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IRAN AND INTERNATIONAL PRESSURE:
AN ASSESSMENT OF MULTILATERAL EFFORTS TO IMPEDE IRAN'S NUCLEAR PROGRAM

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PARTICIPANTS:

PANEL 1: IRAN'S INTERNAL DYNAMICS AND THE NUCLEAR PROGRAM

Moderator:

KENNETH POLLACK
Senior Fellow and Director, Saban Center for Middle East Policy
The Brookings Institution

Panelists:

CHARLES FERGUSON
President
Federation of American Scientists

RAY TAKEYH
Senior Fellow
Council on Foreign Relations

KEVAN HARRIS
Jennings Randolph Peace Scholar
U.S. Institute of Peace

PANEL 2: MAINTAINING INTERNATIONAL UNITY

Moderator:

FIONA HILL
Senior Fellow and Director, Center on the United
States and Europe
The Brookings Institution

Panelists:

JOHN PARKER
Visiting Research Fellow
National Defense University

FRANCOIS RIVASSEAU
Deputy Head of Delegation
European Union Delegation to the United States

SUN YUN
Visiting Fellow
The Brookings Institution

KEYNOTE REMARKS

Introduction:

STROBE TALBOTT
President
The Brookings Institution

Featured Speaker:

TOM DONILON
National Security Advisor
The White House

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P R O C E E D I N G S

MR. POLLACK: (in progress)-- efforts to impede Iran's nuclear program, which is a joint production of my Saban Center and our Center for the U.S. and Europe. We're delighted to have you all here today. We're also delighted to see that the United States, the European Union, and others, was willing to comply with our request to please announce the sanctions the day before.

If you go down the street to AEI, they will tell you that Brookings controls this administration. We, of course, insist on the opposite. But it is nice every once in a while when the U.S. Government does comply with what works best for our timing. And of course, we do have exquisite timing today.

This is an incredibly important issue. It has been made even more so by the recent announcements. And our first panel is intended to cover the Iran side of this story. Obviously there are many sides to this story, but I think for all of us, it does start with Iran.

The Iranians are forging ahead with their program, and we wanted to start by getting a sense of the lay of the land, what the Iranians are up to, what the thinking is, what it might take to stop them, how things are working in Tehran, which will ultimately lead us to conversations later on in the day about what it is that we and our allies might do about it all.

We have a sensational panel to start things off this morning. You all have the bios in front of you so I am not going to give you lengthy bios, but just to give you kind of the quick order of play. Immediately to my left, is Dr. Charles Ferguson, who of course is the president of the Federation of American Scientists.

I'm going to ask Charles to start things off by talking a little bit about what we know about the Iranian program today. Obviously this is a program that has evolved

over time and getting a sense of where the program is as best we understand it at any moment is both difficult and of course, very important in understanding where we are and what we might be able to do in the future.

After Charles, we have Kevan Harris. Kevan is the Jennings Randolph Peace Scholar at the U.S. Institute of Peace. And we're going to turn to Kevan to talk a little bit about the impact of sanctions themselves. Obviously the sanctions have been a critical element of the Western efforts to try to turn off the Iranian nuclear program.

They have so far not yet succeeded in that, but certainly there are arguments on both sides as to whether they have succeeded in accomplishing other goals, whether they might succeed in the future, whether we are just around the corner from success. And so we're going to ask Kevan to bring us up to date on where things are and talk a little bit about the impact of sanctions on Iran.

And then finally, on my far left, your far right, we're going to turn to Dr. Ray Takeyh, who I think all of you know is a senior fellow at the Council on Foreign Relations. And we're going to ask Ray to peer inside the black box of the Iranian leadership and talk a little bit about what's going on there as best we understand it; the motives of the regime, the divisions, the in-fighting, all of the stuff that captures our attention without actually ever being able to know what to make of it all. And we're going to ask Ray to give us a sense of what we should make of it all.

So with that, let me open things up to Charles. Charles, tell us about where the program stands.

MR. FERGUSON: Well, thank you very much, Ken. It's a great pleasure to be here at Brookings and to see so many people here in the audience, a lot of dear colleagues. It's a great turnout because this is such a hot issue. And Ken, maybe it was a bit of a Freudian slip because when he e-mailed the panelists yesterday, he called me

Craig Ferguson. Maybe it was --

MR. POLLACK: Lack of sleep.

MR. FERGUSON: Well, no, no. Maybe he was thinking of the comedian Craig Ferguson because, you know, you're trying to find some humor in this subject of the Iranian nuclear issue and it's very hard to do because we know it's a very serious subject. But I guess if there is humor, it's more of maybe a Shakespearean farce comedy, some kind of comedy of errors that seems to be a lot of missed opportunities to either engage with Iran to try to put limits on their nuclear program or trying to read what are really the intentions of Iran.

So it seems that we keep kind of talking past each other and I look forward to my two colleagues remarks on those points since they're more of the political experts. So Ken asked me to kick it off, as he said, just to cover some of the basics and what we know from the technical standpoint. And we know that there's been a lot going on, as reported in the latest IEA report that just came out a couple of weeks ago.

So what I'm going to do is to do a bit of good news/bad news type of reporting to try to get you up to speed on most of the relevant points. So we know that Iran continues to defy the U.N. Security Council and the IEA Board of Governors resolutions to suspend certain activities; uranium enrichment activities, in particular, and there's also some growing concerns about what Iran is doing at the heavy water facilities at Iraq and building an IR40 research reactor. I'll touch upon that a little bit.

But the focus, rightly so, is on the uranium enrichment program. The IEA Board of Governors and the U.N. Security Council has also called on Iran to apply the additional protocol to its comprehensive safeguards, and what's called a modified code 3.1. I'll get into those a little bit in just a few minutes, but let's just cover what we know in terms of the latest news from the IEA.

Here is some bad news; that Iran continues to build up its stock pile of low enriched uranium, including 19.75 percent enriched uranium. That's close to the dividing line between low enriched uranium and highly enriched; the dividing line is 20 percent enrichment.

Even at 20 percent enrichment, it still is going to take a few hundred kilos of that amount of material to have enough for 1 bomb and Iran so far, according to the IEA, has something like 80 kilograms enriched to that level. So they're still a way before they have a breakout from that amount of material and to equal 1 bomb's worth of weapons grade material that they can further enrich to.

They've also amassed 4,900 kilograms of about 3.5 percent low enriched uranium. Now if they went for broke and they completely converted that into weapons grade material, you might get 3 or 4 bombs' worth out of that.

I would say it's somewhat good news though, is that's still not enough material to provide Iran with a true breakout capability, although, it is worrisome. I would say some other good news is that sanctions, export controls, and covert actions have slowed down Iran's nuclear program. Of course, this is good news from the West standpoint, not Iran's standpoint. I'm sure that's obvious.

Stuxnet, the computer virus that attacked Natanz and some other nuclear facilities, apparently destroyed about 1,000 of the uranium centrifuges, but these were replaced over time. So that was clearly a bit of a setback. Right now, though, Iran has something like 8,000 centrifuges that are in operation and they continue to build up more of these first generation centrifuges.

So far, the ones mainly in operation are these IR1 type models, kind of the first generation centrifuges they got through the acuCon network, at least first got the knowhow of how to build them from the acuCon network.

Some other bad news though, is that despite the sanctions, Iran is still proceeding with its nuclear program, although apparently at a slower pace. It still appears determined to pursue its right to a nuclear program, and as obvious to probably all of you, this program has become very much a nationalistic issue. So it's going to very, very difficult for the leaders in Iran to give it up, or at least put some significant controls on it.

Some further bad news is Iran is continuing to proceed with developing more advanced centrifuge designs, although, that's tempered with some good news. It appears they're having trouble developing many of these centrifuges because of problems and getting access to high quality materials to build these machines.

Some further bad news though, is that, as I mentioned, they continue to defy the Board of Governors, and the IEA, and Security Council's resolutions to apply more stricter safeguards than they have been applying. There is the issue of the additional protocol.

The additional protocol requires states to go beyond just the declared facilities. It requires the IEA inspectors to assess whether there are any undeclared facilities or materials going on within the state, and so far, the IEA has not been able to make that determination.

The modified code 3.1, I mentioned a little earlier, that's to Iran's subsidiary arrangements to its safeguards agreement. Modified code 3.1 sounds like jargon, so let's break it down. Basically what it says, simply, is that a state is required to let the IEA know in advance design information about any facilities it wants to construct.

Iran has instead been interpreting its safeguards agreement under the old interpretation from the 1970s in that it doesn't have to report the facility until its within six months of introducing nuclear material to the facility. The IEA says that's not

sufficient because safeguards work best when you can have safeguards by design, when you can build them into a facility from the start, and of course, the best way to do that is to get advance design information and for the state to work cooperatively with the IEA.

Iran has also said it wants to build another 10 enrichment facilities and said that it may have selected 5 new sites for these facilities. So that's apparently some bad news. But recent good news is Dr. Abashi said in October, Iran would probably not need further enrichment facilities for at least another two years. Still, once again, Iran hasn't provided adequate information in that area.

Some other bad news, the IR40 research reactor at Arak, A-R-A-K, is still being constructed and heavy water facility construction still continues, and this is once again despite the U.N. Security Council resolution to spend. The good news, though, is that the IEA has accounted for declared facilities and nuclear materials, but the bad news, it doesn't have any confidence about accounting for any undeclared facilities or materials.

So you know, summing all of this up, and looking at what I think is probably the best news so far, is that Iran still benefits from staying inside a non-proliferation treaty. Iran still has an interest in not stimulating its neighboring states from acquiring similar nuclear programs and to provide breakout capabilities in the weapons programs.

So I think what we need to do is to find ways to keep Iran in that system and to have it apply not just to additional protocol, but go beyond that in places where we can have more confidence as to what's going on with its program.

If Iran says this is truly a peaceful program, it's clearly in our interest to show that it is a peaceful program by becoming more transparent and getting proper access. So let me stop at that point, Ken, and we can go back to military dimension of

other things later.

MR. POLLACK: Great. Thank you, Charles. And yeah, I think we will definitely come back to that, but that's a terrific baseline. Kevan, are the sanctions having an impact?

MR. HARRIS: Okay. Thanks for inviting me, by the way. It's nice to be in the panel with Charles and Ray. I'm an academic, I'm a sociologist, and Ray's work is used in the study of Iran quite a bit so it's nice to be on the panel. And I'm perhaps the only one on the panel that actually travels to Iran often for purposes of research, so I want to talk about what's it's like, what's going on inside of the country, and what's been the recent changes.

So first, it's clear now and it's also clear according to statements by politicians inside of Iran that sanctions are having an impact. Not only the naming of particular enterprises and people, which is the official policy of some of the sanctions that have recently been implemented, but also the outcome is what I like to call trickle down sanctions; that sanctions affects the ability to particular banks and large enterprises to procure, for example, foreign exchange and other goods on the international market.

But the end result is this has an effect on small and medium enterprises in the Iran, let's take for example the auto industry, so the major two auto producers in Iran require lots of credit and capital goods and supplies to maintain operations and it has become harder. The cost of business has gone up. Everybody knows that now.

But the upstream and downstream producers of tires, and car parts, and seatbelts, and you name it, which many of them are inside Iran, are also feeling the effect. So that raises unemployment to a certain extent and also decreases wages and things like that. So many of the labor protests in Iran right now are due to nonpayment of wages, and to a certain extent, we can link that to sanctions, but not the only reason.

So in that sense if one wants to describe this policy as a targeted one, the targeting is not as smart as we think. But you know, talking to people in Iran, I was just there in the spring, there's not a lot of people who identify sanctions as their biggest problem, both working class people as well as managers and people in the middle class.

I was talking to people who worked in the construction sector building these high rises for the middleclass, all of these high rises in Northern Tehran, and they certainly knew that sanctions were affecting them because they couldn't get, you know, all of the kind of construction supplies that building a high rise requires.

But certainly, that wasn't the only thing on their mind. There's a lot of other problems inside of the Iranian economy that they are constantly talking about.

But politically there's another effect. And I wanted to discuss this a bit because there's two consequences of the sanctions is as they intensify it's going to exacerbate this. First, the government has been privatizing to a certain extent many of the agencies and organizations they get targeted by sanctions.

So there have been privatization of banks, state banks, in the past year, this admittedly by their accounts, has been somewhat a result of sanctions, although, they've been willing to privatize some of these things for a long time; but also shipping and import export businesses and you name it. So there's a certain shell game going on where they privatize enterprises and it allows them to maneuver until maybe the U.S. Treasury catches up. It's sort of a game.

But on the other hand, there's a recentralization of economic networks through the state because, as it becomes more difficult to interact with particular segments of the world economy, not all of them, but particular segments, the state of course, has to monitor and control things like foreign exchange, which they've been doing recently.

And also they've been trying to reregulate particular sectors of the economy, so for example, taxation. They're trying to implement a value added tax and this has caused the protest in the bazaar that we've seen in the past year to two years, really over tax, not really over political issues.

Now, I want to say something that might shock some people here though. This is not the military takeover of the economy that many, you know, people who work on Iran proclaim. In fact, you know, I tend to work a bit on this subject and my research generally shows that this notion of a military takeover of the Iranian economy is a myth.

The state is heavily involved in the Iranian economy, that's true, and many people in the second generation of bureaucrats and technocrats and politicians in Iran are in the military because they fought in a war for 10 years basically. But on the other hand, if we look at China, Brazil, India, any country in the, you know, developing world, the state is heavily involved in the economy and often the military is involved too.

So we need to be careful sometimes when looking at Iran and experts who work on Iran or work on Iran 24/7, that things that might seem peculiar to Iran might have been more general around the developing world. And certainly the IRGC is more involved in the economy than it was five years ago, but it was involved in the economy in the 1990s, especially also in the early '90s, so it's more of a general trend than a particular, I think outcome of recent years. And it's certainly not an outcome only of sanctions policy. So I'll leave it at that and we'll talk more later.

MR. POLLACK: Terrific. And that's a great start for us, and yeah, that's some stuff we'll definitely want to come back to and dig into, thank you. Ray, make sense of Iran for us.

MR. TAKEYH: Thanks. I'll try to do that in the seven minutes, though I

might --

MR. POLLACK: You might have a couple of minutes to spare.

MR. TAKEYH: Quite a few minutes to spare. The way I would describe Iran's position today, internally and externally, is impasse. I think there's a domestic impasse and then obviously there's an international impasse on the nuclear issue, but other issues as well.

The domestic impasse takes place I think at two levels. They're within the state institutions themselves, you know, the presidency against the office of the supreme leader, the parliament that wants to micromanage the ministries, and so there's some degree of institutional obstacles to the efficient operation of the government.

That particular impasse I don't think is particularly new. If you look at the history of the Islamic Republic, it's sometimes in the press and in other venues, it is portrayed as this power struggle, but some of those power struggles are almost endemic to the way this particular system works; if you look back at President Rafsanjani's 10 years and his confrontations with the parliament, if you look at President Khatami's 10 years and his confrontations with the office of the supreme leader, impeachment of his ministries, apprehension of his allies, and in his famous letter to tomorrow, where he complained about all of these things.

So that essentially takes place because in essence, you have a political system which has some competing sensors of power struggling against a supreme leader that wants to have hegemony of political power. And so long as these two coexist with each other, there's going to be some degree of tension, as I said, that's essentially within the system.

The second tension that one notices is within the state and society. There has been, in my judgment, severance of the organic bonds that link state to the

population, particularly in the aftermath of the June 2009 election, but some of this was even obvious before that. It is today, and I think that can be said for the first time in the history of the Islamic Republic, where the large and substantial swath of the population no longer look at politics and participation in political affairs, elections, publicize, and so forth, as a useful means of changing the system.

That wasn't the case as early as 2009. And in 2009, I think it can be credibly reported that some 80, 85 percent of the population participated in the election. That in and of itself is an affirmation of the system's legitimacy, because a large number of people participated in the political process whose deficiencies they recognized, but they nevertheless perceived it as an effective means of engendering their voices in the deliberations of the government.

That's unlikely to happen ever again given how that particular election worked and given the resistance of the system to reform, or essentially broaden its contours. And so there is an impasse taking place between a government that has resistance to the popular will and a popular will that is increasingly expressing itself in a low simmering conflict.

That's the domestic impasse. There's an international impasse and there's a wide variety of motivations over the years as scribed to Iran's nuclear program; deterrents, and power projection, and I realize there's a connection between the two.

Increasingly, it is my belief that Iran's nuclear program is driven by domestic political factors. And not necessarily the domestic political factors that people tend to allude to, namely as the program moves forward, it is an indication of scientific achievement, and therefore it stimulates a surge of nationalism that redounds to the regime's benefit.

I don't believe that's true actually. I believe that in some sense the

Islamic Republic can no longer anchor its legitimacy on popular perceptions or nationalism. This is a system that senses inception in 1979, consciously defined itself in contrast to Iran's history of nationalism, you know, pre-Islamic period as paganism, the monarchies, the centuries of monarchy, or centuries of, you know, corruption and pillage and so forth. And it essentially, Islamic Republic, in its own self definition and constitutional acknowledgement is a transnational phenomenon, is still.

So I don't necessarily believe that the program is used to reconnect with the population, if you accept that those organic bonds have been irreparably severed. So therefore, what is the domestic motivation for the program? I think if your members of the Islamic public security apparatus or political leadership, the program, ironically enough, offers you a pathway, paradoxically enough, pathway back to the global society and back to the global economy.

You're unlikely to negotiate your way back to regaining economic contracts, commercial contracts, and your place in the international system as you had known it. But if you look at other cases of proliferation, whether it's India, and Pakistan, and so forth, after a period of international denunciation and international condemnation, and even ostracization, the argument becomes that this country is too dangerous to be left alone to nurture its grievances, and therefore, the best way of dealing with the new reality, which is the Iranian bomb, is to reintegrate Iran into the regional security system and international economy, and international community as a means of imposing limits, and restraints, and incentives for proper behavior.

So increasingly, I think if you look at it, the program makes sense, not to discount other factors, deterrents, and projection of power, or perhaps even attempt to reconnect with the large members of the disaffected body polity. But it makes particular sense as a pathway back to international legitimacy.

That's a precarious, quite risky activity, but nevertheless, it's one path open to the regime. If that is true, then in order for the regime to get itself into that position, it must be prepared to do three things. Number one, endure a period of pronounced hardship with the escalating sanctions and so forth. Number two, you require actually having a bomb in order to become part of a nuclear club and, therefore, back to the international club. And that essentially means that this program may in a very real way, be beyond diplomatic mediation under -- by economic coercion.

The good news is that this is a weapon that is designed to extract tributes from the international concession, as opposed to strictly weapon designed to intimidate and endanger the neighborhood. Anyway, I'll stop there since my time has lapsed, but I think it's important to see the program, not only in its domestic prisms, but a changing domestic prism.

MR. POLLACK: That's great, Ray. Both insightful and provocative as always. I want to take the prerogative of the chair to dig a little deeper into each of these different issues and then we'll open it up to the floor for questions. But there's just so much here that we need to talk about. Charles, the question I want to put to you is just where you ended up with militarization. The IAEA report has now put weaponization on the table, but what they said is a little bit confusing. Help us sort it out. What does the IAEA believe? And then if you want to flush that out a little bit with what do others out there think may be going on. I think that'll help enrich it.

Kevan, for you, that was terrific, and it's always wonderful to actually get some real on the ground experience with what's going on in Iran. While Charles answers my first question to him, if you could be pondering an answer to the question of what might have an impact in Iran?

First, you know, we're now going to have new sanctions on Iran. The

administration has announced some, there's an expectation that the EU, will these new sanctions, will the threat of Central Bank sanctions have an impact? You know, how do the oil sanctions play out in Iran? Is there something out there that you think could have the kind of impact on Iran, on Iranian society, that might change the calculus that Ray has laid out?

And then finally, Ray, for you, you got to the ultimate aims of where their foreign policy is and I think that's extremely important, but I'd love to have you fill in the middle ground a little bit. I mean, obviously we've seen a lot from the Iranians in recent days and recent weeks. There is this purported plot to kill Adel al-Jubeir.

None of us knows what to make of it, whether it's even true, but if it were true, that would say something about Iranian thinking. The rest of these various American spy rings is noteworthy, how they have been handling the IAEA, the negotiations. How should we understand Iranian foreign policy at this point in time and put that in a little bit of a context, especially in light of the kind of longer term thinking that you've already laid out? Charles.

MR. FERGUSON: Well Ken, I think first let's just remind ourselves what are the three pillars of a nuclear weapons program, and I think Ray touched on this toward the end of his remarks about whether Iran really wants to get a workable nuclear bomb to do extract tributes. It's a very interesting point. It's very provocative and we can tease that out later. But just what does a state need?

Obviously they need that fissile material and in could either be in two forms, either the highly enriched uranium, preferably weapons grade uranium that's enriched up to 90 percent or more and a certain isotope called uranium-235, or plutonium, and preferably weapons grade plutonium, although reactor grade plutonium, like what could come out of the Bushehr reactor, is still weapons usable, but not weapons

desirable. So that's not enough.

A state also needs a warhead design, something that if you send a signal to compress that fissile material into a supercritical state it'll go kaboom. And we know that Iran has done some work in that area and has received some documents through the Khan network or other sources that could help it -- to develop those kind of designs.

And then quickly, the third element of a weapons program is a delivery vehicle. And preferably from Iran's standpoint, probably ballistic missiles because that is a very symbolic weapon and I think what Ray is getting at is that even if Iran gets their nuclear bomb and gets something that's a real weapon, it probably won't use it. It's not actually like they're going to detonate it, but it will use it for other political purposes.

So I would argue, you know, playing off of what Ray says, that ballistic missiles are the ideal weapon. I remember Helen Caldicott in the 1980s; she published this book with the title *Missile Envy*. So it kind of, you know, says it all. And so even if you don't want to use the weapon.

So we know Iran has been doing a lot of work on ballistic missiles and that has stimulated the United States and its allies to move ahead with deploying missile offense in the European theater. But Iran still is apparently some ways away from developing the long range, the intercontinental ballistic missile capability so it could strike the United States with such a weapon.

It has the shorter range, and medium range ballistic missiles that could threaten states in the greater Middle Eastern region for sure, and the big question then is so does it have that workable weapon design? So the IEA was asked to make that assessment.

Well, it's interesting, Ken, that you know, you've got this debate going on now that does the IEA actually have a mandate to investigate those types of activities.

And so Professor Daniel Joyner wrote a very interesting provocative piece recently basically arguing no. And there are those who are saying well, yes, and look, I'm not a lawyer, I'm not going to pretend to be. I'm a trained physicist and nuclear engineer, so I read the Article II of the MPT and I try to look at it from a plain text point of view and not some kind of Orwellian double-speak and I see that the last phrase of Article II, it says that a non-nuclear weapon state, you know, shall not seek or receive assistance in nuclear weapons manufacturing or manufacturing of a nuclear explosive device. So seek or receive assistance.

So we know that Iran has received such assistance, received the document, 15-page document, showing how to make these uranium metal hemispheres. You put those two hemispheres together, you get a solid sphere; that's an implosion device. It's a basic, you know, core of a nuclear weapon.

And we know that it's been doing some investigations in terms of electronic firing mechanisms, what are called explosive bridge wire techniques, and apparently it's gotten some assistance from a certain Russian scientist. So now he's saying that he's denying that he has any knowledge of nuclear weapons design, he's just investigating these nanodiamond technologies.

But you know, the question is, does that have an application to triggering a nuclear weapon? So there's all of those issues to assess and then there's the issue of is there anything really new in the annex to the IEA report. So you read through it and it's about 15 pages of material and you go through it and you have to say not really; there's not a lot of new stuff in there. Most of the things that are documented that we know well happened prior to 2004. And that's consistent with the National Intelligence Estimate, the NIE that came out in 2007, saying that there are strong indications Iran stopped its formal weapons design program sometime by the end of 2003 and there are some, you know,

other activities that kind of were wrapping up going into 2004.

And the IEA report is very careful in saying there may be additional activities going on after 2004, but there's not really clear evidence of such. So maybe at this point I'll leave it there and we can come back, circle back, to that later.

MR. POLLACK: Great. Yeah, I think to leave it in an ambiguous spot is probably the right place to leave it.

MR. FERGUSON: Exactly, where we are right now.

MR. POLLACK: It is Iran after all.

MR. FERGUSON: Exactly, absolutely.

MR. POLLACK: Kevan.

MR. HARRIS: Sounds like a list of known unknowns.

MR. FERGUSON: Well, now --

MR. HARRIS: So given that, how can we get Iran to change its behavior is the question and the question of the policy. First, obviously the politics of the situation right now in this country probably means there's going to be a ramping up of unilateral or multilateral sanctions with maybe Europe, or some parts of Europe on board. So what will happen as a result of this?

It will make it increasingly difficult as it already is for the Central Bank to require foreign exchange. This is something that they've been preparing for for quite a while. If you follow the business press in Iran, they do discuss this a bit and it's caused a few runs on the -- already. But the result of this has been -- you get the bad news in the American press, but you know, they respond to this be recreating the tiered currency exchange system, foreign exchange system, that they had for 20 years.

So they're very used to dealing with government intervention in the foreign exchange market to direct currency to the sectors of the economy that need it the

most; whether it's state sectors or, you know, the industrial sectors.

So this reminds me of the early 19th century Napoleonic blockade on the U.K. in way; that you know, in the beginning of the, you know, French Revolutionary War, Napoleon had convinced most of Europe, because he had concurred it all, to block U.K. and to blockade the countries, which was an island. And yet, bit by bit, countries peeled off. I think Portugal was first, and then the Dutch, and things like this.

So that probably will happen unless the United States can sustain a diplomatic effort with China, India, and also Japan, which have all given signs that they're willing to go as far as the United States wants. So there's going to be a game afoot between these groups.

And of course, China and India already have quite intense bilateral trade agreements with Iran and there have been, of course, China and India are getting the good deal these days from Iran, but that doesn't mean that the deal is going to go away I think. They're not giving any signs that they're going to change that situation.

But also, what is the end logic of ramping up sanctions and increasing, you know, what too many inside the country seem like punitive measures against the broad population? Is it too, I mean as Mark Kirk, who was a representative from my district, my home district, Mark Kirk said he wants to put the nuclear option on Central Banks, on the Central Bank of Iran, and sanction them. Is it to collapse the economy, as he just said?

You know, I really don't think that's going to happen. First of all, Iran is not Iraq and the world is different than in the 1990s to where, you know, you actually could get a full global effort to blockade a country. Iran is well embedded in particular networks that the sanctions have only increased as a result.

But second, what causes -- and this is where I might disagree a bit with

Ray because if you look at post revolutionary states, states that have had popular revolutions, they end up lasting a long time. China, Algeria, Cuba, these kinds -- they last a long time, even though it seems like the legitimacy has eroded.

So what causes these kinds of states to -- for their political elite to cohere? We spent a lot of time talking about Khamenei versus Ahmadinejad and the (inaudible) versus the President and these kinds of things, but in, you know, most of the world factualism is not the outlier, but it's normal. I mean, even the Chinese Communist Party has factions. So factualism is normal, it's not odd. And looking at Iran like it has factualism and it's going to collapse as a result and we just need to squeeze it, doesn't seem like historically correct.

What causes elites to work together in countries like Iran? It's not money, it's not resources, they just fight more over those things, that's normal. It's fear. If you threaten, and we know this, if you threaten countries, all of a sudden they find a real big incentive to start working together.

So one policy, if you do want Ahmadinejad and Khamenei to get along, I would threaten them and then they might get along. And to do what, I don't know. But that would ensure that the factualism dies. And we've already seen this by the way. We've seen this over the last few months. That at high peaks of a perceived external threat, the discourse of unity rises and the discourse of factualism dies down.

So actually Ray's point, which is provocative, leads to, I think, the next obvious question that if the goal or the program is their perceived only path to international legitimacy, and it seems like an alternative policy to provide a different path to the international legitimacy for Iran, or at least to provide a more viable path for legitimacy, that currently they don't perceive as open and that might provide a different way.

So if we spend a lot of resources on sanctions, we're going to be spending more resource plus political and economic on sanctions in the next year. And then perhaps forward to 10 years we need to ask ourselves what's the cost benefit of that versus expending resources on diplomatic options.

MR. POLLACK: Thank you, Kevan. Ray.

MR. TAKEYH: Iran's foreign policy. I think Iran foreign policy may be belligerent and intense, but is patient in practice and flexible in tactics. And you see this play itself out. For Iranian leadership, time is sort of a temporal commodity.

The terrorist incident is interesting in many respects because what we have come to know about Iran's terrorist portfolio, if you would, over the past 30 years have evolved. Initially, in the initial convulsions of the Revolutionary Period, Iran's terrorist aspirations were global, not just assassination of dissidents in Europe, but you know, aiding separatist movements in Africa and so forth. That chapter winds down.

And in more recent years, Iran's terrorist portfolio has geographically contracted, but it had become more intense in that geography. That's simply because there have been opportunities made available to it, in particular with Iraq, where Iranians had supported militias, and violent groups, and so forth, as well as the level of assistance going on probably to some extent because of its confrontations with Israel, Hamas because of their merge as a more of an autonomous Palestinian actor requiring some degree of Iranian subsidies. So it was intensification of that terrorism activity within a more circumscribed geographical sphere.

If this incident is true, and I'm not challenging its veracity or credibility, it suggests two things. Number one, that the previous red lines have been revisited, and in some cases, erased. One of the red lines was that Iran would not target Americans. The other one was certainly would not target Americans in the United States. That red line

has appeared to have been revisited.

The second one is that Iran will meet pressure with pressure. That if you're not a state trying to mobilize pressure against it, variety of ways, that it too has resources to retaliate. One of the thesis of the pressure policy is that it would yield Iranian compliance and concessions. This, if true, indicates that they're willing to have some sort of an escalatory dynamic. And when you get into an escalatory dynamic of this type, you're getting on a tiger's back and you cannot always pick the place to dismount.

But if these allegations are true and Iran attempted to assassinate a foreign dignitary one mile from the White House, then we're in a new sort of an escalatory confrontational posture. And if it plays itself out, you can see it moving beyond the terrain of Iraq, beyond Afghanistan, and moving into a fairly unpredictable and difficult terrain. So it would suggest that this is a foreign policy that's becoming more acutely aggressive in terms of its retaliatory denunciations.

Overall, I think Iran's place in the region is in the short term, perhaps to some extent it is advantaged, not because of these movements, political transitions, or aspiring to emulate Iran, but simply because international focus has switched to taking place in Egypt, rehabilitation of Tunisian, whether it's taking place in Syria, and so forth.

In the long run, if these political transitions manage to succeed in establishing a more responsive and accountable governments, which is a big if, then I don't think Iran can remain at oasis of autocratic stability in a region of popular empowerment. And that will redown to its disadvantage.

MR. POLLACK: Thank you, Ray. All right. I think that that is a great start. Before we take questions, for those of you in the back standing, there are a number of seats in the kind of front and middle. I welcome you to come on down and sit.

Hopefully it will be a little bit more comfortable than standing in the back.

If you've got questions please put your hands up. What I'd love to do is actually take several questions, put them to the panel, give the panel a chance to respond to them so that we can have some free flow and some conversation. Matt, why don't we start with you? And there should be a microphone coming around. Oh, and please identify yourself even if I call on you by name.

MR. DUSS: Thank you. Matt Duss, Center for American Progress. Thanks very much for a really interesting panel thus far. It seems that over the past decade or more during the negotiation or the attempt by the U.S. and the international community to deal at various times diplomatically with Iran's nuclear program, I hate to use the typical, you know, bargaining analogy, but it seems that we've been bargaining up the entire time, rather than bargaining down.

We've been making it very, very clear to Iran in numerous ways how valuable their goods are, while at the same time trying to pay as little as possible to get them. Is there any way to deal with this problem? Is it whether to just lower the temperature and say listen, we understand the reasons for what you are doing, but you're not going to get what you want?

MR. POLLACK: Thank you. Garrett, just come on up to the mic.

MR. MITCHELL: Thanks. I'm Garrett Mitchell and I write *The Mitchell Report.* I want to ask the question in two parts. The first is, if one could say that our level, the United States' level, of anxiety and concern about Iran and Israel is a 10, or maybe it's a 12 in Israel and it's a 10 here, what's the panel's assessment of the level of intensity in genuine fear about the foreign policy intent that Ray mentioned in other major countries?

In other words, are there just two of us that lose sleep at night and are

we making, not a mountain out of a molehill, but in other words, trying to get some sense of whether the level of anxiety and time spent in the public policy arena, et cetera, here in the United States, is a sort of typical American overreaction to, you know, the new Hitler of the year or the decade, or whether the rest of the major countries are sleeping?

And the second is, Ray, coming to your point about their intent and they they've crossed the red line and that maybe they really might be worse than we think, what's their end game? What do they gain if they knocked off a diplomat one block or one mile from the White House and crossed other red lines? What is it they're seeking and why would they risk more than opprobrium? I'd just like to get a sense of, you know, the reality picture here.

MR. POLLACK: This one, back.

MS. CADEI: Hi, Emily Cadei with *Congressional Quarterly*. And Kevan, you mentioned briefly Mark Kirk's legislation to sanction the Central Bank and whether or not we can realistically expect a collapse of the Central Bank of Iran, and that we need to do a little bit of a cost benefit analysis on our sanctions program.

I was wondering if you could engage in that sort of cost benefit analysis when it comes to targeting the Central Bank, specifically, it looks like these sorts of amendments that are up to the Defense Authorization Bill could actually pass, and so what would be the impact of sanctions that would target financial institutions doing business with the Central Bank of Iran?

MR. POLLACK: And I'll add one, Kevan, onto that and then we'll turn it over to the panel, which is, you know, when I hear the words collapse in other countries' economy, my own experience with Iraq immediately -- do we want to cause the collapse of the Iranian economy? Would that somehow be positive for what we're trying to achieve?

I would argue in the case of Iraq, it wasn't. But again, Iran is a different case. Why don't we turn it over to the panel? Charles, we'll start with you and just go right through and you can answer whichever parts or whichever questions you'd like.

MR. FERGUSON: Yeah, I think I'll stick with Matt's point about bargaining and maybe I'll take on what appears to be a somewhat narrower topic, but one that was of keen interest and still is. This is the issue of the 20 percent enrichment activities.

We go back to September of 2009, when we had Barack Obama and other -- you know, Sarkozy, and then there was the prime minister of Britain. I missed the third one, oops, and I'm blanking on this name. No, I joke. But, no, it was Cameron, right? No, it was actually Brown, yeah. So sorry, bad --

MR. POLLACK: At least you got a name right.

MR. FERGUSON: At least I got a name, bad imitation referred. But anyway, the point was that we appeared to have for a period of time a real serious offer that we do some kind of swap that the West would provide nuclear fuel at just about the 20 percent enriched level that's useful for the Tehran research reactor, which had been originally provided by the United States, had been converted some years ago, working with Argentina, to get to that 20 percent enriched level.

This is a reactor that produces medical isotopes for something on the order of 800,000 or more Iranians. So this is not any kind of aspect of a weapons program, this is a device that's used for medical treatments. But we were -- maybe we were trying to be too clever by half. So we're trying to create this bargain where we would only provide that material if Iran would take out an equivalent amount of low enriched uranium.

And two years ago it seemed like a pretty good deal because at that

point they hadn't stockpiled that much low enriched uranium. The point was to get out, you know, at least a bomb's worth of material from Iran to further delay the onset of some kind of breakout capability. Well, it ended up getting rather complicated. I won't get into all of the blow by blow.

Turkey and Iran. Turkey got involved with Iran in 2010 and that kind of muddied the waters and so there were mixed messages sent back and forth. Washington wasn't pleased with what Brazil was trying to do, its role, and then the deal just fell apart. And that gave Iran an apparent green light to say well look, the West isn't serious about this deal, we're going to forge ahead with the 20 percent level.

Now we've gotten to the point just a couple of months ago when we have Ahmadinejad and we have some other Iranian leaders saying this time we're serious, we really do need that material and otherwise we're going to try to go ahead on our own and make the nuclear fuel rods for that reactor. And they might be able to do it.

They apparently are struggling. You see the IEA report says they do have a fuel manufacturing plant. The point though is, that here again we have another opportunity to create an opening, a positive opening in my view and also a view of my colleague, Ali Vaez, who is here in the audience.

We wrote a piece in the *International Herald Tribune* about a month ago saying let's take Ahmadinejad and these other leaders at their word and we don't have much to lose here. We can say we'll offer this 20 percent material with no conditions. This is a humanitarian gesture on the part of the United States and the West, just like the United States helped Iran in 2003 when there was an earthquake near a bomb.

This was a case where we didn't question whether, you know, Iran was up to no good, it was people were in need, they were hurting, they were injured, and we provided assistance. It's a similar situation now with this reactor. Even though it's

something nuclear, it's really, my view, it's really about an opportunity to really have a true engagement to have that open hand. Instead, what we've been hearing a lot is just finding ways to more and more sanctions and I don't really see ways for the U.S. to really open up in terms of avenues of engagement. And I think that's the one way to do it.

MR. POLLACK: Thank you, Charles. Kevan.

MR. HARRIS: Well, in one sense the whole 20th century history of Iran is an attempt to prevent the collapse of the state, and Ray knows this from his work on Iranian history. In fact, we know that Iraq is full of Sunni and Shia only now because the state collapsed. I mean, you know, we occupied the country.

And then, one of the wonderful things about Iran is that we are ignorant to the fact that Iran has Turks and Kurds and Lurs and nomads because the state never collapsed. You only learn about these things in catastrophes. So it's our ignorance is Iran's blessing to a certain extent.

I can tell you this, that the Iranians have been there before. They never will be as isolated, they believe, as they were during the 1980s, during the war. And during the 1980s, they, with the price of oil being quite low by the middle of the '80s, were able to survive, although it was extremely constraining. And they created a series of mechanisms to get by. And of course, the country was forced into autarchy. And it's arguably the autarchy, the isolation in terms of the economy that happened in Iran, had all kinds of unintended consequences, but it came as a result to the isolation, it wasn't the plan of the revolutionaries in 1979.

And so the economy, compared to other economies in the, you know, developing world, does have a high level of internal autonomy. I mean it's nowhere near what it was in the '80s, but I mean, you know, the Kirk Amendment and these, I think these kinds of assumptions that targeting the Central Bank will lead to this collapse first

of all, the kind of sanctions that had an impact on Iraq were only possible in the 1990s after a war was won against them.

So when you think about sanctions that work, sanctions that don't work, and sanctions that cause changes of behaviors, you have to remember what came before those sanctions were implemented. So the kind of sanctions that lead to collapse or lead to actual changes of behavior, often assume that there was something going on before that. So where is the war in this case? And is there a blurring here between the military and economic sanctions that something like the Kirk Amendment will push forward? And I think I'll leave it at that, yeah.

MR. TAKEYH: It's a question regarding whether other members of the international community view this with the same degree of sensitivity and urgency, I think that's the first part of it? One of the interesting things that has happened over the past, really going back to 2005, is the way the Europeans have kind of gradually accepted the argument of the United States, namely -- I mean, if you recall, Garrett, the European policy in the 1990s was something called critical dialogue, where they would be critical of the United States and have dialogue with Iran, and essentially the view that economic engagement as a means of tempering Iranian motivations.

I don't see that as being the policies of the European state, an aftermath of U.N. resolution in 1929, that July, the European Union announced a sort of sanctions, which were actually quite aggressive, quite robust. So there's been the severance of the European-Iranian linkages.

I think there's a disagreement in Europe versus the United States or elsewhere about the utility of the use of force, but not in terms of international isolation of Iran and economic coercion of it as a pathway to its moderation, whatever you think of that thesis.

I can't really speak about the Russian foreign policy and the Chinese foreign policy because there are other people here that are far more qualified than I to do that. But it does seem to me that those states have to consider the relationship with Iran in the larger context of the relationship with the United States, and the larger context of their place in the international system, and they make their adjustments accordingly.

And they try to have it, sort of, both ways, you know -- have deepened their ties with Iran economically as the Chinese have, while at the same time renegotiating the international resolutions as a means of putting some degree of blame on Iran while preserving their commercial activities. But we'll see how that policy plays out because I think in the long run it's rather unsustainable. You've got to make your decisions and choices as they did with Syria when they chose to veto that resolution. They may opt for that as well, I don't know.

I cannot really decipher the Saudi assassination plot because it sort of defies the limitations of my faculty and the limitations of my imagination. The only explanation I can offer is that perhaps, if true, Iranians were trying to reestablish the plausibility of their deterrence beyond the region and offer that argument, but I cannot really try to unpack that because that actually goes to a certain level of mental acuity, which I'm not capable of ascending.

MR. POLLACK: At least not after your second cup of coffee. Great. And let me remind everyone that of course we're going to have a second panel that Dr. Fiona Hill is going to lead, my counterpart from the Center on the U.S. and Europe, that will look specifically at this question of the Europeans and other countries and their roles. Let's take some more questions. We'll start down here and I'll start moving back around. Why don't we start right down here?

MR. HARRIET: Jud Harriet, documentary filmmaker. From listening to

you it seems to me that sanctions are not going to work or if they're going to work it's going to be very limited. Yet, U.S. political leadership is kind of panning themselves into a corner.

We will not permit an Iranian bomb. So it seems to me that we're heading towards one option. If sanctions don't work there's got to be something else, i.e., a war. So my question to you is do the Iranians understand this and are they preparing for it?

MR. POLLACK: Question? Why don't we go right over there? Take you two guys.

MR. MORLAND: Howard Morland, private citizen. The status quo in the Middle East now, as I understand it, Israel has probably 200 fusion-boosted fission bombs and the deployed -- some on submarines, I think, and the U.S. has about 60 much more powerful thermonuclear weapons stationed in Eastern Turkey.

Now, if those weapons are taken out of the mix, we have a nuclear-free Middle East and our pressure on Iran would be perceived as an attempt to preserve the nuclear-free status quo. Right now, our pressure is perceived by the rest of the world as an effort to preserve the nuclear weapons monopoly of the U.S. and Israel. Why do we never hear in discussions like this any talk about the U.S. and Israeli nuclear weapons in the Middle East? It seems like that's a factor that should be considered.

MR. POLLACK: Can we go to the lady just back behind?

MS. McBEE: Yes, thank you. Jennifer McBee, CSIS. I was wondering in the NPT review conference last year, the Iranians agreed, reluctantly, to the final document, which included a holding of a conference to prepare for a Middle East nuclear weapon-free, or WMD-free zone. So part of the preparation for that is actually going on in Vienna yesterday and today.

There is a meeting about nuclear weapon free zones and Iran decided not to participate. So I'm wondering if any of you could shed any light on that and what it might mean for the 2012 conference on this subject? If you can't, I'll ask this afternoon's panel or the next panel. Thank you.

MR. POLLACK: Okay, and let's take this one over to the left.

MR. BRILL: Hi, Ken Brill. My question is, we've heard some very interesting comments about how challenging it is to affect policy in Iran, but could you guys give us some ideas of where are the opportunities to influence this society that is not monolithic? Where are the opportunities for the U.S., and others, to actually make some impact there?

MR. POLLACK: Great; why don't we put it to the panel? Pick any part or all of those.

MR. FERGUSON: Sure. Ken, I think I'll talk to Howard and Jennifer's point because they're related in terms of the larger region, how to deal with, you know, nuclear weapons in certain states and also the larger issue of weapons of mass destruction, including chemical and biological weapons in the region. And the resolution coming out of the MTP review conference last year, Jennifer mentioned, is there anything real there or is it just something the U.S. said yeah, okay, fine, we had to go along or to have amity and in terms of the review conference we had to agree to this but we're not really serious about it.

Well, I think you know, we should take it seriously. I think you know, Howard raised a very important point here, you know, off of we don't really talk about Israel or U.S. weapons in the region and I think it is a great opportunity for us to not shy away from it, but one thing that I'm thinking of developing in my think tank is get experts together and assess what are the options.

How can you deal with the very challenging issues of verification? How can you deal with the very challenging issues of the security concerns of various states? And you know, not to make excuses for why Israel got the bomb, and they've never, you know, confirmed it, but it's the worst kept secret in the Middle East, or at least one of the worst kept secrets --

MR. POLLACK: There are so many.

MR. FERGUSON: There are so many, right. We can go on a whole day talking about that. But the point is that, you know, they felt the need that when they developed that program that they were under existential threat and questions, are they still under existential threat? Do those bombs really provide a capability that they still need?

And we have to realize that nuclear weapons possession is still rather limited in terms of what a state can achieve. If we look at what Israel did in terms of going into Lebanon back in 2006, you know, possessing nuclear weapons didn't prevent Israel from suffering a defeat in that conflict. Possessing nuclear weapons doesn't help resolve the Palestinian issue; it doesn't help resolve that ongoing crisis.

And so, you know, if a state possessed nuclear weapons like Libya, which Qaddafi, fortunately, did not and he gave up, you know, the program he was developing in 2003. Nonetheless, even if he possessed nuclear weapons, it wouldn't have stopped I think the Arab Spring uprising and toppling of his regime. So we've got to realize that even though nuclear weapons seem to be kind of glorified and put on a pedestal, they're still rather limited in what they can do.

MR. POLLACK: Kevan?

MR. HARRIS: Okay, four questions was my limit. I was starting to forget. I think the first thing that, I mean, the United States policymakers and the Iran --

should do is listen to the opinions coming from those people who are involved in democratic opposition movements inside Iran. And the consensus among the majority of them is that sanctions, policy, and rationing of the sanctions would be harmful to the internal dynamics of state and society in the country.

And it's not, you know, we look from here and it is a black box, but over the last 30 years there's been a lot of changes inside Iran and there will continue to be changes. And I'm part of this, you know, youth generation. In Iran, I'm at the tail end but I'm not going to tell you my age. And that, you know, this generation has had an impact that's not monolithic. It's not a whole youth that acts in tandem, but when you hang out with them, they're quite educated and the country, no matter what happens, will not be the same in 10, 15, 20 years.

So we need to think again about the logic of the economic squeeze. I mean, if the politic elite aren't going to change, then are we expecting the Iranian people to rise up as particular scenarios have imagined it? This, first of all, doesn't happen in history. You don't squeeze a country and then people get considered about their daily bread and then they all of a sudden overthrow the state.

In fact, I was reading this book by Steven Kotkin, he's a Princeton professor, about the breakdown of the Soviet Union. It's called *Uncivil Society*. It's a very interesting account of the breakdown of the Soviet Union. It didn't happen because they were squeezed by Reagan and the Pope. It happened because in 1982, all of the opposition dissidents in the Soviet Union were here in the U.S. or in the West getting awards and there was no opposition movement inside the Soviet Union, and then there was a modicum of space that opened up in the Inesh community by the mid '80s, and then the internal dynamics of the elite had space to fight it out and Gorbachev, who was basically sort of a 1968 radical in a way, was able to counter the conservatives in the

Soviet state, and that allowed for the dissolution of the Soviet Union.

So internal dynamics are important. It's not something that we can push like a billiard ball from here and expect a particular geometry of international relations to workout.

MR. POLLACK: Ray?

MR. TAKEYH: I'm familiar with that book and if you accept this thesis you have to discount solidarity of Vaclav Havel, Charter 77, and so forth, and an entire range of post-Helsinki dissident activity.

MR. POLLACK: He does, yeah.

MR. TAKEYH: He discounts that, and I think incorrectly. His better book is *Armageddon Averted*, if you're curious about him.

Let me just say to the question that was posed regarding the hypocrisy of the American stance on the Iran and nuclear issue because other issues have been dealt with. It's an important argument because I hear it a lot. I hear it a lot, particularly from not just the Iranians, but others. I think the Iranian nuclear infractions have to be recognized as infractions in and of themselves.

Iran is a signatory to the MPT and, therefore, it embraces certain obligations. And if it's in violation of those obligations, as IEAE, the inspection arm of the United Nations suggest, then there has to be some degree of penalties.

Those penalties cannot be mitigated or disregarded because there is undeclared Israeli capability or United States has certain repository of nuclear weapons as well. I think the case of the United States would be much better, you're right, if it actually moves to double zero, or zero option, whatever actually reduces its own nuclear weapons from negotiations with its Russian counterparts and so forth.

I mean you're right, it'll give a greater degree of credibility to the

American case, but the fact that these things are not happening at the pace that one would like to see, that doesn't necessarily mean that Iranian infractions are not real and significant.

MR. POLLACK: Let's take some more questions. The gentleman right there in the center.

SPEAKER: Morning. My name is Sergio from -- I'm an intern at the U.S. House of Reps. My question is --

MR. POLLACK: Can you hold the microphone up closer?

SPEAKER: My question is what have we learned from the economic sanctions that we put on North Korea and why haven't we applied that knowledge to Iran? And also, you never answered the guy's question in front about are these sanctions a prelude to war against Iran? Thank you.

MR. POLLACK: Okay, there's also a question a little bit further back.

MR. RUST: Thank you. Dean Rust, retired State Department. I want to go back to what Ken Brill asked and that is how do you influence the internal dynamics within Iran to make them sort of choose the path of legitimacy of responding positively to what the IEA wants them to do, as opposed to the path of legitimacy that Ray mentioned that might actually take them to the bomb? It seems inconceivable, frankly, after 10, 12, 15 years of Iran professing their program is only peaceful for them to somehow think that going for the bomb is the way to get international legitimacy.

MR. POLLACK: Okay, and there was a question down here. We'll take that next.

MR. NAIMY: Thank you. (inaudible) Naimy, from National Iranian American Council. I had a question for Kevan. You mentioned in passing how, regarding sanctions, how Iran is well embedded in areas that sanctions increase. Could you,

assuming you're connecting to the black market in Iran, could you speak on that more please?

MR. POLLACK: Okay, and this time why don't we start with Ray and we'll reverse the order?

MR. TAKEYH: Whether I think the question is twice, there's a diplomatic path to resolutions of these differences between the United States and Iran. And I'm not quite sure there's an obvious diplomatic path. If you want to look at diplomacies as making small incremental gains, perhaps negotiating fuel swap, which is not likely to happen, or some sort of a negotiated restraints on Iran's nuclear program.

It's more of our management strategy of having sanctions and sabotage slow down the program, perhaps diplomacy, inject some sort of a restrain in it, as a means of something happening inside Iran that will cause the change in the regime's orientation.

This is a regime, ironically enough, is vulnerable. It's economic vulnerabilities are perhaps the most obvious and probably the least relevant in a sense that this is a political leadership that can manage its economy, however half hazardly, and also is indifferent to the economic penalties that are inflicted on the larger population. It has vulnerabilities in a sense that it's increasingly isolated in an international community and that isolation may have some sort of an impact on this domestic political scene.

It has other sort of vulnerabilities. It has a large, as Kevan was mentioning, it's a disaffected population, it's an intelligent population, it is an educated population. There's an incongruity between Islamic Republic and the Iranian nation. You know, the Iranian populous -- quite sophisticated, intelligent, I would say largely secular in terms of their orientation simply because they had to live under their religious order, and

internationalists in terms of their perspective cosmopolitan in terms of their habits. They grew by a government that's none of the above.

That in and of itself is difficult to see how the Islamic Republic can forever precariously glide over the larger and deeper currents of Persian nationalism, history, and tradition because I think they are averse to one another. So it has domestic vulnerabilities that can be exploited in terms of assistance to various opposition groups and so forth and so on.

One of the theses that have emerged is that we cannot assist the opposition because they didn't ask for it. If you look at the history of how the United States has related to opposition movements, you go back to assistance to French, Italian, to trade unions and political parties in the 1940s. I don't remember them asking for it but there was a confluence of interest.

If you look at the establishment of, for instance, during the Cold War of something called the Congress for Cultural Freedom, which was essentially trying to mobilize anti-Soviet Western intellectuals. I mean, I don't remember Arthur Schlesinger and Sidney Hook and Raymond Aron, George Kennan asking for it; it was established. And you see in the Soviet era with the post-Helsinki civil society groups, solidarity, and so forth.

There is a confluence of interest between the United States and the Iranian opposition. The question is how do you connect those dots as opposed to shield one behind the notion, well, they haven't asked for it? So that's another area of vulnerability that can be exploited.

MR. POLLACK: Kevan.

MR. HARRIS: I'll answer your question then. Certainly inside Iran, when the perceived threat is highest, they do fear war and the population fears war. I was

there in 2006, in the earlier peak of war talk, and I would say every other person I asked had some kind of fear and, you know, not sure of what was going to happen, some uncertainty. So it does have an effect, I mean, like it would have an effect anywhere.

That went down for a while and now I've been reading the news recently and everybody is talking about, well, that doesn't mean necessarily that they really believe that it's on the table, but certainly in the population people tend to, you know, do sometimes believe it. So yeah, they think it's a possibility but they don't think it's likely there currently.

I appreciate Ray's comments. I want to just slightly disagree with him on the fusion of nationalism and Islamic Republicanism and the revolutionary ideology. I mean the use of, you know, pre-Islamic nationalism, as constructed by, you know, the (inaudible) monarchy about Fairdosi and Persepolis, and all of these kinds of things, was used by the Islamic Republic as early as 1990. They had international conferences about Persepolis and Fairdosi, and Rafsanjani signed this book of Persepolis that the shah had signed.

And so you know, the elite changes. I'm not saying that they, you know, believe this, but the right in Iran, especially the new right, is rather crafty, and Ray discussed this previously. They fuse and utilize symbols of pre-Islamic and Islamic nationalism like they're just juggling. And I'm not saying anybody is getting doped by this, but it's not -- the state adapts, all right. I mean, if we're analyzing it, we should be honest about what's happened in the country over the last -- the state adapts and changes and the society adapts and changes. And there's not always the huge gap between them that you think.

In fact, one of the reasons that arguably the green movement failed to a certain extent -- I was there, I saw it -- was that they did not win the battle of the

nationalisms. You know, it wasn't that society versus the state, it was one particular vision of the nation versus another one. One side had all of the guns, that's true, but in a lot of cases the other side has the guns.

So there's a clash of nationalisms in Iran and it's ongoing and it will continue to go forward. And the question is what can the U.S. do to help one and not the other? And this is an important question; it's not one that has an easy answer.

MR. POLLACK: Thanks. Charles.

MR. FERGUSON: Ken, regimes come and go and physics is eternal. What I mean by that, and we've got to go back to sort of a back to the future strategy, we've got to go back to 1946, soon after the dawn of the nuclear age, you know, soon after the Manhattan Project delivered two types of atomic bombs that the United States used against Japan to help end the war in the Pacific. And some of the founders of my organization were involved in that activity and they formed the Federation of American Scientists to try to advocate for international control of these technologies.

You go back to the Acheson-Lilienthal report, 1946, you know, has those two political leaders' names on it, but really it was Robert Oppenheimer, the scientific director, the nuclear physicist, the scientific director of the Manhattan Project nuclear physicist, who was the lead drafter. And he and those who wrote the report realized from a physics and engineering standpoint, a system of national ownership and control of nuclear technologies is open for failure.

You're almost bound the fail. There's only so much we can do to try to monitor and safeguard such a program. And Ray is absolutely right, you know, sanctions could help delay and by some time, but they're not going to put a halt to the program.

There's a question back there about lessons learned from sanctions on North Korea. Well, you know, North Korea, they have plutonium, they apparently now

have a uranium enrichment program. You know, it's a relatively small program, but they've been able to weather that storm of sanctions, a very poor country.

There have been times, though, when sanctions have gotten North Korea's attention, especially when the U.S. targeted, you know, the banking in Macau and Kim Jung-il said, oh, my, you know, my shipment of cognac might be at risk so I'll pay attention for a period of time. So you know, there is a role for sanctions but it's not going to be any kind of cure all.

So back to the future is that we've got to get back to what was the lesson from the Acheson-Lilienthal report, is that we need to find a way to have more international controls on these dangerous nuclear technologies, enrichment, and reprocessing.

Very tough thing to do. We've been, you know, it's been kind of déjà vu all over again in terms of looking at this issue of international controls. It seems like every 5 or 10 years there's a whole other awakening and a whole flurry of reports and studies on this and we do have some semblance of international controls on some enrichment facilities.

We see here in the United States, there is a consortium, the Urenco consortium, you know, building a plant in New Mexico, the LES facility. That is an example of using black box technology, and the United States doesn't get access to that technology, and you know, enrichment there is through international ownership.

A similar thing is going to be happening in Idaho at the Eagle Rock facility that Areva wants to build. So I think there are examples where we can try to, and this has been, you know, mentioned before to Iran, I'm not the first to say this. There's a lot of great work being done at Harvard and other places looking at ways that you could have multilateral ownership and control of facilities in Iran, still have enrichment, but have

greater confidence that what they're doing could be detected if there is a breakout into weapons programs.

MR. HARRIS: Actually, there was a question asked to me about this black market. I'm sorry I didn't answer that.

MR. POLLACK: Yeah.

MR. HARRIS: It's actually the interesting -- so one of the arguments is that sanctions increases smuggling and increases black market activities, which may or may not be rang through military networks. Smuggling has been going on for a long time in Iran, in fact, you know, something like 90 percent of the cell phones that enter Iran, which are all coming from East Asia by the way, as here, 90 percent of them don't pay a custom. I mean, they don't pay the tariff when they enter the border.

I mean, they're coming in through an illegal mechanism, something like 50 percent of the clothing in Iran, which used to have a textile industry and does not any longer, is smuggled in. So there's a huge smuggling problem with Iran. It's something like 20 percent of the GDP I think; don't quote me on that. But the question is, is that a result of sanctions now or is it a result of the poorest borders of the country -- and when I said embedded, I said it's embedded in the world economy, right. It used to be the pivot of history, right, Central Asia.

So it's embedded in these particular networks of trade that it's going to be very difficult for anyone to totally close off. So any sanctions policy will, you know, squeeze a balloon -- no, not the toothpaste analogy, the balloon analogy, you squeeze a balloon with water and then you know it gets bigger somewhere else.

MR. POLLACK: Great. Okay, I'll take one last round of questions. There, and we'll come back to you.

MS. GIENGER: Thank you. Viola Gienger from Bloomberg News.

Charles, I wonder if you can address a little bit the debate over the timelines that we're looking at at this point based on the information in the IAEA report and whatever the latest developments are? What sort of milestones are coming up in the next year to two years?

How far are we from various milestones in the development of Iran's nuclear program? And if any of you can also address the question of what do you think at this point is the minimum that the United States and its allies, and partners in the process, may offer Iran that Iran may find acceptable to pair its nuclear efforts?

MR. POLLACK: Thank you, Viola. Let's go to the lady right behind you.

SPEAKER: Okay, thank you. I'm (inaudible) from George Washington University and my question is how sure can we have that China will change its previous state rather than play Iran nuclear weapons as its big card given to the current status of -- U.S. relationship, especially after President Obama just claimed the return to the Asian Pacific region?

And my second question is I really think that Iran is kind of a threatened country, and theoretically speaking, it's just appeared to me that Iran may be caught in kind of a security dilemma, and theoretically speaking, maybe we can only offer -- maybe the proper way to get it out of the security dilemma is to let it go? And there is also the claim that maybe the area is some kind of sabotaged to get it out of this security dilemma. So what's your comments? Thank you.

MR. POLLACK: And let's just take one more from Greg down at the front and we'll have final comments from the panelists.

MR. TILLMAN: Greg Tillman. I just wondered if we could get a comment on what you think about the efficacy of assassinating Iranian scientists, both maybe from Charles on whether or not that can slow down the program, but also from

Kevan and Ray about the effect on the Iranian people and the Iranian government in terms of increasing their willingness to make a deal to constrain their nuclear program?

MR. POLLACK: Great. All right, Ray, why don't you start us off again? And we'll again go in the reverse order.

MR. TAKEYH: On the issue of China, I'm reluctant to offer any sort of advice in the institution that features Ken Lieberthal. I mean, you know --

MR. POLLACK: And we should all feel free to -- we're going to have a whole panel on that so.

MR. TAKEYH: Foreign authority on that. I think assassinations that have taken place are short sided and counterproductive because it assumes that Iranian scientific cadre is a limited number of people and this is a government that since 1990, in the aftermath of the war, has invested quite considerably in the scientific apparatus.

And its scientific apparatus has made significant gains if you look at it by the metrics of how many PhDs they produce in physics, chemistry, and so forth. Chemistry is always the crown jewel of sciences. Theoretical physics they're quite advanced on because it doesn't require a huge technological apparatus.

The number of authored articles in internationally recognized scientific journals has gone up. So this is a large scientific community and not all scientists are situated in university laboratories; they're also in the industry as they are in the United States. And I don't think we know the full scope of in the industrial application of the Iranian scientific community and the relationship between industry and the laboratories of the universities because, and Charles can speak about how you make a successful scientific community.

So essentially, one or two, three, four scientists getting killed is not going to reverse the scientific knowledge that this country has accumulated. It may even create

a spear at the core within the remaining scientific community. And in that particular sense, I don't think it's particularly productive and it's more of -- it's of limited, if any, utility. I forget what the other question was, but anyway, I'll stop here.

MR. HARRIS: I forget the other question, too.

MR. TAKEYH: Let's talk about the sciences.

MR. HARRIS: It's a good answer, yeah.

MR. TAKEYH: That's not a pathway to disarm a mineral counter-proliferation.

MR. HARRIS: Oh, yeah. Okay, so productive, you know, carrots, right. This was the question. Well, I mean, so the new minister of oil in Iran is a rather burly fellow by the name of Rostam Qasemi, and he used to be head of the Revolutionary Guard Corps of Engineers if you will, and I just saw him give an interview for Al Jazeera English and he looks like a true revolutionary patriot. He was unshaven, like myself, and no tie, though. And he had just given a speech I believe yesterday or two days ago to an engineering society in Iran about the need for investment in the country's oil and gas sector.

And this is a country that's heavily underinvested in its own sector and this is not even a debate now among the elite in Iran. And he says that the country is $100 billion of investment. So this is the obvious carrot that the Iranians -- as much as they say that they detest the West, they really like us and they want our investment. They don't like the Chinese investment. They always complain about how they have to take second rate Chinese capital goods and things like that, even though they're using the cell phones all of the time.

So that's the obvious carrot that you have to increase the vision of the future for Iran as being able to exploit its resources in a way that is more productive than

it is now. That's what's on their mind and that should be discussed much more openly in policy communities here.

MR. POLLACK: Charles?

MR. FERGUSON: The whole question about timelines, and maybe I'll just say a few words about the whole issue of targeting and assassinating Iranian scientists and then to wrap up with the issue of timelines. Yeah, I agree with Ray, but I want to add a little bit more than that. I really see this as just, well, it's morally wrong and it's very counterproductive in what Ray is saying and also in other ways as well, we should be trying to learn lessons from the time of the Cold War and the relatively early days of the Cold War and in the 1950s when there was the Pugwash Movement got started and there was an exchange of views between Soviet and American scientists to try to find ways of having a dialogue and trying to find peaceful resolutions in some of these vexing issues.

And there has been some of that outreach from the U.S. part, the U.S. National Academy of Sciences, Glen Schweitzer and Norm Neureiter at AAAS have done a lot of great work in that area; more needs to be done. So I just wanted to get that out in the open.

In terms of timelines, I think there are a number of things we need to pay attention to in terms of how this proceeds going forward. There have been various assessments as to how far Iran is from actually breaking out into making nuclear weapons. I've seen an assessment of six months. I've heard a senior U.S. Government official say, and he is someone who is very concerned, but he says it's about a year, maybe longer.

But what does that really mean? Well, I mentioned in my opening remarks that according to the IEA, Iran has stockpiled 4,900 kilos of this low enriched

uranium material. And so if they went for broke and did kind of a batch of recycling and tried to convert that to weapons grade material that might be three, maybe four bombs' worth of material. Is that enough? Probably not, but I don't know. I mean, somehow we have to do a mind meld of my mind and Ray's mind and Kevan's mind and Ken's mind to try to -- and some other experts, to try to figure out what's the intention, you know, and so there's this interplay between intentions and capabilities.

But we do know that Iran is still continuing to amass more and more low enriched uranium material and we need to pay attention to the other enrichment activities up to that 20 percent level. Will they go beyond what is required to refuel the Tehran research reactor? That would be an interesting signal.

If they surpass that point, then that's an indication that there's something more probably going on than just getting enough material to fuel that reactor. We need to then look at how they're proceeding in actually manufacturing the fuel for that reactor. They may run into technical difficulties with that. If they run into technical roadblocks and they continue to enrich at that level, that's another signal, I think, as to their possible intentions.

We also need to look at how they're proceeding with the ballistic missile program. Are they making advances in terms of long-range missile capabilities, true intercontinental range ballistic missile capabilities? That plays in to this very contentious debate going on in the U.S.-NATO-Russia context as to missile defense. You know, that has very large implications as to where we go with the next round of nuclear arms reductions with the Russians. So you know, there's a lot at play here in terms of the various timelines and the various technical activities Iran is doing.

MR. POLLACK: Well, I don't know that we have necessarily solved the Iranian nuclear program, but I think that we have helped to map out a little bit more of the

incredible maze of complexities that make up the issue from the Iranian side. And I think that the ambiguity that we have left on the table is actually the exact perfect starting place for our next panel which will begin at 10:45.

In the meantime, we've got refreshments for you outside. Please take a break. Before you do so, please join me in thanking this terrific panel. (Applause)

(Recess)

MS. HILL: Ladies and gentlemen, I'd like to welcome you all back to the second session of this conference today. I'm Fiona Hill, the director of the Center on the United States and Europe. And before I begin there are just a couple of logistical things that I want to run through because our schedule is a little tight today.

First of all, I actually wanted to also mention, as Ken Pollock did, that this is a joint venture of sorts, this event, not just with the Center on the United States and Europe and the Saban Center, but also with our Arms Control Initiative here at Brookings that my colleague, Steve Pifer runs. And as a result of that we also should obviously say a word of thanks to some of the people who have made this and some of the research that surrounded this event possible. The Carnegie Corporation of New York that's provided some funding for looking at the way the United States and its allies and other countries are dealing with global challenges, obviously Iran being one of those rising power issues, and also funding that we've got from the MacArthur Foundation and Ploughshares for work on arms control and nonproliferation. And this, obviously Iran is one of the critical issues for this.

The other thing that I wanted to mention is that immediately after this session we go into break for a buffet lunch. Now, seeing as there are so many of us I want to avoid a stampede to the door. Lunch is always a very important thing. And if lunch for some reason hasn't proliferated sufficiently, to use the pun of the moment,

there's also our cafeteria next door, which of course isn't free. But in any case, for those of you who can't face the stampede for the sandwich bar there's always the Brookings Cafeteria. And they're doing a survey in there right now so I'm going to make a plug for continuing Brookings Cafeteria service.

We also, because we're having Tom Donilon, the national security advisor come to give the keynote when lunch is finished, as you can imagine there's going to be a little bit of reshuffling for security and then he will have a few people with him. So we'll actually need to move some seating around at the front. Sorry to the people who are currently sitting at the front. So that will happen during lunch. And because of security considerations, we all need to be back in our chairs at 12:50 for Mr. Donilon coming in. So I just wanted to say that in advance because I know everyone will have a sandwich on their mind at the end of the session.

Now, the purpose of this session is to cover many of the issues that were already raised by some of you in the audience, which is really what has been the role of the United States allies and other partners in dealing with the situation of Iran. We already had questions about the role of Europe, the European Union, and some of the individual countries of Europe and their interactions with Iran. We already had some comments on how the role of Europe and the European Union has shifted.

We have with us today Francois Rivasseau, who is the deputy head of the delegation of the European Union here in Washington, D.C., to help us think through some of these issues. Francois also has had a very distinguished career in the French Foreign Ministry. He was also the deputy head of the French delegation here in Washington before he took up his current position with the European Union. And in that capacity he's also, in fact, worked directly on the issue of Iran. He was French ambassador to the Geneva Conference on disarmament and nonproliferation issues in

the mid-2000s where he was, in fact, involved directly in negotiations with Iran at Geneva. And he's also worked on disarmament issues and advisor to U.N. secretary general Ban Ki Moon. So Francois has a broader perspective on this in the European context.

We also had questions about Russia and whether Russia will continue to play its role in the sanctions issue. Of course, Russia has played a very prominent role in Iran with the Russian involvement in the Bushehr nuclear reactor -- the civilian nuclear reactor which has been a focal point of people's attention. And also in the run-up to the latest, most recent sanctions resolution. And the big question of whether Russia would actually send advanced air defense capability to Iran, the S-300 missile system, which would, of course, have enabled Iran to potentially fend off any kind of military action against its nuclear program.

And to talk about the Russian aspects of this we have John Parker with us. John is currently a senior researcher at the National Defense University and the National Institute for Strategic Studies but he has a long and distinguished career at the State Department. He has been a senior analyst and director, a deputy director of various research programs related to Russia at State's I&R, the Intelligence and Research Bureau. And John is also the author quite recently of a book on Russia-Iranian relations that has taken a look at the depth of this longstanding and sometimes contentious relationship between Russia and Iran and touched upon some of the issues that we're looking at today. So John is well positioned to be able to talk to some of the questions that were already raised in the audience about Russia.

And then last but certainly not least we have Yun Sun, who is currently a visitor here at the CNAPS Program, the Center for Northeast Asian and Pacific Studies [*sic*]. Yun is from China and most recently was working for the International Crisis Group

in Beijing. She's an expert on Chinese national security decision-making. That's some of the work that she is docking out here at Brookings. And clearly she has on-the-ground expertise on China and hopefully can address some of the issues that were already raised about China's role, China's attitudes towards the sanctions regime and also whether China may use -- as the question from the student from George Washington University suggested -- whether China might use the Iran card given some of the broader security thinking going on in China now in response to developments in the South China Seas or in East Asia and Southeast Asia, a particularly thorny set of questions. And these are the kind of things that Yun has been looking at for some time.

So we'll start first of all, as we've done in the other panel, with a brief overview from our panelists and then we'll turn it over to you for questions and answers and perhaps they can pick up on some of the issues that were already raised.

So Francois, thank you so much for joining us.

MR. RIVASSEAU: Thank you very much, Fiona. Thank you, all of you. It's a fascinating subject, Iran. And if I may say so, one of the structuring subjects of international life of the last years.

We have been asked to reflect about how to maintain international unity around Iran for the future. Indeed, we have had now a lot of international unity about what had to be done or what could be done and what has been done. So it is just legitimate that we do we do get lessons learned first of the substance and then maybe I will reflect on the proceedings.

On the substance, I think the first lesson learned is that when you want to keep international unity you have to build a case and you have to build it seriously. And you have to build it passionately. Sometimes it takes time but if you want to get international unity you have to do it as fast as possible knowing that it takes time.

Let me just read one para which indicates two of the conclusions we can achieve. Information indicates that Iran has carried out the following activities that are relevant to the development of a nuclear explosive device. Efforts, some successful, to procure nuclear-related and to use equipment and materials by military-related and individual entity. Efforts to develop pathways for the production of nuclear material. Acquisition of nuclear development information and documentation from clandestine nuclear supply networks and welcome development and design of nuclear weapons, including the testing of components.

You will recognize one of the conclusions of the last IAEA report. That's how you build a case. That's how you get -- contrary to former cases at the beginning of a century, that's how you build a case which is undistributable or difficult to distribute. And that's the first way of doing it. As long as we are able to maintain this path and to build upon credible, internationally accepted information then -- which was painful, long, and difficult, we should, in my view, be able to keep international unity and it will be up to my two co-panelists to asses that but I'm confident that this will go further than keeping the E.U. with the U.S. It will keep the international community along.

The second thing is when you have built your case, how to present the case. And it's very important when you present the case that you present the case according to standards of international law. Everything which goes completely out of international law is necessarily breaking the international -- the unity of the international community. If you want to keep unity you have to stick to international law. Obviously, international law can be interpreted but we know that since at least 2003 that there are limits to the way you can twist interpretations. You have to interpret to stick to the international law and to stick to -- to accept it, to generally accept the interpretations of its international law. We know about in the U.S. we are very good lawyers and we know that

some lawyers can achieve conclusions which are somehow very different of each other. We have to stick also with the mainstream of international law. You have to keep international unity.

The third, if I may add on that one thing, sticking to international law doesn't prevent nations to act. And if you look at what has been done on Iran you will see that we have had a number of resolutions -- six from the U.N. if I remember well the list. Yes, six of the U.N., the last one in 2010. But we had also nation-based measures. The U.S., you know, took some in 2008, took others in 2010, took recently some others as recently as last week. But the U.S. has not been alone to act on a national basis. Some European countries have even acted on their own and the E.U., as such on the 26th of July of 2010, has taken a number of measures ranging from interdiction of travel to prohibiting assistance -- technical assistance of technological transfer for oil refinery of gas leak eviction, added a number of bunks and of people permitted to travel. And what I want to insist on that is that the E.U. has not only gone much further than whatever the U.N. was obliging us to do but also in a number of areas much farther than everybody else, including the United States.

So, you know, when you want to act you can act. And you have noticed, for example, that between yesterday and this morning the British prime minister about the Iranian Central Bank of a French (inaudible) public about oil sales have also taken very radical positions which go far but on a national basis. So when you want to act you can always propose or even implement measures which go very far on a national basis and this is consistent with international law and so we should not feel too much paralyzed by international law.

The last limit of substance in my view is to once you have built the case and presented the case you have to check out options. What are the best options? And

here I will express to you the convictions I thought since the eight years I am on this file. There is no better way valuable to the international community than the present one to go for strengthening and strengthening sanctions making every year -- ideally every month of the cost of this nuclear program which is illicit because it is -- and you know why it is illicit. It's not per se. It is because it has no other possible goal other than a military one because there is no civil conceivable goal for this program. So it is illicit. We have to maintain the point and we have to make the cost of this illicit program more and more expensive for Iran so that at a certain point for the Iranian nation, the Iranian people -- I don't know if for Iranian leaders because this is a very difficult question -- but at some point Iran, which is a great nation, will realize that its best interest is to cooperate with the international community instead of choosing, as I think some European leaders said yesterday and this morning, choosing to go its path alone, to choose isolation. To one point we want to make sure that Iran realizes that its interest is to avoid isolation.

And if you look at the other options -- because there are obviously other options and some have to remain on the table just for the sake of being there -- but that said, if you look at using them you will see that a correct assessment makes no other options available. So I think this is also -- you have also to choose the option which is the most -- not only the only available but the most commonly seen as the only one possible.

On procedure, very quickly, you know that maintaining the unity of the international community is difficult. It has involved historically in-depth regular contact (inaudible) months between initially at the heart of a reflection you have what we call the EU3. That is France, U.K., and Germany, and the U.S. And some initiatives came from the U.S. Treasury. Some initiatives came from France. Some initiatives came from London. Sometimes also from Berne, Berlin, and then usually they are discussed within the EU3 and with the U.S. in a sort of choreography which varies also not only for -- is not

completely specific, can vary depending on the timing but is essential that there is unity of use which is progressively emerging at this level.

But at the same time you cannot do that only within this framework. You have right from the start and from the very beginning to associate discussion with Russia and with China because if you discuss without them or if you solidify U.S.-EU3 position without China and Russia you are likely to face a strong opposition.

So the choreography was trying to get the feeling where we are going but associating very early China and Russia ideally right from scratch. Sometimes not exactly right from scratch because when you have an idea coming out you first discuss it within the EU3 and the U.S., but before solidifying them and giving it a real form and shape, discussing it in the P5 context. And with EU authorities, also, because as you know, the EU3 discussion involves also the presence of a representative of the U.N. to (inaudible). And as you know, this process has contacted EU3+3 as we named them to give mandate to Lady Ashton to discuss with the U.N. authority because another procedural need is to always keep the two track approach which is one track which is the sanctions and making the price of this nuclear program every day higher ideally. But on the other hand, demonstrating to Iran that would they choose to cooperate with the international community, the door would be, therefore, opened.

And this is also a demonstration which has to be done periodically. Sometimes it's very difficult to do because you don't -- you think that you are completely losing your time and trying to remand back to Iran. But you should always know that you are not remanding it only to Iran; you are remanding it to the rest of the world. And it is a condition for keeping the rest of the world aligned with the sanctions but this demonstration is regularly remade and it should not be seen as a proof of weakness but it should be taken for what it is, one of the tools we have to keep international unity on this

side.

If I may in conclusion just add -- because I think I arrive at the time of concluding -- I think there are some methods of contacts and negotiation which still could be used additionally to get slightly more efficiency to the system which we could still do slightly more efficiently the things, but obviously it's time consuming. But I think there are -- sometimes I feel that a number of European countries, the ones that are not participating in the EU3+3 are frustrated not being associated and I think we should keep that in mind and maybe make some provision to discuss with them not only bilaterally but as a group. And I think the international community at UNGA also you have the main states. We discuss with them or we'll discuss with the BRICs. We discuss with some important players, such as Turkey or Nigeria, Egypt, South Africa, Brazil, whatever. But when you are, for example, Peru or Thailand, you would like also to be associated as we have seen, for example, Malaysia, for example. Malaysia you know, for folks who know, was part of a story of (inaudible) and at a certain point it would certainly have been good to be able to talk a bit earlier with Malaysia.

So there are things still that we can do to enlarge and widen the consensus on what we are doing but I am pretty sure that we shall continue working on that. Thank you.

MS. HILL: Thank you very much, Francois.

John, your thoughts on the Russian perspective.

MR. PARKER: Yeah. Thanks, Fiona. And also thank you very much for inviting us all to participate in this panel and for your very gracious introduction.

There have already been questions on Russia that were raised during the first panel. I may take a couple minutes longer to answer those and go beyond my seven to eight minutes.

I always have to start out with a disclaimer. I am a U.S. Government employee but my comments this morning are my own. They don't represent the views of the National Defense University or the Department of Defense or even the U.S. Government. Also, what I'm trying to do this morning is not to debate the Russian position but to lay it out to you as objectively as I can so that you understand where Russia is coming from and what the potentials are to move forward with Russia in a unified way on this process dealing with the Iranian nuclear issue.

So as I see it from Moscow's perspective, international unity on Iran has just gone through a rough patch that was both unnecessary and not of Moscow's own making but is still salvageable. Moscow was quite comfortable with the situation that had developed since the Security Council adopted Resolution 1929 in June 2010. 1929's tough sanctions, which Moscow added to with its breaking of the S-300 contract, had gotten Tehran's attention. After that, Moscow's "no new sanctions" stand, which Foreign Minister Lavrov first pronounced in February of this year and Moscow's "step-by-step" approach, which Lavrov rolled out in July and that Moscow claimed to have coordinated with its P5+1 partners, allowed Moscow to do several things at one time. One, maintain the pressure of Resolution 1929's sanctions on Iran. Two, take the lead within the P5+1 on step-by-step overtures to Iran. And three, repair Moscow's own bilateral relations with Tehran badly frayed since Resolution 1929 and the S-300 decision.

So against this background, Moscow's furious reaction over the early release and the furious spin given the November 8th IAEA report was no mere bargaining ploy but it really reflected genuine annoyance and some anger. Moscow saw the calls for more sanctions in the aftermath of the disclosure of the alleged Iranian plot against Saudi ambassador Adel al-Jubeir in Washington, in the aftermath of the chatter in Israel over military strike against Iran's nuclear program, and in the aftermath of the IAEA report

itself and its unusual, kind of premature disclosure. I don't think it was ever put out as early as it was this time. Moscow really saw all of this as undermining Moscow's lead on step-by-step and confronting Russia with the choice of either support more Security Council resolutions now or soon countenance an Israeli strike on Iran.

Now, just to be clear on Moscow's view of the Iranian threat, although the Russian Foreign Ministry accused the IAEA report -- what it said was "juggling with information" in order to create an impression that the Iranian nuclear program allegedly has a military component -- the Russian leadership and most Russian experts have no illusions on this score. In July 2010, for example, President Medvedev quite clearly stated that it is obvious Iran is coming close to the possession of potential that could in principle be used to create nuclear weapons. Just last Friday, Russian Defense Minister Anatoly Serdyukov told the press that Russia wants to continue leasing the kabbalah radar in Azerbaijan and intends to upgrade it. Enhancing the capacity of kabbalah, Serdyukov said, is useful and very important, in particular, given the Iranian missile program. And the same day materials prepared for a report by General Anatoly -- Nikolai Makarov, chief of the General Staff, reportedly included the build-up of Iran's nuclear potential among developments that could draw Russia's armed forces into a future conflict.

Nonetheless, from what I can tell, most Russian experts do not believe that the most recent IAEA report presents serious new grounds for imposing another round of sanctions against Iran at this time. They did not have to be persuaded that Iran has been engaged in the military nuclear program for some years, but at the same time they believe it will still take more than several years for Iran to be truly nuclear capable. On VOA last Thursday, for example, Vladimir Sazhin of the Oriental Institute in Moscow gave as good a guestimate as any. He said that it would be five to seven years -- take

five to seven years for Iran to marry a workable warhead with a capable missile as long as there weren't any outside interference. And, of course, there's always interference.

One expert believes that Iran will probably stop dealing with the IAEA only when it has overcome all technical problems and has all the inputs necessary to produce a bomb and a delivery vehicle. In the meantime, the view of most Russian experts is that continuing IAEA control of Iran's nuclear program, however imperfect this control, is more important than how much uranium Iran continues to enrich, and that it is therefore crucial for the international community not to do anything precipitous that might cause Iran to bolt from the IAEA and put an end to any chance for a negotiated solution.

So for these reasons Moscow's clearly pleased with the P5+1 decision after all not to go forward with another sanctions draft. At the same time, given all the publicity and the run up to the IAEA meeting, Moscow is now probably more concerned than ever over the possibility of an Israeli strike on Iran. In Moscow's view, an Israeli strike at this time could not put an end to the Iran nuclear program but would for sure mean Iranian abandonment of the NPT. Moreover, there would be unforeseen consequences ranging from a regional war to a regional nuclear arms race. This matter of ruling out the threat of force against Iran is an old issue for Russia. Russia doesn't have a problem with putting more pressure on Iran as long as it is twinned with engagement and not the threat of force and isolation.

When the Security Council passed its first resolution on the Iranian nuclear program, Moscow made sure it excluded any Chapter 7, Article 42 threat of force. And Russia has been consistent on this point over the years and the subsequent resolutions on Iran have all been bounded by the original resolutions non-invocation of Article 42. Nevertheless, Russia really has very little confidence that keeping Article 42 out of Security Council resolutions on Iran will in the end restrain especially Israel if it

decides to go ahead and strike Iran. And to Moscow's own frustration and I would say regret, Russia's help to Iran in the Security Council has not deterred Iran from inviting precisely such a strike by continuing to move ahead with its nuclear and missile programs.

Now, on a different point, in criticizing the IAEA's latest report, Foreign Minister Lavrov claimed some movement by Iran toward the IAEA in recent weeks and criticized the IAEA report for not mentioning it. But the history of Iranian maneuvering suggests that this is just another instance of Iran flashing enough leg to encourage Moscow to fend off pressure from the U.S. and the other P5+1 powers.

Nevertheless, Moscow can now tell Tehran we saved you this time from another round of Security Council sanctions but you have to move or we will not be inclined to do so again next March. Yes, Moscow, for the record, has already criticized the additional financial and energy sanctions that the United States and its allies are announcing this week as illegal and unacceptable, but I suspect that part of Moscow quietly does not really mind that these so-called unilateral sanctions up the ante on Iran. And in fact, many Russian companies add to the pressure by deciding not to do any business with Iran that might run afoul of these unilateral Western sanctions. Moreover, some long-time Russian observers of Iran have concluded that sanctions, in fact, are having some impact, though not necessarily directly on Iran's nuclear program and though Iran still has a lot of workaround options that it can explore.

On sanctions, finally, Moscow's "no new sanctions" mantra, given Moscow's record over the years, Iran can have absolutely no confidence that Russia will not vote for another round of sanctions if Iran continues to frustrate IAEA inspectors and especially if there are further surprise revelations of Iranian work toward enrichment and weaponization.

Now, will Putin's return to the presidency next year change Russia's policy toward Iran in general and of the nuclear issue in particular? Probably not. It was on Putin's first watch that Russia, from 2002 to 2006, backed the many IAEA investigations of the Iranian Nuclear Enrichment Program that Russia, in 2006, voted for referral of the issue by the IAEA to the Security Council, and that Russia that same year supported the first of six separate Security Council resolutions on the Iranian nuclear issue. As a dominant partner in Russia's tandem since 2008, Putin has supported Moscow's tougher stance towards Iran since the advent of the reset between the Obama and Medvedev administrations. And from all accounts, Putin has grown to really distrust Ahmadinejad personally, and Tehran in general, for using Russia to stave off Security Council pressure without giving anything in return. And this is likely to remain in place whoever replaces Ahmadinejad as president in 2013.

Nevertheless, the breakthrough ushered in last year by Russia's support for tough sanctions and cancellation of the S-300 contract is not necessarily irreversible. Russian experts warned that Moscow may tilt back towards Tehran in response to a serious fraying in U.S.-Russian reset relations. However, the record suggests to me that any rollback in Russian support for sanctions will depend mostly on whether Iran decides to cooperate more fully with the IAEA in clarifying Iran's nuclear enrichment program and moving towards verifiable restraint and even suspension.

On the significance of economic ties, although some observers assert that they will always draw Russia back towards Iran, bilateral trade has always been anemic relative to the size of these two partners. China's trade with Iran is 10 times larger than that of Russia's trade with Iran. And Russia's trade with Iran is not much larger than Russia's trade with Israel, a much smaller country. Everything else being equal, the United States and Russia's European partners will always be more important

to Russia than Iran.

One last caution, however, and then I'll stop. Moscow's Iran policy accents will always differ from those of Washington and other Western capitals, even if they intersect on some major security points as they do now. Historically, engagement has always been Moscow's default setting for dealing with Tehran, especially on regional issues. Right now the Arab spring has pushed forward challenges and opportunities to the positions of both countries in the Middle East, and in South Asia the impending American withdrawal from Afghanistan has raised the prospect that Russia and Iran may again have to partner closely in resisting the Taliban threats to their equities in the region as they did pre-9/11. Thank you.

MS. HILL: Thanks very much, John.

That was an interesting point about the trade, but of course China is also a much larger economic power than Russia is. And I wonder how much trade is a factor in the relationship between China and Iran, and perhaps you can touch on that as well as the other questions that were already presented from the audience. And thank you again for joining us.

MS. SUN: Thank you for having me here.

I'm going to focus on China's position on the U.N. nuclear issue. Some of the issues that I will cover include China's basic positions on the Iran nuclear issue, the primary reason for China's reluctance on multilateral sanctions, and then I'm going to talk about how is China going to change its position on the multilateral sanctions from the United Nations.

So first of all, China's basic position on the U.N. nuclear issue has remained largely unchanged in the past few years. If you compare China's official lines on the recent tension over the nuclear issue with the official positions from the last round,

from 2009 to early 2010, you will discover that China's position and official statements have remained almost identical.

So first of all, on the nuclear development itself, China opposes nuclear proliferation and disapproves of the development of nuclear weapons by any Middle East countries, including Iran. And second, on the resolution mechanism, China strong opposes a military option and is reluctant to accept a new sanction regime from the United Nations. So from Beijing's points of view, China hopes the nuclear crisis could be settled through diplomatic dialogue and negotiation. And this is always the case.

There are plenty of analysis on why China is fixated on this formula. The most compelling one, like Fiona and John just mentioned, is that China has a vested interest in its economic relationship with Iran, especially on the energy. According to the data from Chinese Journal Administration of Customs, in the first half, first six months of this year, of 2011, Iran was the third largest exporter of crude oil to China, contributing about 10 percent to China's total import. And China's energy stake in Iran have been on the increase this year. For example, the total volume of oil imported from Iran during this period of time increased by 49 percent and the LPG import increased by 72 percent.

Also, aside from the energy resources, China is very keen on expanding and diversifying trade relations with Iran, focusing on the export of Chinese machinery, cars, oil tanks, and infrastructure projects in Iran. So in 2010, the total bilateral trade approach is $30 billion USD, which is a 40 percent increase from the previous year.

So from these figures China's reluctance to support harsh, multilateral sanctions becomes rather easy to understand. Sanctions over the oil and the petrochemical industries in Iran will have a direct impact over China's thirst for energy. And energy is a key element to fuel the much needed domestic economic growth to build the legitimacy and to reinforce the legitimacy of the Chinese government. Financial

sanctions to isolate Iranian banks and financial institutions will further damage China's existing trade relations with Iran and China's rejection of tough sanctions on Iran are therefore based on calculation of its own national interest. So will China ever change its position on another round of U.N. sanctions? The answer is certainly positive. Otherwise, we would not have seen China's support of the previous rounds of U.S. sanction resolutions.

China's position on further U.N. sanctions depends on primarily three factors. First of all, and most importantly, China's attitude towards sanctions is determined by the likelihood of a military conflict as a result of Iran's nuclear program. When China is convinced that Israel and the United States would not be pacified and a war is imminent, China will accept the second best solution and acquiesce to a U.N. sanction resolution. Although U.N. sanctions might also limit China's economic relations with Iran, a war in the Middle East will be worse since it will not only disrupt China's broader oil import from the whole region but also will drive up the price of -- the international price for oil and damage China's broader economic and security interest in the region. This perception is reinforced by the case of Libya earlier this year.

However, at this current state, despite the hawkish rhetoric from Israel and other rumors about an impending military confrontation, China has yet to believe that a war is imminent. Chinese analysts do not think that Israel would launch an attack on Iran without the approval from Washington, and they remain convinced that the Obama administration's top priority is domestic economy and finishing up the withdrawals from Afghanistan and Iraq. And more specifically, they also identify that the U.S. is still having major differences with some of the European countries and Arab allies over a war against Iran. Therefore, several senior analysts in China, including a prominent professor from China's National Defense University, commented publicly last week that in the near term

the likelihood of a war is rather low.

So without the imminent danger of a war, China's position on U.N. sanctions depends on the extent of the unilateral sanctions the U.S. is willing to pursue and how they might affect China's economic interest in the country. Therefore, China is strictly a cost-benefit analysis. Currently, China sees two types of possible sanctions the U.S. might adopt that will affect China. One is on Iran's financial institutions and the other one is on Iran's petrochemical industry. So China's task here is to determine whether the cost to China by these unilateral sanctions will exceed the cost of a multilateral sanction which China will have a role in participating to determine the specifics. The two issues on the top of Beijing's list are restrictions on the business operations of Chinese banks in the U.S. as a result of the U.S. sanctions and the restrictions over Chinese oil companies on the collaborations with and investment in the United States.

The complication here lies in the U.S. calculation. Given the extensiveness and the magnitude of U.S.-China relations and China's overall economic importance for the United States, it would be extremely difficult to carve out and implement a sanction regime that will sufficiently and meaningfully punish key Chinese players without hurting the U.S. itself or jeopardizing the broader picture bilateral relations. That, of course, is a cost-benefit analysis that Washington will have to make.

Certainly, another factor that impacts China's response is Russia's position. China sees isolation in the Security Council as something to be strictly avoided. Although it merely abstains from U.N. Security Council decisions it doesn't like, it is generally unwilling to use its veto if Russia back a certain resolution. Given their common interest in non-intervention and limiting American unilateralism, the positions of Russia and China have traditionally been mutually complementary. Of Beijing's seven

vetoes on the Security Council, four were cast together with Russia. This includes Myanmar in 2007, and Zimbabwe in 2008, and most recently, Syria last month. And before the U.N. Security Council Resolution 1929 on Iran was passed last year, Beijing's position to the sanction only began to shift after Russia agreed to cooperate with the West.

So these factors determine that any change through China's current rejection of another round of U.N. sanctions will not happen fast. For China, there is ample ground for more diplomatic talks regardless of their outcome and the results. The IAEA resolution last Friday did not refer the issue to the U.N. Security Council and this supports diplomatic solution. So for now China sees the first priority as for Iran to cooperate with IAEA, just like Russia's position, to clarify related concerns raised in the IAEA report. And most likely from the Chinese point of view, Iran will cooperate with IAEA but, to a certain extent, to cope with the international pressure. But on the other hand for China, Russia's criticism of the IAEA report was extremely harsh, indicating a change of position from Moscow would neither be easy nor fast. So according to a senior Chinese analyst from the China Academy of Social Sciences over the weekend, the situation will have to brew, fester, or intensify more before China would make any change to its position and this will not happen overnight.

Lastly, I'm going to talk a little bit about China's position on Iran's nuclear program. People might question China's commitment to nuclear nonproliferation given it's very carefully calculated response out of its own national interest. To be fair, China is sincere when it says it opposes nuclear proliferation. As a nuclear power, China doesn't want to see its privileged status diluted by more members into the nuclear club and Chinese analysts also made the comments such as smaller powers are not as responsible as big powers in their nuclear development. However, it is also true that

Beijing has other competing interests coming to the issue of Iran and nonproliferation is only one of them. Beijing doesn't see Iran's nuclear program constituting a direct or imminent threat to China's national security. This is also why China would like to consider the Iran nuclear issue and the broader framework of U.S.-China relations and use China's advantageous position as policy leverage against the United States.

Many officials and analysts in China are convinced of Iran's nuclear ambition and they are quite sympathetic about it given Iran's security concerns and the national pride issue. However, they do make a clear distinction between nuclear ambition and nuclear capacity. Few in China today believe that Iran has come close to producing its own nuclear bomb or developing a reliable delivery system.

As for China's perception of the Western intentions on Iran, China is deeply suspicious. Their comment basically is if the West is truly committed to nuclear nonproliferation, then why haven't they done anything about Israel's nuclear weapon? And this is just a double standard. And why did the United States enter a nuclear deal with India? Neither Israel nor India has even signed a NPT, so at least Iran is a signatory country of nonproliferation treaty.

So the natural conclusion here is the West allows its friends to develop nuclear weapons but not its enemies. Hence, the sanction proposals are often viewed with a lot of suspicion in Beijing, that they are ultimately aimed at regime change, not necessarily nuclear nonproliferation. China's suspicion of the West, including the United States, goes deeper and broader than just nonproliferation and the U.N. Some Chinese analysts commented that U.S. is cooking up the Iran nuclear issue at a sensitive time only because only because the Obama administration needs some achievement on Iran for his reelection campaign. And some even link the current tension in Iran to the desire of Washington to boost its arms sales in Middle Eastern countries, to rescue its domestic

economy. And there are some more extremists in China who are firm believers of American conspiracy and they argue that this current tension over Iran is basically a U.S. plot to sabotage Chinese economy by heating up the tension and driving up the international oil price.

So these are pretty much the views from Beijing. I look forward to the discussion and any feedback that you might have. Thank you.

MS. HILL: Yes, well, thank you very much. There seems to be quite a bit of parallel thinking in terms of cunning plots on the part of the U.S. in both China and in Russia. So I think we can see quite a bit of similarity there in the way that both of these countries factor in the Iran issue into their overall relations with the U.S.

But I wonder how much they pay attention. I know Russia certainly pays quite a lot of attention to the views of the European Union and to European countries. For China, it's not a factor at all of thinking of other states and the fact that the European Union has been much more forward leaning in the last several years in the issue of Iran. Does that get their attention at all or is that somewhat disregarded? Does China think at all about Europe when it's factoring in Iran?

MS. SUN: China certainly thinks about the position from the European Union and the European countries on the issue of Iran but I wouldn't say that it constituted a primary concern for China's position. So China would like to coordinate with U.K., France, and Germany because they are members of the P5+1, coordinate on positions engaging Iran but it's not a primary focus of China's foreign policy on this issue.

MS. HILL: I mean, that's quite a contrast though with Russia because certainly in the run up to 1929 the Russians' tension was grabbed by the fact that Germany, for example, not just the E.U., was pushing very hard on the sanctions. And of course there is a lot more trade with Germany and the U.E. for Russia than there

certainly is with Iran.

MR. PARKER: Yeah. And now I think again Russia plays it both ways. It criticizes the so-called unilateral, non-Security Council sanctions as illegal and unnecessarily. At the same time I think that when it draws Tehran close it says, see, look at what you're facing. There's nothing we can do about that. And then thirdly, Russian companies are not forced by the Russian government to contravene these sanctions either. There are lots of reports of Russian companies under official Russian government auspices, various bilateral working groups, et cetera, having all of these discussions over deals but these discussions just go on for years and just are rarely consummated by actual deals. And some of the oil companies just say flat out, yeah, we'd like to do business in Iran but, you know, we don't want to run into trouble contravening sanctions.

MS. HILL: Francois, I mean, I was going to ask you, I mean, how can Europe deal with China in this context? In some regards there's already the political dialogue going on with Russia here but having heard what Yun said, what are your reactions to this?

MR. RIVASSEAU: I very much agree with what both have said but there is another angle to that which is that Europe is not the security main problem for China as China is not the main security problem for Europe for the time being. This has its good aspects which are that, you know, it's maybe because Europe is seen as less problematic for Russia and China but it has been chosen to be representative of P5+1 or U3+3 to Iran. It's not by mistake that it's Lady Ashton and not Hillary Clinton or Mr. Lavrov or a Chinese representative who have been chosen to engage with Iran. So you know, here we are in a complementary role and we are a bit like we were (inaudible) time, also in charge of engaging with Iran. We are still faithful to this aspect of (inaudible). You need somebody in the international community who does that. Or who

in terms of security, I agree very much we are not so much a factor in terms of economy. Nevertheless, (inaudible) economic relation between Europe and not only Iran but also for the economic environment of Iran are by far the most important. So you know, here you have also an element because economic sanctions taken by the European Union are probably more important than sanctions taken by (inaudible) entity when it regards the effect of the impact of (inaudible) economy. So all in all I think we are different players with different cards to play.

MS. HILL: That's a very good point.

Let me turn over now to the audience. We'll take a quick round of questions for you. Yes, the gentleman from the Iranian -- yes. The mike is coming down here. Thank you.

MR. NAIMY: Hi, (inaudible) Naimy from the National Iranian-American Council.

This question is for Mr. Francois. You were speaking on the timing of sanctions by the international community and how they are essentially the only practical method to move forward. And you mentioned other options on the table for the sake of being on the table. Can you talk about these other options and why they're bankrupt? Thank you.

MS. HILL: Yes. Can we take another question? Yes, at the very back. The lady in the back row here. Thank you.

SPEAKER: Hello, this is (inaudible). Thank you. I want to thank the panelists for your insight.

I'd like to ask a quick question on North Korea, which is another very heavily sanctioned country. The new multilateral sanctions on Iran I'd like to hear how it's going to impact the sanctions on North Korea, especially when there are a lot of news

media reports on the nuclear cooperation between Iran and North Korea.

Also, I'd like to ask if -- what will be the impact of Iranian sanctions on North Korea, especially with Russia and China focusing their efforts on Iran? Like, will it shift the focus? Will it undermine the gravity of the situation in North Korea and its nuclear program? Or will it help international communities to focus on such issues?

MS. HILL: Thanks. That's a very good question.

The lady over here in the red sweater over at the back. There we go.

MS. PENKETH: Thank you. Anne Penketh from BASIC, British American Security Information Council.

As you know, the Obama administration and even the Israelis frame the Iranian problem as a global problem and one which they say requires global solutions. Now, I understand obviously the impact of the E.U. on the Iranian economy, but the fact is that this latest round is unilateral. So I'm just wondering to what extent it might be a problem going forward with the perception that it's the West versus Iran rather than the whole world.

MS. HILL: Thanks. That's also a very good question here. Perhaps, Francois, you could begin with responding to this question about the global dimension. You, yourself, in your presentation had mentioned the need to engage with other countries -- Malaysia was one country that you had put forward. And you talked about some of the ways in which European countries that are not included in the EU3 wanted to have more of a role here. And as our colleague from BASIC was pointing out, this perception that this is just a western, really, a U.S. and European endeavor, could be very much harmful to the principles that you laid out about presenting the case and keeping unity.

MR. RIVASSEAU: Maybe I should start with this question. Then I shall

go to the second question.

I very much agree with what you said from BASIC. There is a risk and that's a limitation and the risk for going for western sanction unilaterally. Not that it is seen as illegal because they are not illegal, they are national. They are not -- it's not trying to impose a unilateral embargo by force. They are just things which are within the framework of national legislation. But that could indeed fuel the feeling that it's the West who leads the offensive and that then the others can safely stay on the side. And that is precisely what we have also to avoid. So we have to keep a balance between both the need of taking new measures and keeping the rest of the world engaged.

There is an element which goes also a bit as also in the timing of sanctions which was the first question raised. If you look over time you see that it takes more and more time between each U.N. Security Council to achieve. In 2006, then 2007, then 208, then 2010. If we were pessimistic and believing in the law of series we would say that the next sanction is probably not to arrive before the beginning of 2013 at the U.N. level, which is consistent with the initial reactions of both Russia and China. That said, the only -- that's a risk. The only consequence I drove from it is that we have to be continually engaging with the rest of the international community, not going too far on the national sanction front because then it demobilizes the other and trying to fuel the kind of reflection that you were alluding to in Beijing, what is the cost of national sanctions for me compared to the top cost of sanctions -- U.N. sanctions a bit less aggressive but more universal. And we have also to make the calculation. And the calculation is in many cases not so easy to make because there are great advantages also to our universal cover. So I think this is a true concern we have to keep in mind.

On your question about the other options, I think there are two other options which have to remain on the table. One I briefly described, which is to keep -- to

show to the rest of the world that the door remains open for Iran would Iran wish to sincerely re-engage. And as I said, it has to remain on the table but it has to remain on the table mostly for reasons of principle because we don't believe I think that Iran today is really keen to sincerely engage at this stage. The other option opposite is a military option, which asks for a bit of symmetry called reasons to remain also on the table in my personal view, which is that it is very difficult to mobilize really the international community and particularly Russia and China if this option is not on the table, because if not it means that we are not serious and that we are not taking the Iranian situation for what it is, which is one of a major challenge for when the world international security given the situation of Iran in the world and the way its program is conducted.

It doesn't mean necessarily either that we believe that there is an immediate probability of this option being used. As I said, when you look concretely at the options you will see that there are other serious reasons not to use it at this stage and that it could be more counterproductive than productive to use it at this stage. Now there is always a difficulty here because if you want to be credible you have also to make the point that it could be used and to explain why. So here also the balance is difficult to draw between keeping it on the table just for the sake of keeping it or keeping it on the table for the sake of making it a useful tool and then you have to continue working on it. So I think we have to continue working on it and it should not be on the table only for demonstration purpose because if not it does not serve any purpose so it has to be there as a credible tool, a bit as an element of deterrence and the tool of deterrence is useful to the point where you have to use it where it is tough to be useful.

So I think it's a bit of the same logic which would apply here to this military option. It should be maintained credible and used as a deterrence tool in my view. But don't quote me on that because this is a purely personal -- a real personal view

of mine. There are many aspects on that and I don't pretend to have the last word on that. I'm not a military specialist on that. But these are basically the two options which in my view for various reasons you probably -- most of you probably better know than me even on that but in my view have to be made on the table because if you went -- if I just stick to my point, which is how to maintain international unity, it is sure that having the two options -- these two opposite options -- re-engaging on one hand and the military option on the other, have technically helped to build international unity.

I will not go further than that because I would go out of my subject. And it's not up to me to say. But I would just say both have proven useful to keep international unity. And that's all that I can say here.

MS. HILL: Well, this is the ultimate question though for the purposes of both China and Russia. Clearly, this was a factor in the decision-making as both of you have pointed out about the last resolution. There was more credibility the last time around. There might be a strike on the part of Israel. I mean, Russia most classically engaged with the Israelis directly on this. There was the so-called secret visit of Netanyahu to Moscow that wasn't so secret because the Russians leaked it, where there was a discussion behind the scenes about this that actually got the Russians' attention. The Saudis got the Russians' attention. Others got the Russians' attention that there might be larger consequences so that they're stepped up. This time around the Russians don't seem to believe it. As Yun has said, neither do the Chinese. So the option on the table looks like, you know, something that they can take or leave. And as Francois is discussing, it's extraordinarily difficult than to make that credible. So we seem to have something of a major deterrence dilemma here and not one that is really playing in a very productive way into this discussion.

And I think the question we had at the back about North Korea is a very

important one and I'd like to put this to both of you here about China and Russia's own calculations on North Korea. I mean, both as neighbors of North Korea there has been a real threat of conflict on the Korean peninsula by both South and North Korea engaging in these questions of credibility about the prospects for military -- hardly resolution but military affairs in the conflict. This has been a real consequence. How much are these kinds of really difficult issues playing into China and Russia's calculations about the broader nonproliferation question?

Yun, what do you think about this?

MS. SUN: Sure. On the issue of North Korea, I remember two quite striking comments from Chinese analysts on the linkage between the Iran nuclear issue and the North Korea nuclear issue. The first comment that I remember late last year from Beijing was, well, North Korea already has nuclear weapons. And if the international community didn't start a war with North Korea, why would we fight a war against Iran who doesn't even have nuclear weapons today? I guess that explains part of the reluctance or the refusal for China as a position against its military option.

And the second comment I remember quite well is Chinese -- some of the Chinese analysts believe that Iran learned an important lesson from North Korea, which is you can develop the capacity but don't test your bomb. Once you test your bomb you are guilty. There is no way that you can avoid the accusation. But if you just develop the capacity and do not have the nuclear test then you can enjoy a pretty big room for maneuvering.

And certainly, North Korea is more important for China because North Korea is on China's border. And after the provocations over the Cheonan incident and the Yeonpyeong shelling last year, China sees North Korea as being relatively well behaved this year. So far -- it's almost the end of November -- there has not been

provocation from North Korea.

MS. HILL: Perhaps you shouldn't have said that, Yun.

MS. SUN: Someone may be listening. There will be one tomorrow probably.

And next year will be the centennial of Kim Il-sung and they are going to declare North Korea to be a strong, prosperous nation. So China is seeing that North Korea might have the very large likelihood of adopting economic reform approach and it will gradually open up. So China's concern over North Korea has actually decreased this year.

MS. HILL: So it's actually more positive on North Korea potentially.

MS. SUN: It's more positive on North Korea potentially.

MS. HILL: Well, what about from the Russian perspective of facing it together?

MR. PARKER: I think from the Russian perspective North Korea is in a different stage, more advanced stage. And so it presents different problems than does the Iranian issue. There's still a hope that we can prevail upon Iran not to go fully to weaponization. I mean, that's the hope. My guess -- and there's still time from the Russian perspective.

One point that keeps getting forgotten in terms of what sparks international unity is what is revealed that's new that Iran is engaged in? And there always are surprises. And I have to expect that we're going to have more surprises as we go down the road and that Iran itself will spark this international unity unless it furiously backpedals and really does start cooperating with the IAEA.

MS. HILL: I mean, you mentioned in your presentation that the Russians were not pleased by the fact that they have not got much out of the relationship. And

certainly they were most displeased by the fact that they were called out completely about Qom --

MR. PARKER: Yeah. A lot of that led to --

MS. HILL: -- and their facilities.

MR. PARKER: Yeah, it led to 1929. The other thing that we forget is that sanctions really have had an impact on Iran in terms of a desire by some to try to engage the West in negotiations. That's how I read the whole Tehran research reactor chapter in all of this. I think that Ahmadinejad tried to use that to develop an opening to Washington to the P5+1, but then it really fell afoul of Iranian domestic politics. I think he might have tried to revive that idea later on but again everybody jumped all over Ahmadinejad and he may only be recovering from that now. So it's not that sanctions have not pushed Iran towards negotiations; they have pushed Iran towards negotiations over the years but frequently it's been the domestic political situation in Iran that has made it unsustainable for Iran to engage in these negotiations.

MS. HILL: Thanks, John.

We had a question from the gentleman at the front. The mic here. And then also -- the gentleman just behind you, Joe, and then to you as well. Right here, please.

SPEAKER: Very interesting conversation.

I found the conversation about the choreography of creating its national consensus very interesting. But at the end of the day it's choreography about coming to consensus on the tactic sanctions. What is the choreography and the conversations that are being held to actually come to a consensus on what would be an acceptable solution? For instance, France has from the outset been very skeptical about the idea of any enrichment on Iranian soil. Other P5 states have a different perspective. Are we

pursuing a consensus on a tactic without having a consensus of what a solution would be? And if so, is this just endless tactics or is there actually a strategy behind this?

MS. HILL: Thank you. Very good question. And Joe, the front here. Yes, please.

MR. CIRINCIONE: Joe Cirincione, Ploughshares Fund.

I would like your opinion from your national perspectives or for the ones you represent, what do you -- how do you think the U.S. policy has worked so far? How has the Obama administration handled this difficult issue? Has it been a clever combination of engagement and sanctions and sabotage? Or have they been so constrained by their own domestic political considerations that they have been unable to carry through fully on any one of the dimensions of this problem?

MS. HILL: Thanks. There was a question towards the back and then I'll take some out in front. The gentleman here. Tessa, the gentleman with the glasses. Thank you.

MR. KRAMER: Thank you. Jay Kramer.

I'd like to ask Francois if you anticipate that the new sanctions from Britain and France will be adopted throughout the E.U.?

MS. HILL: Throughout the -- sorry, sir. Could you --

MR. KRAMER: Throughout the European Union.

MS. HILL: European Union. Okay. I thought you said throughout the Aegean and I thought that can't be quite right.

Of course, Turkey is a factor here and it's close to the Aegean so I thought you maybe had an interesting angle there.

Let's go back to the panel. Francois, there were a number of questions about the choreography that you laid out and whether there's a real strategy there rather

than just tactics. There's this larger question about broader adoption throughout the E.U. And then I think, you know, what might be a difficult question for John is you're actually still technically with the U.S. Government but if you can put your Russian hat on as was requested about, you know, how the policy of the U.S. looks from the other vantage points. So Francois, perhaps we'll begin again with you.

MR. RIVASSEAU: The question is good. The strategy initially was suspension. Suspension of the enrichment (inaudible). This has been the strategy from 2003 to 2005. Since then, as it seemed that Iran was repeatedly refusing and adamantly refusing suspension, I remember one negotiation with the Iranians, you know, and we wanted to put in the informal, we are not authorized to make formal (inaudible) conclusion. It was June 2005. They said we want to sit at the (inaudible), repeated his request for suspension and then we have the Iranian delegation, the Iranian delegates spectacularly opened the window and say if you put that I have to jump from the window because my instructions are I better to die now than to come back to Tehran with that. (Laughter)

Then we said all right, we have a second round of negotiations. The following day it was in our embassy and we made the meeting at ground level. So we opened the window and we said now you can jump. And we put -- (Laughter). So that was suspension, the objection and that was a problem.

Today what's the strategy goal? I think, you know, everything evolves and if we were not thinking about the kind of situation we have we would not -- it would not be professional. So we are thinking what should be our goal today? We still officially are on suspension.

Now, it is sure that the reflections going around have been since at least two years, focusing in a slightly more broader way, not necessarily from a European or

French point of view as you alluded to but at least from other quarters of U3+3, about in a more broader way how to make sure that there is no military nuclear program in Iran, which is our purpose. We are -- nobody negates the right of Iran to use nuclear energy for civil purposes. Nobody. It's derived from NPT. As long as they are in compliance with NPT, this right is okay. But they are not in compliance with NPT and so in a broader sense of the term this would be in my view a strategic objective, (inaudible) suspension and they are a reflection around about how to make sure that what Iran -- that there is no military program -- nuclear military program in Iran.

About the other question which was about did France and the U.K. sanctions have been anticipated by the E.U.? Yes. The answer is yes. On the 14th of November, the (inaudible) Council of E.U. there is -- we (inaudible) to address international concerns of the nature of its nuclear program through full cooperation (inaudible) and by demonstration grittiness to engage seriously in. Concrete discussion and confidence building steps as proposed by higher (inaudible) of EU3+3. The council recall of related (inaudible) inviting it to prepare new restrictive measures against Iran. The Council will continue to examine possible and new (inaudible) measures and we (inaudible) next meeting. And on Monday, that's two days ago, we said the process is ongoing and he was examining possible additional measures and we already updated its list of entities and individuals at the Council of Ministers (inaudible) on the 1st of December as a first step. So the answer was yes.

We were not to necessarily inform obviously the wording which would be used by the British prime minister or French president are very public but we are working together about what can be done nationally and at the E.U. level. And as you know, we have already taken some additional measures after the Saudi plot. We have also interdicted and submitted to sanctions the five people involved.

By the way, Europe had already sanctioned one that the U.S. didn't sanction. So we had only to sanction four. We were in advance of one. And we are considering new sanctions. Yes, and obviously, the views expressed by E.U. member states, as we have seen with France and U.K., are elements of these (inaudible).

MS. HILL: Thank you. Yun, on the whole question about U.S. policy, I mean, how effective does it look from the perspective of China?

MS. SUN: First of all, China does see a U.S. policy on Iran this time has a certain flavor of being deliberate and the intention of cooking up the tension. And things -- the resolution 1929 was just passed last year. China was quite -- surprise might be too big a word -- said so soon? This issue just came back again. And just like Russia, there's quite a sense of anger from the Chinese perspective.

And if you look at the comments from Chinese analysts, they do identify a linkage between the IAEA's report, which was -- which they believe is the creation of Amano (phonetic). And as he also pointed out, that in some of the WikiLeaks (inaudible), that they have identified Amano allegedly said that his position is the same as the United States on the Iran nuclear issue.

So there is a suspicion from China that this current tension was deliberately brought up. On the issue of accept a global solution, China's position is this. We agree on the goal. We don't want Iran to have nuclear weapons but we disagree on the approach. The Western countries want sanctions but China doesn't agree. China wants diplomatic negotiation and dialogue. And quite a funny comment from the Chinese analysts is you like democracy, right? This is a democracy of the International relations and you could have one opinion and we could disagree. And in the end we'll negotiate. So for the consensus and the solutions, I think it is exactly because there is no consensus on the solutions that everyone is focusing so much on the tactics. But that is

the reality of this world.

MS. HILL: So, I mean, the answer probably then to Joe's question is that the U.S. policy is not seen in the same terms as we're obviously thinking we're laying it out so it is not being effective from the Chinese perspective because they see something else behind the policy moves at all times.

MS. SUN: Yeah. And China always emphasizes the sanctions have numbered to force Iran to give up its nuclear program and it will not work.

MS. HILL: How different is the Russian view?

MR. PARKER: I think in general Moscow has been pretty pleased with Washington's Iran policy since the Obama administration came in. And it's only been in the last six weeks -- well, really since the surfacing of this alleged plot against the Saudi ambassador. And then after that the early surfacing of the IAEA report that Moscow has been unhappy with what we're doing. The feeling I get is they thought that they were being rolled without being consulted. And really, the Russian Foreign Ministry statement almost flat out said that. Somebody is out there to undermine Russia's role in this whole process.

By the time Obama and Medvedev met in Honolulu they seemed to smooth things out and then I think Russia got an IAEA Board of Governors statement that it liked. It both mentioned all of Tehran's failings and international concern but then it also had a sentence or two on some Iran reaching back to the IAEA trying to deal with inspectors, suggesting that maybe they're turning the corner on it now.

And on the sanctions, again, in a sense Russia can have its cake and eat it, too. It would prefer that all these sanctions be approved in the Security Council and therefore subject to Russian vetoes, but on the whole subject of sanctions against Iran we've had so many rounds of non-Security Council sanction sanctions, unilaterally

national sanctions, that Russia has got used to it. And I think it just uses them, points at them when it deals with Iran to say, listen, you're just asking for it. This stuff is not going to stop so come play ball. Fess up. Work with the IAEA.

MS. HILL: Let me take two more questions quickly. You had Garrett at the front and this young gentleman back here. And I'm sorry to everyone else because we'll have to move into the lunch and then we'll come back quickly to the panel.

MR. MITCHELL: Thanks. Garrett Mitchell. And I write *The Mitchell Report*. And I want to ask the question this way. Shortly we're going to hear from the national security advisor for the Obama administration who is going to come spend an hour here. Presumably if the subject of today's meeting had been what to do about New Zealand he wouldn't be sparing an hour to do that.

MS. HILL: Did we miss something on New Zealand that's happened? (Laughter)

MR. MITCHELL: Perhaps he'll talk about it.

So one can assume that on Mr. Donilon's short list, his "A" list, Iran is right up near the top. And what I want to ask you is if we imagine that every Monday morning at 7 a.m. Greenwich Mean Time his counterparts in Russia, China, France, and Germany held a five-minute phone conversation to compare their short lists, the three things that I worry -- the three or four things that I worry about every day and most nights -- the first part of the question is, is Iran on everybody's list, short list or not? And B, what are those three or four things I worry about every day?

MS. HILL: Well, that's very similar to the question to a question we had on the other panel about whether the U.S. and Israel were kind of overreacting and I don't think we got a definitive answer to that.

And there was a young gentleman here, please, if you could just

introduce yourself and ask a question, too. Thanks.

MR. SALIOS: My name is Sergio Salios (phonetic).

My question was about China. China plays a very important role and especially you pointed out the relationship -- the strong or the robust relationship it has with Tehran as far as their economic relationship goes. But it also has an economic relationship with Israel. I don't think it's as robust as it is with the U.S. But why hasn't China played a stronger role in negotiating, in being a major negotiator with Israel and Tehran given that they're more rational and more neutral in the situation?

MS. HILL: Thanks. That's such a very good question, more broadly perhaps that you could play this out into the Middle East. I mean, China has important interests, not just in energy from Iran itself but from the Gulf more broadly as well. And China also has relationships, not just with Israel but with Saudi Arabia and other countries. So perhaps, you know, when you answer that question you can think a little bit more about how China factors in those broader relationships because I think it's something that people find somewhat puzzling here.

So if we could turn now to all of you on the panel now. You can also give other thoughts of things that you felt you might not have been able to get across. And then we'll wrap up for the lunch.

Sun Yun, on this question of China.

MS. SUN: First of all, on your question of what are the three, four top priorities for Chinese national security, China doesn't have a national security (inaudible). On their top of the list, first of all it's always a domestic issue. Domestic issue is always more important than foreign policy issues unless there is going to be an imminent war on the Chinese border. And for foreign policy, the top priority for Chinese national security decision-making team it's always the United States. It's U.S., U.S., and U.S.

For example, in the past two weeks China has been immersed or completely absorbed into this U.S. plan in East Asia and in Southeast Asia. So the TPP proposed by the United States is regarded as a U.S. conspiracy to replace China's economic leadership in the region. And what the U.S. was doing was asking countries with APAC and now EAI that we're seeing as the U.S. trying to consolidate its relations with both maritime ASEAN and continental ASEAN countries, to come back to Southeast Asia and to encircle and contain China. So I would say that the U.S. is always China's national security priority.

On the issue of why China hasn't played a bigger role in the mediation between Israel and Iran, well, first of all, China for the longest term, even since -- well, the longest term might be too long -- well, starting from the reform and opening up and especially in the past decade, China doesn't see itself as a global power. China sees itself as a regional power and gradually China is developing this global reach. But, of course, you might have seen that China is having all sorts of problems in this global engagement in Africa, in Southeast Asia, and in other continents as well. So for China its priority first of all is domestic and secondly, is China's periphery. And of course, the U.S. is always an important issue.

But in terms of the Middle East, although China regards Middle East as its grand periphery, it's not China's core national security interest. So that explains why China doesn't want to get too involved in the Middle East struggling because China wants to keep its neutral and outsider role rather than get its hands dirty. If it does get into the negotiation between Israel and Iran, like you pointed out, China has economic and political relations with both countries. Then how is China going to pick a side? So for China the best strategy is let's leave the mess to the United States and the Western countries who would love to get involved in this whole mess and we will quietly develop

and reinforce our economic and political relations with all the countries in the region. So that for China is a strategic choice.

MS. HILL: And did any of the events of the Arab spring, like Libya, for example, really change that? Because, I mean, obviously China tried to stay away from the affair but also got criticism for not, you know, making a decision?

MS. SUN: China certainly -- well, the impact of Arab spring on Chinese government, first of all, is domestic politics. Whether it's the Arab spring is going to spread into China and China also has the Jasmine spring -- Jasmine demonstration in Beijing, which raised a question -- headaches with the Chinese senior leaders. But in general, the case of Libya certainly taught China a less that China will have to at least think about developing better relations with the oppositions in these countries because the domestic politics in these countries are so unpredictable. And if China always picks a side with the government, like in Libya's case, China always sided with el-Qaddafi, then some day when there is a change of government within the countries and China's national interest cannot be protected. So China's approach and the perception and lessons learned from the Libya case is on how to have better relations with different factions, different political players within a certain country, but not necessarily on a broader regional perspective.

MS. HILL: That's great. Thanks. Francois.

MR. RIVASSEAU: On China, I agree China is -- when I discussed with my Chinese colleagues in the U.N. they always say the interests of China are better served by remaining apolitical. We don't want to be involved in the mess of having to take sides for an issue which is not at the core of our interest. On the stuff Chinese see, yes, they say this is our vital interest. On the Middle East, no. And they always made the parallel with North Korea and saying North Korea is in our neighborhood. We have a

border with them. We have to be in the six-party talks and we have to be leading the approach of the international community. And that, on Iran it's up to Russia, and NATO (phonetic), which have borders with Iran to be in the lead and not to us. And this is, I think, a very clear and self-understanding concept.

On what is on the mind of the European leaders, I can speak only for Lady Ashton when you spoke about foreign ministers, but the issues which have been always at the top of his preoccupation is still the Middle East peace process because it's probably the most difficult issue and an issue where the European Union and Lady Ashton, as you know, as a member of a court (phonetic) that has a specific responsibility within the international community. Then, you know -- and why? Because for us it's a neighborhood issue. It's not -- it's a key issue for you because of Israel and the Arab world, but it's also a neighboring issue for us. So we have -- there is a specific aspect into that. Cypress has sea borders with the region.

After that I think probably or even before that at this time, you know, we shall have a new U.S. summit next week. The main issue will be the economy and the economy and the economy. So if we have time in the Middle East process, probably a relation with China and Russia because China for economy and Russia for strategic reasons are of specific interest for us Europeans, and after that maybe Iran. Yes. But only after.

MS. HILL: John.

MR. PARKER: In Moscow, I don't think it's on its own in the short list that he or she would look at first thing in the morning. But I think it's our interest in Iran and Israel's interest in Iran and the European powers' interest in Iran that continually bumps the problem up several notches in the list of priorities of issues that Moscow has to worry about.

In general also I would like to make the point that in Moscow it used to be they thought that the problem in dealing with Iran was the conflict between the U.S. and Iran, that we just couldn't sort it out but especially over the Ahmadinejad years. Most analysts in Moscow think the problem is in Tehran itself, in the nature of Iranian domestic politics. There is just no way to get a consensus to do a deal with the West at this time given the viciousness of the politics in Tehran. And Ahmadinejad has tried once or twice to run with the ball and he's basically been cut off at the knees by all of his opponents within the various factions on his right and his left in Tehran.

MS. HILL: So Russia doesn't necessarily blame the U.S. solely for this at this point?

MR. PARKER: No. Not at all. Not at all.

MS. HILL: Well, then that's certainly something to work with.

Well, I think we'd better conclude this panel so you can all grab some lunch and get back to your seats by -- well, we've got half an hour now to grab the sandwich. I know you're all rushing at once but thank you very much and we'll see you back here. (Applause)

MR. TALBOTT: Good afternoon, everybody. Welcome to all of you. I'm Strobe Talbott and it's a great pleasure on behalf of all of my colleagues at the Brookings Institution, not just to welcome you, but to welcome Tom Donilon.

As you know, Tom's responsibilities are global. To what he has just come back and no doubt is fighting the jetlag still from a 9-day, 3-country trip to Asia, during which he conducted, along with the President, of course, numerous bilateral conversations, I think, touching on the relations between the United States and 23 other countries.

His title features the words "national security" and that means that there

is particular focus coming from him and his office on the issue of how to prevent the proliferation of dangerous nuclear technology in general, and how to deal with the Iranian threat in particular.

Now, this is a set of issues that has received a great deal of attention, public, official, and international, just in the last couple of weeks. The International Atomic Energy Agency put out an important and, in many ways, disturbing report a couple of weeks ago. The IAEA Board passed an important resolution just late last week and, of course, new measures were announced by the United States, the United Kingdom, and Canada just yesterday.

Now, a number of you here in the room participated in a discussion with two excellent panels during the course of the morning and we are very grateful to Tom for finding time in his very busy schedule to come and give us an authoritative update on the view from the White House. He has very little time to be with us, he needs to get back to a series of pressing, indeed, urgent meetings, immediately after he finishes talking. So I'm, without further ado, going to turn the lectern over to him and thank him again for being with us this afternoon.

MR. DONILON: It's terrific to see so many friends here. I don't get out a lot these days, right, so for all of you whom I haven't called or seen in a while, I apologize and I hope to see you on the way out here today to say hello.

As Strobe mentioned, I am just back from the President's trip to Asia, where it really was kind of a landmark trip where we were engaged in -- it's not the topic, Strobe, but I'm going to take the opportunity anyway -- we were engaged in a fundamental strategic reorientation and rebalancing of our global policy. And we were able to really execute on each and every element on it: on the diplomatic, on the economic, and on the security side. And I'd love to talk about that at some point as well

going forward here. It really was a terrific trip.

Thank you, Strobe, for your introduction and your friendship and your leadership, and your years of distinguished public service as well. And to Steve - thanks for inviting me to your event today.

Before I get into my speech I wanted to just reflect just for a minute or so on the role of places like Brookings, from the perspective now of a policymaker, fairly deep inside in administration, and the sentiment I want to express is one of personal appreciation. It is absolutely critical. It's an essential relationship, I think, between policymakers and those who provide fresh, pragmatic, affective, intellectual capital; really couldn't be more important. It is very easy with the press of business to get on a certain policy path and not have the kind of fresh thinking that's necessary. And the work that you do, and I see really many people around the room on whose work I have relied, who have really had an impact on the thinking end of the administration and have had an impact on policy.

One of the core policies that President Obama has pursued, and I see Joe and others here, has been in the proliferation area and the nuclear area. And the topic I'm going to address today is pretty core to that, which is really a fundamental affirmative agenda of the Obama Administration to reduce reliance on nuclear weapons and reduce the danger of nuclear weapons in the world today.

Today Iran is our topic, and it really couldn't be more timely. As Strobe said, in recent weeks, there have been no shortage of reminders of the seriousness of the threat posed by the Iranian nuclear program, most notably, as Strobe mentioned, the recent IAEA report, and how the choice is made by the Iranian regime has resulted in Iran's deep global isolation. And that is the topic I want to address today.

I know you've been through a number of technical topics during the

course of the discussion. I'd like to pull back and I'm going to say some things today I know that folks here don't entirely agree with analytically, but I want to lay out really what I think the overall impact has been of the result of U.S. policy, along with international partners, with respect to Iran over the last three years.

I'd like to put these developments in context. And like I said, specifically, I want to discuss how the policies of the United States and the international community have succeeded in increasing the pressure on Iran for its failure to meet its really core international obligations. And more broadly, I want to address how profoundly the Iranian regime has been weakened and isolated, at home, in the region, and globally. And I'll get into this in some detail during the course of my talk.

To begin with, I think it is important to reflect on the reality that we and the Obama Administration faced in January of 2009. Tehran believed, and frankly, many in the region believed, that Iran was ascendant. Internally, the Iranian regime did not face at that point significant challenges to its legitimacy; that would change during the course of the year 2009, and pretty substantially.

Regionally, Iran's reach seemed to have expanded like never before with Iran and its proxies, such has Hezbollah, actively threatening others across the region, and indeed, in the conversations that we had when we came into office, there was a deep sense of the threat of Iran in talking to counterparts around the region and around the world as we came into office.

In contrast, the international community was divided in how to deal with Iran's nuclear program. Multilateral diplomacy had stalled. I think that's a fair assessment. And American diplomacy with Tehran, direct American diplomacy, had seemingly been taken off of the table. I think that's a fair assessment as well.

And as I go through this, you'll find me checking myself on these things

because I do want to really go through carefully and test every assertion I make for precision, frankly, because I think it's important to speak about this with precision.

During that time, Iran went from having 100 centrifuges for enriching Uranium in 2003, to more than 5,000 when President Obama took office in January of 2009. More troubling, was the fact that many in the world hadn't even begun to give the benefit of the doubt to the Iranians and instead, blame the United States for tensions over the nuclear program, Iran's nuclear program, and thereby allowing Iran to escape accountability for its intransigents.

This was the dynamic we faced when we came into office. This was a dangerous dynamic that we were determined to alter when we came into office.

Now, President Obama and the Administration have always been clear about the danger of Iran's nuclear program and I think it's important to set that out at the outset here. It's a grave threat to the security of the United States and to the world.

A nuclear armed Iran would likely mean an arms race in the Middle East, a region already characterized by volatility, conflict, and a very high degree of potential miscalculation. A nuclear armed Iran could further embolden in Tehran's support for terrorism and would constitute a threat to countries across the region, including our closest ally in the Middle East, the state of Israel.

A nuclear armed Iran would pose a significant threat to the vital shipping lanes of the Persian Gulf and the strategic Strait of Hormuz. An Iran armed with -- my Rhode Island accent gets in the way once in a while at these things. An Iran armed with nuclear weapons with long-range missiles to deliver them, would also pose a serious threat to nations outside of the region, including our NATO allies in Europe.

And a nuclear armed Iran would pose an unprecedented challenged to the Nuclear Non-Proliferation Treaty, the cornerstone of the non-proliferation regime, and

this would raise fundamental questions about the ability of the international community to stop the spread of the world's most deadly weapons, and likely lead to a spiral of additional proliferation.

For all of these reasons, President Obama is unequivocal with respect to our policy towards the Iranian nuclear program. And I quote the President, "There should be no doubt, the United States and the international community are determined to prevent Iran from acquiring nuclear weapons." Those are the President's words; that's the policy of the United States.

Shortly after taking office, we presented to Iran, with an unprecedented and genuine opportunity for dialogue -- and this is very important -- the United States directly, and our P5+1 partners, presented to Iran with a clear choice: fulfill your international obligations which will allow you to deepen your economic and political integration with the world, achieve greater security and prosperity for Iran and its people, and allow Iran to return to its rightful place in the community of nations and pursue a worthy future of Iran's proud and ancient past, or Tehran can continue down the path towards flouting its responsibilities and faced even greater pressure and isolation.

The purpose of the offer had two dimensions to it. First, it was a sincere offer of dialogue. This was a bona fide offer directly to the leadership in Tehran to engage in a diplomatic approach and potential solution to this problem.

It had tangible benefits for Iran obviously. It would attempt to seal the deal with the situation in a diplomatic fashion. And this has been accurately described by a lot of writers in the room, Ken, you and Ray did a good piece in the *Washington Quarterly* recently describing this.

Second, we knew that if our offer was rejected, Iran's failure to meet its international obligations would be exposed to the entire world; the burden would shift.

The international committee would see that it was Iran, not the United States or the rest of the international community, that was responsible for the impasse. That, in turn, would increase the ability of the United States and the international community to mobilize support for holding Tehran accountable for its behavior.

Over the past three years, that's exactly what has happened. We have gained tremendously more leverage in terms of our ability to hold Iran accountable as a result of its refusal to engage with a bona fide and sincere offer of diplomatic dialogue to address the issue.

And as we all know, the Iranian government repeatedly rejected the opportunity for credible dialogue. It also rejected substantial economic, political, and scientific incentives. And we can go into this in detail at some point during the talk.

It is forged ahead with this nuclear program, it's ignored its commitments, and it's obviously continued to defy, quite directly, the United States Security Council of Resolutions. Moreover, Iran has continued a record of deceit and deception. It's really spanned 30 years with respect to the program.

Most recently, with the secret enrichment facility near the city of Qom, which the United States, the United Kingdom, and France, exposed in 2009 -- and I think that was a critical step for us to have taken. If you recall that in September of 2009, where the United States, France, and Britain basically blew the whistle on a covert facility, which did not allow Iran to have that as an option, frankly, for proceeding to breakout.

Indeed - and this really is quite critical - Iran is the only member of the MPT that has not been able to convince the U.N. Security Council and the international community generally, that its nuclear program is for peaceful purposes. And I think that's an important point to underscore. They are the only nation that has been completely and

utterly unable to convince the international community of the peaceful purpose of its program, despite its protestations about it being peaceful. And its deceit, frankly, has just continued to raise questions and doubts about this. And this, of course, has culminated in the IE report that we talked about earlier.

Now, the United States has done exactly what we said we were going to do. With the broad support of the international community, we have steadily increased the pressure on the Iranian regime and raised the cost of its intransigence. Our approach has been multidimensional, and I'm going to describe these here, has included five distinct, yet mutually reinforcing lines of action. One, we have led the way in organizing an unprecedented array of sanctions that have imposed a significant price for Iran's behavior and succeeded in delaying the Iranian nuclear program. Two, we have led a concerted effort to isolate Iran diplomatically as never before, regionally and globally. Third, we have worked with partners to counter Iran's efforts to destabilize the region, especially during the Arab Spring. Fourth, we have steadily and substantially invested in and deepened our defense partnerships in the region, building a robust regional security architecture that blunts Iran's ability to threaten and coerce its neighbors, especially our Gulf cooperation partners.

We have enhanced our significant and enduring U.S. force presence in the region. In addition, we have worked to develop a network of air and missile defenses, shared early warning, improved maritime security, closer counterterrorism cooperation, expanded the programs to build partner capacity, and increased efforts to harden and protect our partners' critical infrastructure.

These efforts, I'll say as an aside here, have reassured our partners in the region. I've been deeply involved in this, and it's been critically important I think, again, in terms of reassurance. The steps demonstrate unmistakably to Tehran that any

attempt to dominate the region will be futile. And they show the United States is prepared for any contingency.

I would add that our new missile defense program with our European allies, the so-called phased adaptive approach, is more effectively geared to protecting our NATO allies from the growing Iranian missile threat that we face over the next decade, and has a lot of advantages. Again, that's a topic of another seminar or session here. But it is precisely geared to the threat. We are successfully implementing it in Europe at the Lisbon NATO Summit. All the European countries have signed on. Turkey most recently agreed to host a forward radar. And it can be done in a timely way.

And fifth, and the final element of the approach I wanted to describe today, is that even as we keep the door open for diplomacy, President Obama has said as recently as last week, we are not taking any options off the table in pursuit of our basic objectives.

Taken together, its multidimensional approach, as I said, multidimensional, simultaneous and reinforcing approach, has put us in a position where we can employ any option or the full range of options as we continue to ratchet up pressure on the Iranian regime for its continued choice to continue to flout its obligations.

Now, with respect to the first element, increasing pressure through sanctions, we've succeeded in imposing the strongest sanctions on the Iranian regime to date. Here in the United States, we worked with the Congress to write, and the President signed, the Comprehensive Iran Sanctions Accountability and Divestment Act, CISADA. Combined with past measures, we now subjected Iran to the toughest U.S. sanctions ever.

We have since used the various authorities provided in this act to get international firms out of Iran's oil fields and banks out of its financial sector.

Internationally, we have succeeded in building a broad and deep international coalition to hold Iran accountable.

President Obama personally and repeatedly has engaged with his foreign counterparts, including the leaders of Russia and China, and that just as late as a week ago Saturday in Honolulu, during the course of the APEC Conference and lengthy bilateral meetings both with President Hu Jintao and President Medvedev. And this paved the way, these kinds of efforts paved the way for passage of the U.N. Security Council Resolution 1929, which helped create the most comprehensive international sanctions on Iran to date. We've worked with allies and partners to build on the U.N. sanctions. And those of you in the room, I see, describe this multilayered effort that we've put in place with the U.N. Security Council as a base. The European Union has imposed strong measures against Iran's financial banking and transportation and energy sections, as well as the Iranian Revolutionary Guard.

South Korea and Japan, two of Iran's major trading partners, have taken action to limit commercial activity and financial links with Iran. Other nations, including Canada, the UAE, Australia, have imposed additional measures. And in a very significant step following the adoption of Resolution 1929, Russia cancelled the sale of the S300 sophisticated and long-range air defense missile system to Iran.

The effect of these sanctions has been clear. Coupled with mistakes and difficulties in Iran, they have slowed Iran's nuclear efforts. Sanctions and export controlled efforts have made it more difficult and costly for Iran to acquire key materials and equipment for its enrichment program, including items that Iran can't produce itself.

Indeed, in May 2011, the report of the U.N. panel of experts on Iran concluded that sanctions are slowing Iran's nuclear program. In 2007, the head of Iran's Atomic Energy Organization boasted that Iran would have 50,000 centrifuges installed

within 4 years and the support facilities designed for that scale. We're now nearing the end of 2011, and the IAEA reports that Iran has installed 8,000 centrifuges, with perhaps around 6,000 operating right now.

Importantly, not only is it harder for Iran to proceed, it's more expensive. As many studies have demonstrated, it would be far more economical and efficient for Iran to purchase nuclear fuel on the international market than to develop an indigenous enrichment and fuel production capability. Remarkably, though, Iran continues to make huge investments in this program, most of them unpublished, even as it cuts back on support and investment in its economy and its people.

This is the larger context for the IAEA report, and I want to be very clear about this. We were not surprised by the report because it confirmed everything we had known since the first day the President took office. This report is entirely consistent, frankly, with the facts and analysis that have shaped our entire approach since January of 2009.

For example, we already knew that Iran had an active and structured effort to develop nuclear weapons technologies until 2003. And in the words of the IAEA report, "activities relevant to the development of a nuclear explosive device may still be ongoing."

The facts are undeniable. Despite decades of Iranian denial and deceit, and notwithstanding the setbacks I've described, it should be clear for all the world to see that under the guise of a purely nuclear -- civil nuclear program, the government of Iran is seeking to develop a nuclear weapons capability. Now, put simply, the Iranian regime has not fundamentally altered its behavior, but we've succeeded in slowing its nuclear program. And the international community has the time, space, and means to affect the calculus of Iran's leaders, who must know that they cannot evade or avoid the choice

we've laid before them.

Going forward, we will, therefore, contend to use every tool at our disposal, as I described earlier, to continue the pressure on the regime and sharpen the choice that they must make.

We need to be vigilant and we will be. We will work aggressively to detect any nuclear-related efforts by Iran. We'll expose them and force Iran to place them under international inspections, just as we did, as I discussed earlier, when we disclosed the Qom enrichment facility, thus denying Iran the option of using the facility to secretly produce enriched uranium.

With the IAEA inspectors still on the ground in Natanz and Qom, any Iranian effort to divert safeguarded nuclear material would likely be detected quickly before Iran could use that material to produce a significant quantity of highly enriched uranium. Meanwhile, we continue to increase the pressure. And you saw this just yesterday, Secretaries Clinton and Geithner announced additional steps that we've taken. For the first time we're targeting Iran's petrochemical sector, prohibiting the provision of goods, services and technology to this sector, and authorizing penalties against any person or entity that engages in such activity.

We're expanding energy sanctions, making it more difficult for Iran to operate, maintain and modernize its oil and gas sector. And for the first time, we designated the entire Iranian banking sector as a jurisdiction of primary money laundering concern, detailing extensive deceptive and illicit financial practices across the Iranian financial sector, including by the Central Bank of Iran, making clear the grave risk faced by governments or other financial institutions that continue to do business with Iranian banks. And we are certainly not ruling out additional steps against Iran's banking section, including against the Central Bank of Iran. Again, as we do all of this, we're not taking

any options off the table and no one should doubt that.

This leads me to the larger point that I wanted to make today, and that's something I've wanted to discuss publicly for some time, and that's the extraordinary isolation that Iran finds itself in today.

Even as Tehran refuses to engage in dangerous and destabilizing behavior, Iran is fundamentally weaker, more isolated, more vulnerable and badly discredited than ever. Compared to when President Obama took office, Iran has greatly diminished at home, in the region and around the world as a result of the choices made by its leadership. I'll discuss first the situation domestically in Iran.

At home, Iran is feeling tremendous pressure. It's harder for banks that support Iran's nuclear program and terrorism to engage in international finance. Just recently, President Ahmadinejad called sanctions "the heaviest economic assault" in the country's history. Continuing to quote, "Every day our banking and trade activities and our agreements are being monitored and blocked," he said, "and our banks cannot make international transactions anymore."

It really is becoming exceedingly difficult for Iran and its business entities to deal in euros or dollars anywhere in the world. It's becoming increasingly difficult, if not impossible, for them to deal in the legitimate banking system in the world.

We've also made it harder for Iran -- for the Iranian government to purchase refined petroleum and goods, services and materials to further develop Iran's oil and gas sector. According to the Iranian oil minister, the country is facing a shortage of $100 billion in investment deals for the oil and gas sector, a shortage that will increasingly affect future revenues.

Other sectors are being affected, as well. The international business community is shunning Iran. Major companies -- Shell, Toyota, Kia, Repsol, Deutsche

Bank, UBS, Credit Suisse, and a long list -- have ended or drastically reduced business with Iran, again, as a result of the decisions made by the Iranian leadership.

Now, the impact of sanctions is compounded by ramped corruption and patronage in Iran. The Islamic Revolutionary Guard Corps continues to expand its involvement in legitimate Iranian economy. At a time when the Iranian people are being squeezed by a shrinking economy, the coffers of the IRGC, as it's called, are being filled, and these funds are passed onto violent movements in Iraq, Syria, Lebanon, and Yemen.

This only adds to Iran's economic woes and, with it, to the frustration of the Iranian people. As a result, Iran's economy is increasingly vulnerable. Inflation, we estimate, is around 20 percent. Unemployment is persistently high. And contrary to what's been written, frankly, on this, despite high oil prices, Iran will have negligible economic growth this year. These are the heavy costs the Iranian regime has chosen to impose on its people by flouting its international obligations.

These economic difficulties are one more challenge to a regime that's already seen its legitimacy suffer, and this is a critical point, and really has come into focus since the elections in 2009. The brutal response to the Green Movement two years ago revealed the hollowness of the government. They claimed to draw on its legitimacy from its populist and Islamic principles. This is a regime that doesn't offer anything to its young burgeoning population which employs intimidation and violence to remain in power, the same recipe for unrest that has fueled the Arab Spring.

Atop its isolation from the Iranian people, the regime is increasingly divided and under great stress, extraordinary stress, and it's obviously increasingly and dramatically visible to the observant outsider on.

The Supreme Leader and President Ahmadinejad seem increasingly headed towards a confrontation over the direction of the country. The Supreme Leader's

even talked about consolidating his power further by abolishing the office of the presidency, and we see fissures developing among the ruling class. And the regime is really focused pretty intensely and exclusively on preserving its reign at all costs.

Just as the regime is increasingly isolated and losing its legitimacy at home, Iran is increasingly isolated in the region. The regional balance of power is tipping against Iran. And I know there are those in this room who disagree with that assessment, and let me go on to lay it out.

Next door Iran has failed in its effort to shape Iraq into a client state in its own image. In fact, Iraqis are moving in the opposite direction. And, Ken, I saw your testimony last week at the House on this and went through it carefully, and I have some responses to it here, just to give you a heads-up on that. But I am reading your testimony.

Iran and Iraq have very different visions of their future. And Iraqis are moving in the opposite direction of any client state that Iran may be trying to establish there. They're building a sovereign and a democratic state with a former version to elicit outside interference.

And one recent poll found that just 14 percent of Iraqis have a favorable opinion of Iran. There is really a nationalist dynamic I think at work here. Even the supporters of al-Sadr, who has been strongly supported by Tehran, have unfavorable opinions of Iran by a margin of three to one, according to the polls.

Now, even as we finish removing our forces from Iran -- and we will do so by the end of December 2011 -- we remain steadfastly committed to a long-term strategic partnership with Iran, including robust security cooperation, which will help ensure that Iran remains a strong and independent player in the world. And indeed, on December 12th Prime Ministry Maliki is coming to the United States and we will underscore the

breadth and depth of the relationship going forward that the United States is building out with Iraq as a close partner in the region and multiple dimensions, from the diplomatic to education to development of their oil sector. But, really critically also, robust security cooperation.

Iran has failed in its efforts to intimidate the Gulf States into yielding to Iranian dominance. And indeed, I think Iranian conduct -- and I've spent a lot of time working on this -- has actually caused the PCC countries to unify as never before in their resisting Iran. Reassured by regional defense and security, the architecture that I described earlier, the Gulf Cooperation Council states -- or as I said, are more united than ever and more willing to challenge Tehran, and we've seen that.

Next, Iran has failed in its cynical efforts to take advantage of the Arab Spring. And to put it mildly, the Arab Spring has been unkind to Iran. You can't imagine a narrative that contrasts more. The season of change, as our assessment, caught Iranian leaders flat-footed and unprepared. The events from Tunis to Damascus has made a lie over Tehran's claims that change can only come through violent resistance, and meanwhile the Iranian regime's hypocrisy has been exposed as they purport to celebrate these uprisings abroad while continuing to crush dissent at home.

Just like al Qaeda -- and again, this has presented a fundamental narrative of the Arab Spring -- has presented a fundamental narrative challenge to al Qaeda. Iran's model of extremism violence and the denial of human rights are being repudiated by a generation that is now demanding the universal rights by taking to the streets across the Middle East and North Africa. Indeed, young people in Tunisia or Egypt or Libya or Syria are not protesting in order to be more like Iran.

Not surprisingly, the data and polling of public opinion consistently shows that Iran's image in the region has plummeted. While in 2006 Iran's favorability in the

Arab nations stood at about 80 percent, generally. It's now down to an average below 30 percent. The most common reasons for this given are Iran's crushing dissent at home, underscored by the reaction in the 2009 elections, its meddling in the region, its cementing of sectarian conflict, and its pursuit of its nuclear program.

Rather than looking to Iran, people in these Arab countries are looking in the opposite direction towards universal rights, towards democracy. And as they do, President Obama has placed the United States firmly on the right side of history making it clear that the policy of the United States is to promote reform across the region and support transition to democracy.

Today, in the face of a region increasingly united against Tehran, Iran is basically down to just two principal remaining allies and I wanted to go through this in some detail. The Assad clique -- the Assad group if you will -- in Syria, and Hezbollah. And like Iran, they too are fundamentally at odds with the forces that are now sweeping the region.

The Assad regime -- the Assad group, if you will -- Tehran's most important ally is thoroughly isolated and now increasingly and universally condemned. The Arab League, appalled by the region's brutality, has shown remarkable leadership and taken the extraordinary step of suspending Syria's membership. In Turkey, Prime Minister Erdogan's government, which spent a decade deepening its ties to Syria and invested a lot in this, says it no longer will be fooled by Assad's promises, and today Prime Minister Erdogan joined the international chorus calling for President Assad to step down.

The handwriting is on the wall, change is inevitable. As President Obama has said, and I quote, "Through his own actions Bashar al-Assad is ensuring that he and his regime will be left in the past and the courageous Syrian people who have

demonstrated in the streets will determine its future."

Now analytically, what does this mean? The end of the Assad regime would constitute Iran's greatest setback in the region, a strategic blow that would further shift the balance of power in the region against Iran. Tehran would have lost its closest ally in the region, having actively funded and assisted in very material ways the regime's brutality and the killing of its own people. Iran will be discredited in the eyes of the Syrian people and any future government.

Iran's isolation from the Arab world will have deepened, and Tehran's ability to project violence and its instability in the Levant. Through its violent proxies, Hezbollah and Hamas will be vastly diminished. That's our analytical judgment.

Finally, Iran is increasingly isolated from the international community. More nations than ever are imposing and enforcing additional sanctions and measures as Iran looks around the world and finds fewer friends, fewer protectors, and fewer business partners. Its leaders have taken a great nation and an ancient civilization and turned it into a pariah state that is unable to integrate or engage with the world. This is a tragedy.

Three recent events in particular illustrate just how isolated Tehran has become. First, in the wake of the IAA report, which Strobe mentioned at the outset, the IAA board of governors overwhelmingly voted to demand that Iran take steps to address the concerns raised in the report. 32 nations voted to demand that Iran fulfill its obligations. Only two countries sided with Iran at the IAA board of governors meeting, Cuba and Ecuador.

Second, Iran has been further isolated by the plot to assassinate the Saudi ambassador here in Washington. I have to confess, I was initially struck by the reaction in some quarters, those who looked at the plot and said, is this really how Iran operates? This doesn't sound like Iran. This is not the way they operate. Well, as those

of you in this room know so well and those of you who have followed the history for the last 30 years, this is exactly how Iran has operated. This plot is nothing new; it was the latest example of Tehran's support for terrorism, from the bombings of our barracks in Beirut to attacks against the Israeli embassy and Argentine-Jewish Mutual Association in Argentina, and many others. And it would take, again, a whole other speech to lay this out, but the people in this room don't need that history lesson.

Nor was this the plot of some low-level figure. Our information confirms that the Iranian officials overseeing the plot -- the liaison, if you will -- were officers, if you will -- within the IRTC Quds force, the terrorist arm of Iran headed by Major General Qassem Suleimani, who has armed, trained, and funded a terrorist in Iraq to strike the Iraqi government and American personnel. We are very familiar with this group and deal with it every day.

Faced with these facts, the international community is taking action to hold Iran accountable. The Treasury Department has imposed sanctions against Suleimani and four of the main culprits in the conspiracy. Our Canadian and European allies have joined us.

The Arab League and Gulf Corporation Council have condemned the plot, and last week the UN General Assembly voted on Friday overwhelmingly to deplore Iran's behavior in this plot against the Saudi Ambassador in Washington D.C. 106 nations voting against Iraq -- just 8 countries -- voting against Iran -- just 8 countries voting with Iran. Most significantly, not a single Muslim or Arab nation voted with Iran, not one. For an Islamic republic that once imagined itself as a leader of Muslim majority nations, the repudiation and isolation could not be more complete.

And third, at the United Nations just yesterday, member states voted overwhelmingly to condemn Iran's human rights record. Indeed, Iran's human rights are

subject to UN monitoring, shattering its claims that the West and a few dissidents were unfairly singling them out.

Weakened at home, diminished in the region, and isolated in the world, this is the dramatic shift in Iran's fortunes that have occurred over the last three years. In this sense we have succeeded in changing the dynamic that was at work when President Obama came in to office. Three years ago, the Iranian leadership was largely united; today Tehran is wracked with division. And again, I don't think that's an unfair assessment.

Three years ago the international community was divided on how to proceed, and today we have forged an unprecedented degree of unity with allies and partners that Iran must be held accountable, and I think that's a fair assessment.

Three years ago it was uncertain whether additional pressure could be brought to bear on Tehran, today the regime is subject to the broadest and strongest sanctions that it's ever faced, contributing to Iran's fundamental political and economic weakness. I think that's fair as well.

Iran's leaders and Iran's leaders alone are responsible for the predicament that Tehran now finds itself in, and Iran's leaders and Iran's leaders alone have the power to choose a different course. The onus is on Iran. Tehran can't choose a different direction; it has to seize the diplomatic opportunities before it. It must cooperate fully with the IAA investigators, comply with the UN Security Council resolutions, which require Iran to suspend all enrichment, reprocessing, and heavy water-related activities.

If Iran doesn't change its course, the pressure will grow. Working with allies and partners, we will continue to increase sanctions. With our Gulf Cooperation partners, we will continue to build a regional defense architecture that prevents Iran from threatening its neighbors. It will continue to deepen Iran's isolation, regionally and globally, and again even as the door to diplomacy remains open, we'll take no option off

the table. For our focus and our purpose are clear: pressure is a means, not an end, and our policy is firm. We are determined to prevent Iran from acquiring nuclear weapons and all that flows from that.

Meanwhile, as President Obama has said, we stand with the Iranian people as they seek the universal rights. Iranians deserve a government that puts their daily ambitions ahead of its nuclear ambitions, including -- they deserve a normal relationship with the rest of the world, including with the United States, where the Iranian people can benefit from the trade and ties that come with being integrated in the global economy. Put simply, the Iranian people deserve a future worthy of their past as a great civilization, and that they will come sooner when the regime in Tehran abandons its reckless pursuit of a nuclear program that does nothing for its people but endangers the security of the world.

Thank you for your patience, and I look forward to a couple of questions, Strobe, I guess you were going to ask. (Applause)

MR. TALBOTT: Tom, thank you very, very much for that. And before bringing the session to a close, as you suggest I'm going to put a two-part question to you that I suspect reflects at least some of the thinking and curiosity in the room.

You have made a very powerful statement that the coordinated policies of the United States and the international community have imposed a world of hurt, not to mention discredit and isolation, on Iran but has not yet succeeded in getting Iran, to use your phrase, "alter its nuclear behavior". What do you think the changes are of the policy succeeding?

And the related point is what is it going to take to get the necessary degree of support from the Chinese and the Russians? And you've had some exposure to both of those leaderships recently.

MR. DONILON: With respect to the chances for success. Given the severity of the challenge and the threat, we in the international community owe it to ourselves to pursue every option here, and to pursue as I laid out the multidimensional, simultaneous, mutually-reinforcing set of steps that we're taking.

What we require is persistence, unity -- and we have put a very high premium on unity, and indeed we believe that that is something that the Iranians need to look out and see, and we think it has an effect when they see that they are thoroughly isolated, more isolated than ever. As I said, it needs to be multidimensional. And I think that, again, we can't take any options off the table. Over time, the goal of course would be to raise the price, right? And force the choice. And that's what we're going to do.

Now with respect to the Russians and the Chinese, we have actually had very good coordination and cooperation with the Russians and the Chinese. They've supported us on each of our sanctions, international sanctions efforts at the UN. They have enforced those efforts faithfully. They have been very good partners, frankly, as we've built out this unified effort to force the choice on the Iranian regime.

MR. TALBOTT: Tom, thank you very much. By the way, we noticed that -- certainly the Brookings folks in the room noticed that you put out two suggestions on issues which might come back and talk to us about at some point. One is general diplomatic engagement with the world and the other is missile defense. We'll stay in touch. (Laughter)

Could I ask everybody please to keep your seats while I escort Tom out of the building so he can get back to the White House? Thank you, Tom. (Applause)

MR. DONILON: Thank you very much, everybody. Appreciate it.

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