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RESTORING THE BALANCE: A MIDDLE EAST STRATEGY FOR THE  
NEXT PRESIDENT

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## P R O C E E D I N G S

MR. GREGORY: Okay, we'll get started. Good morning, I'm David Gregory of NBC News.

It's a pleasure for me to be here this morning at an impeccably-timed event, I think. The first session of a joint venture, a collaboration between the Brookings Institution and the Council on Foreign Relations. Impeccably-timed, of course, because President-elect Obama just yesterday, as you all know, named his national security team, naming a secretary of state, national security advisor, homeland security chief, and ambassador to the U.N.

A lot has been made of his selections representing a Lincolnesque team of rivals, and, so, it's fitting that we sit here today to discuss a new series of Middle East policy recommendations for the new administration, and, specifically, for the Obama national security team authored by our own team of rivals here, the Saban Center and the Council on Foreign Relations.

Factionalism, as you may know, runs pretty deep both in Washington and in the Middle East, so,

you've got a doubly impressive partnership here between these two fine organizations.

This, by the way, is the first time in the histories of Brookings and CFR that they have assembled their Fellows to present policy papers to the incoming administration. We, in the media, and many in Washington were obsessed over the past year and a half with the ins and outs of the political campaigns, but now the Saban Center and CFR have devoted attention to analyzing the top six issues the new president will face in the Middle East. Timely recommendations and important.

The recommendations can be found in the book that you should have received as you came in this morning. It's called *Restoring the Balance: A Middle East Strategy for the Next President*. The challenges are numerous and they are deep: the withdrawal of troops from Iraq -- the new mission, as stated by the president-elect; the prospect of a nuclear Iran; the prospect of an Israeli-Palestinian peace process being reengineered; what I've always referred to as chapter two in the global war on terror, chapter one being written in the course of the events of 9/11 and by the

Bush Administration; the freedom agenda, democracy throughout the Middle East, as initiated by the administration; and the issue of diplomacy in a new administration engaging friend and foe alike in the Middle East.

All of this, of course, is complex and is very important for the country, which is why the Saban Center-CFR project is of such great value.

I'm thankful to be joined here by two directors of the project, Gary Samore and Martin Indyk, as well as Richard Haass, who co-authored the book's strategic overview chapter with Martin.

Gary's going to speak first to give you some background on the Saban Center-Council on Foreign Relations project, and then we're going to hear from Richard and then Martin about the key recommendations of the report.

We're also joined, I should point out, by many of the authors of the book, and they will join us throughout the course of our discussion. So we'll have some conversation after our presentation by our scholars here. I'll ask some questions of the

gentlemen on the panel, and then there will be an opportunity for you to ask some questions as well.

Gary Samore is vice-president, Director of Studies, and Maurice R. Greenberg Chair at the Council on Foreign Relations. He served as Vice-President for Global Security and Sustainability at the John D. and Catherine T. MacArthur Foundation, Director of Studies and Senior Fellow for Non-Proliferation at the International Institute for Strategic Studies and Senior Director for Non-Proliferation and Export Controls at the National Security Council. Gary also co-authored the policy paper on non-proliferation that is found in chapter four of the book *Restoring the Balance*.

Richard Haass, of course, is President of the Council on Foreign Relations. He was Director of Policy Planning for the Department of State, where he was a principal advisor to the Secretary of State Colin Powell.

Previously, he was Vice-President and Director of Foreign Policy Studies at Brookings and served in senior roles in the National Security Council during the presidency of George H.W. Bush.

Martin Indyk is Director of the Saban Center for Middle East Policy here at Brookings. He served in several senior positions in the U.S. Government, most recently as Ambassador to Israel, and, before that, as Assistant Secretary of State for Near Eastern Affairs and a special assistant to President Clinton and Senior Director for Near East and South Asian affairs in the National Security Council.

Martin and Richard coauthored the first chapter of the book, which, as I say, presents a strategic overview.

So, before we get to some questions, first, the presentations and I'll begin with Gary Samore.

MR. SAMORE: Thanks to all of you for coming here today. I'm going to talk about the design and the execution of this project before turning things over to Richard and Martin, who will talk about the substance and the main conclusions and recommendations.

This project was born out of the recognition that the next U.S. president is going to face a hornet's nest of problems and challenges in the Middle East, and you're, of course, familiar with the long

list of horrors that President Obama will have to deal with when he takes office.

Given the magnitude of these challenges, we decided to pool the intellectual resources of the Saban Center here at Brookings and the Council on Foreign Relations in order to produce policy advice for the next administration. I guess it takes a crisis in the Middle East for us to set aside our friendly rivalry and work together.

Now, the result of that project is this report that you've picked up this morning. We started the project back in July of 2007. A total of 15 senior Fellows from both institutions were involved and they represent years of government experience and academic research in the Middle East. I'm happy that many of the authors are here today, and they'll be able to participate during the question and answer period.

In order to carry out the research, we divided our experts into small teams of two people and in one case, three, to tackle six of the most challenging issues for the next administration: Iraq, Iran, the Arab-Israeli conflict, nuclear

proliferation, terrorism, and economic and political development. And then, based on the conclusions and recommendations in these individual chapters, Richard and Martin produced a summary that is an overall strategy and blueprint for the U.S. administration.

In the course of drafting the papers, the individual teams traveled to the region together as much as possible in order to conduct interviews and do field research and get a sense of what the views were on the ground in the region.

In addition, as a further way to ground this in what we hoped would be sage advice, we put together an independent and bipartisan advisory board to review the draft papers and provide us with criticisms and comments. This advisory board was chaired by Strobe Talbott, President of Brookings, and Richard Haass, President of CFR, and included a number of prominent former senior U.S. government officials, such as Brent Scowcroft and Sandy Berger, as well as leaders in the public and private sector with long experience in the Middle East.

One of them, Mr. Aburdene, is here, and he made a terrific contribution. In fact, the board as a

whole was a great sounding board for us. We had a total of three meetings, including a day-and-a-half-long retreat at the Pocantico Conference Center of the Rockefeller Brothers Fund in June of 2008, to go over each of the papers, and then, on the basis of those comments, the papers were redrafted and sent around again to board members, as well as all of our colleagues who were working together for further comment.

So, on behalf of the -- oh, you'll see in the back of the report there's a list of the members of the advisory board.

So, on behalf of the entire project, I want to thank the members of the board for their support for the project and for the time and energy they took in order to review these papers and provide us with comments. There's no doubt that the results are significantly improved as a consequence of their comments and their criticism.

At the same time, I want to emphasize that the board was not asked to endorse or support any of the recommendations in these papers, nor does Brookings or the Council on Foreign Relations support

or endorse these papers. They all represent the views of the individual authors, and we thought that was a more effective way to get sharp policy recommendations.

Finally, let me thank the staff at Brookings and the Council on Foreign Relations -- Ariel Kastner, Ian Mitch, Katie Ivanick, who helped to organize this project. I want to thank Janet Walker and her editorial team here at Brookings for working very hard to put this report together quickly. And, finally, I want to thank my fellow authors for their hard work and their inspiration and creative talents that went into this work, and, finally, my co-director, Martin Indyk, who is as much fun to work with outside of government as he was to work with inside government.

So, now I think I'm going to turn things over to Richard Haass.

(Laughter)

MR. HAASS: Yes, we're all drilling down on our comment about how much fun Martin was to work with in government. Fun is the first word that comes to mind when I think of my former colleagues.

(Laughter)

MR. HAASS: I want to thank David Gregory for doing this today, except for the fact that he stole my line about a team of rivals. The real truth is we figure if the Council and Brookings could somehow cooperate, there was hope for Israelis and Palestinians.

(Laughter)

MR. HAASS: I'm happy to be here in part because I've now realized I've devoted a decade of my life to these two institutions. Now at the Council and formally, at Brookings, and the fact that we could do this together was a good precedent, was also a good collaboration. A pleasure working with Martin and the talent arrayed here.

What I'm going to do is say a few words about the context in the Middle East that the new administration will face, and then I'll say one or two things about policy.

Administrations can choose their policies; they can't choose their context. That's what they inherit, that's what's in their inbox. It's a combination of the policies that they inherit and the realities on the ground. So, the individuals who were

announced yesterday, when they take up their positions in 50-odd days, this is what they will inherit, and, again, what they choose to do with it is a matter of choice. But what they inherit is simply that, what it is they inherit.

The Middle East remains the most unstable and difficult region of the world facing the United States. If you compare it for a second to Asia, Latin America, Africa, or Europe, the Middle East stands out. A combination of vital interests, but, also, a number of difficult, defined threats, and, in many cases, a lack of partners to protect those interests and contend with those threats.

You see many of the dark facets, the malign facets of globalization at play. Obviously, terrorism and proliferation hide among them, and very few of the positive dimensions of globalization.

For all that though, the Middle East can't be ignored. What happens there won't stay there. If you prefer, the Middle East is not Las Vegas. To the contrary, what happens there will come here, and that's one of the things we've learned.

Globalization, at one level, is a series of conveyer

belts, and things that happen here, yes, can influence what happens in the Middle East, but, obviously, the opposite is true, things that develop there and percolate there will not stay there. And they will get on various conveyer belts that are part of globalization and they will affect things beyond the Middle East, and, indeed, globally.

The United States begins from a position where its prestige is low in the Middle East. Anti-Americanism is extensive, it is both broad and deep. That said, and it's something of a contradiction or just an interesting reality, is, despite that, the United States is still sought out by the countries of the region, by the governments of the region for the most part. And, clearly, President-elect Obama, soon to be President Obama, has a potential appeal in this part of the world, which is considerable.

I would say that U.S. power and influence in the region are down, but not out. Indeed, it's still considerable. I've written about this in other contexts. I think the United States' relative position in the region has declined, but the United States is still the single most powerful influence in

this part of the world. Again, I think the forces of history at this point make it difficult for any country, including this one, to exert influence in ways that it was able to in the past. But, again, I think it's important not to underestimate the U.S. capacity to shape events and shape history in that part of the world.

The run-up of oil prices that we saw over the past several years empowered many of the governments in the region, and even those who are not particularly oil rich, to some extent, benefited from it because of investment around the region, but now the opposite is the case, that the region is dealing with the consequences of oil that's roughly one-third plus or minus its peak, and now we're in the range of \$50 a barrel, and, for many governments, this is a challenge, given how much their economies depend upon this cash crop and given the prices at which they budgeted. And, in some cases, I would add that this creates opportunities for the United States. It's not all bad shall we say.

Let me put it this way: The country which over the last half dozen or so years has gained the

most, strategically, is Iran. It is a consequence of the war in Iraq, it is a consequence, at least until recently, of high oil prices, it is a consequence of its use of groups such as Hezbollah and Hamas.

So, Iran has been a strategic beneficiary over the last half dozen years, and that is something that the United States will obviously -- new administration will have to take into account and deal with.

There are many divides in the region, obviously, between Israelis and Palestinians, and between Israelis and Arabs is the most familiar. But there are many other divides, as well, including the Sunni-Shiite divide, which has gained in prominence and in acuteness over the last few years, divides between militias and governments, between governments, between governments and the government. This is a part of the world that has more fault lines than southern California. And it is a part of the world where many of the governments continue to be (inaudible), where sovereignty is not exercised in full, in particular more militias are widespread and significant.

There are other non-state actors, as well. In some cases, there's more civil society than in others, but out of the non-state actors that I believe are the most significant in the region, tend to be militias.

What about the consequences of all of this for a policy? Let me just say a few things, and then Martin in particular will focus upon what used to be called the peace process. Israeli-Palestinian issues, Israeli-Syrian issues.

One is strategically taken as a whole, if over the last six, seven, eight years, six years or so, U.S. policy toward the region has been dominated by Iraq, we would suggest that that era is coming to an end. That, going forward, if one compares the next four years as opposed to the last four years, Iraq will play a less prominent role in U.S. foreign policy towards the region. The only caveat we would introduce there is that the pace of U.S. drawdown will affect events, and what we suggest -- and there's a very strong paper by three authors here -- is that the drawdown, not to be confused with withdrawal -- I'll use the word drawdown advisedly -- be done in a way

that in no way endangers or threatens the progress that has been made in recent years.

Secondly, and Martin will go about this at some length, a lack of ripeness on the Israeli-Palestinian front, but considerable opportunity -- thank you. I get very emotional talking about the Middle East.

(Laughter)

MR. HAASS: Considerable and surprising opportunity potentially on the Israeli-Syrian front.

And, again, it's easy when you talk about the Middle East to only highlight the threats and only highlight the dangers, but it is also important to highlight or at least point to areas of potential opportunity for policymakers, and one of the ones that Martin will elaborate on is on the Israeli-Syrian side.

What several of the papers talk about is the need and desirability of what you might call a more collaborated approach to promoting reform, and it gets into questions of the pace of reform, the timing of elections, the relationship between economic and political reform pace and sequencing, it gets into

questions of the placing a greater emphasis on civil society promotion, and so forth.

But I think the sum total of these things is not to discard a reform agenda, but to go about it in a different fashion.

And then last, but anything but least, the question of Iran. And let me just speak for two or three minutes about that, and then I will stop.

There is a real urgency to dealing with Iran. You all saw the story several days ago in the paper about the most recent IAEA report, which indicates that Iran has reached a level of enrichment that has essentially arrived at that point sooner than many experts thought would be the case. And I would suggest, and we would suggest, that Iran poses an urgent set of challenges to the new administration not simply because of its nuclear capability, but also because of its capacity to influence developments in Iraq, its capacity to influence developments in Afghanistan obviously, with Palestinian issues and with Lebanon.

Again, Iran has emerged as a truly significant regional actor, though the thrust of what

the report says about Iran is that the United States should launch a diplomatic initiative towards Iran dealing not exclusively, but dealing in part with the nuclear challenges, as well as with other aspects.

On the nuclear side, the argument is not that a diplomatic initiative is guaranteed to work. It is not, but the two principle alternatives to a diplomatic outcome -- either the use of military force or living with an Iranian nuclear weapons capability or a near weapons capability -- and neither one of those is at all attractive.

So, without discarding either of those two potential alternatives, the analysis is that both are sufficiently unattractive on the face of it, that the United States and others ought to try to energize a diplomatic track in the hope that it works, and, if not, it at least allows then the United States, the new administration to contemplate either of the alternatives knowing that diplomacy did not succeed, and it would, therefore, make it also less difficult to build domestic and international support for either one of those alternatives.

On the nuclear side, again, it talks about a U.S.-led effort somewhat akin to the effort with North Korea, so, it's U.S.-led, but it is multilateral. Made clear, that suspension of Iran's enrichment program is not a precondition for talks to begin, but it is a condition for progress.

Any diplomatic approach to Iran would have three dimensions: One, what it is that Iran is being asked to do in the nuclear realm. Secondly, what benefits would accrue to Iran if it were to do those things. And, thirdly, what disincentives, sanctions, or penalties would come Iran's way if it were not to do those things?

We can talk about this in any level of detail. Gary's an expert, as is Bruce Riedel and others. One thing we would add is that this approach ought to be made public. That it is important that the Iranian government have to explain to the Iranian people why it is not prepared to go down a path of Iran's greater integration with the region and the world, why it's important that the Iranian government be forced to explain to its own people why it would choose a nuclear path over a path that would give Iran

not just greater regional integration, but a considerably higher standard of living.

So, many of us come out of government where diplomacy is often done in private. This is a case that, while there's a private dimension of diplomacy, there needs to be a public dimension of diplomacy.

As I suggested, the entire conversation with Iran would not simply be on the nuclear issue; it would also deal with the full range of other issues, including Afghanistan, support for militias, Iraq, and there's no reason that progress couldn't take place in certain areas and not others. It should not be an all or nothing approach. Or, to use the vocabulary of the 70s, linkage need not be an element of U.S. policy, but, again, multilateralism must be -- that the United States must work closely, not simply with its European partners, but with Russia, but also with China, as well as with many Middle Eastern countries, that this must be a truly multilateral, collaborative approach if it is going to have any chance of succeeding, and also to prepare the way for alternatives if diplomacy were to fail.

We go into considerable discussion in the report

about both alternatives to diplomacy, about potential use of force and its consequences and about living with an Iranian nuclear or near-nuclear capability, including such issues as missile defense, security guarantees, what have you. Again, both of these alternatives are real and should be looked at by the new administration, but, again, it is the collective judgment that in the first instance the administration ought to take a serious run at diplomacy.

Will it succeed? Again, we don't know. This is policy analysis, not policy prediction. Obviously, the Iranians will have a large say in whether this works, given their own domestic politics. I would simply point out that the lower oil prices do create a context in which the prospects for diplomacy, we would think, would be enhanced rather than the other way around, and, obviously, the degree of multilateralism that the United States is able to harness to the effort will also have a large impact on the likely results of any diplomatic initiative.

With that, let me turn to Martin, who will essentially focus on the Israeli-Palestinian and Israeli-Syrian dimensions.

MR. INDYK: Thank you, Richard. Thank you, David, for agreeing to share this session. And thank you to Gary and to all our fellow co-authors in this effort.

You'll see on the cover of the book, we've actually listed all of the authors. We couldn't put everybody up on stage, so, we invited them all to sit in the front row, but I want to extend a very special thanks to all of them.

These are serious policy planning papers, as Gary pointed out, developed over a 12 to 18-month process. All of the Middle East experts at the Council and at the Saban Center were actively involved in this project. We can't really do enough to explain what's in the book other than to urge you to read it. You'll find at the beginning of each chapter or each policy planning paper an executive summary that will give you the main points, as well. And, essentially, what Richard and I are doing is kind of picking and choosing between them. But we'll be happy to discuss all of them and the authors also can speak to their particular recommendations in our discussions.

I want to focus on that other branch of the strategy that overall we are recommending here. One part of the strategy that Richard spoke about is an effort to engage with Iran, and the paper by Suzanne Maloney and Ray Takeyh deals specifically with how to go about engaging Iran.

The other branch of that strategy is an initiative or actually two initiatives on the Israeli-Palestinian front and on the Israeli-Syrian front to try to advance comprehensive peace again between Israel and its Arab neighbors. And there is a strong feeling amongst the authors that by pursuing these three initiatives, it's possible to generate a kind of positive symbiosis between them, such that progress on one initiative can benefit the others.

Let me focus specifically on the Arab-Israeli dimension of this. Steve Cook and Shibley Telhami have written, I think, a very compelling paper on this subject, and the point that they have sought to emphasize is that when it comes to resolution of the Israeli-Palestinian conflict, time is not working in favor of a solution, that there is a real danger that hope for a two-state solution will evaporate and

it's very important that the Obama Administration pick this up and start working it as quickly as possible.

It was interesting to note that President-elect Obama yesterday referenced the three specific things that he wanted his secretary of state to engage in. Two of them were related to nuclear proliferation in Iran and North Korea, and the third was the pursuit of Israeli-Palestinian peace. And I think that this is clearly a priority for him and we feel that it should be. It makes sense in terms of the broader effort to portray the United States as engaged on issues that have concern not just to Israel, but to the Arab world and the Muslim world beyond it, but when it comes down to what can be done, there is a reality on the ground that obviously cannot be ignored by the new administration.

That reality is reflected in the division on the Palestinian side, both politically and geographically with the Palestinian Authority by Fatah controlling the West Bank and Hamas controlling Gaza. And that split in the Palestinian parliamentary, in the Palestinian leadership is going to make achieving an agreement, let alone implementing it, very

difficult. And, so, that issue, which is a very thorny one, has to be dealt with, and we can get into that in the discussion.

On the Israeli side, there are real questions now whether the Israeli political system can handle the kinds of concessions that would have to be made, tangible concessions that would have to be made to implement an agreement. We saw yesterday rightwing demonstrators supporting settlers in a small community in the heart of Hebron, which the High Court of Israel has ordered that they be evacuated, and it is clearly going to be major confrontation if the Israeli police and army try to implement, as I believe they will implement the will of the high court and uphold the rule of law. That's just one example of the difficulties there.

Israel, of course, is going through an election process, will have a new government after February 10, and it may be a very different government from the one that has been pursuing peace over the last year under the American-sponsored Annapolis process. If the polls are to be believed, and it's still early, but it's likely that (inaudible) would be

the next prime minister with a center right coalition that would raise further questions about what might happen on the Palestinian front.

So, it's not simple, and, as Richard Haass, who coined the concept of ripeness has argued, it's not exactly ripe for a breakthrough. Nevertheless, a structure for resolving the Israeli-Palestinian conflict now exists, and I think the Bush Administration deserves some credit, not withstanding its failure to treat this issue seriously for its first seven years, it deserves credit in its last year for putting this process essentially back on track, and it's operating now and needs to be picked up by the new administration on four levels: final status negotiations, the improvement of the capabilities of the Palestinian security services, the pursuit of a rebuilding of the Palestinian economy, the effort to get both sides to live up to their roadmap commitments, which includes a total freeze on settlement activity, including natural growth and the dismantlement of unauthorized Israeli settlements, and, on the Palestinian side, a serious effort to dismantle the structure infrastructure of terror.

And, on a fourth level, there is the involvement of the Arab states, which represents a new and important development that needs to be pursued, as well.

What's missing from this structure is a fifth level, which would provide it with a comprehensiveness that we believe would significantly enhance progress on the Palestinian track, and that is Israeli-Syrian negotiations. They have been conducted under Turkish mediation for some 12 months now, and they represent, as Richard already suggested, an opportunity which we think that the Obama Administration needs to develop. It's an opportunity because, in contrast to the Palestinian track, they have, on the Syrian side a capable state, capable of implementing its commitments, as it has demonstrated in the past, with a leader who has proven himself to be brash, and, in some ways, quite decisive, as to when he decided to pull his troops out of Lebanon. But a man who needs to establish his own legitimacy and could do so by regaining what his father lost; that is the Golan Heights, to compensate for giving up what his father gained, that is Lebanon.

And on the Israeli side, we have a precedent of five Israeli prime ministers now having committed to full withdraw from the Golan Heights, and a national security establishment that sees it as an Israel strategic interest to make peace with Syria so as to pull it out of the rejectionist alliance of Iran, Hezbollah, Hamas and thereby put a serious crimp in the ability of Iran to interfere on Israel's northern borders via Hezbollah and its southern borders via Hamas.

The negotiations themselves, I think, or the Turkish mediation, reflect the belief that there is an opportunity here. Essentially, what has happened, as I understand it, is the sides are now at the point, still in indirect negotiations, where each one has to answer a fundamental question.

For the Syrians, in the context of peace, what will happen to your relationships with Iran, Hezbollah, Hamas, that are opposed to the very idea of recognition and peaceful relations and normalization with Israel? And, on the Israeli side in the context of peace, what will be your line of withdrawal, that

is to say, are you prepared for full withdrawal from Golan Heights?

What this is shaping up to be is, in effect, a different kind of swap than the swap that we in the 1990s were trying to do on the Syrian trade. Then, it was territories for peace and normalization. Not a very attractive proposition for Israelis who liked the Golan Heights and didn't believe that the Syrians would be interested in seriously making peace with Israel and normalizing relations with it.

Now, today, there's a potential for a different kind of swap, territories for strategic realignment. That's something that everyone in Israel can understand. It's kind of tangible if it meant that Syria at peace with Israel would no longer align with Iran. And since the threat from Iran is something that concentrates the minds of almost all Israelis, this makes it a more saleable proposition in Israel.

Having said that, we do not advocate a Syria first approach, but a Syria also approach and that is because, first of all, as I have already outlined and I think Shibley and Steve make it very clear in their

paper, it would be a terrible mistake to neglect the Palestinian issue.

And because if we pursue both at the same time progress on one can indeed help progress on the other and that is now the view of the Palestinians, which was not the case back in the 1990s when they feared that an effort with Syria would come at their expense. They see it to their advantage precisely because it will put pressure on Hezbollah and Hamas make it easier for the moderates to make their peace.

And I think it's important to understand that the Syrians may see some advantage in making peace, but it's not a simple proposition if they're in great their strategic alliance with Iran and Hezbollah and Hamas. And from my own experience in this regard, the Syrians are always much more interested in actually making a deal when they fear being left behind than when they feel that they are the only center of our attention and affection.

So essentially, that's it. Three initiatives, it should be relatively easy for the new

secretary of state, focused on engaging Iran, making peace between Israel and the Palestinians, and Israel and the Syrians, and in that context of course is also the need to finish the job in Iraq; a tall order for any president and his national security team.

But despite the immense challenges I think that the general conclusion of all of the authors is that there are multiple opportunities here for diplomatic engagement by the new administration. And that the effort to attempt to restructure the Middle East in a more positive and peaceful way is well worth undertaking.

Thank you.

MR. GREGORY: So I'll begin our question session. Can everybody hear me okay on this mic? And then we'll take some questions from the audience as well. Having heard all of those presentations I wonder what President Obama is going to do in his second year after all of that has been taken care of.

Richard I would like to start with you. One of the things we've noticed, one of the things I've

noticed covering this process as a journalist is that change is an integral part of all political campaigns and it can become a policy fixture as well as we saw after the Clinton Administration and the Bush Administration came in with some decisive areas of change with regard to foreign policy and specifically the Middle East. And now we see that same call for change in terms of engagement of the Middle East and beyond.

So based on the selection of this national security team, how do you suspect the new president, the new administration will assess priorities as it approaches this region of the world?

MR. HAASS: Well, let me say one or two things and I will answer that. One is it's important that this administration not begin with an A.B.B. approach, which is Anything But Bush. I thought the previous administration at times was unwise to have their version of an A.B.C. approach, Anything But Clinton.

As I said, you deal with your inheritances

and the Bush Administration of its last year or two is significantly different than the Bush Administration certainly of its first term, or of the last six years -- and there are aspects of continuity so change for the sake of change is not a good idea. So I would hope the administration, and I would expect the administration would avoid that and as Martin pointed out there are aspects of the Annapolis Framework for example that I would think can and should be taken advantage of.

Let me just make one other point related to that. Great powers like the United States cannot and should not change policies without thinking that it doesn't have costs. It does have costs. Great powers need to be predictable and if we get a reputation for simply changing policies all of the time it makes it more difficult for other governments to factor us in when they make their own policies. There needs to be a degree of predictability and stability about American foreign policy, particularly when it's correct.

So I would think that in the Palestinian issue, I would think there are some pieces the new administration can and should work with. Syria though I think there can and should be change and there I would predict. I think the general tenor of then-Senator Obama's campaign was a greater embrace of diplomacy without preconditions and I would think that Syria is a natural candidate for that. I would also think there would be an embrace of a direct talk, a direct negotiation with Iran. And if one looks at the campaign debate between Senator Clinton, now Secretary of State-designee Clinton and Senator Obama, now President-elect Obama; I don't think that difference is particularly relevant because no one is going to be talking about dealing with the top layers of the Iranian government anyhow.

It will begin at the official level if the Iranian government is prepared to do that. So I think there you could clearly expect change. I think all of this though, takes place David in the context of the strategic priority for the new president and where

he's going to spend a lot of his time which is going to be on the economy. That issue number one, two, and three for the new president I would believe is dealing with questions of stimulus, dealing with the recession he's going to inherit. He's got a meeting in London he is to attend in several months after he takes office to follow on to the G-20 meeting here recently.

So economic issues have to be front and center for the new president which means that his national security team I would think is going to have to focus on these.

There's one other thing I forgot to mention which is, two other things very quickly. I apologize. One is Iraq and I think there will be change but perhaps not as much as the campaign indicated. I would think that we will not be talking about U.S. withdrawal from Iraq anytime soon. I think we are going to be talking about draw-downs and what remains to be seen is the exact pace of the draw-downs and the size and role of the residual force. But a lot of this has gotten worked out between the United States

and Iraq in the de facto SOFA Agreement that has been negotiated. So I think it actually makes it easier to navigate.

MR. GREGORY: It is ironic that President Bush whose administration will be defined by Iraq or the economy as that surges in the wrong direction, in fact, put the Iraq question in place for his successor to make it so much easier.

MR. HAASS: It is ironic. The only thing I would say is it's also not guaranteed. Iraq is not yet on a trajectory where one can assume for time and memorial that it's going to work.

MR. GREGORY: Right.

MR. HAASS: And I think one of the challenges for the Obama Administration is going to be not simply to deal with questions of the pace of U.S. Military draw-down, but with the political dimensions of Iraq both within Iraq among various Iraqi factions, and they are still factions, as well as Iraq regionally. To basically try to do there what was years ago done for Afghanistan, some equivalent of an

internal/external negotiation. That's going to also have to happen I believe.

And by the way you will see it. I think you will probably see greater Iraq centered diplomacy from the administration.

MR. GREGORY: Martin in that vein, on the topic of the political capital and personal capital necessary for a new president to engage the question of Israeli-Palestinian peace; a couple of statements before a question.

One is, President Clinton, the president you served told his top aides as he was flying off to Camp David, "we are going to solve this problem or we are going to get caught trying," which spoke to a level of engagement in seeking peace between Israelis and Palestinians. The President-elect, I'm told by Arab sources, was told by a very important leader in the Middle East when Obama asked him "what should I do on this question," the answer was "you should wait, you should wait."

And the presumption is always that the level

of engagement is what matters. Whether or not you get the result you have to be caught trying to do something and the criticism has been, well if only Bush would've tried harder, earlier and been more personally engaged maybe the outcome would have been different. That seems to be the flow of that argument. And yet, there's I think a lot of people who can say there's a dent in the wall from so many policy people and diplomats banging their head against the wall of this problem and they keep banging their head against the same dent in the wall.

So if Barack Obama, if the President-elect called you and said "Mr. Ambassador, I need a different way of approaching this, we've got to be engaged, but we've got to get creative. Let's think like a company trying to re-engineer their business model, which a few companies have to do in this country." What would we do creatively to re-engage this problem?

MR. INDYK: Well, first of all the question of whether it's better to try and fail or not try at

all, we essentially had two test cases there: the Clinton case, where failure resulted in a major explosion with a tremendous loss of life; and the Bush case, where an unwillingness to try to lead, in my view, to a continuation of that violence. And neither prescription could be said to have worked very well and therefore the logic is to try to find a middle way. You know, and so what creativity consists of is not giving up, walking away from it and not engaging in a way that is bound to fail but to find new ways of progressing.

And there, in terms of your question about creativity, I think that there are several things that the new president can take advantage of. One is, I don't know it's a pretty obscure source that you are referring to here that said to "wait." I don't know when Richard and I and a lot of the other authors spent a lot of time talking to leaders in the Arab world for this project. We didn't hear anybody say that. But what we did hear from Arab leaders was a kind of exasperation and a real desire to try to get

this done.

They have in a sense looked into the abyss and they're not liking what they see. It's dangerous. It's threatening to their own regimes; it's getting to the point where they're taking the need to resolve this conflict seriously because, not because of the Palestinians, but because of the Iranians. Because they see how the Iranians are able, Persian Shias are able to take advantage of this conflict to spread their influence and even make a claim to dominance in the Arab heartland. They are interfering now in the most sensitive areas of the Arab world, Palestine, Lebanon.

And so there is an interest on the part of the Arab states as manifested in the Arab League Peace Initiative, which offers peace - as David Miliband the foreign secretary of the U.K. said the other day, it's not a two-state solution, it's a 23-state solution. It offers peace with all of the Arab states and normalization of relations for Israel. And they are willing to engage and we need to find a way to engage

them more seriously. And it needs to be a much more effective partnership than its been in the past where the Arabs basically said you go and fix this problem and we said okay or we said no way. But they need to be full partners in this process.

And the second thing, it may not sound creative, it may sound like a Clinton retread, but I think it's very important as I laid out to add that fifth layer to a construct that makes sense, which is an Israeli-Syrian negotiation, as that gets underway, an Israeli-Lebanese negotiation. In the context of a broad vision that Obama, I think, is in a unique position to lay out of a more peaceful and more hopeful region in which he garners the involvement of the Arab states, Israel, and the Palestinians trying to work against what they see as a real common threat.

And the third element of this is to try to engage the Iranians, because if you're moving on the Arab-Israeli front you can begin to create the sense in Tehran that they are going to be left behind. In the 1990s when that happened, when we were moving on

both the Palestinian and Syrian front the Iranians responded by sponsoring terrorist attacks and they helped to bring down the Rabin-Peres government as a result of that. This time it's really important that we make it clear to the Iranians that there is a way that they too can be a part of a new order and help to make that new order.

In that context we're not trying to isolate them, we're willing to engage with them to bring them along as part of that process.

MR. GREGORY: I want to pick up on the question of Iran before I take your questions. Gary on the issue of proliferation, as this new administration takes shape, as the new national security team takes shape, what leverage does the United States now have with Iran to begin the discussion that both Richard and Martin referred to which is time to dismantle on the road you are headed?

MR. SAMORE: Well, I think the Bush Administration has created a framework that President Obama can build on. Over the last three years the

Bush Administration has put in place on paper a strong international coalition, which supports the offer to Iran of providing assistance to their nuclear energy program provided that they agree to a long-term moratorium on their efforts to develop an enrichment capacity which would give them a nuclear weapons option.

And, you know, I think the value of that approach is that it meets Iran's need for nuclear energy and at the same time it has strong international support from the five permanent members of the Security Council along with Germany.

The question is whether President Obama can take that approach, which so far hasn't worked, and pump it up. Give it some extra juice. And I think there are three reasons why President Obama might have a better chance at pursuing this diplomatic strategy. First, as Richard mentioned, is the collapse on the price of oil. Up to now, U.S. efforts to pressure Iran through international sanctions really hasn't been effective in part because Iran has been cushioned

by the high price of oil.

Now that oil prices have collapsed, Iran is much more vulnerable to international pressure and also the economic mismanagement of President Ahmadinejad is much more exposed and therefore that may give us some stronger bargaining leverage.

Secondly, as others have mentioned I think President Obama will be in a stronger position to appeal to the Iranian people. Now it may very well be true that the Supreme Leader and President Ahmadinejad don't want better relations with the United States. They may very well judge that their position in the region is enhanced by having a hostile relationship with the U.S., but there are elements in Iran that would welcome better bilateral relations with the U.S. And to the extent that the U.S. can enhance the current offer on the table, by offering to lift bilateral economic sanctions and establish normal political relations that may put some pressure internally on the Iranian leadership that would make the current package that the Bush Administration has

endorsed more attractive.

And finally, and I think an essential element to all of this has to be a stronger threat of sanctions if Iran rejects a more generous U.S. offer to improve bilateral relations. And even though the Bush Administration has put together an international coalition, the weakness in it has really been Russian and Chinese refusal to support stronger sanctions through the U.N. Security Council.

And one of the challenges for Obama and his team will be whether he can get the Russians and the Chinese on board with supporting stronger measures to the Security Council if Iran rejects this better U.S. offer that would, you know, presumably be launched through a direct bilateral negotiation with Iran without condition.

MR. GREGORY: Is there anything you see that suggests he's got a pathway to doing that with China and Russia?

MR. SAMORE: I mean, I think it's going to be tough but where he has an advantage is that the

Bush Administration put together this diplomatic strategy at the very end and as time went on it was relatively easy for Moscow and Beijing to treat the Bush Administration as a lame duck. Now Moscow and the Chinese have to figure they're going to deal with President Obama for at least four years and maybe eight. That gives him, I think, better bargaining leverage in saying to the Russians and Chinese that if you want to get along with me during the period of my presidency and if you want me to work with you on issues that are important to me, this is something that I need from you.

So I think it does give him the better position. Whether it works or not, I don't know because I think at the end of the day the Russians and Chinese really don't share our view about Iran's nuclear program. It's not going to be a question of convincing them intellectually that we have to work together to stop Iran from developing a capacity, it has to be part of the overall relationship between the U.S., Russia, and China and make the Russians and

Chinese believe that things that they want from us will be contingent upon their cooperation on Iran.

MR. GREGORY: Well, let's open up the conversation. We'll take some of your questions. We have our scholars in the front row who have worked on their policy positions as well.

In the back, sir. And we have mics that will come to you.

AUDIENCE MEMBER: David Smith from the United Nations Office here in Washington. I noticed in your policy papers that references to the Quartet are minimal. There's a couple, it's very much in passing. And I suppose a question for Martin, but also I would love to hear what Richard thinks about this.

Going forward if you want to see re-engagement from the new administration, I wonder whether you think the Quartet process is the forum, is the arena. And I'm particularly thinking of the way that obviously Russia's more assertive approach on the world stage surely changes the chemistry of that

grouping.

Is this the way to move forward in your view?

MR. INDYK: You know I was present at the creation of the Quartet. It was created by mistake, not by intention. It happened at lunch over vodkas over at the Russian Ambassador's place in Israel and it was a product of the fact that the Bush Administration at its outset, I was still Ambassador in Israel at the time, was not interested at all in getting involved and the Russian Ambassador said well, maybe we should have a try and I said great and a representative of the E.U. was there and U.N. representative, Ambassador Larsen, and they said great and they went off and created the concept of the Quartet and basically it developed legs essentially because the United States was not involved, was not interested in getting involved and so it was happy to subcontract it as the Bush Administration did on many aspects of diplomacy.

And low and behold the Quartet was born.

Now I think it would be a huge mistake to abandon it and go back to, you know, an assertive American diplomatic engagement as the lone cowboy. Partly because as Richard said, you know, our influence is less today. Our dependence on others is greater, partly because I think the Obama Administration's whole approach is going to be far more multilateral and partly because of the Russians. Because the big danger with the Russians now is that they will see in the Middle East an opportunity to compete with us; to go back to a kind of adversarial relationship.

It would be hugely counterproductive for all of what we're trying to achieve, particularly when it comes to Iran. And this is a way of making it clear to them too, that there is a constructive role that we want them to play in the region via the Quartet and its involvement in trying to resolve the Palestinian problem. And God knows it's hard enough that we're going to need that help.

But on the Syrian track there's a different proposition. Which is you hear the Turks have played

an important mediating role and it would be, I think, a huge mistake to simply kind of elbow them out, which the Syrians and the Israelis might like to do because they prefer to have us because of the bennies, because of the benefits that we can bring. But the Turks have done a very credible job and Turkish involvement in the region is to our advantage as well. Because they now have credibility with the Arab side as Muslim state with an Islamist government and they can through their diplomacy play an important role vis-à-vis the Palestinians, the Syrians, and also the Iranians.

MR. GREGORY: Do you want to comment on that Richard?

MR. HAASS: Yes, briefly. The Quartet, I agree with Martin, should be kept in place. It should almost become a de facto Quintet if I have my music right. Because the Arabs have to be part of it as Martin pointed out in his statement. It can't be, if you will, a narrow context with just Israelis and Palestinians, Israelis, and Syrians. There has to be a sense of greater normalization out there.

And then in addition to whatever the mechanism is, I also think publicly the United States needs to do more. And to put it bluntly, I think it's essential that we give the moderates on the Palestinian side an argument to use against those who want to use force. And sooner rather than later it may well become necessary for the Obama Administration to begin to articulate what it sees as some of the parameters of a final status agreement and to lay those out.

If the two sides can do it by themselves, that's fine. But if it becomes quickly apparent that they cannot I would suggest that, I'm not talking about imposing peace, but I am talking about articulating it to essentially again help create a context in which the debate on the Palestinian side, it increases the chance that those who are arguing for peace and for non-violence that they will ultimately gain the upper hand. And I would think the only way that will happen - one key ingredient of that will be that the United States and others possibly with the

Quartet with the Arabs as well, will layout a fairly detailed vision of a final settlement, the normalization that would be attractive to all of the protagonists.

MR. GREGORY: Another question. Sir.  
Microphone.

AUDIENCE MEMBER: I'm Ori Nir with Americans for Peace Now.

Martin you mentioned the Arab Peace Initiative and I wanted to try to see if I can push both you and Mr. Haass on this issue and ask you how, if you have some ideas of how the Arab Peace Initiative could be turned from something that resembles what's at the end of a horse race, which is vague promise for an oat bag into something more dynamic that maybe resembles what propels a dog race, which is the moving rabbit.

The reason why that is so important I think, is that the - to use another metaphor, the size of the carrot for Israelis, the Israeli public opinion now has to be somehow - what's the word I'm looking

for?...moved to want peace more than it does now, both on the Syrian front and the Palestinian front. And that's something that could play a great role in that sense.

MR. INDYK: The Arab Peace Initiative as it was originally designed was a declaration of intent. It did not have, it does not have a mechanism for engagement. And I think as time has gone on the Arab states have come to understand that if they really have an interest in peace-making they're going to have to get more involved. And what is interesting is in the various discussions we've had with Arab leaders in the process of writing this report, they seem to be more serious about taking actions that would manifest their peaceful intent to Israel in precisely the way that you suggest.

What really bothers them is Israeli settlement activity. It exposes them to their own, to criticism from their own people that they're involved in a sham exercise. And so the thought here, and I think can become workable is that in return for a

settlement freeze there are a whole range of things that the Arab states could do in tangible terms to demonstrate a willingness to engage with Israelis. Things like direct flights and communication, visits of Israelis, not officials necessarily, but Israelis themselves to the Gulf countries.

These kinds of things I think can be helpful and they have some advantage in the sense that if the settlement activity starts up again, they can always be cut off so there's a kind of trade off here. But it's those kinds of things that they are now talking about, I didn't invent this, and it will take President Obama on the one hand who transmits a seriousness about America's involvement, but on the other hand makes clear to them that he can't do this alone and they are going to have to do things differently if they really want this to work.

MR. GREGORY: Martin, I would like to interject a question here and I would like to call on Shibley Telhami, one of the scholars in the first row. Shibley, if you'll stand up and perhaps take the mic

and then you can address the group after I ask the question.

What can a new administration do to tackle the Hamas question and specifically as you outline in your paper to incentivize Hamas in a way that it no longer feels that its primary mission is as spoiler?

MR. TELHAMI: Well, that obviously is a centric question, but I want to say just to put that in context.

MR. GREGORY: Why don't you address the group, Shibley. Thanks.

MR. TELHAMI: Steve and I, in preparing this report, we have made three assumptions. One assumption is you've heard about how crowded the American agenda in the Middle East is: the Iraq War, Iran, and the terrorism issue, and the Arab-Israel issue.

We do not believe that you can look at these as separate issues. We need to have a different framework. We call it a framework for security and peace in the Middle East. That you have to put on the

agenda something that connects, that talks about what is the new American vision? We're all evaluating this, the Arab-Israel issue, the Iran issue, terrorism issue. We're evaluating in the context of the existing framework that the Bush Administration has that we all think has failed or most people think has failed and certainly the region is making that evaluation.

So there has to be a new framework, a new vision that connects these issues because you don't want to work on the Arab-Israel issue and then in some way shoot yourself in the foot on the Iran issue or the Iraq issue. They are connected. So you have first and foremost you have to put forth, a president has to put forth a broad vision, a framework that connects these issues.

And that should be even before announcing any particular policy, whether it's on the Arab-Israel issue, on the Iran issue. It has to be a compelling framework that connects the issues. And it has to be broad.

It doesn't mean that it has to be idealistic. It can be practical in the same way that Madrid was for example, where you have multiple tracks, not all moving at the same time but at a minimum you are creating more incentives for people to get involved, to have more cooperation than spoilers in the scheme that you have. So that's number one.

We strongly believe that is an essential component prior to engaging in a direct way with the Arab-Israel issue.

Second, we made the assumption that you cannot imagine moving forward on the Arab-Israel issue so long as the Palestinians remain divided and so long as you have continuing violence. A precondition for a successful peace process would be to find a way to minimize the chance that Hamas is going to be a spoiler.

They can be a spoiler, that's a reality. I think that we have tried the issue of defeating them militarily. It didn't work. And so I think there has to be some proposition on the table to bring them. I

think our own recommendation is that we should encourage the Arab states, particularly Egypt and Saudi Arabia to mediate between Hamas and Fatah to create a joint mechanism that would allow the Palestinian authority and the president to negotiate with the Israelis and to give space to them. And that has to be done through also negotiating a ceasefire arrangement that is long term.

You need to have both of these conditions to be successful. It doesn't mean that the U.S. needs to recognize Hamas or deal with it in some overt fashion. That's something that one could work with. But at a minimum there has to be a policy decision that you have to bring about some kind of reconciliation that would allow the Palestinian authority to negotiate credibly and would minimize the chance that Hamas is going to be a spoiler.

That's what we recommend.

MR. GREGORY: All right. Shibley, thank you very much. We've got about 15 minutes left in the program so I will encourage brevity on both sides here

so we can get a few more questions.

In the back, Sir. All of the way in the back against the wall.

AUDIENCE MEMBER: Thanks. Hi. Joe Cirincione with the Ploughshares Fund.

The question of whether we're going to talk to Iran has been decided; the entire new national security team agrees that we should. Now it's a question of how and Gary, in your excellent chapter, you go into some of the recommendations for how we can engage and what the outcome should be in the nuclear issue.

I was wondering if you could sequence that for me now with the other issues. Do we start with bilaterals? Do we start with the nuclear issue? Or do we look more multilaterally and engage first on some areas of convergence like Iraq and Afghanistan?

MR. GREGORY: Why don't I ask Suzanne Maloney to speak to that question? Do you want to stand up and address the crowd?

MS. MALONEY: We're lucky in the sense that

the book actually has two chapters that deal quite a bit with Iran; both the non-proliferation chapter by Bruce Riedel and Gary Samore as well as the chapter that Ray Takeyh and I wrote that focuses specifically on how to engage Iran and how a new administration might be successful in this where every administration over the past 30 years has not in fact succeeded.

And what we call for in our chapter which looks beyond the proliferation issue, beyond the nuclear issue, is really a sort of compartmentalized process of negotiations, a framework for negotiations that would incorporate at least four separate tracks. One which would be a sort of overarching comprehensive track for examining the overall U.S.-Iranian relationship and one that would sort of layout a horizon for what a future rapprochement might look like without actually making specific commitments on that basis until we see reciprocal Iranian concessions.

The second track would deal with the proliferation issue. It would incorporate the P-5

plus 1 process, but really focus on the bilateral relationship and the bilateral engagement between the U.S. and Iran. The third track would focus on Iran and Iraq and the immediate Persian Gulf neighborhood, trying to build confidence measures between the U.S., Iran, and some of its immediate neighbors, and trying to find areas for compromise and cooperation in both Iraq, Afghanistan, and of course, within the Persian Gulf itself.

And finally, the fourth track would address the larger neighborhood and particularly the Arab-Israeli issue.

Let me just speak to why I think there is a prospect for this kind of a framework to succeed today where every prior attempt to engage the Iranians has not in fact succeeded. And that is you have this kind of wholesale political evolution within Iran over the past 30 years that has really come to bear even at a time of political regression in Iran's internal domestic politics. And that is that you have today for the first time in post-revolutionary history in

Iran a situation in which the entire political elite has in fact endorsed the idea of negotiations with Washington.

There are, of course, always critics and there are conditions that the Iranians tend to throw out there in their rhetoric, but you have this unprecedented situation in which the Supreme Leader himself has publicly come out in favor of talks with Washington. And that is a situation that never existed even at times in the past, particularly during the Clinton Administration when the internal situation in Iran looked far more promising.

So we think, in fact, this creates the prospect for some sort of success and at least begins a diplomatic framework with Iran that never existed before. Thanks.

MR. GREGORY: I'd like to, as we talk Iran, I want to shift the focus, as was suggested up here to Iraq. And again as we've discussed it, striking in some ways, the focus has moved away from this critical issue even though the President-elect made it very

clear in announcing his national security team that the new mission was to end the war in Iraq, which suggests it's a top priority.

Ken Pollack will you speak to the factors involved in Obama's rhetoric on the campaign trail, withdrawal within 16 months and the new reality of a SOFA Agreement and a national security team that will grapple with actually how to make this happen.

MR. POLLACK: Thanks David. I am also struck by the fact that Iraq has become an issue that is no longer talked about despite the fact that it dominated the headlines only so recently. And I'm afraid that it's because increasingly Americans believe that well, we have solved that problem--that we've effectively won the war.

And a point that Steve Biddle and myself and Michael O'Hanlon tried to reinforce in our chapter is that this war is not won. As Richard very nicely pointed out, this could all come apart at the seams and we need to keep our eye very heavily engaged on this problem.

As you pointed out David, there are a whole variety of new factors out there when we're looking at Iraq and obviously I can only touch on some of the most important. But we need to think through the fact that we do have a president who has committed himself to drawing down our presence in Iraq and as we point out in our chapter, we think that that is both possible and correct from the perspective of America's role in Iraq and our larger strategic interest.

But we do have a whole variety of new factors evolving in Iraq and it is going to mean shifting our focus from what we have done. Both what we have done badly over the past six years and also what we have done well over the past two years. We're going to have to think about Iraqi politics and the development of Iraqi society in some very different ways.

Sticking with the SOFA, on the one hand we now do have a commitment from the Iraqi government that they want American troops in the country at least for three years. And you have to look closely at the

wording because it talks about forces and not personnel and that was done purposefully and there is the possibility of following agreements clearly envisioned by both Americans and Iraqis. That is a positive for the United States, having a government stand up and say, yes, we need this continuing American presence at least for the next three years although it's going to change over that course of time.

But you also have demands in the new SOFA, agreements in the new SOFA about how the American role is going to change. In particular, for example, the decision that American forces will pull out of Iraq's cities by June of the coming year. And again, that reflects an evolution in Iraq's own development and the potential for American forces to move to different roles which could be very positive.

But it could also be very negative. There are some very important trends in Iraq which could lead to the undoing of everything positive that has happened. It's clear that members of the Iraqi

leadership were reticent about the SOFA and ultimately demanded some of these conditions, not because they necessarily have Iraq's best interest at heart, but because they have their own venal interest at heart because they are seeking to aggrandize their own power.

And one of the critical elements that the United States is going to have to deal with moving forward is how we, with diminishing influence and diminishing resources in Iraq, at least over the next three years but probably longer than that, how we prevent these different actors within Iraq who are coming into their own, who are growing in stature and in power: how we prevent them from subverting these problems.

A last point I'll make on this: we need to recognize that while our influence and our resources in Iraq are diminishing, our influence is going to remain extremely potent for many years. Our influence is no longer what it once was. Our authority is no longer what it once was. But it's not zero.

We still remain probably the most powerful force in Iraq and we have to think in a more sophisticated fashion about how we use the influence of both staying and drawing down to maximize our ability to shape Iraq's political progress to move in the right direction.

Just to throw out one example. Iraq's economic situation, I think, is a great example out there. I think it's clear that the U.S. Congress in the throws of the worst economic crisis in the last 80 years is no longer going to be in the giving vein when it comes to Iraq. It's no longer the case that Iraq has massive reserves and massive surpluses. They are probably going to be in budget deficit this year, but that's not going to be important to the Congress who is looking at our own financial hemorrhaging here at home.

So I don't think it's going to be the case that the United States is going to be willing to subsidize what's going on in Iraq the way that it has in the past. That's not necessarily a disadvantage.

That could actually be a source of leverage. At this point in time because of the improvements in the security situation, Iraqis are now focusing increasingly on the inability of their own politicians to deliver on the economic sphere.

Beforehand, of the last two, three years you had Americans running all around Iraq trying to fix every aspect of Iraq's economy because we wanted to get the Iraqi people comfortable. We wanted their buy-in for the security program and we knew that getting economic goods out to the people was part of getting their support for the security program.

That support for the security program is now well established in Iraq. The Iraqi people love the security that they now have. What they want are those economic services, and they understand that it is their own politicians who are failing to deliver. Our continued, extensive, expansive involvement in their economic system is actually putting us between the demands and the aspirations of the Iraqi people and the Iraqi politicians who feel no compunction to

deliver.

Removing us from the realm, changing our involvement is Iraq's economy. Moving to a situation where we are advising, helping, and assisting the Iraqis and not providing for them could be a very important way of allowing some very positive incentives in Iraqi society to have an impact on Iraq's politics, to move them in a more progressive direction.

MR. GREGORY: Thank you Ken. I want to conclude with another priority for the new administration and that is terrorism and counterterrorism and I ask Bruce Riedel to talk about the role of Al Qaeda moving forward, but perhaps Bruce you'll begin with the take away from the Mumbai terror siege and what issues that presents.

MR. RIEDEL: I will try to be brief. The first thing that I want to say is that Brookings is in the process of putting together another forum we hope for tomorrow to talk about the Mumbai incident, to put it in some perspective.

The investigation has barely begun but I think the evidence is already pretty clear that this attack had links to the Global Jihad and that those involved in it were going after the targets of the Global Jihad. In the words of Ayman al-Zawahiri, as he said on many occasions, "the Islamic world is under threat from a Crusader-Zionist Hindu Alliance and we saw it demonstrated in Mumbai terrorists who were going after exactly those targets, Americans, Israelis, and of course, Indians."

In the book, my colleague Dan Byman and Steve Simon lay out a strategy and approach for dealing with Al Qaeda and for dealing with it in the context of Middle East problems. I will shamelessly end with a pitch for my own book, *The Search for Al Qaeda*, in which all of these things can be addressed in depth.

(Laughter)

MR. HAASS: That was shameless in a town known for it.

MR. GREGROY: We're just about out of time.

Martin and Richard, is there anything that you want to conclude with?

MR. INDYK: Well, if we have time perhaps we should ask Tammy just to say a word about the democracy and development issue and then we will have covered everything.

MR. GREGORY: Please do.

MS. COFMAN-WITTES: Well, I have a challenge which is to be briefer than Bruce.

MR. INDYK: You have a book.

(Laughter)

MS. COFMAN-WITTES: Maybe that's all I should do. You know, I think this is a topic that many are assuming will take a lower profile for the incoming administration. And I think what we try to do, my colleague Isobel Coleman at the Council and I, in our contribution to this volume is link the questions of political and economic reform in the Middle East to the broader strategic environment within which the United States needs to operate and try to secure its interests.

So we see an organic relationship between the challenges that are facing Arab governments and particularly key Arab allies of the U.S. like Egypt and Saudi Arabia and the strategic challenges facing the United States around the region. And I think Martin and Richard have referred already to think in looking at some of the sources of the appeal that Iran and the rest of this revisionist coalition have in the Arab world. Some of it related to the ongoing Arab-Israeli conflict. Some of it also relates to the governance failures in Arab states.

And so what we do in our chapter is examine the growing imbalance between demography and the youth bulge in the region on the one hand and economic stagnation on the other hand. And we look at that in the context of Egypt and Saudi Arabia to key strategic partners for the United States and the Arab world and two states that are very likely to face leadership transitions in the coming years.

So the argument that we're making is that it's really not a choice for the United States to try

and uphold some mythic status quo, that the region is already undergoing significant transition at the social and economic level. The United States, as Richard says, has an unparalleled capacity to shape this future as it will condition very much the broader strategic environment for the achievement of American goals.

Thank you.

MR. GREGORY: All right. That will conclude out program. Thanks very much for being here.

(Applause)

\* \* \* \* \*

## CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public # 351998  
in and for the  
Commonwealth of Virginia  
My Commission Expires:  
November 30, 2008

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