THE SABAN CENTER FOR MIDDLE EAST POLICY

AT THE BROOKINGS INSTITUTION

IRANIAN ELECTION

Tuesday, June 28, 2005

[TRANSCRIPT PRODUCED FROM A TAPE RECORDING]

MILLER REPORTING CO., INC.
735 8th STREET, S.E.
WASHINGTON, D.C. 20003-2802
(202) 546-6666

P R O C E E D I N G S

MODERATOR: Well, good afternoon and welcome to the Saban Center for Middle East Policy at the Brookings Institution.

I think the only way to start this meeting is simply by saying Ahmadinejad, Ahmadinejad, Mahmoud Ahmadinejad.

Who would ever have predicted that? I look around the room, I see some of our most eminent scholars of Iran in the United States, some of the most eminent Iranian scholars of Iran. I don't think any of us had even the slightest inkling that we would be sitting down on June 28th and talking about what the presidency of Mahmoud Ahmadinejad would mean for Iran and for U.S.-Iranian relations.

Typically, whenever I have a problem trying to figure out what is going on in Iran, there are two people I look to to try to help me understand what's going on. And I thought the smartest thing to do was to allow some other people to hear what those same two had to say. And so, we have invited two of the foremost experts on Iran in the world here to the Saban Center to help all of us try to wrestle with what the election of Mahmoud Ahmadinejad will mean for Iran and potentially for Iran's relations with the rest of the world, and obviously particularly the United States.

These two are well-known to you, so I am not going to spend a great deal of time on introductions. Shaul Bakhash, on my left, I think you all know as a distinguished professor at George Mason University and a nonresident fellow of the Saban Center at the Brookings Institution. And on my right, Hadi Semati, who is on leave from Tehran University and is currently at the Woodrow Wilson International Center for Scholars. We are delighted to have them both here and we are looking forward to a very lively conversation.

With that, I will turn things over. Shaul, Hadi, who's going to start things off?

MR. SEMATI: In Iran we have a tradition that the older guy will start first.

[Laughter.]

MODERATOR: Shaul, the floor is yours.

MR. BAKHASH: Having talked to Hadi and finding we agree on a lot of this analysis, I have an advantage in going first.

It seems to me that the most striking characteristic of Ahmadinejad and the campaign he ran is that he ran as a populist, as an outsider against the ruling establishment, even though he himself is very much a part of the ruling regime. It's a bit not unlike long-time officeholders here in this city running against Washington.

But this outside posture, I think, was not entirely manipulative. Ahmadinejad and those closest to him palpably have felt

marginalized and disturbed by the political and social trends, the cultural trends that have dominated Iran over the past decade by, say, an emphasis on reform of a Western nature, a youth culture that embraces Western cultural symbols, state policies aimed at integrating Iran with the world economy, a government senior technocracy advantaged by education in the West or it is comfortable in that milieu.

These are obviously all rather vague notions, but I think they reflect the general unease that he feels about the direction of the country. I mean, we should not forget that the conservatives who secured majorities in the municipal elections a couple of years ago and in the parliamentary elections last year saw themselves very much as men and women who would be marginalized by the reformist tide of the mid-1990s and some of whom were even resentful of their own conservative colleagues who, they believed, abandoned principle and compromised with the reformists. In the present parliament, for example, many of these conservatives proudly claim the title of "usulgarayan" or "fundamentalists," which in Persian can also mean "people of principle."

I think Ahmadinejad resonated with voters by running against what he and his supporters describe as the "mafia of power and wealth," and on a populist platform that emphasized opportunity for the little man--jobs, more equitable distribution of wealth, the need to break up the narrow elites that Ahmadinejad claims have dominated the government, the economy, and social and cultural life. This elite, he has said again and again, controls the banks and bank loans, manipulates the stock exchange, artificially inflates real estate prices, benefits unfairly from government economic policy, and monopolizes senior government positions. He has been dismissive of five-year development plans that he alleges benefit the same narrow elites.

What benefit, he has asked, has the small man and the small farmer derived from over a decade of large-scale economic planning and development?

Now, it is not clear at all that he has any considered ideas for creating jobs and sharing wealth, nor has he been specific even on small measures he might take. But I think his critique of the state of things as they are point to some policy initiatives. For example, lower interest rates on bank loans, bank loans to small start-up companies. He has said, for example, that while the rich can get large bank loans, a few engineers who want to start their own company cannot get loans to do so.

A higher minimum wage, maybe higher salaries for teachers and civil servants.

Greater opportunity for the little man to participate in the stock market. Assistance to the poor. Grants or cheap loans to help young couples get married and start up a home.

Fiercely nationalistic, he has said Iranian resources should be developed by Iranians, not foreigners. Foreign investment, obviously, is not a priority with him.

And then, of course, the theme of corruption that he emphasized during his campaign, I think a theme that resounded very powerfully with many Iranians, especially in comparison to his rival, Rafsanjani, who is a highly wealthy many and seen by many, and rightly so, as corrupt.

It is interesting that I just saw this morning an e-mail from an Iranian associate whose 16-year-old niece and all her classmates, he said, boycotted the first round of the elections and then voted for Ahmadinejad in the second round because they were impressed by his anti-corruption campaign, by the fact that he lives very simply, that his home is very simple, and that he cares, you know, about the little man.

Now, during the campaign and since his election, Ahmadinejad has scoffed at allegations that he intends to clamp down on women and the young or to restrict social and political freedoms. But I think the new president does not attach a great deal of importance to political freedoms; that is, to freedom of the press or political liberties. In an interview he gave to the National News Service--with a very hostile questioner, actually--he of course, you know, responded to questions about freedom saying he was for freedom. But it was interesting to see how again and again, when he spoke of expanded freedoms, he seemed to have in mind expanded economic opportunity--making civil servants answerable to the public, empowering the common man, allowing people like himself to join the senior ruling elites.

Government sponsored cultural centers, he has said, should make room for ordinary people, not just cultural elites.

Iranians, he said, are free to behave as they wish but should not engage in excesses or cross the moral red lines in public.

All this seems to point to, I would say, a cautiously more restrictive social and cultural policy. Now, Ahmadinejad supporters in the paramilitary Basij forces, the morals police, maybe in the revolutionary guards may feel emboldened by his victory to try to impose "moral values" through harsher methods, but given the experience we have seen in Iran in the last few years, I think a harsh clamp-down is not easy or feasible or any longer favored by the regime as a whole.

Now, as to foreign policy, during the campaign, again, Ahmadinejad, as you know, described the Iranian government as weak in negotiating over its nuclear program with the EU. He has insisted that Iran should retain a full fuel-cycle capacity. And he has said also that negotiations with America do not rank high on his priorities.

However, all this may imply less for foreign policy under the Ahmadinejad presidency than is generally supposed. Foreign policy on major issues remains the prerogative of the leader. And the new president's inexperience make him even more dependent on Khamenei's guidance. Khamenei, of course, has to accommodate some of his views in foreign policy, and we'll see how far that goes. But I don't think that Iran's position in the nuclear negotiations with the Europeans is going to change dramatically. It's a position that has been carefully developed over a long period and one, I think, the senior members of the foreign policy community agree on.

There is certainly no indication as yet that Ahmadinejad has any intention to change Iran's policy in Iraq or in Lebanon, or its relations with major trading partners. True, he has said he wants to look more to the East, that is, to expand Iran's trade with China, Japan, and countries like that, rather than Europe. But Iran is already doing that.

However, again to emphasize, some change in tone and attitude is likely. It is obvious that while Rafsanjani, had he been elected, would have made a concerted effort to reach an understanding with the U.S., Ahmadinejad will not. To make good on his campaign statements, he will have to appear firm in negotiations with Europe on Iran's nuclear program.

Again, I would say it's clear that Iran's senior officials would not have spoken repeatedly of a readiness for a dialogue with the U.S. over the past two years without a green light from the leader, Khamenei. But Khamenei remains deeply skeptical about the possibility or even the benefits to Iran of negotiations with the U.S. The orientation of the new president could strengthen Khamenei's skepticism, to say nothing of the fact that the election of Ahmadinejad will perhaps strengthen those in the Bush administration who have always doubted that a more moderate Iran is in the offing.

I think a key indicator of the direction of foreign policy would be in appointments to key foreign policy posts. Men like the foreign minister, Kharazi, the ambassador to the U.N. in New York, Rouhani, the secretary of the National Security Council, have been on the whole voices of relative moderation on foreign policy. If they stay, the prospect then is for continuity, and that's the more likely prospect. If they are replaced by men who think like Ahmadinejad, this will mean that Khamenei also has decided on a different course.

No one seems to have a clear idea regarding the shape of the new president's cabinet. But given what he has said about domination of the government and senior government posts by a narrow elite, it is possible and probably likely that we will see extensive change at the sub-ministerial level. And these extensive changes, if they occur in the

technocracy--which by now has learned to run the banking system and the plan organization and the budget, electricity and the like--could mean much weaker, less experienced people in these posts.

Thanks.

MODERATOR: Thank you, Shaul. And of course I, at least, have been consistent in one respect, which is that I failed to point out at the beginning of this meeting two things. One, all of Shaul and Hadi's remarks are on the record. And second, if you have questions, please just indicate to me. I'll keep a running list and we will go through them when we get to the question-and-answer section.

So Hadi, the floor is yours.

MR. SEMATI: Thank you. It is a pleasure to be back at the Saban Center. I think Iran keeps [inaudible] all of us, and those that have lived with that quality for a long time. When I talked to my father just before the election, when he said he's going to vote for Ahmadinejad, I said, God, something is wrong. So I had to spend $50 and just called everybody that--they were not my relatives--that would not vote.

So that was an indication, really, of certain concerns that some have developed. And a bunch of friends of mine in the academic community also were always cautioning that, you know, don't always take seriously what we all talk about with each other. You have to take a little trip outside Tehran and sometimes to the provinces, and yet you guys tend to be intellectualizing everything. So I never really took those seriously.

And there are some people who still don't want to--who don't understand or don't want to understand these changes in Iran, the realities of Iranian policy. Even today, I was looking at the Washington Post. I mean, there's just a refusal, in a way, to come to terms with reality in Iran. Whether it's good or bad is a different issue.

So I think we need--[inaudible] last year in this, I think it was less than a year, argued about the need for reexamination of our presuppositions, assumptions about Iran. I think we have to seriously start looking at those issues.

I would have a couple of cautious notes, that we should not rush to over-generalize and over-analyze the results. We've got to wait. We have to stay away from analogies. I mean, I kept hearing in the preceding weeks to the election, you know, about the Latin American experience, [inaudible] Soviet states, about the Ukrainian velvet revolution. But please, be careful that those analogies, I don't--I'm not sure they are working and would work in the case of Iran. So I would strongly suggest that we have to remain cautious about using analogies as fitting the Iranian political landscape.

And of course, when Ken called me and said "long-term," I said why? Long-term in Iran means three months at the most. This is a

famous joke among people who work in Iran who are involved in politics. They say three months is the most long-term that you can predict.

But despite all of that, let me just first give you a few facts. Despite the win by Ahmadinejad, I think conservatives--I think I'm more convinced on my own statistics based on these elections--still have no more than 35 percent of the population. Last time I argued, and I have been arguing with consistency over the last few years, that the Iranian government and Islamic Republic has a core 15 percent support, really committed supporters, with a 20-25 percent essentially on the margin that still support the entirety of the Islamic Republic. However, they may not like certain policies. So that have been always my numbers. And I think these numbers will remain unchangeable. This is sort of a [inaudible] of Iran that will never change for the foreseeable future.

So that 35 percent is pretty much the same vote that Ahmadinejad got in this election. 15 percent, the core, committed, idealistic, puritan solid support of the Islamic Republic, plus that 20-25 percent that always are in the margin are not yet ready to refute the entirety of this revolution in general. And they may nag every day that you talk to them. They may do everything. But in the final analysis, in the last instance they come and lend their support.

So that's one number. So 35 percent solid, I think--not more than 35 percent are conservative. Reformers still have a majority of [inaudible] support. I will sort of qualify that in a minute. And I think we could safely say that 45 to 50 percent of the votes still support the reform. Basically 45 to 50 percent still mainly support change of the status quo, with another 10-15 percent of the sort of boycotters still will, I think, will be part of--could be added to this vote and this number for change.

So you have to careful that this does not necessarily mean a landslide change in public opinion in terms of reform or not reform. It has a whole stretch of other implications and meanings.

President-elect Ahmadinejad is genuinely a true believer--humble, pious, and definitely not corrupt. And those who know him and testify that this guy is really a serious believer, is a serious guy that has been outside the sort of mainstream, you know, in politics, but nonetheless quite effective in running Tehran's municipality in some ways.

So we do not know quite a lot about him. But to the extent that we know, I think his background--there have been all sorts of suggestions that he has been involved in executions, you know, he is involved in actually pulling the trigger and all of that. I think they are mostly nonsense. Most of his records show that he has been in the logistical command centers of the Revolutionary Guard involved in war --

all of his expertise, background are actually technical rather than political. Even when he was the governor of -- one of the provinces, which for three times he became the Best Governor of Iran in Rafsanjani's time. So we have that sort of background, rather than all these things that he came from the security apparatus and all of that. But nonetheless, he's coming from a very deeply committed and genuinely supportive of the Islamic Republic.

And of course I did not get into why he won, but just, in essence, I essentially second what Shaul said, that he mobilized the urban pool, rural masses, plus religiously conservative, ordinary folks. And that is a strong base. If you add all these three, the rural base, the urban pool, and the religiously faithful conservatives, this is a huge number.

Secondly, organizational capacity to mobilize his core support. This election, I think, convinced me even more that traditional mobilization, organization is still very effective. That is, using mosques, neighborhood mosques, the religious quarters, religious formations, religious affiliation associations are really still effective in mobilizing this core support.

Of course, the failure of the reform movement to sort of connect with the constituency or broaden its constituency, the reform movement has pretty much stayed connected with its really solid core, which is intellectual class, educated class, in a way never been able to broaden that support to other social forces and groups. So that's certainly a failure on the reform movement part.

So however, we should not also underestimate the first round using Basij paramilitary forces, revolutionary guards, to mobilize that core constituency proved to be very significant, proved to be very important in rallying support for him.

Okay, given that--and I don't know, I have not seen any convincing evidence of large-scale ballot frauds and actual physical rigging and ballot stuffing of any nature. And even if there was, it was not significantly going to change the direction of the election or the results. And reformers out doing everything, walking up and down the walls and everywhere, every message whines certain things to really make this sort of an illegitimate exercise. But they haven't been able to find anything.

Anyhow, is this a structural change in Iranian society and politics? I would try to basically answer this in two ways. I would say the fundamentals haven't changed. What do I mean by fundamentals haven't changed?

Iran experience is essentially three basic cleavages across the board in Iranian society. There is a cleavage between the state and society, the sort of gap that has traditionally sort of been with the Iranian

politics and it has been--the reformists have been able to fill up that gap--the revolution in 1979 sort of filled that gap. And essentially, I would say this state-society gap has not been eclipsed in one way or the other. Of course, there are certain issues that are more prone to be sort of filled by certain policy, but in general the Islamic Republic still has a fairly significant degree of legitimacy crises.

The second issue that I think fundamentally has not changed, and this election actually verified that, is elite-vs.-masses cleavage that has existed. We tend to talk to each other all the time, and the masses are sort of on the other side of the street, if you will. Priorities are different, and those priorities for the mass, for the elites, essentially democracy is--and human rights and issues of political liberties are important, but the vast majority of the masses, really, bread and butter and instability--bread and butter/instability.

What I mean by "instability" means not necessarily that Iran is unstable. It's a very consuming society. If you live in Iran, you have to, day and night, from 7 in the morning to 11 at night, deal with politics. And this is really frustrating and exhausting. And I think the Iranian society are exhausted. And the vote to some degree, in my judgment, reflects that exhaustion. A [inaudible] society that everything that you do is political tends to really overburden the public at a certain point.

So equivalent of the bickering between the parties in Washington that you see, that sometimes sort of spills over to the public, it is exactly the same in Iran, I would say. That the masses are sort of tired of this and they want sort of a more stable, in a way secure, less partisan, in my judgment, political mobilization.

And, you know, elites have certain means of social networking that--and then the masses have different sorts of social networking, that they fall into those traditional modes of mobilization [inaudible].

So this cleavage is still there, in my judgment. It has been essentially exacerbated over the last few years because the more the reformists in this particular campaign radicalized their agenda and their campaign, the less votes they got in certain parts. And I think this is something that we have to really think about. And some reformists are now indicating that they may have gone too far and they may have alienated certain segments of society.

And generational gap, generational cleavage. This is another issue that I think we have to make this a little more sophisticated in our analysis. Up to this point, everyone talks about the youth vote--the youths, the young Iranian generation, all of that. The ones forward-looking. I mean, certainly some of the young guys -- have voted for Mahmoud Ahmadinejad, who got 17 million votes in the second round.

And in a way, this generational gap, I think, is more complicated than originally we have thought of.

What do I mean? I think the generational gap is not only across the public, but across the elites. The elites at the conservative level, at the reformist level, are also sort of, in my judgment, are sort of broken apart. So you have the new generation of conservatives who are coming to power. And Mahmoud Ahmadinejad represents that new generation of conservatives. Versus the older guys. So generational cleavages are not necessarily just at the popular level. It sort of extends across the board to elites as well.

I have really thought about this a lot, and this is when the conservatives, led by Ahmadinejad, won the municipality election, it was the beginning of this process, this transformation. I think he essentially kicked off a new sort of movement that encompassed a very different generation of conservatives and technocrats that were not there and had certainly different views from their elders and elder statesmen.

So that generational gap is still there, but a little more complicated, which I will be happy to talk about it in the question-and-answer.

So these are the fundamentals that I think have not changed and will not change necessarily quite soon, And the consequences, I will talk about how the consequences will affect any of these cleavages. What will change, and how much should we expect?

I agree with Shaul that the more serious changes will be definitely domestic, rather than foreign policy. Economic policies would be affected more seriously and severely than others, certainly because he has argued specifically on the more statist approach to the economy, a more distributive justice approach. And I think he has quite a lot to carry for that, even the Iranian capital and Iranian revenue for oil in the next year, which would be a record number of $40 billion. So you have quite a lot to spend on social expenditure.

He's also, of course, constrained in this area by the five-year economic development plan. I think it is already passed by the parliament. He cannot fundamentally change that. So changes have to be basically on the executive branch purviews rather than on legislative, the economic development plans that are already there. But nonetheless, the executive power has a lot that he can do in changing those specific policies.

I think the most significant domestic changes are in the reproduction or production of a technocratic class and managers. They're conservative in outlook, more ideological in outlook, but necessarily understand better than their elders statements in the early '80s of the sort of requirements of running a modern state. So we should not, essentially,

underestimate that, this new class, this new generation. I think this may prove to be a more penetrating effect on what we should watch for that, in terms of who he appoints, who he uses as advisors.

On cultural/social space, he actually--his main cultural adviser when he was mayor had an interview recently, last week, with one of the satellite TV's outside Iran. Which is interesting in and of itself. And in that he made--I mean, his message in that interview was very, very significant, in my judgment, that he actually went very, very forward than the reformists have gone in arguing that we're going to open--we're going to even ask the musicians in Los Angeles to come in, and all of that. So this is a very, very bizarre way of having a conservative at the top. He may not be exactly able to deliver that, but I think it represents not necessarily a sharp departure from the social/cultural freedom that [inaudible] delivered over the last seven, eight years.

So on cultural/social space, I would expect no dramatic transformation, but on the margin--at least in the short term. But I would see the potential of conservative sort of interfering a little more in this cultural space, in this social space. Not dramatically.

To sum up this particular part, I would argue that the regime, Ahmadinejad in particular, may be able to fill the first gap by economic goodies. The state-society gap could be sort of narrowed, at least on economic grounds. That will save and give a lot of time. I think he has a very good chance, in my judgment, of actually doing certain things to feed that poor urban class, the rural masses. And in that, he may be able to, at least short-term, mid-term, fill that gap.

All these essentially long-term structural solutions, not at all. I will come back to that in a minute in my concluding remarks.

So, the state-society--he may respond to certain fragments of his own generation, but also he could reach out to other parts of the society.

Is Iran going to experience, in my judgment, a shift in its political landscape, in the sense that the reformist camp in generation will move to the center and, in my judgment, the conservatives will move further to the right--of course with a technocratic face. So you have the center of gravity, of the reformists as a centrist party, and then you would have a very conservative force, which has a technocratic face, but nonetheless committed to the principal ideas of the Iranian revolution. That means a polarized political system. And that polarization is not necessarily, in spite of comments by a couple of friends of mine in the States, I do not think that this polarization would necessarily mean instability or political chaos. It could mean cohabitation. It could mean that the reform movement, this broad coalition--maybe including even Rafsanjani for the next few years--could go back to society and start sort

of talking and regenerating themselves in some significant way. It's feasible. It's conceivable, despite his really battered image and his loss, you know, essentially an end to his political career in some ways.

So, a shift. And all this means a conservative consolidation. There is no doubt about that one. Of course, this means a loss, and essentially for the foreseeable future, for the opposition. By "the opposition"--those who boycotted and those who--and [inaudible] started talking about boycotting. The boycotters, and those are essentially not more than 15-20 percent vote in the public. You know, you could--because 40 percent who did not vote, of eligible voters, all of them would not necessarily mean that they are against the regime. You could basically argue that in every election you're going to have 20-25 percent who would not vote anyway. But that doesn't mean all of them are against the regime.

So in my judgment, opposition, those who are against the forcible change of the regime or essentially total [inaudible] of the political process, will be undecided for some time to come. And they are not going to be a viable force in any sense, I would argue.

Impact on foreign policy. I think, as Shaul said, I also agree that I do not expect a fundamental change in the Iranian direction on key issues.

What I have a problem with is the potent combination of the inexperience, management change, and sort of a tough rhetoric on Washington and other places. That potent combination--and of course Ahmadinejad is a very self-confident guy. I mean, sometimes this could be a problem. So that potent combination could create risk-taking. And brinkmanship. If you are very self-confident and you start changing the elites at the top. And you have somebody in Washington who every day argues that this is a sham election, a sham political process and all of that, this combination could create enormous propensity for risk-taking and brinkmanship. This, I think, is a dangerous area--but not the general direction.

And I would argue that this has--I mean, the statements from Washington the last weeks and Donald Rumsfeld a few days ago essentially are playing into the hands of conservatives. In that sense, I think, I can see a possibility of collision--not necessarily a structural collision that both sides are positioning themselves to do so.

And on the nuclear issue, I think the bargaining would be more difficult. They would demand more. They would push for sort of more from Europeans. And within that parameter, you know, sort of the possibility of the failure of the talk is more now than before, but not necessarily in terms of the ultimate direction.

So I really, essentially in conclusion, would argue strategically the domestic transformation of Iran politics both to the center and to the right are two poles, creating a new class. And that new class will not necessarily be a very, very aggressive, adventurous team. We have to wait to see who he puts in charge of all of these ministries. But I think the change in style, always as a proponent of a more constructive school in international relations, style could have significant material impact; language could have significant material impact. So I'm not underestimating that, even though the direction may not be significantly different under his leadership. But he would--you know, if you have a combination of all those things that I said, it could have significant implications. So we all have to wait to see if this will roll in these directions that we all expected or we have all anticipated.

In general, the only guy who predicted Mahmoud Ahmadinejad's victory was in jail, and came out a few weeks ago--I think we were talking about this. Abbas Abdi, the leading students who took over the U.S. embassy, was recently released. It became clear yesterday that he had written, actually, a letter in response to a request by Rafsanjani. Abbas Abdi was the lead proponent against Rafsanjani in the last parliamentary election and, after Khatami [inaudible], was the leading guy in the anti-Rafsanjani campaign. I mean, which essentially, I would say, antagonized Rafsanjani a lot. In that letter, he wrote to him that you're going to lose; you'd better withdraw and support Karroubi, the former speaker--at least you would have a better chance. And of course, he didn't listen. And he stated in that letter that I know you're not going to listen and you're going to run and you're going to lose. But this is the only chance that you have.

So in a way, I would argue nobody really expected that. We all have to come down to earth and start reexamining.

I'll stop here and wait for questions.

MODERATOR: Thank you, Hadi, and yes, that does seem like a perfectly good place to stop, with the complete unpredictability of the Iranian political system.

I have one plant in the audience, who I want to turn to first. I asked Phil Gordon to attend, because I asked Phil if he would provide some sense of how he expected Europeans to respond to the election events in Iran. Obviously, for the United States government, for most Americans, part of the equation in trying to determine what is going to happen between United States and Iran is also going to include how the Europeans react. If the Europeans react in one way, it could make certain things possible for the United States; if the Europeans react in a different way, it would make different things possible and, obviously, close off other options.

So, Phil, if you could take the floor and give us just 8 or 10 minutes on how you think the Europeans will see the different events.

MR. GORDON: Sure. I don't know if I need 8 or 10 minutes.

As I told Ken when he asked me to talk about this, I said I probably can't do much more than state the obvious. But I'll try to state it with some authority and expertise.

Because the obvious is that this is a setback for what the Europeans have been trying to do. I mean, that is clear. They don't deny it. It's a setback because it undermines the notion--you know, everything the Europeans have been trying to do not just in past months, but years, is based on the notion that Iran was and could evolve in a more liberal direction, and through engagement we would make this process work. This hardly seems to be a sign that that is happening.

It undermines what they're trying to do and it's a setback for what they're trying to do because, as one of the speakers said--I forget which one--it strengthens the American line, when the Americans have been telling the Europeans, look, you know, we'll go through the motions of backing you, but we really don't think this is going to work. This is a step--you know, this clearly supports that notion. It's even less likely to work because, by all accounts--and I agree with the notion that we don't really know, but it would be hard to argue that this augurs well for the negotiation and that the Iranians will drive an easier bargain rather than a harder one. They'll probably drive a harder bargain. So that doesn't help what the Europeans are trying to do.

I would add, I don't think the Europeans have been naive about what they're--I don't think they believe or are highly confident that this is going to work. Indeed, it's quite exceptional--usually when negotiators are trying to do something and they try to persuade you how much it's going to work, in this case I think they're quite frank. They say, look, we don't--we can't think of anything better, but we're not confident this is going to work. And now they would acknowledge that they're even less confident than they were a couple of weeks ago.

And then I think it's further a setback, or they think it's a further setback because they're worried that they will change the negotiating team. And again, that's not clear. We don't know. There seem to be some signs that they won't. But I think the European negotiators have felt that they have developed some rapport with these negotiators, at least, and they can talk to them and they can have side meetings with them. And after two years of all of that, to have that pushed aside and start completely anew would really undermine what they're trying to do.

So in that sense, is it good news? It may be irrelevant news. It may have no impact at all because these aren't the guys making the

decision and because we don't know what Ahmadinejad really thinks. Maybe, you know, it won't change in that sense. So on the spectrum, it's either really bad or irrelevant, but it's certainly not good.

So, where does that leave them? I think what they've been saying is that they want to stay the course--which obviously is a transatlantic consensus on certain Middle Eastern issues. And staying the course in this sense means the negotiations go on. They were pleased to hear from the Iranian side that that hasn't changed, the talks will go on. And the European side is also saying that the process they they've been working with goes on.

Another part of staying the course, though, also is the harder-line part of it which says that an Iranian nuclear weapon and the fuel cycle that the Iranians demand is "unacceptable." Indeed, Schroeder, in his meeting with Bush yesterday, when Bush was first asked what do you think of this, he gave a hard line, he questioned the legitimacy of the elections, and he said that we agree with the Europeans that an Iranian nuclear weapon is unacceptable. And Schroeder said, I couldn't agree more with that. So they're also keeping up, at least, you know, the same line that they have taken that not only is an Iranian nuclear weapon unacceptable, but the fuel cycle is unacceptable.

And there, I would add another footnote. I think it's quite notable--we can't say where this will end up, but so far, at least, the Europeans have held firmly to that line. We have often and long expected them at a certain point to come around and say, well, a nuclear weapon is still unacceptable and a military nuclear program, but, you know, a bit of conversion, a bit of enrichment, that's not so bad. So far, they haven't done that. And they've had plenty of opportunities to do it, including on the eve of the last crisis, when the Iranians put it to them, you know, what if we give you full inspection but we just do some enrichment or, even less, conversion. The Europeans said no--we don't see how that's an objective guarantee; we're not doing that.

So they have held firmly to that line and they're still doing it now.

So if all of that is right and the talks would go on and the Europeans are still holding to this line, what happens?, which is really what Ken, I think, was trying to get out in the wake of this. I think one of two things, and who knows? This is all so--but there seems to be a tipping point between one of two broad scenarios.

One is in case Ahmadinejad really turns out to be a hard-liner and basically says we'll do a little bit of talking, but we have a right to do this and we're going to do it and we're going to do all of it, and we're going to have the full fuel cycle and we're not going to compromise on anything, then, I think, it does tip the Europeans toward taking this with

the Americans to the Security Council. I think they've invested too much in this. For all the skepticism about how serious they really are--and some of it is warranted--they have invested so much of their credibility as a foreign policy actor on this issue. And to just throw up their hands--if the Iranians do just walk away and basically tell them to go to hell, for them to say, all right, well, we tried and forget it and let's go on with the perfect diplomatic trading relationship, I think, is unlikely. I think they would go to the Security Council.

And then we can have debates about how--you know, what type of sanctions they would support and what they would do with the Russians and the Chinese, but I do think that if this really does mean that the Iranians take a much harder line and don't show any flexibility, then the Europeans go to the Security Council and we get sanctions on Iran and they start slowly, you know, with visa bans and so on, but eventually they go up and get significantly more serious.

That's probably less likely, though, because, you know, the Iranians aren't stupid and they're not just going to play into the Europeans' hands. They will continue to try to pick them off and separate them from the United States. So that, I think, leads to the more interesting scenario where the Iranians do show a little bit more flexibility, or at least try to test how far the Europeans, under what circumstances the Europeans might crack.

The deal of last month, after the sort of crisis meeting, was that the Europeans would go back to the Iranians with a more specific offer of what this sort of process would lead to. And they're supposed to be preparing that now for the end of the summer. I suspect the Europeans will show up with something that looks somewhat like what we took to the North Koreans in the '90s--we'll help you with some reactors and make sure you can have a nuclear energy program, but one that ensures us that you're not building nuclear weapons. And I'm quite confident that it won't include any exceptions in the fuel cycle, that it will mean the Iranians have to give up the entire fuel cycle, but they get the support with technology.

The Iranian reaction to that, with certainty, will be that it's a non-starter, that, you know, it's fine for you to propose some reactors, but we have a full right to the fuel cycle and all of that. And that's when I think the negotiation begins or goes on. And I think you can imagine how this plays out for some time. The Europeans go in with, you know, no conversion, no enrichment, no nothing; the Iranians say, if they really do think the Europeans are serious about going to the Security Council, well, what if we just do some low-level enrichment and we allow inspections in. And then the Europeans say, all right, well, we'll have to study that, we don't think it works.

And it gets bounced back and forth there until you end up with a place where I do think--and this is just my personal view, obviously--that the Europeans will crack. And that all along they have said no part of the fuel cycle, because we can't imagine how that we could control that and be an objective guarantee. If it really comes to the crunch and it looks like the choice is between some compromise in there somewhere--you know, they can--I don't know exactly where it is: do conversion but not enrichment, or some enrichment, they can have, you know, 300 P-1 reactors and 100 P-2 reactors and run them for this amount of time under supervision--if the Iranians cleverly propose something like that, I think it's then hard for the Europeans to walk away, go to the Security Council, and have a major crisis.

And that, which I think, Ken, is what you wanted to get at, is what puts the ball back in our court. Where along the threshold between absolutely nothing and a nuclear program do we back the Europeans and where do we turn on them and not back them?

MODERATOR: Thank you.

Thank you very much for those very interesting presentations. As I was listening, I had a little sense of deja vu, and it sounded a little bit like Ahmadinejad reminded me of Gamal Abdul Nasser. This combination of personal probity, of foreign policy nationalism, and of economic subsidy in order to win popular support sounded kind of familiar. And I'm wondering if in fact what we're going to see is a continuation of the personal probity, calculated risks in foreign policy, but nothing radical one way or the other, and the way he makes his mark is going to be through making economic choices and economic subsidies which end up tying the hands of his successors.

So, I mean, how do you--you had suggested that there's going to be some redistributive aspect of the domestic economic policy. But given that Iran has already put disproportionate amounts of its oil windfall from higher prices into subsidies, he's going to go--I mean, is he really going to go farther in that direction? Is it going to make a difference in people's lives? And is he going to be able to have that populist side--will it work for him, and what's it going to mean for his successors?

MR. SEMATI: Of course, as a non-economist, I would say in the short to medium term it could work, in my judgment. I'm not really an expert. As I said, the 7th Parliament, the [inaudible], which is dominated by the conservatives, did some of this, actually. Of course, it jacked up inflation. But some of that redistributive policy are already started by the parliament. So I can see, with the $40 billion oil revenue, this could be done in the short to medium term in certain ways: adding more subsidies, not necessarily direct subsidies--let's say if he proposes major investment

on small businesses, and then giving loans, driving down interest rates. Some of these things will have long-term economic implications, which I don't think would be any solution to the Iranian problems. But in terms of running a populist agenda for the next four years and possibly eight years, it's feasible. With the sort of foresight and projection of oil prices, which seem not be going down anytime soon, I suspect that he has a lot of leverage.

If you're asking me whether this will work, no. In the long term, you want an economic policy [inaudible] not going to work with this package -- But he has a very good chance of sort of, really, neutralizing, if you will, the sort of unrest and psychological exhaustion of economic failure. But, no, in the long term these are not going to be solutions.

What he has proposed--actually, in a specific project that he has, he's going to spend a lot of money on infrastructure in the cities. That is, transportation and sort of things like that. And price controls on certain items. So price control, public utility infrastructure in the cities, that will create a lot of good--the way he did it in Tehran over the last year or so--traffic--you know, controlling traffic, managing more the distribution of goods, and then clamping on corruption to some extent. These are the things that could work for four to eight years, maybe, even. I would say definitely for four years. Who knows who will be the next president.

But in the long term, no, I don't think the sort of populist--this is not the--in some ways this is the same reversion that we have seen in Latin America, in some respects--the failure of [flip tape]--

But add to that a little worry of cultural gap that some people have argued recently. The cultural gap means if you go--and I have seen that. I've talked to people in that sense, that people are frustrated by some of the--this sounds, maybe, strange to you, but a lot of middle-class families are worried about this liberalization over the last few years, are really worried that this is coming too much [inaudible] culture, this is too much and all of that, this is destroying Iranian values. So this is sort of the heartland--Kansas, Missouri, and things like that I'm talking about, a sort of cultural gap of the 1970s, of the Shah's time, and there is an elite exclusivist, you know, yuppies on the north, letting their kids drive $25,000 cars, and then the kids from the rural villages, with no money, who have the same educational opportunities that this guy with the $25,000 car has.

So this is not--so I imagine, really, it can work in some ways for a limited time, but not for the long term.

QUESTION: Thanks very much. With all due respect, Hadi, back in January, before anybody knew the name Ahmadinejad outside Tehran, a good friend of mine there said he was known as the murderer

mayor and that he had stabbed Dr. Kazansani [ph] in the 1980s, an intellectual and member of the Freedom Party. How can you be so sure that this guy has no blood on his hands? I mean, he was the Rev Guards, he was with the Basij. A lot of intellectuals have been murdered in Iran. I would hope to think he's not personally one of them, but, I mean, this was told to me with great conviction at that time.

And then I also had a question, you said it's the end of Rafsanjani's political career. What about his desire to become the leader, if the leader passes from the scene, and isn't there an election to the Assembly of Experts coming up shortly. And, you know, Rafsanjani did get a lot of support from Qom. A lot of the old clerics backed him. Is this really the end of him, or will he pop up again? Thanks.

MODERATOR: Hadi, he looks like a serial killer--is he one?

MR. SEMATI: No, I can say I have nothing in evidence, and most people whom I've talked to--I'm certain that he wasn't part of the security apparatus. I know where he has been, his record, and sort of his--even his unit. And most people that I know that know him from childhood, and even in the university as a professor, he's not that sort of guy. I can say that with [inaudible] confidence.

And also, in the campaign, a lot of people ran a very nasty campaign against him. As I said--

QUESTION: [Off microphone, inaudible.]

MR. SEMATI: Yeah, even then, I mean, I would--it would have been known by people like Akbar Ganji and people like Abbas Abdi and it would have been all in the press more seriously, rather than by just a few extremely motivated opposition forces. I would say, in my judgment--and I can't prove to you, but I would say with a good degree of confidence he's not been among those types. He couldn't have been. Actually, if you'd track, as I said, his career, he couldn't have been in any of those. When he was in the Revolutionary Guards, he came to the Revolutionary Guards, actually, in the mid-'80s, not early '80s. So '85. That's toward the end of the war, almost. And then he was stationed in the central part of the border, in the southern part of [inaudible] as the chief engineer and in charge of the logistics [inaudible] Third Army of Iran, which is essentially--you know, and then became the governor in Maku.

I don't think he could have been. But none of us can prove that, but I think I have the sort of--my gut-level feeling, based on my experience, would argue that he has not been part of that.

I've always argued, and I don't know if I have told you that before in conversations we've had, that I think--always talk about Rafsanjani as a possible alternative to the supreme leaders. Always have believed that. He's a viable alternative every time that you go around.

And the current--as you said, the more senior elder clerics in Qom supported him in his presidency. The more senior ones, the more credible ones, actually. The more mainstream -- if you will, not political activists. That's important, in my judgment. When push comes to shove, [inaudible] a crisis time and people would feel that they have to support somebody that's capable and able, he would be the top choice, among the top two, three for replacing the supreme leader. It's feasible, despite all of the corruption, things like that. But I think the clerical community has this opportunity usually and these characteristics to come together and pull together at crisis time. And they have told him that and I think they would have a good chance to do that.

I didn't say that he's totally finished. What I said, he actually has a good chance now, because of the election, his defeat actually sort of reconstructed his image to some extent as a supporter of reform and sort of a centrist position. And so--and his defeat. His defeat and the way he put himself after the defeat, in a position to accept this and you have to work toward change, the Iranians need change, and all of that. I think, in a paradoxical way, it has reconstructed his image to some extent. Not in the entire Iranian society, but to some extent more in some quarters. And I think if this government and Ahmadinejad proves to be a national hard-liner, as all of us are talking about now, actually that would be more of an indication of him. He may have a better chance of coming back later on.

But if things go the way most people predict, I think by the end of his four years--he's going to be 76 years old--and if the supreme leader is well and running and kicking, and then still, I would say, he's got a good chance to do that. So it's going to be the end of Rafsanjani in some ways.

QUESTION: I'm curious about the corruption issue. He made that a great part of his campaign, the anti-corruption issue. You and others have always written and said that there is a huge amount of corruption in the clerical ranks, at the heads of some of the state organizations, and elsewhere. Would you expect that his anti-corruption campaign would run into trouble by having to confront some of those supporters?

MR. SEMATI: Yeah, I think you put it well. I mean, the great problem he has in pursuing a serious anti-corruption campaign is that it would implicate many of the senior clerics. And as Ray--who's about to leave--said on television yesterday, you know, it attacks his very supporters. Up to now, in any case, anti-corruption campaigns in Iran have not been serious. But, you know, he talks about it--

QUESTION: Can he pick off a few targets without getting --

MR. SEMATI: Well, he spoke about the oil mafia, and that can mean no one except the Rafsanjani family. In fact, I think the one

thing that threatens Rafsanjani--it's not a serious threat, but it is a threat--is that the anti-corruption campaign would target, say, his sons.

MR. BAKHASH: I agree that, in general, I think he's going to run into a lot of difficulties in sort of fulfilling his promises of anti-corruption, because of course if he drops napalm at the headquarters of the executive power, which he has promised, actually, exactly the same thing, going to just clear what he called the four or five hundred people who have run but just replaced the places over the last 25 years, and the need for a cleanup in the headquarters of the government. So if he does that, he's going to run into a lot of difficulties. And of course always there will be replacements for corruption. So people go out and others will come back in, and will find their own niche to find corruption.

But I think he's genuinely committed to that, but it's not going to be--like any other policy, and I think nobody is going to be able to fulfill all his promises, he's going to run into a lot of difficulties from very powerful quarters. And I don't think he's going to be able to 100 percent be successful in the oil industry, for sure. That's a very, very difficult task to do.

So I think he has a good chance, you know, to do something, but not entirely what he wants to do. And of course in -- it depends to what extent the supreme leader is able and willing to support him in pursuing this. If he backs him up completely despite consequences, then there's a good chance he will actually be able to do some of those things.

QUESTION: And to return to regional policy, not before saying that--talking about predictions, I don't remember how many predicted the Iranian revolution in '79, including some of my best friends. But speaking about this, there's been a prediction regarding the emergence of the Shi‘a crescent--I think it's far-fetched--is going to be more or less under the new leader. I'm thinking about this crescent of Hezbollah, Syria, which is hardly Shi‘a, but of course they want it to be. And maybe in the future, Iraq? But more seriously, is it merely they're going to change its policy to the changes that we see now in the Middle East--in Lebanon--especially with the Shi‘ites--Lebanon and Iraq, and over the threat of the United States with Syria, which is an ally of Iran.

And then the Palestinian issue, which is very important, too. And Khatami used to say, you know, if the Israelis and the Palestinians come to agreement, we are not going to object. Is it going to be the same, to the extent that you are able to say?

Thank you.

MR. BAKHASH: I think the statement by Iranian officials that the Palestinians and the Israelis reach an agreement, Iran is not going to object, would have only been credible if the leader himself had endorsed that position. And he never has. And the position of the Iranian

government that Israel is an illegitimate state, as far as I know, has never been, kind of, withdrawn. And to give you just an indication of how these things can--you know, the modulations of these things, Khatami, when he first became president, apparently told Arafat that the Islamic summit in Tehran in '97, I think it was--or early '98--that Iran would accept any solution that was acceptable to the Palestinians. And a few weeks later, Khamenei said of course we will accept any solution acceptable to the Palestinian people, but this idiot who heads the Palestinian movement is not the representative of the Palestinian people.

[Laughter.]

MR. BAKHASH: So, you know, I think we'll have to wait to see where the leader comes out on this. But, you know, if there are--and the Iranians have been very good at adjusting to realities in the region. For example, a weaker Syria that cannot play a large role in Lebanon will certainly affect Iran. And Iraq is an evolving project, as we all know, and I think, like everyone else, the Iranians are adjusting their policy to the realities on the ground. But they don't, I think--psychologically, they don't think they're in a weak position. They don't think that the American position in Iraq threatens them because they think the Americans are in a quagmire. On the contrary, you know, they think they're in a much better position as a result of American problems in Iraq than they would have been otherwise.

MR. SEMATI: Let me just add something I forgot. I would say, actually, in his telephone conversation--I think it was with [inaudible] Abdullah, or the new president-elect--he sort of emphasized that he will not pursue Khatami's rapprochement. So I don't expect a massive change in him, either. As a matter of fact, actually, he has emphasized that inward looking eastward looking, what he called--I'm going to be more on our own, we can progress, we don't need the U.S. and all of that; and then on the east, I'm going to go east, which means in both senses--geographical and civilizational. So in some ways, I think he represents, in that sense, a return back to early days.

I don't expect the Shi‘ite crescent--you know, there's been a lot of over-exaggeration--I don't think that is a policy that he would alone himself change. This is a consensus there, and that consensus will work, the bureaucracy, especially those who have ability to actually, paradoxically--I may be the only guy who thinks that, but I think, paradoxically, he is in a better position in some ways to change Iranian foreign policy in a more positive direction. Now he has the full trust of the supreme leader, and that's a critical component of it. It depends on how he is positioned. Of course, vis-a-vis the U.S., I don't expect any change, because already the rhetoric has put him or everybody else in a very difficult box even if they want to respond. But in regional issues,

I'm more confident that he's not going to be dramatically changing that approach.

MODERATOR: I have six people still on my list who'd like to ask questions, and eight minutes left in the session. So what I'd like us to do is I'd like to take all of the questions, let's get them on the table. Please be brief. If all of you take 30 seconds to ask your questions, that will leave Shaul and Hadi two and a half minutes apiece to respond to all of them.

So, let's start with Mark?

QUESTION: Gentlemen, I think you've sort of flipped over too quickly the consequences of this election as it relates to our efforts in Iraq. Does this mean that Muqtada al-Sadr has a stronger benefactor in Tehran and that Ayatollah al-Sistani has a less supportive network, governmental support network in Iran, and therefore the consequences to how the government will evolve in Iraq may be different?

And secondly, and it's just a quick follow-up, how does the accusation of an illegitimate election by the president of the United States affect our interest as it relates to Iraq?

QUESTION: I wanted to ask you to focus a little bit on how you see the relationship between the president and the supreme leader playing out. Right now, they seem to have a sweet symbiotic relationship. The supreme leader gets a little legitimacy bounce from this election, and the president has expressed his loyalty. But on what issues do you expect to see some tension or difference of views?

QUESTION: The accepted wisdom everywhere seems to be that Khamenei makes most of the foreign policy decisions and the president [inaudible]. I would like to ask you the question a little bit indirectly. Let's assume that the following hypothesis is correct, that in the past, under Khatami, when Khatami was president, that he actually may have acted as a brake to some of the policy that may have come from Khamenei or from more extreme members of the leadership. And what happens if the new president no longer offers an alternative view and agrees with everything --? That may be because of no extreme Iranian policies.

QUESTION: Just kind of a quick question. What do you think of the high turnout in the elections? What does it tell exactly of the popularity of the regime? And also, if any of the figures who were excluded by the Expediency Council could really make a big fight, or people were just satisfied with what they had, the ones that are allowed by the regime. Thank you.

QUESTION: A question for Dr. Bakhash. First of all, I, I think, have to lay claim to being the second Iranian to predict Ahmadinejad's victory. I was having this conversation with my father,

who was convinced that Rafsanjani's presidency was a foregone conclusion a few months ago, when Rafsanjani was [inaudible] becoming the candidate. But I said this time the supreme leader wants to make sure that his acolyte is going to make it to the presidency. Because eight years ago, the people resoundingly rejected his choice, and he was going to make sure that people know who's in charge this time.

In any case, I just want to ask whether Dr. Bakhash sees any parallels between Khamenei's--it seems like he has monarchical aspirations and he wants to consolidate power and has no tolerance for loyal opposition. Do you see any parallels between what we've been witnessing for the past few years with him having the absolute control of every level of power in Iran and the last years of the Shah, when he dismissed the old political parties and created one party and said either you join this party or leave the country? It seems to me that he's relying more and more on the security apparatus to keep him in power and has no tolerance for loyal opposition.

QUESTION: I was just wondering if you could expand some on the ideological dimensions, and also, what the implications might be for regime continuity.

MR. SEMATI: I think in terms of his effect on Iraq, I put it together with another question. I think it's correct that any time you have personnel change, you have that sort of effect, that you either take away the break or do not have initiative. So I think Khatami definitely was both a break and then initiative on certain issues. So he's not going to be of that nature. That's why I say his risk-taking capability was more, but I hope that this is not going to be significant in terms of margins of impact, because they already have been consolidated in the deliberation process and the bureaucracies are fairly, fairly sophisticated and consolidated right now, and they have their own internal threat perception.

So I do not expect that this will be huge, but I take your point that this is quite--and that's why I said personnel change sometimes make a difference. People make a difference, sometimes, despite all the structural features. So we have to wait, really--who he appoints, those guys who are in favor of Muqtada al-Sadr, and there are certain indications that we can pick up from that point or not. Or there's going to be more moderate, pragmatic conservatives. And I think generally he's not going to go in that direction, in my judgment. Because in terms of power politics in Iraq, Iran is necessarily, by definition has to wait until things settle down in Iraq and he can kind of, you know, sort of reap the benefit.

I don't see any differences between him and Khamenei, in general. I do believe him to be a [inaudible] follower [?] and sort of listens to him whatever he says. And I think actually sometimes

psychologically he has got this profile that, when you have somebody who does not question him, he has a better chance, actually, of getting things done in some ways. Because he does not like to be disputed a whole lot, in some respects. So if you have somebody who'd say, okay, approve everything he does or he says, he's got sometimes--he could have a position to be able to do certain things that otherwise Khatami would not have been able to do.

But I don't expect any major differences between these guys in terms of actual policy. On personnel, there could be differences. Actually, Khamenei could actually operate as a break here, in terms of if he decides to put really adventurous guys in charge, I think Khamenei this time is going to be a break, rather than [inaudible].

And the high turnout, as I said, it was a surprise. It was not a rigged election. It was a genuine, by law--and those who have covered it, even the journalists, L.A. Times, Washington Post, everybody was in Iran in this election, can testify to that. The popularity? What does popularity mean? I think it exactly means--it doesn't necessarily mean legitimacy. I think the political scientists use the term "appropriateness of the government." I don't want to get into political philosophy and political science, but in that sense, yeah, be accepted generally. I think it says more about the fact that we want changes still from within than from without. This is definitely one of the conclusions that we'll get in terms of the voter turnout. You still hope that these things could be resolved by our own efforts. What, how, whether it will, we don't know.

Anyhow. And in terms of the effect of U.S. rhetoric and whether calling it a sham election, I think in the first round it could have made a significant difference, because in the first round, we lost by 500,000 votes. Part of it could be explained by election fraud. But part of it, in my judgment, up to 5 percent could be explained by President Bush's statement. That a lot of people, actually, in my judgment, were really insulted. You know, [inaudible], somebody calling me, you know, my effort, my exercise sham and illusionment, I don't think that's a respectful sign. I think Washington doesn't want to realize that there are certain things in Iran that they don't understand, they don't want to understand. In some ways, this may have tipped the balance in the first round, but I don't think significantly, really.

MR. BAKHASH: Let me just say that I agree with Hadi that in an election which 60 percent of the voters thought it was worthwhile to go, the administration's comment dismissing these elections as a sham were not well-received. I think, and I agree with Hadi, they were insulting to the Iranian people.

On Iraq and Henri's point about changing its foreign policy, I would make two points. One is, I think I would read Iranian foreign

policy-making a little bit differently. It's not any longer so much a question of personalities. There is a foreign policy elite, an establishment; there's been great consistency in Iranian foreign policy on major issues over the last four or five years. It seems to me many of the positions have been very carefully worked out. So I don't think a change in the president is going to bring about a dramatic change.

But I think one point raised by Henri deserves comment, which is that if Khamenei reads this election as showing considerable popular support for a hard line which he'd like to capture--I mean the popular support--he may, then, endorse some of Ahmadinejad's harder positions.

And then finally on this, just to say a word about the ideological dimension, well, this is clearly a more ideological president than we've had over the last eight years.

But on the question, you know, is Khamenei becoming the kind of power autocrat that the Shah became. Well clearly, he's beginning to concentrate more and more power into his own hands, and he's not very tolerant of opposition. But I still think you can't read Iran today as similar to Iran in the last two or three years of the shah. There's a real politics in Iran. There are political factions and parties. Even the right wing is deeply divided among themselves. The press is much freer. Somebody--I started to make this point personally, but somebody like Hadi, under the shah, could not have come to the Brookings Institution and been honest about what he thought about Iranian politics. It was much more restrictive.

Therefore, we're not there yet, let's say.

MR. SEMATI: It's interesting that one of the conservative leaders actually had told a friend of mine that. I think this is true. Actually, they did not expect Ahmadinejad to win. They were themselves surprised. They thought that they were going to pull--because the bickering actually lasted up until Wednesday before the first round. It was just the last few days that they decided. And when he won--I think the second person, with 500,000 it was--it really surprised the conservative leadership too, and it even surprised the supreme leader. they did not expect that they could pull it off. Everybody expected that Rafsanjani would win, but we are going to--

So it was essentially that Ahmadinejad's exercise was an exercise of cadre-making, as the way we call it, for the next election. And sometimes politicians do that in Iran. Of course, I'm sure they do it here, but maybe not as much as that. But they just come to the forefront, build organizational capacity and sort of name recognition capacities, and then they come back and resurface later on.

By all accounts, my information, my discussions with everybody, they did not--despite all the efforts, they did not expect him to win. And there was a satirist in Iran, who's online, when Condoleezza Rice made a statement before the election that we know the result of this election, he wrote a piece--actually, he is now in exile, living in Belgium--he wrote a piece that said, Does anybody know Condi Rice's e-mail and telephone? I want to know what the election result is. If she could please tell me who is going to win.

[Laughter.]

MODERATOR: Thank you, Hadi, and thank you for once again bringing us right back to the part where we started off, which is it is, at least, nice to know that even the Rahbar wasn't expecting Ahmadinejad.

Please join me in thanking our two speakers for a wonderful presentation.

[Applause.]

[END OF TAPED RECORDING.]

- - -