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### "GEO-POLITICAL DYNAMICS (II): The Iran Conundrum"

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#### **SPEAKERS:**

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**Mr. Thomas Delare** – Director, Terrorism Finance and Sanctions Policy, Economic Bureau, United States Department of State; former Minister Counselor for Economic Affairs, U.S. Embassy in Rome, Italy; former Minister Counselor for Economic Affairs, U.S. Embassy in Baghdad, Iraq.

**Dr. Trita Parsi** – Founder and President of the National Iranian American Council [NIAC]; author of *Treacherous Alliance: The Secret Dealings of Iran, Israel, and the United States* and silver medal winner of the 2008 Arthur Ross Book Award from the Council on Foreign Relations; 2010 recipient of the Grawemeyer Award for Ideas Improving world Order.

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#### **COMMENTATOR:**

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## GEO-POLITICAL DYNAMICS: ENDGAME IN IRAN

[Dr. John Iskander] Good morning. Welcome to the next panel. My name is John Iskander. As Dr. Anthony said I am at the State Department's Foreign Service Institute where I chair Near East and North Africa Area Studies. I am delighted to be here today with his illustrious crowd. We are going to be addressing obviously the issues related to Iran. As all of you know, those who follow all of these issues as everybody here does that there are lots of concerns from all sides. And we will be addressing some of those today and looking forward to a lively discussion on the topic as we always do with such a topic.

We are going to be starting off with our sets of speakers. We will wrap up with a discussion of the various sessions of the various speakers and then we'll open up to questions and answers. As always if you have questions please write them down and pass them forward.

We're going to be starting with Dr. Flynt Leverett. I'll introduce each of our speakers as they go. Dr Leverett is Director of the Iran Initiative, Senior Research Fellow and Director of the American Strategy Program, Director of Geopolitics and Energy Initiative at the New American Foundation.

He has a very long and distinguished career. He is one of those who, like all of our speakers today, needs little by way of introduction. He has had a distinguished career in the U.S. government and serving as the Senior Director for Middle East Affairs at the NSC. A Middle East expert on the Secretary of State Policy Planning Staff and much more. He has published extensively on issues of concern including Syria as well as Iran.

Thank you very much and I turn it over to Dr. Flynt Leverett.

[Dr. Flynn Leverett] It is a pleasure to be with you this morning. I thought to start off this panel, this session, that I would say some things about two questions that I think really shape our discussions about Iran and for some our concerns about Iran.

Those two sets of questions are, first of all, is Iran really becoming a more strategically consequential and influential actor in the region? I believe it is. And so I would like to say a few things about to why I believe that is the case.

And then secondly there is a set of concerns about Iran as a potential flashpoint for military conflict in the region. So I'd like to make a few observations about that as well.

It seems to me at least pretty clear that over the last ten years roughly, Iran's strategic influence in the Gulf and across the Middle East as a whole has risen very significantly. Why is that the case?

I would argue that it has very little if anything to do with hard power. Hard military power. Iran to this day remains incapable of projecting substantial amounts of conventional military power beyond its borders. That is reality.

Why has Iran become more influential over the last decade?

One factor that I think is undeniable is a series of quite serious policy mistakes by the United States. First of all, just from a balance of power point of view, once the United States, through its military eliminated or pushed out of power in Kabul the Taliban regime in Afghanistan, and once we had overthrown Saddam Hussein in Iraq, the balance of power in a regional context could only improve from an Iranian perspective. That's a given.

But beyond that I think that our prolonged and in many ways I'll be generous here less than fully competent occupations in both Afghanistan and Iraq have played powerfully to Iran's advantage.

Secondly, the United States has, I think come very close over the last ten years in presiding over the death of the traditional Arab-Israeli peace process. And in saying that I don't mean that the United States has tanked on any meaningful diplomatic leadership on this issue, but that it has increasingly embraced a notion that Israel's security requires something tantamount to Israeli military hegemony in the region. So that Israeli security rests upon Israel's confidence that it can use military force unilaterally anywhere, anytime it wants for whatever purpose it considers desirable and the U.S. has, for all intents and purposes, bought off on that notion of what Israel's security requires. That too has played powerfully to Iran's advantage.

Third, you have seen enormous deterioration in America's international economic position over the last decade. There is of course a regional component to this because of the very, very substantial increases in energy prices that the world has seen since the beginning of this decade. You can see as the oil price goes up the current account surpluses of major energy exporters go up, and the current account deficit of the United States also grows. What is so striking though is that other major energy importing economies in the world – China, Japan, Germany – they are all paying the same higher energy prices that the United States has been paying but they have managed to grow their own current account surpluses during this period while the United States deficits keep getting bigger and bigger. That too has, I think, contributed to the impression of declining American power and has played powerfully to Iran's advantage.

But Iran, of course, has taken advantage of these developments to boost its own strategic standing in the Middle East. The assessment of Iranian soft power is complicated but I think Iranian soft power is real and I think it is effectively undiminished. I think fundamentally Iranian soft power is rooted in a basic reality, namely that in key regional theaters in the Middle East the Iranian's have picked winners rather than losers as their political allies.

In Lebanon over the last ten years there has been a huge, huge rise in Hezbollah's standing not just as an effective paramilitary force but as the most disciplined, most effective, and in some ways most genuinely popular political party in Lebanon. If you look at the actual vote tallies for the 2009 elections in Lebanon, the March 8 coalition, the Hezbollah coalition, actually won quite a few more votes than the March 14 coalition. But because the Lebanese political system systematically under-weights Shia votes the March 14 coalition won more seats. But in terms of popular support and in terms of strategic influence in Lebanese politics Iran has picked the winner in Hezbollah.

In Palestine we have seen Hamas over the last ten years emerge as a genuinely popular political party not just a paramilitary force. In the case of both Hezbollah and Hamas these movements have grown as political forces that win elections because they represent unavoidable constituencies with legitimate grievances. And Iran has picked winners for its allies.

In Iraq, Shia Islamist parties, movements, militias parties that Iran supported during the Saddam period for years for decades, have emerged as the most important players in post Saddam Iraqi politics. Once again Iran has picked winners not losers for its political allies.

This is not about hard power it's about smart politics.

Now let me say something very briefly about the risk of military confrontation. The only way a military confrontation involving Iran is going to come about over the next year, over the next two years, perhaps even longer than that, is if the United States and/or Israel initiates it. And if either the United States or Israel initiates the confrontation it is going to be because Iran is enriching uranium.

There will not be a smoking gun that Iran is actually trying to fabricate a nuclear weapon. There will be continued development of Iran's capabilities to enrich uranium. There will not be a reported diversion of nuclear material there will simply be continued development of Iran's fuel cycle capabilities.

I would just leave you with this thought given what I have said about political trends in the region and Iran's ability to exploit them, What do you think the regional reaction is going to be if Iran is attacked by the United States or Israel because it is enriching uranium?

Thank you

[Iskander] Thank you Dr. Leverett

Our next speaker will be Mr. Tom Delare. He is the Director of Terrorism, Finance and Policy Directorate in the Department of State and has been since September 2009. An illustrious career within government also having served at the US Embassy in Rome, as Minister Counselor for Economic Affairs and prior to that Minister Counselor for Economic Affairs at the U.S. Embassy in Baghdad, Iraq as well as the Deputy Chief of Mission and Charge' in Bucharest, Romania. Many other assignments as well as having worked as an analyst in the Library of Congress at an earlier point in his career. Thank you very much and please join me in welcoming Mr. Tom Delare.

[Thomas Delare] Thank you John and thank you also Dr. Anthony for your kind invitation to say a few words today about Iran sanctions policy.

I work in the Economic Bureau at the Department of State, which has the operational duty to apply the non-financial aspects of the Iranian sanctions. Given this audience's interest I assume most of you are aware of the general shape of our sanctions policy, its goals, its tools, but I will touch on a few of especially the newer elements. But I also assume you are probably less aware

of where we are in the application of the new sanctions regime, the Comprehensive Iranian Sanctions and Divestment Act, which from this point forward I'm going to call CISADA. CISADA, the other one is just too long and hard to pronounce.

I think you would like to hear about where we are in its application, perhaps about some recent successes, and very importantly about some of the consequences, some of which have been perhaps unintended.

Let me emphasize that we regard the application of the American sanctions against Iran as, one, just part of a large multilateral effort and, two, it is an all of government effort. State and treasury have primary responsibilities for implementing CISADA but all of the economic agencies in town, intelligence resources across the city and even the Department of Defense are engaged in it.

CISADA signed on July the 1<sup>st</sup>, significantly expands sanctionable energy related activities, it adds new types of sanctions and imposes strict conditions on the access to the U.S. financial system. But as I mentioned we see this as part of a multilateral effort. It is one of a cascade of measures that we see having an increasing impact on the Iranian government and economy.

First I think we have to mention the United Nation Security Council Resolution 1929, and then subsequent actions taken by the European Union, Canada, Australia, Japan, Korea and other partners. The EU measures are particularly impressive. They include prohibition on new investment especially in the energy sector, bans on the transfer of key technology, tough measures against Iranian banks and corresponding banking accounts.

Let's take stock of where we are as we embark on all these new measures. I'll start with what we think is the obvious. A nuclear-armed Iran would severely threaten the security and stability of a part of the world crucial to our interests and the health of the global economy. A nuclear-armed Iran would undermine the credibility of the United Nations and other international institutions. It would seriously undercut the nonproliferation regime precisely at the moment we would like to strengthen it. These risks are reinforced and highlighted by support for terrorist groups provided by the Iranian Government. Its opposition to the Middle East peace process and its chilling rhetoric about Israel, and its brutal repression of its own citizens.

Now for about two years this administration has been using a mix of some tough-minded diplomacy including both engagement and pressure and active cooperation with our partners to make clear the choices before the Iranian leadership. I think as all of you know we embarked on an unprecedented effort to engage Iran. We did so without illusions. Engagement permitted us to test Iranian intentions while at the same time building stronger partnerships with countries concerned about Iran's behavior. But Iranian intransigence, and we would see that demonstrated with the clandestine enrichment facility in Qom, plans for ten new enrichment facilities and refusal to continue discussions with the P5 +1, left us no choice but to employ a second tool, economic and political pressure to complement that of diplomacy. But let me talk about a few of our current actions and some of the results.

Since the passage of CISADA we have undertaken a vigorous outreach program. We are encouraging other steps to go beyond the Security Council Resolution 1929. At the same time to avoid undercutting the actions of states that have taken rather robust measures themselves and importantly not to backfill behind contracts or projects with countries or firms that are leaving the area, not to backfill and take advantage of that economic activity. We are reviewing past activities that could trigger sanctions under the Iran Sanctions Act. That's the old act. We had identified a number of cases dating from before the Obama administration, which appeared, problematic and warranted more consideration. We have now sanctioned one firm, referred a number of others for continuing investigation and obtained, this is the important part, obtained definite pledges of termination of investment activities in Iranian energy sector from others.

In terms of how do we bring about further action, we are informing all of our posts abroad of the new requirements of the U.S. act. We are encouraging outreach to the local government, publics and businesses explaining this. We are trying to get other people to join us in complementary actions.

You will have all read of course of the numerous high-level, and working-level visits to critical capitals. For example to China, in Moscow, Gulf capitals, Brussels. They are all aimed at securing collaboration and lack of undercutting sometimes. Here in Washington we have increased, and reorganized staff to implement sanctions. We have established new means to share intelligence. We have found vulnerabilities, particularly conducive to the application of our sanctions. And finally, we worry about unintended consequences, because as I emphasized this is a multilateral effort. We realize that these sort of blind applications of sanctions can do serious damage to very important, critically important bilateral relationships. So especially in those countries in close proximity to Iran, those with long-standing and large commercial relationships we are working with those countries to avoid entanglements, unintentionally perhaps in the Iranian sanctions.

Finally we are reaching out to commercial and legal interests in the U.S. and abroad to explain the law and solicit their concerns. So it will take time to gauge the full impact of the law and the other sanctions.

We have observed the following. A profound impact on shipping and insurance services. It's become clear that access to financial services has become much more difficult. The cost of doing business for Iran has been raised. Even the use of complex, deceptive practices, while sometimes successful, have become increasingly costly and time-consuming. Major fuel suppliers including VITOL, Shell, Reliance, IPG, Glencore and others will no longer sell refined products to Iran. And a number of major oil companies have even refused to sell jet fuel to Iran Air aircraft, sending a message of isolation to the Iranian regime and elites.

So in conclusion, let me say that the aim of our sanctions, the multilateral sanctions generally, is to bring home to the Iranian Government the cost of its policy choices. For the Iranian elites and the general public it also demonstrates the isolation, increasing isolation of the regime. Our end goal is still to produce serious negotiations with the international community and with the P5+1, on the Iranian nuclear program, while increasing the cost and time required for the continuation of effort.

How is this going to end? Well I don't have a crystal ball but this is a very dynamic process. But I would tick off a few things for you. International pressure is building. The capacity to identify and halt sanction-breakers activity is improving. Regulations to implement the European Union sanctions are just coming online and we expect a very positive result there. Other states are building on the framework of the Security Council Resolution 1929, enacting their own complementary regulations measures. We will continue to encourage those.

And finally we'll continue to build the capacities of our friends and allies to better track and halt problematic transactions. Bob Einhorn, who is Secretary Clinton's Special Advisor on Sanctions, recently remarked during Congressional testimony. He said our foremost objective, one shared by our international partners and allies in the region is a durable diplomatic solution to the world's concerns about the Iranian nuclear program and the broader issues at stake with Iran. The choice to adopt a more constructive course in however is one that Tehran alone can make.

Thank you very much.

[Iskander] As you can see the panel unfolding the topic, I think you can see the point of questions and dialogue that we are looking forward to, and it is a really rich panel. As you can see we are going to return next to Dr. Trita Parsi. I was just in Saudi Arabia, visiting there and he happened to be passing through the same on and made a splash so it is the first time to see him back here.

Dr. Parsi is a 2010 recipient of the Grawemeyer Award for ideas for improving world order and the Founder and President of the National Iranian-American Council. He is a Woodrow Wilson fellow this year, an expert on US-Iranian relations, Iranian politics and balance of power in the Middle East. He is the author of a major book called "Traacherous Alliance: The Secret Dealings of Iran, Israel and the United States." There's much more I would just ask you to look at the bio we have a chance. Dr. Trita Parsi.

[Dr. Trita Parsi] Thank you. Thank you so much. It is a great pleasure being here today addressing this important topic. In our conversations prior to this panel one of the questions that was posed as a potential topic to address was, what is the value of going forward with any diplomacy with Iran at this stage? Mindful of the poor results that have been shown so far what can be salvaged with a diplomatic strategy?

And I thought I wanted to turn that question around instead and actually see what lessons can be learned from the past year and a half in the diplomatic outreach of the Obama administration in order to make sure that in any future talks, potentially in the upcoming talks if they take place in November, that some of those challenges can be met more effectively.

So we have seen that in the past year and a half the Obama Administration started off trying to create a better atmosphere between the United States and Iran in order to make diplomacy succeed. And much of the Administration's chances of success were significantly reduced due to what was happening inside Iran, which was very much outside the control of the Administration itself.

With the disputed elections, massive human right abuses, that took place afterwards, you saw many effects that impacted the Administration's chances of success. On the one hand the outcome of the elections or the fallout of elections created a political paralysis inside Iran that made it much more difficult for the political elite to come to terms on very important issues for Iran such as how to negotiate with the United States.

Furthermore, the difficulty of an American government to negotiate with Iran, which was already difficult as it was, became all the more difficult. The political space for it was reduced even further as a result of the human rights abuses and what was taking place inside the country, and gave a significant boost to the efforts in Congress to go forward with new sanctions. They have now been passed. Sanctions, incidentally, that were introduced in Congress even before the Iranian elections and even before the first round of talks.

By October as the talks began then one of the most important, but probably not the only important reason, as to why the talks did not produce any results was precisely the difficulty within the Iranian political elite to come to a consensus on how to deal with this issue.

Not necessarily because of wide-ranging differences on the specifics of the deal but because of significant differences on how the deal's political capital inside Iran later on would be distributed and who it would benefit and who it wouldn't.

Now given all that and assuming that there will be some talks, if not in November sometime this year or early next year. What are the different things that the Administration could do, perhaps a bit differently, or think about in order to make sure that a different result could come about. Obviously there is a very long list of things that the Iranian government could do differently as well, but due to time limitations I will only address seven points on what can be addressed here in the United States.

First of all, don't turn confidence-building measures into preconditions. In October the U.S. was very much open to expanding the agenda and addressing other issues and there are wide ranging issues of conflict between the United States and Iran, but only after there had been a successful completion of the TRR deal. Consequently much-needed talks on issues such as Afghanistan, such as Iraq, such as human rights situation in Iran never took place due to failure of a tactical confidence building measure on the nuclear issue. Success on the TRR became a precondition for addressing any other issue including other aspects of the nuclear talks. Of course the Administration believed that a quick diplomatic victory was needed in order to be able to push back against the critics of dialogue in Washington, push back against Iran's breakout capability in order to create more space before diplomacy. But by putting essentially all eggs in one basket and then that basket not working out as had been hoped for, the diplomatic plan A fell apart and there really was not much of a diplomatic plan B, except going for sanctions.

Two. Embrace a larger agenda. Reducing 30 years of wide-ranging tensions between the United States and Iran into a single variable negotiation is not a formula for success. Areas of tensions between the U.S. and Iran are not few and in many ways expanding it can come across as complicating the issue and the Iranians indeed have at times tried to expand the agenda



indefinitely for stalling tactics. It is also to the expansion of the agenda that both leverage and some maneuverability can be found. Success in one area can be used to break deadlocks in another area. Common benefits that can be achieved in Afghanistan can overcome some of the suspicions and bad blood that exists in the nuclear issue. So an expansion and embracement of the larger agenda I think would be more helpful than focusing singularly on the nuclear issue.

Three. Don't avoid the human rights situation in Iran. I think that the Administration felt very strongly that if it was more vocal on the human rights situation in Iran that that would come across as an interference in Iran's political affairs and come across as taking sides with any of the political parties battling it out after the elections. However, the abuses that took place in Iran are unacceptable regardless as to whether who won or who didn't win the elections, regardless as to whether there were any elections or not. In the long run for the United States to be able to have a sustainable productive relationship with Iran, it cannot go back to what many people in the opposition fear, which is a return to the relationships that existed with the Shah, in which security matters tend to trump all other considerations and that particularly human rights considerations would be sacrificed for the sake of getting a nuclear deal.

Four. Trust is in short supply. So utilize countries that actually can inject some trust into this atmosphere. It is an interesting formula having the United States and the P5+1 negotiate with Iran. It is obviously a mechanism that can not be sidelined but perhaps it can be complemented with other elements. Because none of the countries in the P5 +1, tend to have of a positive relationship with Iran, and none of them tend to have much trust in Iran. Iran in turn trusts none of the countries in the P5+1. You may have a little bit better relationship with some of them but trust it is quite scarce. Under those circumstances, with such a mechanism expectations of success should be very, very moderate. We have seen our earlier this year and that there are other countries who are trusted allies of the United States who also for their own reasons have managed to create if not trust, at least a rapport with the Iranians. And have managed to do something that very few countries in Europe have managed to do which is to get the Iranians to say yes. Now clearly if one is solely focused on a punitive approach to Iran then bringing more countries into the equation can be very difficult in order to ensure that everyone is on the same line when it comes to what types of sanctions measures to adopt on Iran. But if there is a seriousness about making diplomacy succeed than one cannot overlook the necessity of having confidence and trust. And there are countries, some of them in the region, some of them beyond, that can play a role in this. It seems wise to be able to utilize them for the next round of discussions.

Five. Don't let the search for leverage come at the expense of the success of the talks. Obviously searching for leverage prior to any negotiations within any negotiation is always going to be inevitable. But in any successful negotiation this must be balanced with other considerations particularly the creation of an atmosphere that is conducive to the success of the talks, an atmosphere that has at least some modicum of confidence in it. Currently both sides are seeking to create as many facts on the ground as possible, to have maximum leverage in any upcoming talks. The Iranians are advancing their nuclear program and their stockpile of both LEU as well 20 percent enriched uranium. And arguably they are also utilizing two Americans imprisoned in Iran as a potential negotiating, bargaining chip. The U.S., in return as has been explained on this panel, is very much more effective than it has been in the past in adding more pressure on Iran,

adding new sanctions and pressuring many of Iran's trading partners to cease its dealings with Iran. This is done, it is said, to cripple the Iranian economy and gain leverage. But in an atmosphere that is already void of confidence and trust, the extent to which these steps are taken only add to a more hostile atmosphere and increases the risks of the talks being dead on arrival. Both sides may have thought they have gained much leverage but unfortunately that leverage may very well have come at the expense of any potential diplomatic breakthrough.

Six. Talk to everyone in Iran. There is often times in DC a conversation about who can we talk to in Iran, who do we have to go to. Well perhaps the question has been wrongly formulated at the outset. It is not who, but essentially more or less everyone. Every potential power circle and element in Iran needs to be addressed. To just take a look at what the Turks and the Brazilians did that seemed to have worked at least in that instance. They did not just talk to the supreme leader's office. They did not just talk to members of the National Security Council. They did not just talk to the parliament. They talked to everyone. And they made sure that as they were seeking to build trust and create an atmosphere and sell a deal. They sold it to everyone rather than just selling it to one element and leaving it to that element to try to sell it to everyone in Iran who are already hostile to that element.

Seven. And last. Play the long game. Patience and perseverance. One of the concerns particularly when it comes to the U.S. side is, does there exist sufficient political capital to be able to make any talks with Iran successful, mindful of the fact that no talks with Iran are likely to be particularly short? Well if there is a real desire to make this successful, political capital needs to be created rather than expecting the talks to adjust to an already very hostile landscape in Washington. That requires patience and perseverance and that may not have been in large supply when it comes to this issue and many other issues in the Middle East. Thank you so much.

[Islander] Thank you Dr. Parsi. The last of our speakers before we wrap up and then move into questions. We still have two more speakers, but the last of our panelists then.

Dr. Kenneth Katzman, as a specialist with the Congressional research art service, Dr. Katzman serves as senior Middle East analyst for the U.S. Congress with special emphasis on Iran, Iraq, Persian Gulf states, Afghanistan and extremist groups operating in the Middle East and South Asia, a broad bailiwick. He provides reports and briefings to members of Congress and their staffs on U.S. policy and legislation on these countries and issues. He has written widely and published widely including "The Warriors of Islam: Iran's Revolutionary Guard." He has given many presentations to people in government. I give you Dr. Kenneth Katzman.

[Dr. Kenneth Katzman] Thank you, very much. Thank you to the Council for inviting me again. Of course I am not speaking for the Congressional Research Service today. I am not speaking for anybody in Congress. I'm here in a personal capacity.

Since I'm not diplomat or have I ever been one I hope my presentation will be straightforward. U.S. policy as I understand it is to squeeze Iran through sanctions as much as possible until it reaches a new calculation about its nuclear program and the wisdom of pursuing it much further.

U.S. policy as I understand it is not intended to change Iran's regime. However, if that should happen I don't speak to many people in this town who would be particularly upset about that.

There is no momentum for any type of war or military – I would like to debunk this myth that keeps persisting in this town – there is no momentum for any war or military action against Iran is that I can detect from my standpoint. Everything I hear out of the DoD is very cautious stressing the unintended consequences, the difficulty of ensuring a complete or durable result. There is a clear belief that the dimensions and permutations of any type of military action against Iran are unforeseeable. Such an attack could easily expand into a general war in the Middle East and the Persian Gulf, expanding into Iraq where the U.S. still has 50,000 troops, Afghanistan where the U.S. has 104,000 troops. Really anywhere in the region involving pro-Iranian parties that Flynt talked about. There is a view that Iran could retaliate not just immediately but many, many years thereafter, you know some sort of conflict that persists.

Further dampening, to be more optimistic, further dampening propensity to any conflict is the sense that U.S. policy is beginning to work. There is now a global consensus to isolate Iran economically and diplomatically. The sanctions imposed by the US, UN, EU, Japan and South Korea are far stiffer than expected by anybody and have had the net effect of separating Iran's energy sector from that of the rest of the developed world, with the exception possibly of mainly China, if we put China in that category.

Even before the sanctions had begun and were enacted they had succeeded in scaring out a great many major international companies out of Iran with more joining almost every day. The EU, Japanese and South Korean moves were particularly significant for ending medium- and long-term trade financing for Iran and basically given that Iran's economy does flourish or run on the import and export business they restrict not only investing in Iran's energy sector but even the provision of equipments and services to the energy sector. Very sweeping sanctions. The bottom line is if you are a corporate CEO basically anywhere in the world, almost, that is even relatively allied with the United States or on good relations with United States, you are not going to risk your corporate goodwill, your share price, your earning prospects for doing business with Iran when the much huger market, 30 times combined US and EU market are a combined 30 times the size of Iran in terms of GDP.

In terms of the energy sector Iran's Revolutionary Guard has announced it's getting out of the South Pars development project. LNG projects are being canceled. Iran is going to pursue a pipeline strategy, which is difficult because it needs the cooperation of neighboring governments. They have had to, as we've said, convert petrochemical plants to gasoline production to make up for the shortfalls of gasoline supply. These plants are not efficient, very expensive to convert them. And it does hurt. At the same time there is a growing view that Iran's nuclear program may be encountering major difficulties. This has in view of the Administration bought U.S. policy more time for the sanctions to pressure the Iranian leadership into meaningful limits on enrichment programs. This has also bought more time to keep Israel from taking any precipitous action. There is also a growing belief that military action should be evaluated with respect to how it would affect the domestic opposition, the green movement. The movement is far from dead although it is off the streets. There is a view that inevitably it will be reactivated with any number of triggers possible. Military action would certainly irrevocably set back the green

movement. It would cause a loss of support from a whole generation of young Iranians who are looking to the United States to actually integrate with the United States, if and when this regime is not there. These are the same Iranian's who post on their Facebook pages. I'm in touch with many of them on their Facebook. They have cartoons mocking the Supreme Leader, mocking Ahmadinejad. The same Iranians who have defected from foreign ministry positions in recent weeks are, and who are actively feeding the West information on Iran's nuclear program.

Green movement supporters are entrenched in every nook and cranny of the Islamic article that including the state broadcasting apparatus, the police, the Revolutionary Guard, the Basij, etcetera. I've even had personal, sometimes I get calls from Tehran to do Press TV, official state broadcasting, and you know you think it's going to be this deep voiced cleric, "This is Holam Hussein." No it's this young woman named Tanya, "Dr. Katzman we really want you on the show today." [Imitating voice of a young woman.]

So there's a lot of diversity and I expect there will be more defections in the Foreign Ministry. The sanctions have not caused the public, the Iranian public, to rally around the regime but have instead reinforced the message of the green movement. The message of the green movement really is that Iran needs to be integrated into the international community. That's what the green movement is really all about. And to the effect that there are more sanctions being added every day that is reinforcing the message really of the green movement.

Still, perfectly understandable, there may not be political change in Iran before Iran becomes, or comes on the brink of becoming a nuclear power. The sanctions as effective as they are starting to be, might not ultimately cause Iran's leaders to bargain away the capability to eventually pursue a nuclear weapon capability.

This likelihood will if that happens increase pressure on the United States and on Israeli leaders, particularly, to possibly consider dramatic action, to forestall what Israel particularly sees as a nonnegotiable and unimaginable existential threat. Should that perception take hold some argue there are dramatic actions that could be considered that do not necessarily involve actual combat. Some have discussed the possibility of a blockade, an act of hostility to be sure, but not actual combat although it could obviously lead to that. Others have postulated trying to set up a United Nations program to have comprehensive inspections of Iran's nuclear program. Others have discussed ultimatums to Iran coupled with the U.S. and Allied military buildup around Iran. None of these options are ideal but they do demonstrate that the commonly advanced scenario of U.S. air campaigns against Iranian nuclear facilities is not the only military option available and that there is room for innovation.

But as I said, the point of my talk is that we are not anywhere close to that. And the common perception in official Washington, I would say right now, is that the sanctions are starting to really work and that track is what is likely to be pursued.

Thank you.

[Iskander] Thank you Dr. Katzman, from the Chair's perspective, under 10 minutes. So thank you.

Our last speaker on the panel is in Dr. Tom Mattair., who is going to be our commentator for the panel, to try to tie together some of the issues and to bring together some of his own ideas.

Dr. Mattair is the Executive Director of the Middle East Policy Council and ex-officio member of its Board of Directors, taught at Kent State University, the University of Southern California, the University of California Riverside, Cornell University. He has written several important studies including, “The Three Occupied UAE Islands: The Tunbs and Abu Musa,” as well as his most recent book “Global Security Watch: Iran a Reference Handbook.” Dr. Tom Mattair.

[Dr. Tom Mattair] Thank you, thank you very much. I was asked to be the commentator so I do not have a prepared speech. I'm going to comment on these four speeches and I will do it in order.

Dr. Leverett is certainly not an advocate of military strikes, but there is one thing he said that I would like to take exception to, that Iran is not capable of projecting military power beyond its own borders. Certainly, Arab neighbors of Iran are concerned about Iran's conventional military capabilities.

Iran, for example, and I will just give you a couple of examples, has acquired Chinese made Hudong Class fast attack, naval craft equipped with Chinese made C801 and C802 surface to surface missiles.

Now, they under certain circumstances will get out in the Gulf and fire some missiles and they will do some damage and they don't even have to be too precise to do damage. I once lived in Abu Dhabi and a missile landing anywhere in Abu Dhabi would disturb me.

They also have asymmetrical capabilities that would enable them to engage in well, sabotage of oil and gas fields and sabotage of infrastructure inside the GCC states. So I differ with Flynt in that way, but to me that reinforces the argument that military strikes are not the way to go. They are too damaging, that the unintended consequences are too damaging for Iran's neighbors. They would harm our reputation because they would think that we were complicit in that, even if Israel did that.

With respect to the question of sanctions, and Tom talked about that and so did Ken, I think the sanctions have been much more effective than I expected them to be. I see a whole host of countries and companies complying not only with the Security Council sanctions passed this summer, but also reordering their relations with Iran based on the unilateral sanctions, particularly that the United States has taken but that's because they seek to avoid the punitive measures that the United States would impose upon them after, if they were to continue.

President Obama said something very interesting, very, very recently, that if there were agreement with Iran about their nuclear programs that would be the end of sanctions. They wouldn't have to worry about sanctions anymore. I don't understand that at all. Because the first Executive Orders passed after 2001 blacklisted Iran, Iranian companies thought to be involved in support of terrorism. For Iran to reach an agreement with us about its nuclear programs, I don't

think would be sufficient for the Congress, for example, to cease pressuring the Administration for sanctions.

The other thing about sanctions I would like to say is that they don't seem to be very smart to me. We were talking about smart sanctions. Ken mentioned that the Revolutionary Guard is pulling out of the South Pars Gas Field. It is a Revolutionary Guard company called Khatam Al Anbia. Yes, they are pulling out of the South Pars field primarily because they recognize it is too difficult for other companies to be their partners in investing and exploiting that field. Alright. But that firm is also one of the biggest engineering and construction firms involved in the building of dams and the building of pipelines and the building of highways. And if it is difficult for foreign companies to be involved with that company is going to be more difficult for the company to engage, and for Iran to engage, in the building of its own infrastructure. And that company employs a lot of private Iranian companies, subcontractors so that is going to hurt a lot of people. Even the sanctions to prohibit the sale of refined petroleum products to Iran are going to hurt the people.

Iran has stockpiled refined products. Iran has, as Ken said, started converting petrochemical plants. But that is very expensive. It produces high-octane gas. It isn't very healthy for anybody. And is just going to cause a whole host of problems for everyone including the people that we support in the Green Movement and in fact they have asked us not to impose more sanctions. Mousavi has said that sanctions are blunt, won't work and will only hurt the Iranian people. The other question I would ask about sanctions is this. What exactly are they intended to achieve? Flynt said that if there is a war, it would be because Iran is enriching uranium, not because I anybody finds any proof of Iran diverting low enriched uranium. So is that really what we need to achieve? Do we really need to achieve Iran giving up the right to enrich uranium? At one point we were asking for Iran to suspend enrichment of uranium but then someone in the Bush administration said that there was a when hell freezes over clause. And that once they suspended enrichment, they would be able to resume it when hell froze over, and they know that. I tend to agree with Flynt that enrichment of uranium is not something we need to demand the end of, particularly if we can get Iran to agree to the additional protocols, to the Safeguards Agreement, to the Nonproliferation Treaty which will mean much, much, much more intense inspections and much more knowledge on our part that they are not moving toward nuclear weapons.

Now, I move to the question raised by Trita who argued that we should expand our negotiations, and I wholeheartedly agree with that. What Iran is seeking is some kind of assurance of its security. I don't think that we can give it to them even if they comply with our sita rata [phonetic] regarding their nuclear program, because there are other issues that concern us. We are concerned about, and our Arab friends are concerned about, how they understand their rightful role in the Gulf and what is their attitude toward the Arab-Israeli peace process.

All these things are linked, and we have to be dealing with them all at the same time. It is a mistake, as Trita said, to treat compliance in the nuclear area as a precondition for talks on other areas. We ought to be going forward in talks on all of the areas in dispute between us, because, in particular I think, the Arab-Israeli issue is very important. And the Arabs tell us, the Arabs complain that we don't listen to them. So here is one area where I suggest we listen to them. They argue that the continuation of the Arab-Israeli conflict feeds extremism in the region and

enables Iran to exploit that extremism is an increases Iran's influence in the region. And that if there were a satisfactory settlement of the Arab-Israeli conflict it would reduce Iran's influence and Iran's ability to connect to extremists and exploit that.

So I think that that's something we ought to be working on much more diligently than we are. And I happen to agree with Chas Freeman that what we are doing is political theater. And that is very dangerous, because as long as Iran supports Hezbollah and Hamas and they are not getting any satisfaction whatsoever in the Arab-Israeli arena it's going to be very difficult anybody here to be willing to offer Iran the kind of security assurances it needs to make agreements with us about their nuclear program and about their rightful role in the Gulf which must respect the security considerations of the GCC states. My time is up.

[Iskander] Thank You Dr. Mattair. Thanks to all of our panelists.

We have just over ten minutes to get to some of our questions. So what we decided was to allow our speakers, perhaps if they want, to respond to Dr. Mattiar, perhaps as they respond to other questions.

Dr. Anthony and I will read some of the questions that have been passed up, and hopefully will allow us to have a discussion together.

There are several questions relating to the Turkish and Brazilian negotiations and what this means that we didn't, the United States did not accept this. There was one question about what message do we send when we didn't accept their intervention and secondly, the Brazilians and the Turks felt initially that they had a green light to enter into these negotiations, the green light coming from the Obama Administration and what went wrong? And perhaps following on, are there third parties that do, as Trita suggested that do have the trust of the Iranian government that can still play a constructive role in defusing possible military conflict. So this can go to any of you.

[Leverett] I want to take a crack at that one. I think it's really up important question. It raises an area which Trita and I may have some different perspectives on this. I think it is really misleading to say that the Obama Administration tried engagement with Iran and failed. I think they never really tried it. And all they've really done is to proceed in the matter manner that risks giving engagement a bad name.

The Turkey and Brazil deal is a very good example of what I am talking about. The TRR deal when it was first put on the table and codified by Dr. Baradei, the Iranians came back and said, we accept the idea of a swap in principle, we want to talk about certain details. It was the U.S., the Obama Administration that defined the Baradei proposal as a take it or leave it proposition, something Baradei himself said should not have been done. Then when Turkey and Brazil put themselves forward as potential mediators for a deal along these lines, the Administration said fine. There is a letter, a multiple page letter sent from President Obama to President Lula that lays out the conditions which the U.S. would insist upon in a deal on the TRR, urges Lula and Erdogan to push a deal on these terms as a real opportunity for Iran and the Turks and Brazilians go off to Tehran and get the deal and then the Administration rejects it.

The fact of the matter is, and I'm going to say this very, very bluntly, the President of the United States lied to the President of Brazil in that letter. By the time that letter was sent they were not prepared to accept that deal. The assumption at the White House was that there was no way the Iranians would ever accept a deal which met these conditions, once Lula and Erdogan went to Tehran and struck out they would be able to get Brazil and Turkey to sign on for sanctions in the Security Council and they would have a unanimous Council.

That was the brilliant calculation made at the White House. After the Turks and Brazilians had the temerity to go to Tehran and succeed the line out of the White House was "Oh, well that letter was not really a formal statement of American policy." Excuse me it's a letter from the President of the United States. I worked at the NSC. I know how agonizing it is to produce a letter from the President of the United States to another head of state or head of another government. It is an official statement of U.S. policy. You agonize over every word of it because precisely because people are going to take it as a statement of official policy. This was a cheap trick by the Obama Administration that went bad. And it really raises questions over whether the Obama Administration is really prepared to play it straight in approaching engagement with Iran.

[Iskander] Does anybody on the panel want to disagree with that? Okay we have plenty of other questions. Does anyone make a very quick response?

[Delare] Thank you very much. I think the language is a bit intemperate and inflammatory. And I'm sorry I have not sat in all the meetings at the highest levels at the National Security Council but sat in a few. We have agonized over how to approach Iran in a way that would be acceptable and in a way that we can build trust. In a way that we can use the collaboration of our allies and partners. It has all been done in good faith. Am I going to say we never make mistake was. No. There is a presumption I think in your statement that the other guy is devilishly clever, always honest and does not make the mistake ever. I would back away from that one, that is a dangerous place to be.

For our part we continue to put in place measures that will make the Iranians understand we do want them to play a positive and productive role in the international system. Our measures are, if not completely accurately targeted, they are improving. They are demonstrating or they are intending to demonstrate to the regime and its supporters that the political calculus they are using it is incorrect and should be changed.

In fact I think most people there understand it. Using my own experience many countries around the world the only place that I have been for a length of time where the local population believed that the United States was the cause of all their problems was North Korea. Everywhere else people sort of understand that their country bears a share in the situation they find themselves in and perhaps its inability to interact with the United States or other countries. So I would simply leave it at that and ask for a little bit less inflammatory language on that statement.

[Dr. John Duke Anthony] Several short questions here. One is, in the event of a U.S.- Israeli military strike on Iran, what would likely be the public, or scenarios of public and private response from Iran's seven or eight Arab neighbors? And another one has to do with, is it not



hypocritical to talk in terms of attacking Iran or short of that sanctioning Iran, for its nuclear program while taking no similar action against Israel and its nuclear programs and alleged nuclear weapons there? These are external questions. Could it not be that Iran is in some de facto ways a surrogate for the reemergence of Russia in global politics? Is Iran being used as a proxy to interfere with the West? Where is Russia in this equation? And lastly with regard to sanctions again, where is there evidence that economic sanctions are effective in changing the behavior of any country? For example, with Cuba, for example North Korea, for example Iraq prior to war? And what about the statement many critics of sanctions that the U.S. role in them happens to be one of a toothless foe and a faithless friend? It seems that all sanctions do, one asks if sanctions are effective indeed in changing state behavior.

Related to that it was a question about non-US firms in Iran. Does support for the sanctions extend to the oil fields services such as directional drilling and cementing of wells there? And can we not separate sanctions from other issues of mutual benefit and interest to the United States in Iran, for example with regard to Afghanistan or Iraq or Iran's role in terms of supporting Hamas and Hezbollah? Are they not as serious in their implications?

[Iskander] Who would like to take on any of those. A wide variety, can we just open it up to you?

[Parsi] Couple of quick comments on the sanctions issue. I think it's a very important question because I think the Administration is right in many ways. They have proved many of their critics wrong. The Administration was more effective in being able to get other countries to go along with the sanctions and implement them, in spite of the fact that they had two negative votes in the Security Council.

But that is essentially to be able to say that the tool turned out to be more sharp than expected but actually whether it gets the job done or not still remains to be seen, because we have seen no indication, at least so far, and I don't suspect any major implications in which you will see a significantly different posture by the Iranians on the nuclear issue. Part of the reason for that is not because of a lack of credibility on the U.S. side when it would come to its ability to use sticks. I think the Iranians are probably quite confident in American's ability to put pressure on them but I think it's more about the credibility of the promise of lifting the stick or providing a positive incentive if Iran changes its behavior. That's where I think the confidence is lacking in the sense that whenever there have been circumstances in which the Iranians have change their behavior at least from their perspective they don't seem to have received a different response from the United States.

This also is quite perhaps a pattern. There is a difference between the U.S. sanctions and the sanctions that some of US allies have imposed. Most of the sanctions imposed by the U.S. allies have been imposed by the executive branch and as a result what can be easily put there and relatively easily be taken away. The U.S. sanctions do have an executive component of the course but they also have what perhaps an even stronger Congressional component. Congress is not particularly astute at lifting sanctions. If I'm not mistaken, sanctions on Iraq still remain including some of the UN sanctions, seven years after "Mission Accomplished." That's part of a

credibility problem when it comes to using these types of sticks and levers when it comes to getting what we want.

[Leverett] I just want to say something on Hamas and Hezbollah. I want to take respectful issue with the point that Tom Mattair made that if we could get the Arab-Israeli peace process right it helps put Iran in a box. That way of thinking about Arab-Israeli diplomacy may once have had some validity. It has no validity today.

The sad fact of the matter, if you want to think of it that way, is that with this kind of Cinderella shoe peace process we've got going is not going to produce any kind of agreement between Israel and the Palestinians which could be legitimated on the Palestinian side, which could be sustained on the Palestinian side.

The fact of the matter is we cannot achieve the outcomes we say we want to achieve in the Arab-Israeli arena without engaging actors that we refuse to engage, including Hamas, including Hezbollah and that means the days in which you could try to play Arab-Israeli peace in a card against Iran are gone.

You are going to have to have a better relationship with Iran if you want to get Arab-Israeli peace. That's the dynamic today.

[Mattair] Can I comment on it briefly? I don't think we're in quite as much disagreement as you think we might be in because I'm not talking about putting Iran in the box. I'm not talking about eliminating Iran's one natural normal influence in the Levant. I'm talking about a situation in which an agreement that they can accept as well. They specified in the grand bargain of 2003 the kind of Arab-Israeli agreement they were interested in, and it satisfies virtually everyone. And I'm not saying that Iran needs to be and the room with the Israelis and the Palestinians I don't agree with that at all. But the agreement has to satisfy their friends, their clients, in order to satisfy them and then I think that makes the linkages with other issues such as the Gulf and the nuclear question easier.

[Iskander] With that thank you very much to each of our panelists. Please join me at we once again and thanking them.

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