?

FUKUYAMA: I think he's really stuck in a lot of ways because in the next two years the kinds of options that we have I think are very limited to fundamentally reverse any of these perceptions.

I actually think that reversal, or the rebuilding of credibility and so forth, is a task that's really going to take the better part of the next generation to do. Obviously, you cannot begin to do this as long as an American army is occupying a major Arab capital. And so I think that until there is some kind of a settlement there and a disengagement, it's going to be hard not to avoid the constant television pictures of American tanks rolling through Baghdad and this sort of thing, but there are good reasons why a precipitous withdrawal is also quite dangerous.

On the democracy front, I think the administration actually has already been pulling back from using that even rhetorically as a way of explaining what they are up to in the Middle East and certainly have been acting pretty pragmatically in dealing with non-democracies in the region, so they've already made that kind of adjustment. But my longer term concern really has to do with rebuilding the kind of image and projection of an idea that I think was always the most critical dimension of American democracy promotion – just, you know, the image of American institutions and values as something positive and that's something I really don't think you can do in two years and I think this administration is going to really have credibility problems in trying to do that.

Q [speaker not identified]: (Mostly off- mike.)

FUKUYAMA: I actually think that sanctions and pressure are fine. When you look at how serious negotiations work and you talk – a lot of people think, well, either you take a negotiated route or you take a tough either military or sanctions or coercive kind of approach, and I think in virtually all successful negotiations you have to have both of those sticks and carrots. And I would say the big problem with the Bush administration was they tried kind of – they acted as if they had a big stick and that that's really what they wanted to use not realizing that that stick really didn't exist and had very little on the carrot side. But when you move over to the carrot side, which I support, it also helps to have a stick.

If you think about the North Korean – I mean, if this thing is real that's emerging in North Korea, to the extent that it happens it sounds like it's because the Chinese really put the screws to North Korea in terms of banking and various forms of assistance after their test last fall and without that kind of pressure you couldn't get their attention, so I don't think there's a necessary contradiction between both the tough economic sanctions and the diplomatic approach.

Q [Ken Timmerman]: Well, I was actually going to ask pretty much the same question because we heard a lot of fairytales this morning about how the Iranians are all willing to negotiate and how negotiations would be so successful. My question – in the past couple of months, the U.S. has increased pressure on Iran. We have the second aircraft carrier battle group, plus the stepping up of economic and diplomatic sanctions. This seems to be getting their attention. Would you agree?

CLEMONS: And Larry Wilkerson agreed with you.

FUKUYAMA: Yeah, I think that it is getting their attention. I mean, again, if you're going to have a serious negotiation it really has to be based I think both on the sticks and the carrots, and so unless they get the message that we will actually deliver something in terms of their core interests, which I think probably have to do with no regime change and kind of recognizing in a certain sense that they are here to stay, they are not going to get serious about it. But they are also not going to move unless they feel pressure.

I guess one of the things that I think it's too bad about the current situation is that, you know, whatever opportunity we had when Khatami was still president, now to enter into the same identical negotiation we do it under much, much worse circumstances where the Iranians are harder to deal with. They are feeling their oats and feeling that they've got a lot of cards to play and, therefore, we've got to I think bring a little bit more to the table if it's going to be a serious bargain.

Q [Behzad Touhidi]: [Mostly off-mike] Shouldn't Iran the US's best strategic ally of the US?

MR. FUKUYAMA: Well, I don't think that this particular regime can ever be an ally of the United States. I think at best what you could say is that what seems to be emerging now in Iraq and in the Gulf more generally is a growing tension between radical Sunnis and radical Shiites, both of whom dislike the United States, and that from the standpoint of just hardheaded American self-interest that's not the worse thing in the world. But I think that there were hopes that Iran was actually leading the way out of this Islamist radicalism, but I think that unfortunately that doesn't look like it's bound to materialize any time soon, so I don't think we should kid ourselves about how positive a force that will be. I think in time that could emerge, but right now I would actually say that what's really operating in our favor is more that there are kind of equilibrating, balancing forces there that are now aimed more at each other than they are at us.

CLEMONS: If I were a strong supporter of the objectives that President Bush has articulated and wanted to take exception somewhat to your notion that the nature of power had changed in throwing overwhelming force at it might be different, if you go back in American history and you go back to sort of the period after World War II, we just simply threw a lot more resources at problems. And I'm intrigued by the fact that it seems to me that we've organized our security and foreign policy in pursuing things on the cheap. And it's not just deployment of the number of troops, it's not doing what we did with Japan, which was we were very fearful that Japan would swing

back into a China-centric economic orbit, so we actually took the country of Japan and we embedded it strongly into the U.S. economy.

We did much the similar kind of thing with Europe. And it seems to me that if you wanted to seduce the Middle East, steal the audience away from the bin Laden or a Talibanized network or crazy Islamic radicals, that there's a lot you could do in terms of job creation, embedding those economies deeply in the U.S. economy, but it seems as almost like we're a giant, fast flying airline that doesn't have the capacity in our debt structure to take on any more.

And I'm just sort of interested in if you did reverse that and you said, well, we're going to have a draft or we're going to have national service, we're going to take a few more percentage points of GDP and throw it towards security issues, would not the old model still work if we weren't doing it on the cheap – just to be a counterpoint?

FUKUYAMA: You're talking about a serious grade imperialism as opposed to this kind of penny-ante imperialism that we've been engaged in, and I think there is a case to be made. Neil Ferguson was the one that kept writing that we were just not serious the way the British were because we only went out to these hot, dusty places on 90 TDYs rather than taking our families and living there and really getting serious about learning the languages and cultures and so forth. So there are many dimensions to this.

I think it's very difficult to compare the period in the 1940s with the one now. We are incomparably richer, but in many ways we have a very different internal political debate and structure that would resist that kind of long-term engagement.

The most important difference is obviously the degree of threat that we believe that we faced. Although many people believe that the September 11th attacks were the equivalent of Pearl Harbor, I think there has been more debate and even the administration has not been serious in the sense of using that as an excuse or justification to, for example, tax energy or to even raise taxes in a more general way to subsidize this kind of action.

I think that there are several things that we did in that post-World War II period, which we could be doing now not necessarily in the Middle East, but more broadly in our foreign policy, which has to do with the way that you use power. I think that in American – the rebuilding of the world after the Second World War, a lot of the way we used power was actually through institutions and through the creation of not just the United Nations, but the NATO alliance, the U.S.-Japan Security Treaty, the whole economic order giving support to the European Community in its early days.

That required American power to be deployed to do that, but was a very indirect use of that power that looked years into the future in terms of the kind of benefit and payoff. And we have been so allergic to any new forms of multilateralism or taking that agenda seriously that we have not engaged in it.

Now, that's on a general level. Whether you could actually do that in the Middle East, I don't know. We've tried these small trade pacts with Jordan and so forth, but I'm not sure that even a bigger investment in that agenda would have been possible given the political constraints that we faced as a result of these various wars that we've gotten into.

Q [speaker not identified]: (Off mike.)

MR. FUKUYAMA: Well, no, but look, the seriousness about our willing to do a deal is the carrot that we're offering, so, yeah, you're right that if all we're putting on the table is, "yes, we will actually talk to you face to face if you do X, Y and Z and cave in on your most important negotiating points prior to the actual start of a talk" – yes, you are right: that kind of a carrot isn't going to work.

But what I presume by carrot is that I think that there has been a fair amount of evidence that what they really wanted – what the Iranians have really wanted over a long period of time is something like this grand bargain that would include things like foreswearing regime change, accepting the – in a sense the legitimacy of

the Islamic Republic, something of their regional role, restoring diplomatic relations, fixing all of the problems that came out of the embassy takeover and that sort of thing.

And if we had indicated that we were willing to put those sorts of things on the – if that had been the carrot, then you probably could have had a much clearer path towards a serious negotiation and then I think sanctions would be actually quite useful in giving them a kind of negative reinforcement to the positive benefits they could have. So you're right: you'd need a path out that involves a kind of serious political offer.

Q [Ken Timmerman]: ... Now, you've mentioned a couple of times that the United States doesn't do regime change. I think one thing that we have to do – agree on here - is our strategic role to see this Iranian regime not acquire nuclear weapons capability.

We have at the same time demonstrations in Iran literally every week. You're having tremendous outpouring of disagreements – violent disagreements – with the regime. This is not a popular regime in Iran. Would you make the moral and strategic case for not pursuing the one policy that we have never tried, and that is to help the people of Iran rid themselves of the regime? Why is that a wrong thing to do?

FUKUYAMA: Well, it's not a wrong thing to do, obviously. As I said, this is the deus ex machina that we had been hoping for, that you'd get –

Q: But it's the one thing we've never tried.

FUKUYAMA: No, but look, this goes to a much deeper question about how does democratic regime change in any country come about and just the way you phrased that questions makes it sound as if it's up to us: that if only we act and we make these decisions on behalf of the Iranian people, that they will take up this baton and do that.

I think that, again, there is a lot that we can do at certain key junctures. We were important in the Philippines, in South Korea, in Chile in the 1980s – not in the 1970s – in promoting democratic regime change at these critical junctures, but we were never in control of the timing and we were never the primary drivers. It always had to be internal to the country. And right now we suffer under a lot of constraints in doing this.

The $75 million that Congress appropriated basically for democratic regime change in Iran, you cannot get a taker inside the country right now because it's way too dangerous. And actually this gets to the Sung-Ju's point about North Korea as well. I just think that the idea that you would get regime change by means other than war through democratic revolution has been one of the things that actually has prevented us from actually deciding on a realistic opening bid in negotiating with both Iran and Korea, because I think the hardliners that didn't want negotiations were not willing to actually go to a military option, but they kept telling themselves, well, if we only got serious about this other form of regime change, then we could get the same result without having to go to war. And I think that that has just allowed them to avoid for six years actually coming up with a real – a serious bid that would lead to a serious negotiation.

So that's fine. I have absolutely nothing against democratic regime change, but I just think that relying too much on it as an instrument of our policy is very problematic.

CLEMONS: I'm going to take a few last questions and cluster them and Frank can either answer them or ignore them.

Q [speaker not identified]: A quick question about President Bush's comments this last weekend and your observations on whether he was simply having a bad hair day or whether you think there's something larger and more strategic (off mike)?

Q [speaker not identified]: And I had a related question and that is, President Putin has been hinting strongly that he favors the creation of a gas OPEC, which would presumably – the core members of it would presumably be Iran and Russia. And my question is, is that a credible threat and how does it constrain U.S. options towards Iran?

Q [speaker not identified]: My question is how can you really trust the government of Iran? Seven, eight years of experience that we've had with them has been nothing but lies and how can you trust this?

Q [Babak Talebi]: What do you think about Iran's extended role in South America, especially in Venezuela?

CLEMONS: Good question. So I have them all here. I'm going to close it off. One question is, what package of carrots can you offer to Iran? Comments on Putin and Putin's comments. A gas OPEC access of oil question. How can we trust Iran – you know, pack-of-lies type of package? China's role in moving North Korea forward. Who would move Iran negotiations forward if they were to be there? And lastly, this wonderful weekend of Ahmadinejad, Hugo Chavez, and Daniel Ortega – how to respond?

FUKUYAMA: I think that the grand bargain that was theoretically there may still be there. If we got to it, it would be under pretty unfavorable circumstances right now because our hand is weaker than it was three or four years ago, but I think that tactically it is going to be almost impossible to pull off because it has many moving parts. And until you get agreement on the basic tradeoffs, it's going to be subject to incredible criticism both in the United States and in Iran.

You'll get this kind of thing: don't you understand that they are just fooling you and it's not serious and so forth. And so I actually think that it really does require this Nixon going to China and doing this in secret and having most of the parts there before you unveil any part of the package. And the likelihood that this administration will actually do that I think it's pretty close to zero, so I don't think that it's likely to happen.

On President Putin I don't know about the gas OPEC. It's not something I follow. Now you heard from me the assertion that our preventive war nonproliferation strategy actually stimulated proliferation. Now, if President Putin made a similar observation, it's not because I believe in his authority – he's just – you know, he just had a similar kind of insight.

On the question of Venezuela and this, you do have this new axis emerging as a result of these states that can exempt themselves from the normal laws of economics because they're resource rich. And Hugo Chavez stopped in Belarus, in Russia, and China and other places, spent about $25 billion of Venezuelan money trying to buy himself a Security Council seat and I think it was a big waste of money.

I think that this axis is dangerous and not a good thing, but it is also dependent on high energy prices and oil's come down from the 70s into the 50s. In the long run, I think it's going to stabilize at probably even a lower level because there is a lot of upstream capacity that has yet to hit the market. And so there may be a little bit of a bubble, you know, in this kind of quasi-democracy, oil-rich democracy that will simply play itself out.

I want to quickly say before we move to our next panel that I think Frank will find this interesting: David Sanger and I recently opened up a weeklong CSIS program, Center for Strategic and International Studies. It was an off-the-record program for 28 aspiring Japanese foreign ministry officials. And I was interested in getting out of the Middle East stuff, but I said to them, "How do you see U.S. power in Asia? Do you see U.S. power flat, increasing or decreasing? And if you see it decreasing in the region, whether from distraction with other issue or on other bases, what kinds of bets are you making with your own diplomacy? What sort of scenarios are you considering?"

Every single one of the people in that room though American power was decreasing significantly in Asia, which was compelling them – despite their incredibly close relationship with the United States, U.S. interests and I would argue values – that they were making different bets.

When you move to the questions of Iran, you move to the questions of Saudi Arabia, you look at allies behaving differently in the world. You see enemies moving their agendas. You really see an equilibrium – the equilibrium of interests have been completely shattered and broken apart and that's why I think these debates and discussions are important.

[concluding remarks, appreciation by CLEMONS]

Session III: Iran's Pretensions and a Turbulent Middle East

Moderator:
Dr. Bahram Rajaee,
National Iranian American Council

Speakers:
Mr. Flynt Leverett
Former National Security Council Official

The Hon. Matthew Levitt, Senior Director, Stein Program on Terrorism, Intelligence and Policy Washington Institute for Near East Policy and Former Deputy Asst Secretary for Intelligence & Analysis, U.S. Department of the Treasury

Daniel Levy, Senior Fellow, New America Foundation; Former Advisor to Prime Minister Ehud Barak, Lead Israeli Drafter of the Geneva Initiative

Trita Parsi, President,
National Iranian American Council

MR. BAHRAM RAJAEE: Greetings. I'm at the National Iranian American Council working on the U.S.-Iran Policy Project, and I want to welcome you to our final afternoon session entitled "Iran's Pretensions and a Turbulent Middle East." We will address the confluence of several important strategic dynamics and trends, the first being developments in the Arab-Israeli conflict and connections to current debates regarding Iran that we're seeing played out in the media. Second, Iran's regional interests and ambitions: Iraq, Afghanistan as well as the broader strategic context, including the Arab-Israeli conflict, Central Asia, Central and South Asia as well. And finally, implications for U.S. interests and policy going forward in these areas. [Introduces speakers]

MR. FLYNT LEVERETT: I'd like to talk with you about Iranian foreign policy, how Iran looks at the region and its place in the world, and why I think it's important to understand that in thinking about how to deal with Iran as a challenge for U.S. foreign policy.

In many ways, the different views that you get about Iran, its role in the region in the context of American debates and discussions over international affairs boils down to differences of view as to whether Iran is fundamentally a radical actor out to upset established political and strategic structures in the region or whether it is in many ways a status quo power that is essentially thinking about its role in terms of national interest and how to protect those interests.

My own view is that Iran falls somewhere in between those two stereotypes. I think that there is at this point a very well established tradition in the foreign policy of the Islamic republic to think about foreign policy – Iranian foreign policy in terms of national interest, and I'll say a little bit about that in a minute.

Clearly, there are actors in the Iranian order who hold a more radical or revisionist point of view, but I think there is a very important and well established trend of pragmatism, sort of interest-based pragmatism in Iranian foreign policy. The catch is – or the problem from and American point of view – is that in order to accommodate or recognize or acknowledge certain core Iranian interests, it is going to require a certain amount of revision in U.S. foreign policy toward the region and a certain amount of adjustment in the region's economic, political, and security structures. And so even in that sense to the degree that Iran is willing to approach questions of regional stability, regional order in a more or less pragmatic way, accommodating Iran at this point is going to require a certain amount of revisionism and I think that really is the heart of the challenge that Iran poses for U.S. foreign policymakers.

What are Iran's interests? In the early days of the Islamic republic – I would say perhaps even for the first decade that the Islamic republic was in existence, there was a strong, I think maybe even in some ways dominant trend in Iranian foreign policy discourse that emphasized the importance of exporting the Iranian revolution, exporting the Islamic revolution to other countries in the region. But within relatively short order, after the Islamic revolution took place in Iran and the Islamic republic emerged, Iran found itself in a very, very brutal eight-year war with Saddam Hussein's Iraq. This was a war which Iraq started, prosecuted in a way that included the use of weapons of mass destruction – chemical weapons against Iranian targets – a war that inflicted a terrible toll on Iran in terms of lives lost, economic costs, and it was also a war in which Saddam Hussein, pursuing an aggressive war, using weapons of mass destruction was nevertheless supported by the bulk of the Arab world and indeed was supported by most of the Western powers, including the United States.

President Ahmadinejad has a line that he uses to great effect with Iranian audiences when he talks about the war and Iraq's use of chemical weapons. He says, the Germans supplied the chemicals, the French supplied the missiles, and the United States provided the intelligence. That war, that experience I think had a very important effect on Iranian politics and on Iranian foreign policy. In the aftermath of this war, particularly with the death of Ayatollah Khomeini and the emergence of Rafsanjani as the first post Khomeini president of the Islamic republic, I think a group of people moved into important positions in Iranian politics who believed that Iran could no longer afford to export the revolution, that it had to become a more defensively oriented power, and that it needed regional stability and a stabilization of its international status in order to recover from the terrible costs and damage of the Iran-Iraq War.

And that's why during the 1990s, first under Rafsanjani and then under his successor, President Khatami, you see some remarkable shifts in the Islamic republic's foreign policy. You see them reach out and establish an

initial détente with Saudi Arabia and other Arab Gulf states. You see them under Rafsanjani try and establish a diplomatic opening with the United States and when that doesn't work and it becomes apparent by the mid-1990s that that won't work, they shift towards seeking a kind of separate détente with Europe and with Japan. That, I think, is sort of the core of the pragmatic tradition, the pragmatic approach in the Islamic republic's foreign policy.

It's out to establish a relatively stable and peaceful neighborhood from Iran's perspective, meaning that no neighboring countries are going to be used as platforms by others to press on key interests of the Islamic republic and it means trying to stabilize or normalize Iran's international standing with as many of the great powers in the world as possible. And I think if you look at Iranian foreign policy over the last several years, in the post-9/11 period, and if you look at Iran foreign policy today, you still see this pragmatic tradition at work.

In Afghanistan, the Iranians cooperated quite extensively with the United States after 9/11 to overthrow the Taliban, a regime that was very hostile to the Islamic republic and to establish the Karzai government. Iran had interests in doing this in terms of what was going on in a neighboring state. It also had interest in doing this in terms of trying to use this as an opening to get a better relationship with the United States. Now, in that latter sense, cooperation with the United States on Afghanistan didn't work, but I think it does reflect this pragmatic tradition in the Islamic republic's foreign policy. When it became clear by 2003 that the Bush administration was not interested in any kind of serious diplomatic opening to the Islamic republic, Iran had to pursue other options.

In Iraq, what that has meant is that Iran has – of course it had established ties for 20 years with important Shi'a opposition groups opposed to Saddam Hussein's regime in Iraq: the Supreme Council for the Islamic Revolution in Iraq, the Dawa Party, all of these key elements in the United Iraqi Alliance had been supported for literally 20 years by Iran while Saddam was in power. And in the post-Saddam period, Iran has worked very hard to maintain extensive ties to these key political actors in Shi'a politics and – it has to be said – with the militia groups that are associated with these political actors.

Iran is doing this for several reasons. First of all, it wants to ensure that a post-Saddam Iraq does not emerge as a strategic threat to the Islamic republic. It wants to ensure that Iraqi Shi'a, who are roughly 60 percent of Iraq's population, are not systematically repressed and dispossessed in the way that they were for decades before 2003. And, frankly, they want to make sure that the United States is not going to use Iraq as a platform for coming after Iran. So to that end they have established extensive political ties with key actors in Iraqi politics and they have established options on the ground in terms of relationships with various militia groups, and some of these militia groups, may, in fact have been involved in attacks on U.S. forces, but I would say in relative terms U.S. forces have suffered far more casualties from Sunni insurgents than they have from Shi'a militia activity. And frankly, in terms of what Iran could do in terms of doing damage to our position if it let all of its proxies loose in Iraq, I think Iran has actually been comparatively restrained in its use of militia proxies on the ground.

But we should not – I don't think it's particularly surprising that Iran is operating in this way. Even from a relatively defensive perspective, if you look at the world from Tehran, Iran really has no choice but to try and exercise this kind of leverage, this kind of influence, and establish these kinds of options on the ground in Iraq – and that is what we have seen it doing.

In the Arab-Israeli arena, Iran recognizes as part of a grand bargain with the United States, should such a grand bargain ever be forthcoming, that it will have to terminate its support for the terrorist activities of Hezbollah in Lebanon. It will have to revise its relationship with Palestinian groups like Hamas and Islamic Jihad. But in the absence of any kind of grand bargain, or the absence of any prospect of a grand bargain with the United States, Iran is going to keep those options alive, it is going to keep them on the table and it is going to push on those buttons from time to time as a way of reminding the United States and others in the region that there are costs associated with not meeting Iran's security needs and recognizing some of its security interests in the region.

We may not like that approach. We may find it objectionable on many levels, but I would argue that it is instrumentally rational for Iran to be operating in that way and we should not be surprised that it is operating in that way.

In Central Asia, I think that Iran has become an important partner with Russia and with China to roll back the extension of U.S. influence into Central Asia that came in the aftermath of the 9/11 attacks. I think that effort is to a large extent been successful. I also think given the way that I have described Iranian interests in wanting to make sure that neighboring states, neighboring regions can't be used as platforms for targeting the Islamic republic, it should also not surprise us that the Islamic republic has worked with Russia and with other states to roll back U.S. influence in Central Asia.

Now, how do we want to deal with this? Well, I think there are basically two approaches. We can take a confrontational approach. We can ratchet up pressure on Iran over the fact that it maintains these kinds of ties and linkages to various groups on the ground in Iraq. We can ratchet up the pressure over its ties to groups like Hezbollah in Lebanon or Hamas in the Palestinian context, and we can see where that gets us. Frankly, I don't think it's going to get us very far, and if sustained over the long-term will prove counterproductive in various ways. Or we can think seriously about a grand bargain with Iran in which U.S. concerns about Iranian WMD activities, ties to terrorist groups are all put on the table and dealt with in return for U.S. acceptance of the Islamic republic and an acceptance of Iran's place in the regional order and a recognition that Iran in fact has at least some legitimate security interests within the regional order.

Those are the two basic approaches to choose from. I am concerned, as I said this morning, that we are going ever further down the first road and I don't think this is going to be very productive for American interests or very helpful to America's strategic position in the most critical region of the world. Or we could try and do the kind of Nixon-to-China grand bargain with the Islamic republic. I think that the diplomatic opening to China in the early '70s was one of the great strategic breakthroughs and great achievements of American diplomacy in the last half century and America's position in the world is vastly better as a result.

If we went down this road with Iran, I think we could get gains for America's strategic position in the region that would be comparable to those we gained from the breakthrough with China in the 1970s. And I think in terms of the security of our friends in the region, including Israel, it would be one of the most productive things that we could do. Is the American political order up to the task of doing what is so manifestly in America's interests? That, I would suggest, is the key question of the day and we are still waiting for the answer to that question. Thank you.

RAJAEE: [Introduces Dr. Trita Parsi, NIAC President and author of *Treacherous Alliances: The Secret Dealings of Iran, Israel and the United States* (Yale University Press, 2007).]

PARSI: Thank you. I don't think there's anyone in the United States that has any illusions about the difficulties that the United States is facing with Iran and the government over there. After all, this is a government that does have a rather abysmal human rights record. It's a country that even though it does have more elections than any of its Arab neighbors, the elections are limited to people who explicitly have shown an unwillingness to question the very premises of the political system there. And it's a political system that leaves much to be desired by the people of Iran and probably by people elsewhere as well.

Perhaps as a result of this and many of the other issues that stand between the two countries, the parameters of the debate here in the United States has been limited to two options: the option of confrontation, which is the military action, and the option of containment, which are the economic sanctions that we heard about earlier on today. It seems increasingly popular right now that people warm up to the idea of containment precisely because the military option has become so unpopular with the current administration's pursuing it the way it has with the war in Iraq. So instead of looking beyond and trying to see new options, people are going back and forth between these two options.

That's the pendulum that exists in Washington D.C. Sometimes it's in favor of economic sanctions, sometimes is in favor of military action. But the most obvious policy that I think has not been significantly addressed here – that of political integration through robust diplomacy, that of trying to turn Iran into a force for stability in the region rather than the force that it is today by addressing the dysfunctional security structure of the Middle East. That is something that until this stage has really not been seriously contemplated in the United States even though

the two other options, containment and confrontation, have produced nothing in the last 27 years that the United States has pursued variations of them.

What is so dangerous in my view about the current situation is that the distinction between these two options, between confrontation and containment, is increasingly being blurred out. Trying to figure out what the Bush administration's intention is right now is a guessing game. Is the deployment of Patriot missiles to the GCC states, the accusations of Iranian involvement against the United States in Iraq, the seizing and releasing policy of Iranian diplomats in Iraq, the focus on Iran's alleged support for the Shiite militias in Iraq while there's almost a complete neglect of the support the Sunni insurgency – which is responsible for the vast majority of American casualties – is receiving from elements in Saudi Arabia, are all of these factors a – are all these a sign of a policy of confrontation and goading Iran into war as the pessimists would have it, or are they a sign of a policy of confrontation and weakening of Iran in order to gain leverage so that when negotiations take place the United States will be in a better negotiating position?

Unfortunately, whatever the intention may be, much indicates that the end result will be confrontation rather than containment because the idea that the Bush administration is doing this in order to gain leverage over Iran assumes two things. It assumes that the Bush administration is interested in negotiations, and it also assumes that it does have the internal mechanism and the sophistication to be able to switch from pressure towards diplomacy at the right moment.

The past behavior of the Bush administration does not support these assumptions. I think as Flynt explained, having served in the Bush administration, there has not been any interest so far in any negotiations with Iran. And the Bush administration has been very consistent about that. It has basically rejected every opportunity to be able to pursue diplomacy.

As we heard earlier on today, the Bush administration chose to reject negotiations back in 2003. What I've heard from people from the administration was that the White House felt that they were extremely strong and didn't need to negotiate. Now we're hearing a different story: that we can't negotiate because we are too weak. But if this pattern of behavior holds, then the weakening of Iran is unlikely to lead to any negotiations as the optimists believe, because if Iran gets weakened, if the economic sanctions are successful, rather than being able to switch and say, now we have leverage, let's negotiate, the pattern of behavior of the Bush administration is to say, the policy is working, the sanctions are effective, Iran is getting weaker, let's continue doing that instead of starting the negotiations. And if that policy holds and that pattern holds, then yet another valuable opportunity for negotiations and diplomacy will be squandered just as it was in 2003.

To make matters worse, the Iranians might feel that they have to take action to demonstrate that the sanctions and the containment policy has not been effective and that they have not been weakened. A recent editorial in the Iranian newspaper of *Baztab*, which is a newspaper that, by the way, is extremely critical of the Ahmadinejad administration, argued that Iran's relative silence in light of the seize and release policy, the raiding of Iranian consulates in Iraq has emboldened the United States by showing Iranian weakness. And the editorial argued that Iran should respond to these raids in order to signal the Bush administration that Iran will fight back if challenged. I think this would be a tremendously foolish step by Iran.

The last thing the Iranians should do is to provide hawks in Washington with yet another reason or pretext to be able to start a conflict. But what it shows, though, is that the structure of the situation is such that even if the intention of the Bush administration is to contain Iran and not to confront it, the risk from miscalculation is so great, the willingness to negotiate is so low that a military clash may be unavoidable unless the Bush administration and the attitude of the Iranian government changes. Unless there is a marked shift towards dialogue and diplomacy, the two countries will continue to gravitate towards the conflict whether that is the interest or the intention of them or not.

The pendulum must be forced to swing in a different direction, because if the options as we define them here in Washington are only between confrontation through military action or containment through economic sanctions, then more likely than not we will end up in confrontation, I fear. And beyond the innocent lives that will be unnecessarily lost on both sides if that were to happen, two of the first victims of such a scenario would not only

be the United States' global standing and its standing in the Middle East, but also the pro-democracy movement in Iran. Nothing – nothing has hurt the pro-democracy movement in Iran more than the tensions between the United States and Iran. On an everyday basis, pro-democracy activists are taking small steps to lay the foundation for something that later on can become a functioning democracy and they have so far been the first victims of this stand-off. And unfortunately, the first victims of a conflict tend also to the first ones that we forget. Thank you.

RAJAEE: Our next speaker is Matthew Levitt, senior fellow & director of the Washington Institute for Near East Policy's Stein Program on Terrorism, Intelligence and Policy. From 2005 to early 2007 he served as deputy assistant secretary for intelligence and analysis at the U.S. Department of Treasury.

LEVITT: Thank you. I think that we're missing the point if we try and put what's going on between the United States and Iran strictly into boxes named containment and confrontation. What is happening in large part is an American reaction to Iranian actions that have been going on for a long time.

And the question is: what is the cost to engaging in various types of dangerous and illicit behavior? How do you deal with a country that continues to engage in dangerous behavior and threatening behavior in a way that it does not appear that it believes there's any cost to that behavior? If what you want, and I believe it is the desire of the U.S. government and this administration not to engage in a military confrontation with Iran, and if you believe that Iran cannot be allowed to engage in its continued support of terrorist groups, its nuclear program, its proliferation activities with regimes like Syria and North Korea, if it should not be allowed to be a disruptive force in Lebanon, in the Palestinian territories and in Iraq, then how do you react? What can be done? Something has to be possible and I don't think a military confrontation is.

People talk about people in this administration wanting a military confrontation. I often wonder who they're talking about? I just came out of this administration and this was not in any of the meetings I attended.

Let's back up a second and let's think about the presentation that was made in the Green Zone in Baghdad this past weekend and the reaction to it. I find that the administration is often caught in a catch-22. It wants to provide information. It wants to make information public, but there's always a sources and methods problem about to go ahead and do that. When it pushes the envelope and gets information declassified, when it in this case even goes to the extent of getting the permission of senior intelligence community officials to make an intelligence analyst available off the record to provide some background, it is held accountable for being mysterious, for engaging in cloak and dagger and why wasn't this person's name provided.

I actually think this is the administration trying to be as forthcoming as it can be under very difficult circumstances. The sources and methods issue is a very, very important one. Declassification is a real conundrum: it is both very difficult and complicated and the people who are involved in the process recognize that it is never enough. Whatever they declassify will never be enough. And it often leads people to decide or to wonder, should we declassify a little bit where all we can make is a general statement when then we will be held accountable, if you will, for not being able to provide any more detail or should we try to provide as much information as we can, even if it's only approved for declassification in a more general statement?

And this issue of declassification and how to provide information and the fact that no information will ever be enough, to be perfectly blunt, is made much more complicated by the fact that both this administration and the intelligence community writ large suffer from huge credibility problems because of the information that led to the war in Iraq and that's something that's going to take time to fix. I'm more concerned about the time to fix for the intelligence community than for the administration, but it means that no matter what they say there's going to be doubt.

But when it turns out that some of the people who have been arrested or detained, I should say, in Iraq are some of the most senior IRGC and Quds Force officials, and that some of the material that was found with them was damning in the extreme. When it turns out that the activities they were engaged in were far from humanitarian, diplomatic, or political – when some of the EFPs that are found, at least some and maybe more, I don't know are dated in 2006 and could not possibly have been material left over from previous relationships when

Iran was supporting the same organizations as they opposed the Saddam regime, we have to wonder what is the cost to Iran of engaging in this activity in Iraq?

That activity has nothing to do with Iran's legitimate political positions with a neighbor. That has everything to do with bleeding the United States and the coalition and making it more difficult to provide security on the ground. How do you contain a country that is recruiting people worldwide for training together with Hezbollah and others in Iran and elsewhere, as was the case for example in 2002 when Ugandan authorities arrested two individuals there for training they had received in Iran and it turns out by the Ugandan investigation that they were sent back to Uganda to engage in Iranian-sponsored activities there. This is by no means just a United States issue.

And how do you deal with the country's massive proliferation? The United Nations Security Council Resolution 1737, I think, contrary to the opinions of many pundits, was a very positive move forward. It would have been much better if it was a stronger resolution, but it is not entirely weak. And I think that there is a way to use it that would be a very positive step forward because when you apply targeted financial measures, you want them to be to the extent possible regime-hostile and people-friendly. You want them to the extent possible to target those elements of the regime that are engaged in the illicit activity. You want them to be as targeted as possible.

Well, in the annex to 1737, are two individuals: the head of the IRGC and the head of the IRGC's air force. And according to the language of 1737, anybody who's listed in the annex is supposed to be subjected to a travel ban and also to having the assets under their control – that's the terminology – assets and economic resources under their control subject to seizure.

And by a simple reading, therefore, of the resolution, the economic resources of the IRGC should be subject to United Nations action. The IRGC enjoys billions of dollars and no-bid contracts in Iran in the gas industry, in the oil industry, and elsewhere. And whereas I don't think anybody expects that their assets are going to be frozen by the Iranian regime, freezing them out of the international financial system would be a very significant step. And as the speaker before me mentioned, there is a movement on the ground in Iran opposed to the regime and there is a massive business class in Iran that is tremendously resentful of these no-bid contracts that go straight to the IRGC. And it therefore would also be a kind of measure that would support those in Iran who recognize how dangerous the current regime is.

Containment is very, very difficult. Confrontation is not necessarily the only other option. How to contain Iran in a such a way as to promote those people on the ground who recognize the danger that the regime presents and who recognize the danger of having, for example, a parallel military like the IRGC that responds not to the government but to the supreme leader is important. Finding ways to empower them is important and finding ways to hold those parts of the Iranian bureaucracy that are responsible for the illicit activity accountable is equally important.

I don't think there are a whole lot of easy answers here, but I do think that the kind of targeted financial measures that the U.S. government has been exploring, unilateral and multilateral, both in the public domain and perhaps even more effectively in the private domain are extremely effective and I think that the reaction on the part of Iran highlights just how active and successful they have been. Thank you.

RAJAEE: Our final speaker is Daniel Levy, senior fellow of both the Century Foundation, where he directs the Prospects for Peace Initiative, and the New America Foundation, where he directs the Middle East Program. Mr. Levy previously served as a policy adviser for the Israeli Prime Minister Ehud Barak and was head of the Jerusalem affairs unit. He was also member of the Israeli delegation to the Taba negotiations with the Palestinians in January, 2001, and of the negotiating team for the Oslo B Agreement from May to September, 1995, under Prime Minister Rabin.

LEVY: Thank you. Perhaps I'll start where Matthew left off and look at this question of when one looks at Iran in the region, how all politics is domestic and certainly one would be amiss not to look at Iranian contemporary foreign policy also in the domestic sense. And actually to agree with you on what I think is an important role that the

economic and financial sanctions and can play, and I think in this respect, the Treasury has been doing a really first-rate job, especially in its work with European banks.

Just maybe to back that up I'll quote from a recent *Le Monde* article, which talks about the – well this is a quote: the report by the Majlis, the Iranian parliament foreign policy and defense commission, which detailed what could be the highly negative consequences of a more robust sanctions regime that include a ban on international exports of refined oil products, an embargo on oil import, and/or banking restrictions, and urged," quote, from the Majlis that "everything be done to avoid sanctions."

And in this respect, I would disagree with a piece that many of you may have picked up on earlier in the week, or last week from Ray Takeyh and Vali Nasr, which said that sanctions are having an impact of holding back the middle class liberal Iran that we will most have to depend on.

That may well be true. I just think they've got their timelines out of sync and I think the time it will take for that effect to kick in is not the timeline that we need to be dealing with. And I think you are seeing the impact on Ahmadinejad. You saw the impact in the assembly of experts, in municipal council elections. You saw the letter from 50 leading Iranian economists last summer. You've seen the pressure that the regime is under. They're going to have trouble passing the budget that has just been released dipping into the oil stabilization fund that was established under Khatami. All these elements are leading – and I'll be careful here – are leading at least to what I will call imperfect conservatives beginning to pose a serious challenge to Ahmadinejad. I'd like to believe that at least this administration wouldn't have a problem dealing with imperfect conservatives. (Laughter.)

The flipside to this, and this is where I would argue that there's a huge missing piece in the sanctions front and center policy, is that where Ahmadinejad is capable of most effectively pushing back domestically is of course – and it's been said here already – when he points to the external enemy. And I think it is clear from most of what we're seeing that the more the rhetoric is ratcheted up, the more Ahmadinejad is given a life vest.

And here one has to ask oneself: if indeed you're seeing a combination of quite an effective set of economic sanctions policies and ineffective ratcheting up all the military threat dialogue, especially as, if you're correct, Matthew, that there is not an intention of following this through, then is the head fake doing a disservice to the intended policy outcome?

Now, for me, the missing ingredients here are twofold. Number one is having a credible offer on the table. Now, it may be that the current regime, as long as Ahmadinejad is sending the negotiators out, is not able to respond to that, but I think that needs to be out on the table and it is not at the moment – not in ways that seem credible and transparent in the region.

And the second thing is this: it's the continued under-reliance, it's the continued punching below the weight of American diplomacy in the region because an effective containment strategy, if that's what we're talking about, that does not take seriously the ease with which Ahmadinejad can talk above the heads not only to his own public, but to the regional public about American hypocrisy, about the Palestinian situation, about the lack of any efforts to resume a peace process in the region – this is a gift to him and to other hardliners. So I would argue that those two missing ingredients are dramatically hampering the policy.

I just want to look briefly at the regional level and then I want to come on more specifically to Israel in a moment. Into that diplomatic vacuum and to that frozen diplomatic tundra that I hope will thaw before outside thaws, although for our benefit I imagine outside will thaw first, are stepping other actors. And we saw it last week in Mecca with the role that the Saudis played in the Palestinian government of national unity deal.

And I would say the following: to the extent to which diplomatic under-reach is playing itself out as conflict promotion on the Palestinian side in Lebanon and to a certain degree, I would argue, in Iraq too, although I don't want to go there, I think this is strengthening the Iranian capacity to play its regional hand. Look at the absurdity of the following: on the one hand, for the last year we have been saying these are the conditions for dealing with the Palestinian government, these are the financial sanctions we're going to apply. We're not going to judge you by what you do on the ground, we're going to judge you by what you say which for me turns on its head to the old

adage I always heard about how one should deal with Arab regimes. It was don't judge them by what they say, it was judge them by what they do, and we should have applied that to the Hamas government once they got elected.

So first of all, you had that set of policies and at the same time you started moaning when the Hamas leadership became regular visitors to Tehran and when Ismail Haniya was coming back from Iran with cash. Now, I would argue that if we're going to be sensible, you can't really have it both ways. And the lucky thing is we have an opportunity.

Now, I think the international community and to a certain extent Israel have been quite smart in holding back in responding to the agreement reached in Mecca last week. I fear that we're on the edge of that approach changing. If you do want to draw the Palestinian Authority out from the closeness that it has been reaching in its orbiting with Iran, then I would say this unity government deal offers you the best hope. And, again, if you want a stable Palestinian side, if you want the possibility of moving forward peace negotiations, then I think one is going to have to be very cautious in saying, well, the unity government hasn't met the three principles of the quartet, we can't deal with you, et cetera.

Another arena is Lebanon. Interestingly, there have been Saudi and Iranian efforts to ratchet down the conflict in Lebanon since things exploded into street violence after the 54 days of the opposition demonstrations and then there was the altercation at the university. To me it sounds like a power-sharing deal not dissimilar to that which we are seeing in the Palestinian Authority will probably be the only way out of the conflict in Lebanon.

Likewise, if I may just briefly touch on Syria. And here to me is – we reach the height of the difficulty of comprehending current policy. To say that we are not going to explore diplomatic channels with the Syrians, given everything going on vis-à-vis Iran, vis-à-vis Iraq, vis-à-vis Lebanon, vis-à-vis the Palestinian situation, it's hard to see how that makes sense. And I'm not saying, by the way, that tomorrow the Syrians end their links with the Iranian regime, but the set of assumptions and the set of factors that feed into the regional policies of all the actors, Iran included, could be changed. And that's the limitation to this new GCC-Plus-Two. As you are aware, in her last visits to the region, Secretary Rice has been meeting with a group of Arab foreign ministers known as the GCC-Plus-Two – the Gulf Cooperation countries plus Egypt and Jordan – the six members of the Gulf Cooperation Council.

Absent – and this what's been going on in those conversations more or less – the U.S. side of the table, we need to talk to you on Iraq, Iraq, Iraq, Iran, Iran, Iran; the GCC-Plus-Two side of the table, it's not that we disagree with you on those matters, Madam Secretary, but Israel-Palestine, Israel-Palestine, Israel-Palestine. And we have an opportunity to move forward Israel-Palestine next Monday when there's a trilateral summit, but I hope that trilateral summit doesn't end up just dealing with what happens to the unity government rather than how do we create a diplomatic horizon, because absent the reestablishment of American credibility and American ability to lead and build alliances in the region, the GCC-Plus-Two arrangement is not going to work and the reestablishment of that credibility and ability to build and lead alliances is directly connected – as I think the Baker-Hamilton Iraq Study Group report quite convincingly argued – is directly related to going back to active efforts at Israeli-Arab peacemaking.

Now, I just want finally to touch on the following. Why is the Iranian situation different from, say, Pakistani development of nuclear weapons? We have the history of the Khan handing over of nuclear technology. We have the question marks regarding the Pakistani security services. You have the proliferation in North Korea. Now, I think one of the reasons is the situation in Iraq, but I think another of the reasons is of course the situation regarding Israel and the threats by the Iranian leader Ahmadinejad, the hosting of the Holocaust denial conference, and the other terribly unpleasant approaches taken.

Now, I don't want to go into this in too much depth and there's a fascinating discussion going on in the *National Review Online* at the moment between Yossi Klein Halevi and Larry Derfner on this what should the Israel-Iran approach be, but I do think you saw something of a crescendo in the fear mongering at the annual Herzliya Policy Conference last month.

Now, for those of you who are familiar with this, the Herzliya Conference is an annual big policy conference in Israel, probably the one most paid attention to locally and internationally; high level Americans always

feature there. What many people may not know is the conference happens to be put together and hosted by Bibi Netanyahu's former foreign policy adviser. And the interesting thing at that conference for me was you had Newt Gingrich talking about the Holocaust and you had Bibi Netanyahu talking about the Holocaust and you had Woolsey claiming that Iran lives in order to destroy Israel and you had Richard Perle claiming that he's under no uncertainty that America will use a military strike against Iran if that becomes necessary.

And yet, against all that panic, here are the words of the Israeli prime minister, who also happens to speak at that conference. Prime Minister Olmert: I wish to clarify, Iran is very vulnerable and sensitive to international pressure. There is still time, while not unlimited, to stop Iran's intentions. Israel is not spearheading the struggle against the Iranian threat. No force in the world can destroy us. We refuse to be dragged into an atmosphere of collective self-induced fear. We will not allow our people to sink into depression and insecurity. We have immense strength.

Now, for me – and other people have interpreted Olmert's speech differently, so I have to be fair here, but to me this was the beginnings, if I may take my comments full circle, also of how this plays out domestically in Israel because in Israel, by the way, we also have domestic politics. And I think and I'm worried that this is becoming too much of a domestic political football and that Prime Minister Olmert's speech, unlike the other speeches from our great friends from across the ocean and our leader of the opposition Mr. Netanyahu, the speech of the prime minister was to say: Wait a moment. Let's not become panic merchants. Let's not make this an exclusively Israeli football.

Now, I would say that I would like to see Prime Minister Olmert go further in that respect and embrace the equation that one of his predecessors, Yitzhak Rabin, embraced in the mid-1990s. And Yitzhak Rabin was the person who drew the equation then between the need for Israel to close the circle of peace and secure borders with its immediate neighbors and this is how he explained going to a peace process with the PLO: the need to close the circle of peace with the immediate neighbors in order that the more strategic threat coming from Iran could not wave the Palestinian flag whenever they wanted to grab the attention and the support of the Arab and Muslim street wherever it may be. So I think you're seeing in Israel that's number one – and I hope this continues – somewhat trying to keep things in proportion. And just to throw one figure at you, foreign direct investment in Israel went up by 42 percent in 2006 compared to 2005, which at least says something. I don't want to overplay it, but it says something about threat perceptions.

So on the one hand being less fear mongering, on the other hand – and some of you may have noticed this – two days ago I believe it was Israel conducted a test launching of the Arrow missile. This particular launching according to the statements coming out of the Israeli Defense Ministry was regarding a nuclear tipped potential Iranian missile, but the third plank of this public posture, defensive posture is the diplomatic posture. And again, here I would only say that I hope that Israel does go back to the policy of trying to remove the grievance, the rallying cry, the mobilizing tool that makes it all too easy for our genuine adversaries.

Something that I won't go into, but I'd just draw people's attention to and I imagine that it will be out in English soon, but is not yet is a report that's just come out from the INSS, what was the Jaffe Center – the Institute for National Security Studies, INSS.

That report ultimately comes down on the side of saying that the Bernard Lewises and others of this world who have said that mutually assured destruction is not a threat for Iran, but a dream for Iran, and that this is all about bringing about the coming of the hidden Imam are calling it wrong. We have to start thinking about Iran as a rational, logical, national, self-interested actor, who are not going to voluntarily offer themselves up for national suicide. Again, I imagine that will be out in English and people should look out for that report when it does come out.

I want to close with the following. Flynt Leverett – and Trita has written about this as well – has talked about the deal in the American-Iranian front that was apparently on the table in 2003. And in that context I thought it was just worth jogging people's memories in another back channel that was apparently going on and that was documented at the time by the Haaretz newspaper's foremost military correspondent and analyst, a gentleman by the name of Ze'ev Schiff, where apparently there was a parallel effort going on that was known as the Malaysian

model. Many of you will remember Malaysian Prime Minister Mahathir and the far from ideal relations that Malaysia under Mahathir maintained with Israel – non-recognition, sometimes very forthright, unpleasant criticism, but without the direct intervention and threats. And apparently there was this Malaysian model on the table. And if we're going to remember options that were on the table in 2003 and that are perhaps worth putting on the table again now, I wanted to remind people of that.

Look, Ahmadinejad is not the sole arbiter of decision-making and power in Iran. I think sometimes there is an intentional effort to dumb down the discussion on the checks and balances, on the competing centers of power in Iran. When Ahmadinejad stepped out of line and said we will destroy Israel, wipe it off the map no matter what the Palestinians say, the supreme leader, Khamenei, put him back in his place. And I'm sure I'm paraphrasing here because I imagine that he didn't use these words, but he said we are not going to be more Catholic than the Pope. I'm very sure he didn't use those words.

If the Palestinians reach an agreement with the Israelis, well, that's their call and Iran won't be the ones to stand against that. And I think it's important to remind ourselves of those things here today.

RAJAEE: Thank you. I just want to make a brief comment before we open up to the floor and take questions and turn the answer to this question over to Trita, which is that of Israeli-Iranian perceptions – mutual perceptions. And given that the two countries share what I consider more intimate connections than Israel and Malaysia I think that maybe, Trita, you can speak to this question a little bit of what the relationship looks like.

PARSI: Daniel mentioned the Malaysian model, which is something that the Iranians were toying with back then. I think, according to what I hear from people close to the Iranian National Security Council, it's still a model that they find rather attractive, which basically means that they would disengage from the Greater Middle East, and get out of Israel's hair in order for Israel to get out of Iran's hair. It's one of those proposals that were made, floated around several times. Israel did not respond to it at the time and many Israelis that I have spoken to characterize that as a failure. There was a sense on the Israeli side that because they heard it from so many different places, it was a credible offer, but they never pursued it.

What I want to add to it, and listening to what Daniel and Matthew said, I think part of the problem in our analysis here is that, sure, we can have sanctions and we can put a lot of pain on Iran and clearly the Iranians are going to say that some of that pain is going to be effective. The problem is not is the pain going to be effective? The question is, is the pain going to translate into a change of policy? That is a completely different question. The pain that has been inflicted on Iran through various different types of sanctions over the last 25, 27 years by the United States has been effective. It has cost the economy of Iran quite a lot.

Has it been successful? Absolutely not. If it had been successful we would not be holding this panel here today. So when we're talking about the different clocks and we are thinking how do we – as you mentioned what Vali Nasr and Ray had written in that op-ed, how the economic sanctions can have a very negative effect on the Iranian civil society and has already had a tremendously negative effect on it.

I think there is another clock that we have to think about when we're looking at Iran with the prism that we have to financially isolate and put a lot of pain on them. That clock is what's going to happen in Iraq and what's the United States standing going to be in Iraq through the surge?

There is a calculation by some in the region similar to the calculation by many here in this town that the surge is going to be an utter disaster. The question is six months from now when the surge has not succeeded, will the effect of that failure on U.S. standing be greater or less than whatever sanctions can do towards the Iranian economy? If the effect of the surge and the failure of the surge is greater, then we will end up in a situation in which even if sanctions on Iran are costly, the Iranians in relative terms are still going to be in a better position than they are today. That is called the cost of delay and we have delayed it quite a lot so far in my view.

Q: (Off mike.) MR. RAJAEE: The question was: what is the worst option for Israel regarding Iran: living with the centrifuges or undertaking an air attack?

LEVY: Let me start by quoting Shimon Perez from that same Herzliya conference. He said a Jew cannot be happy until he is miserable. Shimon's a wise old man.

I don't think we're at that dichotomous place yet, but my concern is that in not getting to that dichotomous place – that binary choice – we are not using all the options at our disposal and here the we is partially Israel, but it's less particularly Israel. And if you look at the preemption/containment/engagement option, well, we're not pursuing engagement and we're doing a pretty pathetic job, which is what I've tried to argue perhaps ineffectively, at containment because I think a containment strategy that does not include a different course on Iraq, a containment strategy that does not include reestablishing U.S. credibility in the region and effectively being able to use that GCC Plus Two alliance by going back to active Arab-Israeli peacemaking.

Use next Monday as the beginning of a serious Israeli-Palestinian peace process. Six years ago last week. Six years ago last week was the last time Israelis and Palestinians talked political issues in Taba. I happened to be there as a negotiator. Seven years ago last month was the last time Israelis and Syrians held peace talks. Seven lean years was enough even in the Bible.

So containment is being done in an extremely ineffective way. Engagement is not being tried and I would say the go for one or both of those options much more effectively. I think the military option is, I would go as far as to say, prohibitively dangerous and risky. I think what that could set in motion is prohibitively dangerous and risky and the elephant that may be in the room is really looking at the entire nuclear nonproliferation regime if that's where it comes to.

PARSI: Two quick words on that. I think we have to step out of this balance-of-power mindset. I have problems with the approach of the administration if it wants to create GCC Plus Two because it's again about creating new and shifting alliances in the Middle East towards being able to balance the upcoming states.

This balance-of-power mindset is in my view one of the key reasons why we are seeing so many conflicts in the region. It's why we saw a war in '56 and '67, and in '73 and '79 and '91 and 2001, 2003 and now perhaps 2007. So when we're talking about what's worse for Israel and what's best for – what's the kind of package we can offer Iran, I think we can offer the entire region a package – a package that is integrated, a package that gives every state a legitimate stake in the security of the region.

And here I would quote the former Israeli Foreign Minister Shlomo Ben-Ami, who I think said it best when he in a Haaretz op-ed argued that the best solution with the situation of Iran and the potential threat and danger that could pose to Israel is to make sure that you integrate Iran into the political structure of the region before it reaches any nuclear capability, because it's through that integration that you actually can affect its policies and that would cast a completely different light on the different capabilities that the Iranians can have.

That's a view that is coming out of Israel. I think that's a view that would be quite helpful if it also came out of D.C.

Q: (Off mike.) Everybody's been talking about how there needs to be something beyond this binary approach. But what would happen to the Iranian democracy movement if a grand bargain was struck between Tehran and Washington? How can such a grand bargain not kill off Iran's democracy movement?

LEVITT: That's a very important point and when I've spoken to Iranian opposition people, what they have said to me is to be careful about engaging with the regime offering carrots that are undeserved and crushing us.

I'm the one who's at a loss for not having been able to participate to the entire conference, but I'm in a little bit of a loss of the discussion as if no one else has thought about it, as if no one else is interested in it of, "Gosh, why don't we engage the Iranians?" like it hasn't been thought of and like there aren't people that would like to do this if there was a viable partner with which to engage.

Much the same can be said for the Palestinian regime led by Hamas right now. I don't know anybody who would not like to see resumed serious peace talks on Monday and I really don't know anybody who actually thinks

that that is viable. The deal in Mecca may hopefully go a long way towards seeing that there will be calm on the ground in the West Bank in Gaza and if that's all it does, then there's utility to it if only for that. But it does nothing to take us farther or closer to a deal with Israel not because Hamas is not willing only to say the right things, but because it is very much still doing the wrong things.

A similar argument can be said about the situation with Iraq. I don't know anybody who doesn't want the United States to be more successful in Iraq, to be able to get out of Iraq. I honestly don't know if the surge is going to be successful or not. But I also don't hear people making a whole lot of other concrete suggestions as to what could be done, so that we could have more security on the ground in Iraq, which Iran is not contributing to, and how we could get out and leave Iraq a relatively stable society.

And so I'm just a little bit confused by that. I think that maybe people feel better articulating a sentiment that we all wish for, but I think it's naïve to say it in such a way to suggest there are just a bunch of fools in government or no diplomats in many, many years who have never thought of it. I just came out of government and I was a career person, not a diplomat. I met some pretty silly diplomats. I met some pretty capable ones, too, who do think out of the box and do think about many of the ideas that have been talked about here today. And I think that we sitting on the outside with all of our big ideas maybe are a little bit naïve in thinking that the reason all our big ideas are not being followed is simply because there's foolishness in government and maybe it has more to do with whether or not there is a partner for it.

RAJAEE: Let me just ask you to think that through just a little bit more in terms of what Iran should be doing in Iraq for example, given the current state of affairs. And a lot of the discussion this morning was about the 2003 offer and its consequences and veracity, et cetera. What do you think this Iranian behavior should look like to avoid punishing behavior, for example, on the part of the administration?

LEVITT: I think the United States recognizes that Iran has serious, legitimate interests in Iraq for a whole host of obvious reasons. I also think Iran knows very well what the activities it is engaged in are that are making it cross the red line: providing deadly material to elements that are targeting U.S. and coalition forces, engaging in a variety of intelligence activities. Several of their intelligence operatives have been caught on false documentation, destroying evidence when they have been detained, engaged in activities that are inimical to stable Iraq.

I think Iran knows very well what activities it needs to cease engaging in the context of Lebanon, in the context of weapon smuggling, in the context of the Palestinian territories, and in the context of its nuclear and proliferation programs.

The U.S. government I think has tried to make clear, for example, that when they shut off the U-turn transaction ability for Bank Saderat it was doing that because this Iranian bank was engaged in the financing of terrorism, including at one point $50 million going to a Hezbollah-controlled front organization. That's not a small amount of change. Or when the U.S. government designated Bank Sepah for its procurement activities and financing for the regime's proliferation activities with regimes like North Korea.

I think the administration – and not just this political administration, but the government meaning the bureaucrats who are in there whatever the administration, like myself, have been very clear on what Iran needs to do. Iran has shown no interest whatsoever in curbing that activity.

PARSI: To the question that was just asked – I think it's an extremely important question. I think the first point is that we're killing the civil society right now and that's the first thing that we have to recognize before we have theoretical discussions of what would happen if we did a grand bargain. We're killing it by the minute and if we talk to members – I think some of the most serious dissidents inside of Iran, such as Shirin Ebadi or Akbar Ganji, I think they've been very clear when they said that you need to reduce the tensions between the United States and Iran. There needs to be a dialogue in order for these pro-democracy activists to be able to have a room to operate in.

And then I think there is another point that is very important. I think a lot of people may look at this, in my view, from the wrong end. There is this assumption that if the United States and Iran were to have a better

relationship that would mean that the United States would guarantee the regime in Iran and its survival. I don't think that's the case whatsoever. The government of the shah had a very, very strong relationship with the United States. That did not provide him any guarantees against a revolution.

So as a result of that, I don't think it is the United States that is the king maker of the government in Iran. It's the people in Iran that is the king maker and if according to these Iranian dissidents that I think are in a different league than the ones that we may come across here in town that may have some dreams about Chalabi's status, their point is quite clear: you need to reduce the tensions in order to give these democrats room and space to be able to maneuver.

LEVY: Yeah, I do want to comment on that. The only two tips I can give on the first part of the question rather than the conversation afterwards is, as Trita just said, we have proven spectacularly bad at cherry picking oppositional interlocutors and to bear that in mind, and don't play our own domestic politics.

When we shout out loud "We've just given $60 million to the opposition in Syria and we've just given $50 million" – it doesn't take a genius to know what that's doing to the selfsame oppositional characters we're giving that money to.

I think it's a pretty unimpressive diplomatic track record, I have to say. If one felt – and I'll address this question on the area I'm most familiar with, but I would be hard pushed to believe that it doesn't apply elsewhere. If one indeed felt that Yasser Arafat was the nemesis, well, he left the scene. Mahmoud Abbas, widely recognized as someone we could all work with, was elected president of the Palestinian Authority in January of 2005.

The message couldn't have been clearer. I need to be able to show political deliverables to my street if you want them to follow my non-violent, diplomatic, negotiated path rather than the path that's written in the slogans of Hamas on every wall in Gaza; namely, Kassam rockets and terror and violence are going to drive Israel out of Gaza while you guys in Fatah spent ten years negotiating and getting nothing of the sort.

We didn't provide that diplomatic political horizon. Abbas was president for a year before the legislative council elections. There was a Saudi initiative in 2002, something we have been waiting for half a century, a deal whereby the Arab states would recognize Israel. There would be secure borders and guarantees.

Was anything done here to pick up that glove that has been thrown down? Was there any diplomatic initiative? You had an Israeli government elected only last year predicated on a withdrawal from 90 percent of the territories. That withdrawal isn't simple. That's a painful domestic process.

Unilaterally, it is not going to work. But was there an effort to say, wait a minute, we have an Israeli side ready to concede territories, ready to make those big steps? Can we build this into a package so that rather than 90 percent, we can go the extra mile and rather than getting nothing in return we can build a package with the Arab world, we can build the security elements into it? Was there any effort made in that regard? Unfortunately not.

And when the Syrian leader has continually made peace overtures, the message coming from Washington to Jerusalem is not answer this guy; let's see where we can go with the Syrians, but – and here I am quoting the Israeli prime minister from a cabinet meeting only a month ago – "We can't talk to Assad amongst other reasons because Washington doesn't want it," which by the way set forth a very, very unusual and interesting debate in Israel regarding the relationship with this particular administration.

So is there diplomatic under-reach? Yes. It's not good enough that people sit around and say well, we'd love the peace talks to proceed or if only we had someone to be in a room with. Ask the Europeans, ask the EU-3, who have been in the room with the Iranians. Ask them the significance of that vacant seat. That vacant seat is the seat that the Americans have not been occupying in those talks with the Iranians.

Since when is engaging with your adversary endorsing or embracing your adversary? The Treasury's been playing its role in closing down the financial sources of support. The DOD has played a role, whether people

think is the right or wrong role. Where is the State Department? Where are back channels? Where is the diplomatic surge?

Q: My question is for Trita and Daniel in particular. Daniel, you quoted Bernard Lewis having written that mutually assured destruction was in fact not a nightmare, but a dream in Tehran. I'm looking at the issue of the *New Republic*, February 5th. It's the article in this issue of the *New Republic* titled, "Israel's Worst Nightmare: Contra Iran." It's by Yossi Klein Halevi and Michael B. Oren.

My question is this. Is there possibly in the Iranian government in terms of motives for acquiring a nuclear weapon, a virtually apocalyptic motivation on the part of some, not just Ahmadinejad, but others as well? If you believe this article in the *New Republic*, the answer to that question arguably would be yes. Is there possibly, as this article alleges, really a motivation in acquiring nuclear weapons in Tehran, motivation that in order to bring forth the Hidden Imam that they are prepared to sacrifice half of the Iranian population in order to extinguish and exterminate Israel?

PARSI: Thank you for that question. I'll try to be brief. When I'm in Israel and I'm talking to Israeli officials, the first thing that becomes very clear to you when you talk to them is that they see the Iranians as extremely rational, very cunning, and very calculating.

There is an interest on both sides, unfortunately, to portray themselves and the other as somewhat irrational. On the Israeli side, among the hardliners, portraying the Iranians as mad mullahs, which is rather easy to do mindful of what the Iranian regime is doing itself, but to portray them as such is a very effective way to say containment is not going to work. You have to skip the sanction step and immediately go to military action, because if you can't contain, if you cannot use mutually assured destruction, then you have no other choice than to take military action.

And there are elements there as well as here that would like to see that. On the Iranian side there has been a policy called simulated irrationality: the effort to make sure that the outside world does not really see Iran as fully rational, wants to scare the outside world a little bit because the more irrational it's seen, the more incalculable Iran is seen. And as a result of that, they believe that the outside world is going to be more cautious with Iran.

It's, by the way, the same strategy that Nixon used in the '70s when he wanted the communists to see him as a little bit crazy because that would make the Soviet Union more cautious. But are they suicidal? I think we should ask ourselves this question. If this is a suicidal and irrational government, how come that in the past 27 years they have now reached a position in which they are probably stronger than they have ever been before? If they were suicidal and irrational, one would have expected that they would have had 27 years of opportunities to commit suicide. Why haven't they done so yet if they are so suicidal?

I think the biggest mistake we can do in Washington is to underestimate the Iranian government and act as if they are not rational and cunning. That not only makes it more difficult to find a solution, but it also makes it much easier to find the apocalypse that some people have been looking for.

LEVY: Let me give you the verbatim Bernard Lewis quote, because I paraphrased about that. "Mutual assured destruction is not a deterrent, rather an inducement to Iran."

Trita just talked about crazy Iran. Well, of course there is a similar notion in Israel. One of the things that sometimes you will do is you'll say crazy Israel and you'll get people worried about what crazy Israel will do because you want someone else to do the heavy lifting, and I think one has to build that into one's analysis.

As with the hidden Imam and the apocalyptic "we'd rather wipe out half our population," let me have a shot at this. Take an imaginary constitutional democracy that has a group of citizens who are not politically disempowered or not particularly not close – too many negatives there – to a given administration who are getting rhapsody ready and believe in the second coming and the willing to make temporary alignment with the Jews who aren't going to be around then because part of the second coming is going to be about the ingathering of the exiles and making sure Israel is strong. And have all kinds of other apocalyptic notions and really they're not too distant from the given – no, you're right; it's too crazy a scenario. Let's forget that hypothetical.

So I would urge a little bit of caution when it comes to how one treats the more fantastical, religiously inspired notions of this regime. Look, this it my copy of Yossi Klein Halevi and Michael Oren. It's got so many comments in the margins that I can't even begin to go there. I think one of the more effective rebuttals, and I'm afraid I can't remember who it's by, is on the *American Prospect* website. The exchange I referred to earlier or Larry Derfner with Yossi Klein Halevi, which is a follow-up to this, which is on TNR online.

Bibi Netanyahu's line is, "It's 1938, Iran is Germany, and Ahmadinejad is Hitler." Now, it seems bizarre that I have to remind the Zionist Bibi Netanyahu that there's a big difference between 2007 and 1938; that today we have the state of Israel, but, hello, today we have a state of Israel. I think the consequences would be disastrous of going for that approach. I'm tempted to say that I'm going to write something and try and tear apart Klein Halevi and Oren and look out for it.

PARSI: Some last words. Unfortunately, Steve could not be here for the closing, even though we actually ended up earlier. I just want to thank the New America Foundation for co-organizing this with us. I hope you guys enjoyed the discussion. And thank you so much, Matthew.

We're going to have more of these events both on Capitol Hill and elsewhere. Go to www.niacouncil.org to find out more about it. Thank you so much.

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