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The DaimlerChrysler Forum

At the Brookings Institution's Center on the United States and Europe

THE U.S. AND EUROPE AT A CROSSROADS ON IRAN

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Falk Auditorium
1775 Massachusetts Avenue, N.W.
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[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

C O N T E N T S

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Panel Presentations:

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JAMES DOBBINS, Director
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CHARLES GRANT, Director
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P R O C E E D I N G S

MR. DAALDER: [In progress] —speakers because it's a good group we've got here. Let me mention that this is an outflow of a project that the Brookings Institution together with the Center for European Reform, from the Stiftung Wissenschaft und Politik, in Berlin on the Project on the New American Century have now been conducting for almost 6 years, I believe, on the United States and Europe. It's funded by the DaimlerChrysler Foundation, hence its name, the DaimlerChrysler Forum. We have a set of private off-the-record conversations among senior U.S. and European officials as well as nonofficials that you won't hear about. You're not supposed to hear about at least what takes place there. It's very designed to give people who otherwise don't have the time really to delve deep into some of the subjects to do so in the privacy of a small room.

But we also use the opportunity when we have these meetings to have a public forum on a particular issue that is hot in U.S.-European relations or important in those relations, and Iran certainly these days counts as one.

Think back just a year or so ago when it looked like we were going to repeat our differences over Iran as we had over Iraq. The American view of the situation was that Iran posed a threat, it was grave, it was perhaps growing even if not yet imminent to use verbiage we heard in 2002 and 2003 with regard to Iraq, and the Europeans had embarked upon an engagement strategy. Once again we were seeing the differences between Europe and the United States, there's a difference between engagement and confrontation.

By the beginning of this year it emerged that there might be a possible way for the United States and Europe to work together. As the President went on his first trip abroad after being inaugurated, he went to Europe, he listened carefully to what the Europeans had to say with regard to Iran, came back and decided that the time had come to close hands and to close cooperation with the Europeans on the question of how to deal with Iran which was we the United States were going to support the Europeans in their effort to negotiate hopefully an end to the nuclear standoff, and we were even willing to put some carrots on the table.

We are now 7 months later. The difference really isn't between the United States and Europe, importantly, the difference is between the United States and Europe on the one hand, and Iran on the other hand.

We're 4 weeks away from another meeting of the International Atomic Energy Agency Board of Directors. So we're having a meeting of the Board of Directors in 4 weeks' time in which the question will be, what happens if Iran doesn't come into compliance with the demands of the Board of a few months ago? And that's the question we're here to discuss.

We have various differences of view and different nuances. Two of the panelists were principal instigators of a recent statement, a U.S.-European statement on Iran that you hopefully picked up as you walked in signed by a series of European and American scholars and former policy makers, and two of our panelists did not sign. We have an American and a European on both of the signature side and on the nonsignature side.

We will go from Europe to the United States, back to Europe and the United States. We'll start with Volker Perthes who has recently taken over as the Director of the Stiftung Wissenschaft und Politik in Berlin. We're very glad to have Volker as part of our family. We're very sad to see his predecessor leave as part of that, but we're very glad to have Volker to be part of the new family of the DaimlerChrysler Forum Group.

Next we will go to Jim Dobbins. Jim is one of the most senior American diplomats to have had contacts with the Iranians in quite some time. He did so as part of his role as the U.S. Envoy for the Afghanistan talks back in 2001 and 2002 in which he had very productive and good conversations with the Iranians. He is now at the Rand Corporation where he directs the International Security Program.

Then we will go back to the European side and Charles Grant who directs the Centre for European Reform and has been our great collaborator for many years on things between the United States and Europe.

Finally, last but not least, Phil Gordon, the Senior Fellow here and the Director for the Center on the United States and Europe here at Brookings, and with Charles Grant, the principal co-drafts of the U.S.-European Statement on Iran, will close it off.

Then we'll open it up for a good discussion, we'll have brief introductory remarks, and we'll look forward to your questions.

So with that, Volker who has just come from the plane which allowed him many, many hours to think about what he had to say, is first. Thanks.

MR. PERTHES: Yes, thanks. I was so long on the plane that I said to Jim actually, good op-ed you had in yesterday's FT, and he said, no, it was two days. I thought it was already yesterday's when I read it.

[Laughter.]

MR. PERTHES: Anyway, I think I should add a little bit to the background and we will probably go from the general to the most specific through our discussion; probably add a few words about the actors and their interests here and about the options which I see in coming perhaps to a deal with Iran.

I think the first remarkable thing is that we actually can speak of the E.U. and the United States as actors here on the Western side. It is not the usual or the very often seen picture of the Europeans only being a spectator. We have the E.U. 3 here for the first time together playing quite an active or proactive role in an international policy field which is of concern first to the United States and to Europe.

I'm not sure we have a common agenda, but we certainly have one common goal which is to prevent Iran from achieving a nuclear military capability. So the E.U. 3 have started in 2003 direct negotiations with Tehran offering certain benefits if Tehran gives up the enrichment process or the aim to conclude the fuel cycle in Iran. The United States has been skeptical as to the European approach for quite some time, and then as Ivo said, came over I would say too late in support of the European initiative. Maybe if they had come over earlier we would have been able to achieve more.

I think it's also important to think about the third actor here or the main actor probably which is Iran and a little bit about the interests and what are legitimate interests or not so legitimate interests.

The regime in Iran seems pretty stable, not least so because of its relatively pluralistic nature, pluralistic in the regional context, of course. There has been a neoconservative backlash with the neocons in Iran winning both the legislative and the presidential elections. The only positive thing, if we want to give a positive or put a positive spin on it, is that President Ahmadinejad whose unacceptable utterings we have heard over the weekend, President Ahmadinejad is as little in charge of foreign policy as his predecessor was. We regretted it with Khatami that the president was not actually in charge. Maybe we are a little happier now that the President of Iran is not actually in charge of his country's foreign policy.

While Iran is a little bit more pluralistic than most countries in Iran's environment, I think there are three major things which the Iranian political elite agrees on when it comes to the nuclear negotiations with the West. The first is they want economic and technological progress, and they do define nuclear energy as a progressive technology that would achieve this kind of economic and technological progress. They want prestige or what we could call the acceptance as a regional great power, a regional important, they want security, and of course for them that means national security as much as regime security.

What has been added to that more recently I think is that they also do not want to be dragged before the Security Council, they do not want to be pictured as outcasts in the world, and it was quite a shock for them to realize that at the Vienna meeting 4 weeks ago no one, actually except for Venezuela which is probably not a very strong partner to rely on in the world, stood up for them. Not the Chinese, not the Indians, no one actually stood up for the Iranians. So therefore for that reason, if not for

others also, the Iranians have a strong interest to get back to talking with the Europeans, preferably also with the Americans, but to get back to talking with the West.

Indeed, so I think we want. We want to go back to talking not only because there is no other reasonable solution to the problem. So at some point we will go and talk again. In order not just to repeat what we did during 2003 and did during 2004, we probably have to, and here we are with the options, change the format a little bit, probably think about some new content and get new partners in.

Very briefly, A, I think when it comes to format we may want to think about a new format with the Russians or the South Africans or some other country would join the Europeans in negotiating with Iran. That would probably make it easier for the Iranians to overcome in a face-saving way some objections they have to the European approach, and it might also be interesting because the Russians of course do have some influence over Iran, not least because the Russians are building their nuclear power station in Bashir.

B, I think we have also to think about some new ideas we could offer from the European side, of course I would hope with the consent of the Americans, which would respond to the legitimate interests of Iran and particularly its legitimate interests in technological and economic progress. So maybe we have to think at some point about some form of multilateralization or Euratomization I would like to call it of Iranian nuclear research which would mean that we would say, yes, of course, under the Nuclear Proliferation Treaty Iran is entitled to have a peaceful nuclear program, it is entitled to have nuclear research, but does that necessarily have to take place under Iranian sovereignty and on Iranian soil, on Iranian territory? Aren't there other ways to

have Iranians participate in peaceful research without having a program under exclusive Iranian sovereignty on their own soil?

I guess if we do that, we could respond to one of the demands or one of the interests of Iran which is the economic and technological progress part. As Europeans we can also respond by taking the Iranians seriously by speaking about association agreements, partnerships, what have you. We can also take the prestige part seriously and respond to it in a certain way. Only the third interest which the Iranians have, the security interest, national and regime security, we Europeans cannot offer very much. We cannot actually anything alone. So here, C, I think the U.S. partner has to come in and it has to come in more strongly than it did in 2003 and 2004.

It's a certain irony that in the written offer which the E.U. 3 made to Iran before the negotiations broke down, we actually offered them that we will not attack Iran with French or British nuclear arms. That's generous, but it was not actually what the Iranians were afraid of.

[Laughter.]

MR. PERTHES: So I think if we accept that there is a security concern on the part of the Iranians, there must be more than the Europeans saying we are not going to hit you with French and British nuclear arms.

There are other troops in the region as you may know who the Iranians are much more afraid of, and I wonder whether what is good for North Korea could not be good for Iran. Is Iran actually more of a rogue state than North Korea? I wouldn't think so. So if the United States is able as the outcome of a multilateral process or preliminary outcome of a multilateral process in Eastern Asia to offer North Korea not

being attacked any way by the United States, I think we need something of that kind for Iran.

And B, beyond, direct or indirect security guarantees. It may not be a letter. It could be a speech by the President that we have no intention of changing the regime in Iran or something which one would have to think about. I think beyond some direct or indirect security guarantees from the U.S. certainly under conditions, we all have to start speaking about regional security in the Gulf. We have to set up some forum, find some forum for engaging everybody who has a state or who has troops in the region. If we don't find a forum to speak about regional security in the Persian Gulf area, we will very soon have more than one problem to deal with. It will not only be the Iranian file, we will have to deal with other files. I'll leave it at that. Thank you.

MR. DAALDER: Volker, that's excellent. Two points that I think we want to keep in mind. One is the suggestion to broaden the form for negotiations, to bring in the Russians, and you mentioned the South Africans. It's something to think about whether that's a useful or not useful idea. I'd be interested in how our American partners look at that.

The other is the issue of regime change and the question of an American president will ever rule out the notion of regime change. He may rule out the notion of regime change by the use of force, but to accept the Iranian regime as it is, we may want to start making a distinction between regime change that is forceful and regime change that's not forceful.

With that, Jim, I turn to you.

MR. DOBBINS: Thank you. I'm not sure that the nuclear issue offers the best point of entry for U.S.-Iranian relations or, indeed, for progress in dealing with Iran. I think the good news is that current estimates of Iranian nuclear capability put as far in the future today as they did 5 years ago. That is, 5 years ago we estimated it was 5 years off, today we estimate it's 5 to 10 years off. What this means is that while the Iranians' nuclear ambitions may be the most important issue on the U.S.-Iranian agenda, it's not the most urgent issue.

My own judgment is that we're not going to make progress on that issue until two conditions are fulfilled. One is that oil prices go down again so that Iran begins to see some attractions to the kinds of economic incentives that are being offered which at the moment are kind of superfluous from their standpoint. Secondly, until there is a broader U.S.-Iranian dialogue which has created some degree of mutual confidence and ability to communicate.

My own experience with Iran goes back 4 years as Ivo said. After 9/11 I was charged by the Bush administration to lead the diplomacy surrounding the formation, installation and support for a post-Taliban regime in Kabul. I was authorized to consult with all of the neighboring states, among others including Iran, and we the administration quite consciously crafted an approach to stabilizing Afghanistan in the aftermath of the Taliban which drew in all of the regional states which gave them a status, an entrée, a legitimate role in stabilizing Afghanistan and helping design and install a successor regime.

The Iranians responded to that quite constructively. They like the other neighboring states participated in the Bonn Conference where the various Afghan

factions came together and ultimately succeeded in forming a government, and the Iranians were quite influential in that meeting. There were several vignettes I recall. One was that on the morning where we all first got to read the draft of the Bonn document which the U.N. had written and circulated the night before. I was sitting with the Iranians and a couple of other delegations and we were going over this document which the Afghans had begun to discuss but which we had only just begun to absorb. The Iranian delegate said looking this over he noted that it made no reference at all to democracy and shouldn't we be insisting that the Bonn document commit the new Afghan government to a democratic process.

We all agreed that was probably a good idea, we'd overlooked that, yes. Then he said there's something else that's missing here. There's no mention of the need to cooperate against international terrorism. Don't you think that, too, should be a commitment written into this document? And we agreed that that, too, should be written into the document, and of course these were ultimately added.

A couple of days later the issue of whether or not there should be a peacekeeping force in Kabul was being discussed, and in general the Afghans wanted an international peacekeeping force there because they didn't trust each other and they didn't trust the Afghans who currently controlled Kabul. We had pretty much agreed to that and it was in the document. Then I read in the morning newspaper that the Iranian Foreign Minister had come out publicly stating that he didn't think a peacekeeping force was necessary in Kabul.

So I went to the Afghan Deputy Foreign Minister who was their representative there and said, "What is this about your Foreign Minister opposing a

peacekeeping force in Kabul?" You and I agreed yesterday that this was essential. And he smiled and he said, Well, Jim, you can consider this a gesture of solidarity with Don Rumsfeld, who was known to have his own reservations about whether we needed a peacekeeping force in Kabul. He said, after all, Jim, both you and I are way ahead of our instructions on this aren't we? So that was sort of the tenor of the relationship at the time.

The meeting culminated in a signing ceremony officiated by the German Chancellor, and the German Chancellor was due to arrive at 9:00 in the morning for the signing ceremony. It was 1:00 in the morning and we still didn't have an agreement on the most essential point which was who was actually going to govern Afghanistan. That is, all of the other provisions in the Bonn had been agreed, but the one thing that wasn't agreed was who was going to make up the government, what people had what posts. The stumbling block was the Northern Alliance which was the most powerful of the factions and the one that actually controlled most of the country was insisting that it have 18 of the 24 ministries and the rest of us felt that was somewhat excessive and they were going to have to be beaten back.

So I suggested to Lakhdar Brahimi who was chairing the meeting that we get together a small meeting with the Northern Alliance representative and all of the ambassadors who were still awake at the time and try to persuade the Northern Alliance representative to cede several ministries. We had a meeting, and the ambassadors who were awake were a reflection of those who cared most. It was the Indian, the Iranian, the Russian, the German and myself. So we spent from 1:00 in the morning until 3:00 in the morning trying to persuade the Northern Alliance representative to cede several of

the key ministries to others. The Iranian representative was I think the most influential and the one who in the end persuaded him to do the necessary deal. As a result, the meeting concluded successfully at 9:00 in the morning.

In the aftermath over the succeeding months we chaired several international meetings to talk about support for the new Afghan Army and the police. The Iranians participated in those meetings and they also bilaterally communicated that they were prepared to make a substantial commitment to training and equipping an Afghan National Army and were prepared to do so under U.S. leadership in a program that would be coordinated by the U.S.

These possibilities were reported back to Washington, but other events were going on, and in the end these offers were not picked up and the relationship essentially lapsed. There were some further communications over the years, but nothing that approached what had been achieved in those few months in terms of concrete cooperation and actual delivery on commitments made.

I mention this because I think we are in many ways in a similar situation with respect to Iraq. That is, we're not going to stabilize Iraq without the cooperation of its neighbors. The difference of course is that when we went into Afghanistan we didn't go into Afghanistan we were going to make Afghanistan a model for Central Asia, and as soon as we democratized Afghanistan we were then going to democratize all its neighbors. We went in with a rather more limited agenda. We were going to make sure Afghanistan never again became a launch pad for global terrorism. That was an objective that all of Afghanistan's neighbors could sign on to and did sign on to, and as a result we got their cooperation in stabilizing Afghanistan.

I don't think we're going to stabilize Iraq without a comparable level of commitment from the neighbors. We don't stabilize Bosnia without elevating Tudjman and Milosevic to privileged partners in the peace process. They were the individuals who were personally responsible for the genocide we were trying to stop, and yet we had to bring them into the process and give them a privileged seat in that process if we were going to stabilize it. So my view is that the right entry point for talking about U.S.-Iranian relations is in fact Iraq and how to stabilize Iraq where our interests are largely convergent if not coincident on the basis that if we can achieve a level of cooperation there, we might ultimately be able to go on to more difficult issues and arguably more important issues but not more urgent issues, including in particular the nuclear issue.

MR. DAALDER: Thank you, Jim. I'd observe in the absence of diplomatic relations between the United States and Iran which has now lasted 26 years, it took only 17 years for the United States to reestablish diplomatic relations with the Soviet Union after the Bolshevik Revolution. One would think that perhaps 26 years after the Islamic Revolution a similar step might be useful, but that's just an editorial comment. Charles?

MR. GRANT: Thank you. I'm afraid I actually agree with I think everything that Volker said which means that my remarks may send people to sleep. I'll try not to repeat what he said but just to pick out some of the themes.

I think the first point to note is that the E.U.'s strategy has been moderately successful. It has probably helped to delay Iran's attempt to develop the capability to build nuclear weapons. The inspectors are in there and the E.U. has

maintained a united front and it's worked fairly well with the U.S. on that in recent years which is good in itself.

I think there's no alternative but to keep going with a diplomatic strategy. I don't think military action of any sort would make things better. And the objective of Europe should be to delay the Iranian program until such time as the regime evolves. I think that's the key word, evolve, not change.

I think the E.U. should stick to one objective, which is, stopping Iran getting nuclear weapons. The trouble with the U.S. strategy is a confusion of objectives. When I've talked to people in the Bush administration, they say they don't nuclear weapons in Iran and they're sincere, but they also clearly want to change the regime and they're very well aware that those two objectives can conflict. Some of them, not all of them, are really reluctant to do a deal on the nuclear weapons involving carrots because they think it will strengthen the regime and prolong its life and they think that's immoral.

Then there's the third objective of course of stopping Iran's support for some terrorist groups. While weakening the regime and stopping Iranian support for terrorism is of course very important, I think the E.U. is quite right to focus on one objective at a time because if you do focus on one objective you might actually succeed, you might actually do a deal with the Iranians on that. You can't do a grand bargain on everything. So I would maintain the focused approach.

How to revive the diplomatic initiative. I agree with Volker that I think some sort of contact group to enlarge the number of countries is probably a good idea. The key thing's to maintain a broad international coalition of putting pressure in the Iranians; that was the success of the vote at the IAEA the other day when of course India

voted with the West. So to maintain this broad contact group and bind Russia, India, South Africa, maybe Brazil, into the pressure on Iran, we need to have formal or informal meetings, a kind of quartet, if you like.

I think the Europeans should actually say that they would not use force against Iran. Jack Straw, the British Foreign Minister, has said this. I know that many people in this time would not say you should go that far, but they don't have to say that. I think if the Europeans are able to say that it would actually strengthen the credibility of their diplomacy with some of these non-Western countries whose support we need to put pressure on Iran.

But of course as Volker says, we have to get the U.S. on board because the U.S. has the juiciest, biggest carrots, particularly on the security side as well as on the economic side, and the U.S. would have to say that it won't take sanctions against European companies that do engage with Iran.

The weakness of the strategy I'm outlining here, the weakness of the European position, is are the Europeans serious about sticks, what sticks are we prepared to wield, because most people in Europe do not really believe in economic sanctions. We look at how sanctions have preserved and fossilized the Castro regime in Cuba. I'm just been in Burma and I've seen how Western sanctions against Burma have strengthened the junta by cutting of contact with the outside world. Most Europeans believe the best way to promote regime change or regime evolution is to trade, invest, have people to people contact, and I think it would be very hard to get Europeans in favor of blanket trade sanctions.

We might go on the other hand for targeted sanctions for visa bans on key regime officials, for seizing the financial assets of members of the regime and perhaps banning new investment, but I think that blanket sanctions would be difficult unless Iran goes a lot further than it's gone so far and actually starts building nuclear weapons.

Finally, in the long run I think whether or not Iran gets nuclear weapons and whether it's just still thinking about perhaps wanting to get them, it's going to be easier to deal with and better to deal with if the regime there evolves and if it is embedded in some sort of regional security structure. There is quite a lot that can be done to promote regime evolution, and I like the recent piece by Richard Haas in Foreign Affairs when he made the analogy between the Soviet Union and Iran, that U.S. on the Soviet Union was not to change the regime, it was to contain it and erode it through promoting NGOs, criticizing it when it did egregious things, and so on. And I think there's a lot we could do to promote change within Iran through TV and radio broadcasts, people to people exchanges, help for NGOs and so on.

On the regional security structures, I think it should be a limited and rather small security structure. Some people suggested a big OSCE for the whole area including Israel, Pakistan and so on. I think that's unrealistic because of the Israel difficulty. I think let's start with the Gulf. Let's try and get Iraq, Saudi Arabia, the Gulf States and Iran in a single security organization with confidence building measures, dispute resolution mechanisms and so on, and let's start there to make Iran feel more secure because Iran does have genuine security concerns and then it's much easier to deal with whatever stage it's got towards trying to get nuclear weapons. I'll stop there. Thank you.

MR. DAALDER: Thank you, Charles. A full plate of carrots. I guess we're going to turn to Phil for the sticks and the question of whether you can have carrots and sticks in different parts of the transatlantic relationship.

MR. GORDON: I'll try and talk about both, Ivo, and a lot of good things have already been said. Let me just add a few points and hopefully pull out the contrasts as much as possible with what has been said to stimulate the discussion.

Let me begin with a sort of basic point which is why this issue matters and why we're talking about it. There is a view out there that we put way too much emphasis on the Iranian nuclear issue. Indeed, you mentioned the Joint U.S.-European Statement on Iran that Charles and I coordinated and a number of people signed, and you also mentioned that some people didn't sign it. The strongest argument of those who didn't want to sign it was just that we'd rather not see Iran have nuclear weapons, but at the end of the day it's probably inevitable and it may not even be such a bad thing. So why don't you guys just calm down and stop provoking a big crisis on this and accept the reality and move on? That is a view, and it is a legitimate view when compared with the possible diplomatic and political crisis we may be creating this to such a high level.

That said, I don't agree with it. I think we should be concerned, as concerned we are about the issue of an Iranian nuclear program. We should be concerned because I think if we allow Iran to develop nuclear weapons, the proliferation concerns in the region would be very serious, and I'm thinking of other countries in the region, Saudi Arabia, Egypt, and Turkey. In some ways it would even be worse than the India-Pakistan cycle which we saw a few years ago which was at least a proliferation loop closed to itself. I don't want to say that wasn't important at all, it was very

important, but once it was closed with India, Pakistan, China, it's hard to think of other neighbors or other countries that because those countries had nuclear weapons would deeply want them. It's not the case with Iran, and I think if the cat gets out of the bag in the region you would have to expect further proliferation down the road.

I think it's also a problem because an Iranian nuclear capability would be almost a free pass for a more aggressive Iranian foreign policy or support for terrorism. We've all seen the lessons of other cases. North Korea has nuclear weapons and we don't even consider using force against North Korea. Iraq didn't have nuclear weapons and we were able to do the Gulf War and prevent it from invading, occupying and keeping one of its neighbors.

Options vis-à-vis a country that knows that you can't use force against it are even more limited than they already are, and I think that would be a problem. Furthermore, we would have to admit that if we allow Iran to develop nuclear weapons, the Nuclear Non-Proliferation Treaty which has served us pretty well over these decades is dead. It's not a setback, it's not a problem; it's over. And it already has had serious blows to it. It may be on its last legs anyway, but if we in this case say, fine, that was an exception, I think that doesn't hold up. If we're not willing to take seriously the issue of an Iranian nuclear weapon, we might as well just say to any country out there we're not particularly serious about this, we would rather you not have nuclear weapons, but at the end of the day we're not going to do anything about it. So the first point is I do think the United States and Europe are right to put this very high on the agenda.

Secondly, I think that they've set the right standard in terms of what is and what is not acceptable in an Iranian nuclear problem. And I might quickly add that

what is acceptable is Iranian nuclear energy. That's part of the original NPT deal, we should uphold it, and we are, and that's part of what the Europeans are offering them.

What the European Union is saying is not acceptable which the United States agrees with and I think is right, is Iranian control over a full nuclear fuel cycle. That is to say, uranium enrichment and plutonium reprocessing. The articulated reason for that seems to me right. It's a country that the IAEA, International Atomic Energy Agency, tells us for 18 years has been doing things in the nuclear field that very much indicate its interest in developing a weapons capability, not revealing what it's doing until caught, in other words, cheating on the regime, is not currently in compliance with IAEA safeguard agreements, and we all know that to say that this country could have an entire fuel cycle and we'll just trust that it doesn't take the next step of a nuclear weapon would really be to allow it to be on the verge of a nuclear weapon. If we lowered that standard, and it would be very tempting to do and in some ways we're surprised the Europeans haven't done it yet, say, okay, fine, you can do uranium conversion but not enrichment, let's stop there. Or if we said you can do enrichment but we want to inspect and don't take the next step. I think we have to be honest with ourselves, if we were to do that we would basically be saying you can do that as long as necessary until you have the capability, then you can ask us to leave like the North Koreans did, and within 6 months have a nuclear weapon.

Because of that, I think what we need to do if we're going to deal with this problem is not only maintain the joint U.S.-European approach of trying to put together a package of incentives and disincentives, but actually to enhance it and take it to the next step. I really do believe that if we have a chance to persuade Iran not to

develop nuclear weapons, and maybe we don't, we won't know until we try and find out, the only way will be is if we do manage to change their incentive structure so that the price of pursuing a nuclear program is very clear and very high, and that the benefits of not doing so are also clear.

Let me also explain why that's the only possible approach, because it seems to me the other two extremes are not viable. One is acquiescence which I began with. That's one possibility and you just say you can—but I already explained why I think that would be a bad idea. The other extreme is military force which was briefly commented on. I do think the Iranian nuclear program could be set back a certain number of years with a military strike, but I think the costs of doing so would exceed the benefits of doing so. I think the result of that would be an absolute Iranian determination to develop nuclear weapons at all costs and probably retaliation against whoever took out the program or tried to set it back. And as Jim Dobbins suggested, if we're not getting great Iranian cooperation in Iraq now, let's see how it goes after we take out one of their nuclear plans, and that could really turn up the price of America's action in the region in response to a strike.

So if acquiescence and military force are really bad, how do we turn up the approach that we're currently doing? You might say this carrots and sticks approach is what we've been trying all along and it's not working, which is why I say we have to do a little bit more. What we have been trying for the past 10 years is a sort of division of labor where the Europeans offer the carrots and the Americans offer the sticks. So you can't change the incentive structure if only the Europeans are willing to do carrots and Americans to do sticks.

The fact of the matter is we are maxed out in our respective comparative advantages. Europe can't offer much more in the way of incentives. Europe already has diplomatic relations with Iran, it trades with Iran. It can talk about an enhanced package, but that's not very much more, and the United States already doesn't talk to Iran or trade with Iran or deal with Iran, so sanctions short of military force don't make much sense either. So if you're trying to add to the total package of carrots and sticks, the only way to do that is if the United States is prepared to put in some carrots and Europe is prepared to put in some sticks, and that's what we haven't fully tried.

What could each side do, very briefly? I think to start off, and others have already suggested this, the United States needs to be willing to explore, to talk directly to Iran and see what might be on the table. In some of our conversations with the European negotiations with Iran, they have compared what they're doing as they talk to Iran without the U.S. there to being at a cocktail party where you get the impression that the person you're talking to, in this case the Iranian interlocutor, is always looking over your shoulder to see if someone more important might be coming in the room. We're all from Washington. We've experienced this sort of dynamic, and I think that's right.

[Laughter.]

MR. GORDON: They're happy to talk to the Europeans, but they're looking over the shoulder to see if somebody more important might walk into the room. We should at least be prepared to walk into the room.

Someone mentioned the North Korea analogy. We just signed an agreement, apparently reached an agreement, with North Korea in which they would

permanently and verifiably end their nuclear weapons programs in exchange for political and economic support from the West, including the United States. I don't know if that deal, it probably won't, but we only got it because the United States was willing to be part of the package, it was willing to provide some of the incentives, and it was willing to offer a security guarantee pretty simply stated, that the United States doesn't have the intention of invading their country. It would be worth exploring at least if that would produce the same sort of agreement with Iran.

I think everything should be on the table from a U.S. perspective. One might add that in addition to everything we would put on the table in terms of economic relations or diplomatic relations, everything would also have to be on the table on the other side. In other words, support for terrorism would also have to be on the table, but let's find out.

Chances are Iran would rebuff this. It's probably also true that this week, a week after the Iranian President's statement, is probably not the time for a bold diplomatic initiative vis-à-vis Iran, but in the long run at the end of the day I think that the U.S. is going to need to fully explore the incentive side before we can credibly move on to the other option which is sticks, and just let me say a word about that on the European side, more sticks.

Charles briefly alluded to it, but he said why Europeans are reluctant to go in this direction. I think Europeans have to be willing to go in this direction if the package is going to make any sense. I think the European Union while emphasizing as it does and as it should its willingness to enhance its trade relations with Iran and provide nuclear energy and support the Iranian civil program, all of those show respect for Iran,

all of those things are fine, but it also needs to make clear that if Iran does move in the direction of a nuclear weapons program, I think it needs to make clear in advance that there would be a price for doing that and the price has to be more than just the absence of carrots which it pretty much is now. If you do that, then we won't add to the diplomatic and economic exchanges.

If that's clear in advance to Iran, I think then the Iranians if there's Western and other unity on this issue, really are faced with a choice. They can choose to have a nuclear weapons program but also be an international pariah isolated with economic troubles cut off from the world, or they can choose to not have a nuclear weapons program and be engaged, prosperous, feeding their growing youth population, and so on. It's a choice that I think we owe it to ourselves to present them with to find out.

Therefore I think, and I'll conclude with this because it's about the next steps diplomatically, we are likely when the IAEA meets in a couple of weeks to confront such a choice and have to decide what to do if the Iranians don't in the mean time satisfy what the IAEA is asking for which is probably unlikely. If we can hold together and present a unified package whereby it would begin with simply a statement from the U.N. Security Council isolating under Chapter 7, a threat to international peace and security, but then gradually escalate through diplomatic sanctions. You mentioned the Serbian case. In addition to being willing to talk to Milosevic, we also put a travel ban on Serbian officials, a visa ban and economic sanctions and gradually turned up the heat, and I think it had an effect as it had an effect in South Africa and other cases, so it's not just, Charles, Burma and Cuba where it doesn't work, but sometimes I think Libya is

another case where sanctions can work. Moving up that scale all the way to banning gasoline exports to Iran. Iran exports oil, but it imports gas and if the price of gas rises under the new Iranian government, that might not make it too popular. All the way to an investment ban, and a certainly a ban on investment in the Iranian energy sector. And only then it seems to me will we find out whether there is some possible path that takes us between these horrible choices which would be acquiescence to a nuclear weapon or a military strike on Iran.

MR. DAALDER: Thank you. Diplomacy is always about bad options and choosing among them. I think with Iran we have as we have with most of these issues a series of bad options, with perhaps even worse outcomes no matter what option you choose, and then you really know that you are in a pickle.

But I'm wondering whether there's anybody in the audience who may have in fact the final solution, or if not, at least have a question for our panelists. So let me open it up to the floor. Sir, in the back, if you can wait for the microphone and please identify who you are.

QUESTION: [Inaudible] NTV Television. I think the Iranians have already made up their minds and probably they have invested a lot in this. They have spent years on this and they will most probably be continuing their nuclear weapons program. And I think the dilemma for the West is whether to say yes to a nuclear Iran or a no to a nuclear Iran, and I think any Republican administration will say no to a nuclear Iran.

At the end I know that the military solution is not a good one, it probably would not work, but do you think it is inevitable at all as long as a Republican administration remains in place, and would that work at all?

MR. DAALDER: Do you want to take that on?

MR. GORDON: Well, only to the extent that I don't really think the issue here is a Republican or a Democratic administration. The question was posed in a way that sort of suggested that maybe the problem here is a Republican administration wouldn't do this, but if we had a different—I think frankly that there are some differences politically on the question of the use of force, but there are very few on the issue of how serious it is and what course we need to pursue particularly since this administration changed its view on whether to get involved in the positive incentives and the carrots part of it. There was a political difference so long as a lot of Democrats were saying we should at least try to engage and maybe support the Europeans while the administration was opposing that and saying we're never going to reward bad behavior. But I think since they have come around to the view that it was necessary to support the European Union, I don't see this as a huge internal political challenge.

Don't forget, our differences with Europe over the Iran issue were pretty severe, Charles will remember, and Volker, during the Clinton administration where we had many of the same—ILSA or sanctions on Iran began in the 1990s and we had huge battles with the Europeans between a Democratic American administration and the Europeans. So I don't think it's political.

The only other thing I would add on that is I also don't think that the choice is what we do about it once it happens, as was also suggested. I even think that it

would be worth the sticks, raising the price on Iran, even if we knew it was going to happen. In other words, I wouldn't back away from my position that we need to seriously think about sticks and sanctions even if you told me it would never work because I think sometimes there's a merit in going in that direction for what comes later. First, it would be a lesson to other countries that it's not once you cross the nuclear threshold that we then say, okay, fine, you can have everything you want, you'll pay a price for years afterwards as well and other countries would need to understand that.

And even vis-à-vis that country itself if there is some form of sanction, remember, the lifting of sanctions can also be a carrot and an incentive and we have plenty of issues vis-à-vis Iran both on the nuclear issue in terms of its testing and proliferation and fissile material and all the rest, and on other issues that I think we need to be serious about the stick part even if you're right that they're going to do this anyway.

MR. DAALDER: I just want to pick up on one point that Jim made early on. It may well be that Iran has fundamentally decided to cross the nuclear threshold, but the point at which it does in fact do so has moved, and it continues to move. And part of the policy that all of us are trying to engage in is to move the moment of decision as far forward as you can. Every day that they don't cross the threshold is one more day you're okay, and the notion that this is a binary choice is not as clear cut. It's about having options that I'm sure Tehran would like to maintain, and as long as you can maintain those options in a way that make the decision point of actually going nuclear and its actual outcome as long as possible, years, preferably decades rather than weeks or months, you're achieving a significant effect in the nonproliferation business.

MR. BIRNBAUM: Yes, I'm Norman Birnbaum. Could I ask first the European visitors to say something about the limits and depths of European public opinion generally, not simply expert opinion, on this matter? Secondly, could I ask the whole panel, the whole panel who's shown remarkable asceticism in a couple of mentions of Israel and presumably the terrible problem of relations between Israel and Iran which under the Shah were allies, but surely no long-term solution is possible unless somehow this problem is addressed. Israel does have nuclear weapons about which somehow one doesn't speak, but it does have these weapons and it does play a role in this situation. What does the panel think should be done about this?

MR. DAALDER: First, on the first issue of European public opinion.

MR. GRANT: In my country, Britain, there is really no public opinion debate about the Iranian nuclear problem. It's just not an issue at all perhaps because the Iraq conflict which was built up as being a way of dealing with WMD, it turned out there weren't WMD. So when on the op-ed pages of the Financial Times people read articles about the Iranian nuclear problem, it really hasn't filtered through to the public debate at all. There's no public discussion, really.

When Mr. Ahmadinejad said he wanted to wipe Israel off the map, that certainly was headlines on every news channel. That is big news, but people are not afraid of Iranian nuclear weapons because they just don't think about them and the E.U. 3 negotiating process I'm afraid has been confined to the foreign policy pages of serious newspapers. It's not something that most people think about.

MR. PERTHES: I would be able to say basically the same for Germany. I think public opinion is as far as they are interested in foreign policy, they are aware

that the Germans are doing something together with the French and the British and I think it's right that they are doing some things and we don't leave it to the Americans or don't leave it to international anarchy to somehow solve that problem, but they don't feel threatened by Iranian nuclear arms and they don't think very much about it.

Ahmadinejad's utterings were of course not well taken in Germany, even by the public.

But let me try to answer your second question or at least partly, why didn't we speak about Israel here. I think, and probably more so after traveling intensively in Iran speaking with people there that as much as at some point we should speak about nuclear weapons in the entire region, for the particular issue of where does Iran go with its own nuclear program, Israel is not so much the issue. They don't actually feel threatened by Israel, but they may feel threatened by the U.S. in the region, and they actually feel surrounded by the United States which if you look at the geopolitical map there, the U.S. is not only in Iraq and not only in the Persian Gulf, they are also in Afghanistan, they have close relations to Pakistan, they have close relations to India, they are in Central Asia, so there is a certain reason for the Iranians to feel surrounded. They're not surrounded by Israel; they're surrounded by the United States. So if they see a threat to the regime, it's not from Israel.

If you speak to the Iranian elite, it's a broad and pluralistic elite as I tried to say, you would find some sort of populist people who have the discourse we have from the Arab world which is very different from the discourse we have in Iran, who would say, why are you Europeans speaking about Iranian nuclear programs when you are silent on the Israeli nuclear arms? But this is not sort of what you hear from the enlightened part of the Iranian elite. They would rather say, why did you offer us a

nuclear program when the Shah was in charge, and why do you withhold us today? So for them it's not the comparison with another regime which they may like or not like very much, rather, they don't like it, but it's rather the historical comparison to say when we had a different regime, Germans, Americans and Russians and everybody was coming to Tehran and trying to sell us nuclear energy and nuclear research and nuclear things, and now today because you don't like our regime, you don't like our revolution, you're withholding it. So it's very much a question of how do you see us? Do you respect us as a state even if we have a regime which you don't like very much? So the Israel issue is not so much there. There is a threat issue, but it is not Israel.

I would like to say one sentence to all of those who say the Iranians have already made up their minds that they want nuclear arms. I'm not so sure about this. I think if we understand Iran we have to understand that there is more than one faction there. You know a little bit about interagency conflicts in this city here, and we do have something of that in Tehran, too. And I think we have to see that there are people who really think that peaceful nuclear energy is something they need for economic and technological progress, and that's fine for them. There are others who want the option, who want to hold all options open, and some of them would even speak of leaving the NPT, and especially in the Parliament we have some radicals, and there are some moral conservatives.

I think in a country which is so much based or in a regime which is so much based on religious ideology as the Iranian regime is, we must not ignore if in their internal discourse, the Friday prayers, the Friday sermons they have every Friday at the University of Tehran, every speaker is saying we don't want nuclear arms because it is

against Islam. If they wanted it, they would at some point stop him telling their own public that it is against Islam to have nuclear arms. So at least for parts of the Iranian elite there is a moral issue which says, well, we should have research, we should have technology, but it is not in our religion to have nuclear arms, and the leader is saying that all the time.

So at least I think we should listen to that, and probably it also helps for our dialogue with the Iranians to say at least we take it for granted that those who speak authoritatively about your ideology are saying you don't want it, now let's find a way to convince the rest of the people in the world and not your own people at a Friday sermon.

MR. DAALDER: Does anyone wish to pick up the Israel angle? There's another side to the Israel angle which is how the Iranians see it, but what the Israelis are seeing, and after last week one could argue that they may be slightly less constrained and restrained in their answer.

MR. GORDON: The focus point is right that it's hard to really construct an argument that the Israeli nuclear weapon is a driving factor in the Iranian nuclear program. There are other reasons, some quite legitimate, that is concerned about an invasion and wants to have nuclear weapons. I don't think Israel is the main one. It's not that.

Secondly, I would say, Norman, I don't think that the best way to think about how to avoid a nuclear crisis with Iran sort of diplomatically is to create one with Israel; that somehow we should say we're having a hell of a time dealing with this Iranian issue and all of our options are bad and it's not working. Let's see if that would work. Let's press the Israelis to give up theirs and force them to do it and have a huge

battle there and then let's see what happens in Iran. I wouldn't recommend that as a diplomatic strategy either.

That said, I think you're right that if we could move towards a nuclear weapons free zone in the Middle East which would require a lot more than giving up nuclear weapons, it would require some conflict resolution first, that would be a good thing and I would be all for it. But here I come back to Ivo's point, if that is a goal that we should aspire to, certainly Ahmadinejad's comments last week aren't going to help us get there because to whatever degree Israelis might have been pondering a willingness to give up their own nuclear programs and accept such a zone, they're probably not doing so now when the leader of a neighboring country is threatening to wipe them off the face of the map. And I also know that if that's our goal, allowing Iran to get a nuclear weapon is probably not going to be the best way to get a nuclear weapons free zone in the Middle East.

QUESTION: There's a lot more to add on the Israeli thing, but I'd like to go back to Jim Dobbins, if I might. None of the rest of the panel actually responded to Jim's argument that this is not the most urgent issue and that unless we address particularly the U.S./Iraq/Iran conundrum, it's unlikely that you can get into a really productive conversation with the Iranians about nuclear weapons.

I'm struck by the fact that they're so sensitive about being hauled before the Security Council. That's really a reflection of their sense of pride and feeling about their place in the world. But they don't actually have to face the kind of Security Council if they have to face it that the Syrians have had to face. I wonder how you think the Syrian example this week affects their behavior. But more importantly, I'm curious

as to why nobody has mentioned that Iran also has ways they can raise the ante. They can actually withdraw from the NPT as the Koreans did and threw us into a tizzy. They also can cause us enormous trouble in Iraq, as you've suggested, Jim. And it does seem to me that the most pressing aspect of our Iranian relationship is about Iraq. It's not about the nuclear issue. But I'd be interested in the panel's comments on any of these comments.

MR. DAALDER: Any takers? Jim agrees.

MR. DOBBINS: Yes, I mean, I agree. Actually the U.S. position on normalizing relations with Iran and beginning a comprehensive diplomatic dialogue is that first we have to settle all our differences and then we normalize relations. It's pretty implausible that you're going to manage to settle all your differences given the range of differences and the depth of passion involved in them without having conducted a fairly extensive, intensive dialogue.

The alternative which we tried in 2001 was let's pick an area where we have a coincidence of interests, see if we can build some trust and we'll take it from there. That didn't work because it's hard to know exactly how to allocate the blame. On the one hand, shortly after that positive era of Iranian-U.S. cooperation on Afghanistan, you then had this ship, I can't remember the name of it that had all the arms going to Palestine, the official Iranians claimed that they didn't know about it, and if we did they'd appreciate knowing it because their intelligence services were denying any connection with it and we weren't interested in playing that game and didn't give them the information.

On the other hand in that same time frame, the Iranians had been helpful through what was then the most difficult crisis in the administration and within a few weeks we put them in the Axis of Evil. So there wasn't a lot of steam behind that effort on either side even though it had made some notable progress.

I think in many ways the best model might be to go back and look at the Shanghai Communiqué and what we did with Red China in the midst of the Vietnam War which was not to try to settle all our differences and then establish normal relations, but first to establish a channel of communications and a willingness to talk to each other based on mutual respect.

[End Side A, Begin Side B.]

MR. DOBBINS: [In progress] —we were perpetuating Mao's system. It wasn't that we were legitimizing Mao's system, but we also recognized that we weren't likely to change it in the short term and that we had other more serious enemies than Red China, specifically, the Soviet Union, and that Red China's willingness to separate itself from the Soviet Union to limit Soviet power and to work with the U.S. in limited areas was of benefit to us in our more serious conflict.

The more serious conflict today is with al Qaeda and with those elements that support al Qaeda's objective which, as the President said, is a Sunni Muslim empire stretching from Spain to Indonesia. Whatever Iran's ambitions are, it's not that; and if al Qaeda and those who support al Qaeda are our principal enemy, then we ought to be looking to their principal enemy and at least establishing a dialogue of convenience.

So my view is that we probably ought to establish that dialogue without conditions on a comprehensive basis and then work our way through these issues over

the next 5 or 10 years to include the nuclear issue, relations with Israel, et cetera, of which Iraq is the most urgent and probably the easiest because we don't have strong differences.

MR. DAALDER: Volker?

MR. PERTHES: That was probably only a side question of would the Iranians learn from the Syrian example or would they see the Syrian example, I think there is one major difference because of which the Iranians would simply not compare themselves to the Syrian case because in Iran the elite and public opinion is I would say 99 percent convinced that what Iran is doing here is legitimate and is right. In Syria, public opinion was not convinced that it is legitimate and right killing the ex-prime minister of their neighboring country. So you don't have much support, or a little bit of support there in Syria for the regime, but it is dwindling especially on the case for which they were brought to the Security Council.

If Iran were dragged into the Security Council for the nuclear issue, that would not divide the Iranians or bring the public against the regime so, therefore, the regime would probably not see any comparison here.

I think just the point of whom the U.S. engages or on what point should you engage Iran, I think it is fine to engage them on a different issue and probably more expedient to do so. Still I would maintain together with Charles that it is fine also that the Europeans continue to do it on the nuclear issue because we have started it and we shouldn't give up at this point and say, well, okay, we tried 2 years, the negotiations broke down, so suddenly we decide now that it's not so urge. That wouldn't strength our positions in any further talks with the Iranians. Here still I do think that we need some

direct or indirect support from the United States and, Phil, I think you may be right that it's not a good time now for Mr. Bush to give a major speech and say that after Ahmadinejad's utterings we are now offering peace to Iran. But probably the next State of the Union address would be a good occasion to do so especially if we remember how appalled the Iranians were that after their cooperation on Afghanistan which Jim informed us about, after that cooperation which was real cooperation, they were put on the Axis of Evil in one of the State of the Union speeches and they took that very, very seriously. So if the next State of the Union speech would make some other mentioning of Iran and saying that while we have enormous differences, we have no intention of forcefully changing that regime, they would also notice it.

MR. DAALDER: The likelihood of that happening I think is small. In the last State of the Union address, by the way, the President called for the people of Iran to rise up and overthrow their leaders. That was only in 2005. Phil?

MR. GORDON: With respect to Jim Dobbins's very useful corrective to the notion that we should be focused on the nuclear thing, it should be top priority, point taken. I think it's important. But there's a fine line that we need to tread. On one hand, clearly we don't want to take the slightest Iranian violation of the safeguards agreement and lose our cool, and as Sam Lewis says, haul them before the Security Council, provoke an Iranian reaction which could consist of leaving the NPT, starting enrichment, all because we couldn't wait another week to see what this violation—obviously, you don't want to err on that side of provoking a needless crisis, and if we're buying time and putting off the Iranian nuclear issue, I'm all for it and we can use the time usefully in the mean time.

At the same time, you have to be careful not to go in the other direction of saying let's put off the nuclear stuff, let them spin the centrifuges and start moving in that direction, while we hope that somehow as we talk about all of these issues we agree about like Hezbollah and Iraq, that we'll develop such good relations with each other that before the centrifuges are finished spinning enough, we'll be able to deal with the nuclear issue. I don't think that's very plausible either. So that's the line we're trying to tread, it's very difficult, but we somehow need to avoid either of those.

MS. SAFI: I'm Sanaz Sayfi. I'm with Radio Free Europe/Radio Liberty. I was in Iran this summer for the campaigning and for the election of Ahmadinejad. Two of his platforms were the poor state of the economy and, two, this nuclear issue. I think he gathered a lot of support based on those two arguments.

I have a question for Dr. Gordon. If we increase the sanctions, will that not push Iran further into a domain of loss in which they see the status quo as threatening, that it would push them to get a nuclear program? On the other hand, do you think that Iran trusts the United States enough to accept carrots?

MR. GORDON: The second part is easy, no, and that's why I said even though I called for the United States to do a range of things, I think the most likely reaction, and certainly the events of the past few weeks don't suggest otherwise, would be a rebuff. But all we can do is be prepared to engage, to have the dialogue and to show respect and see what happens. We don't do any more than that.

I think there have been cases over the past 9 or 10 years where the United States has tried to reach out and has been rebuffed by Iranians who seem to be more open to engagement than the current regime. So the second part is easy.

On the first, on sanctions, I think that sanctions are a terrible option; I just think that they may be better than some of the alternatives. Charles is right, in many cases sanctions only lead to punishing not the leaders but the people, creating nationalism, creating resentment, strengthening the regime rather than getting rid of it. There are plenty of down sides to it.

There are though, as I tried to suggest, also some possible up sides, and it's not just not buying their oil which I think is probably implausible anyway. But some of the other types of sanctions especially if broadly applied internationally, the visa ban, the travel ban, the sporting ban, the gasoline imports, if Iranians feel that the new regime that has come in has led to what, to international isolation, criticism by a broad range of countries at the U.N. Security Council and the IAEA, nonparticipation in the World Cup, rising gasoline prices, do they at some point start to say are we really on the right track? Again, even though there are plenty of cases where this has totally and utterly failed, there are other cases where it has been effective, South Africa, Libya, Serbia, in think in all of those cases sanctions had a positive effect, and that's why among all of the bad options, this might regrettably be the least bad.

MR. DAALDER: Let me just add on the sanctions, in order for them to really work it's the prospect of relief from sanctions and a new relationship that is really tied to behavior that allows you to move in the right direction. Certainly in the case of Serbia where both the targeted nature of the sanctions and the very clear path that was laid out that said if you do A, B, C and D, then X, Y and Z will happen, it's that combination rather than sanctions in the traditional way which I think the Libyan case also demonstrated worked. So relief of sanctions, tied to sanctions.

MR. WOLFSTAR: Thank you. I'm John Wolfsthal at CSIS. I think the panel did an excellent job of laying out where we are and I think assessing what options we have moving forward. I want to ask a little bit about the history and trends because I think it matters in this case, and the last question I think touched on this.

We've had two major events since the last round of the E.U. 3 Iran talks, the election of Ahmadinejad who campaigned in part on the nuclear issue, and you had the fact that Iran has broken out of at least part of their nuclear freeze, restarting uranium conversion which we said was going to be a big deal, we were going to punish them and we really haven't. So my assessment would be that the trends are not really looking positive, you have other contrasting trends, you have agreement at the IAEA and we're going to review it again. But my sense is in the negotiating back and forth, Iran may feel that they've won the more recent couple of rounds and that things are not necessarily looking like that's going to change. But I wonder if there's agreement on that from the U.S. and European side or not.

MR. DAALDER: Charles?

MR. GRANT: On the conversion point, it is true that the Europeans and Americans said it would be really bad if they broke the seals and started the conversion process, and it's true we haven't really followed-up, but I wondered if we should get too hung up about that. What surely matters is whether Iran has a complete nuclear fuel cycle, whether they can basically build bombs on their own without outside help.

If as part of some final package deal in which Iran does agree to forego the complete nuclear fuel cycle, does agree to make itself dependent on other countries for providing the fissile material, if as part of that package they can sort of have some

face-saving measure whereby they convert, it's just conversion and the price is Iran doesn't build nuclear weapons anymore, then I myself would happily go along with that and I suspect some of the governments involved might ultimately be prepared to make that compromise. But of course we're not near that yet, we're a very long way away from that kind of deal.

MR. PERTHES: Just one sentence more here. I think it may well be that at some stage we are where you suggest we might be going, but here it was not that Europeans or others didn't take the conversion seriously. When they started conversion, Europeans said this is the end of the road, this is the end of the negotiations, you broke the deal, the Paris Agreement, we made, and they got this vote in Vienna in the IAEA where even the Indians voted against them and the Chinese abstained. So there was a reaction which I think they did not expect. They thought it was sort of breaking the agreement lightly and saying we didn't speak about conversion, and then we had to tell them, look into the Paris Agreement. The word conversion is in the agreement. You broke it. We might find a new format to negotiate it, but we cannot continue on that agreement because you broke it, and the vote was very clear in the IAEA.

MR. DAALDER: Jim?

MR. DOBBINS: I'd say the things that have changed, Ahmadinejad doesn't appear to be any more likely to move Iran to the right than his predecessor moved it to the left, so I'm not sure how relevant he's going to prove as a factor on these kinds of matters. It's not a helpful development, but whether it's fundamentally negative is another question.

I'd say that the two things that have happened which undermine the Western position most are on the one hand the increased price of oil, and on the other hand, the increased difficulties the U.S. has been experiencing in Iraq which between them make both the military and economic options entirely implausible. Whether you think sanctions are a good idea or a bad idea, it doesn't really make much difference because you're not going to get them. You couldn't get sanctions on North Korea, a country that doesn't have a friend in the world and produces absolutely nothing of value, how are you going to get sanctions on Iran which has lots of friends and products lots of things of value? I just think it's wholly implausible, particularly while at its current level. And similarly, the military option, as I just said, is implausible.

So I think we're going to have to play this long recognizing that our negotiating position is weak and that our prospects for denuclearizing Iran are only going to look realistic in a much longer term gain. At the moment the administration appears to be trying to stabilize Iraq, destabilize Syria and denuclearize Iran all at the same time. Completely implausible. You can't possibly do all those things at the same time. You've got to sequence, you've got to prioritize, you've got to decide what you want to do this year, what you're prepared to postpone until next year.

That doesn't mean dropping the negotiations. It means continuing them but without the expectation of a breakthrough either towards Security Council sanctions on the one hand or an agreement on the other hand for a considerable period.

MR. GORDON: We could probably manage to destabilize them all at the same time.

[Laughter.]

MR. GORDON: Very briefly on the scorecard because I don't really accept the premise that we are somehow losing. I think at best it's a draw and possibly we're even doing pretty well. Over the past 3 years since the Iranian nuclear program was revealed to the extent of the facilities in Natanz and Isfahan and the Europeans first cut the deal with them, it has been frozen and they haven't made any progress on it except in the conversion from August, for the past 3 months or something. That's not bad by the standards of what we're trying to accomplish, if you had an active nuclear program and then for the past 3 years they've done nothing in that field and there have been inspectors in Iran, that's pretty good. As is as Charles or Volker alluded to, at the last IAEA Board Meeting we were nowhere near what the United States would have wanted in hauling them before the Security Council, but we got Russian and Chinese abstention, Indian support, and of all of the 35 members of the IAEA, Venezuela was the only to oppose a resolution that said that Iran was in noncompliance with IAEA safeguards not only for some of the reporting that it hadn't done, but because of the 18 years of misleading the IAEA. That's a pretty strong statement that sets the basis for taking it legally to the U.N. Security Council under Chapter 7.

So that they haven't made progress on the nuclear program and that diplomatically we have pretty wide support for isolating them on this issue, it's certainly not a total success for the U.S. and Europe, but it's not a total failure either.

MR. DAALDER: I define losing getting the IAEA inspectors kicked out, pulling your spent fuel rods out of a fueling pond where they've been for 8 or 9 years, reprocessing them, negotiating for 2-1/2 years, getting a statement, while still producing nuclear weapons. That I call failure, but that's North Korea, not Iran.

MR. GORDON: I was going to say you just described North Korea.

[Laughter.]

MR. DAALDER: Way in the back.

MS. BENDA-MAHDI: Ayeh Bandeh-Ahmadi, Institute for Defense Analyses. I have a question about something that I think only one of you have touched on which is about the role of the Iranian people in all of this, not just the nuclear aspect but also regime evolution or change.

Unlike in Pakistan or India where those governments did nuclear testing to show their people that they could do that, in Iran all the popular polls are showing that there's strong popular sentiment against having nuclear weapons and so on. So does that affect whether and how or how soon the government would be willing to take those steps and the will of the people over their government especially if you call it a pluralistic government? Thanks.

MR. DAALDER: Volker, do you want to take that?

MR. PERTHES: I didn't get the question totally, whether you said the Iranian people are—

MR. DAALDER: The question was since the Iranian people in polls are against the deployment or the development of nuclear weapons, to what extent is that going to influence the behavior of the government particularly if the government is a pluralistic government?

MR. PERTHES: The public discourse is not about nuclear weapons. The public discourse in Iran is about peaceful nuclear energy. So if part of the regime are thinking about the options for nuclear weapons or actually going further and saying we

are dead set in wanting it, this not part of the public discourse, so it's very difficult to judge whether you would find a certain support for that in broader public opinion, not only among the elites in Tehran which we all speak to and which tend to say what we think, and this is why we all missed the outcome of the election and thought someone else would be elected because we all speak to the same people there, I do think that the regime as I can only answer it so far gauges very well what public opinion is and it is not a disconnected regime like the Syrian regime for that matter. It is very well connected through the clerical class and they know what is going on, and of course the Ahmadinejad victory has shown that it is very much connected to the broader base of public opinion, and they would probably not go totally against what they see as broad majority support.

In the pluralistic element they have, this is actually what I think is keeping the regime in power because you can allow yourself to have different opinions on different cultural issues, foreign policy issues, you can even utter them. We have an ex-president who the other day said that the utterings of the current president are not good and not helpful at all. This would be normal in the U.S. and it would be normal in Germany, but it is not so normal in the region we are talking about.

MR. DAALDER: We have a tradition in the United States of never to speak ill of the person in office.

MR. PERTHES: We don't have that in Germany. We don't even have a person in office.

[Laughter.]

MR. DAALDER: Well, that's not my fault.

MR. SCHAFFER: Chris Schaffer. One quick observation. It was curious to hear Phil Gordon sort of go on about the case of why Iran doesn't need a nuclear weapon or shouldn't have a nuclear weapon because I had thought we'd put that debate behind us. So it was curious to hear in this forum that there is still some discussion between the Europeans and the Americans in that regard, or at least undercurrents.

As you know, here in Washington the recent comments of Ahmadinejad obviously have been very disconcerting. Both the House and the Senate have come out with resolutions on this, and my question is in listening to the European perspective coming in here, it sounds like we're hearing a display of new carrots and for a lot of people in this town that might sound like the same okay, okay, here come the Europeans again with their basket of incentives when we really have to be getting a lot tougher on this regime particularly in light of what we're hearing recently. So I'm wondering if you could give some sort of explanation to people in this town who might react that way to these presentations.

And regarding this sort of American approach, I'm curious if you could comment on most of the papers in the country have editorialized about how the administration has lost ground recently in their international clout, and I'm wondering if you could talk about that and the White House generally how much room they have to maneuver on these issues.

MR. DOBBINS: I think in the short term, Ahmadinejad's comments, even though he's been reprimanded by the Supreme Leader and contradicted by the National Security Adviser in his own government make gestures on the Western side

unlikely and untimely. But to the extent that those who push back in the Iranian government are able to contain him for a while, this may be shown to have been not just an aberration but perhaps even the beginning of a diminution of his influence in the international field. We'll just have to see.

Similarly, I don't think anybody is looking for announcements from the White House in the next 48 hours about a new initiative vis-à-vis Iran. On the other hand, administrations have recovered from worse setbacks than the current administration has suffered. After all, in the last administration it was the President who got indicted. In the Reagan administration it was the National Security Adviser who not only indicted but actually got convicted. So I think you need to put these in some perspective, and the administration has still got 3 years of possibilities for considerable scope, I think.

MR. DAALDER: In other words, unless there are more indictments—
[Laughter.]

MR. DAALDER: Charles?

MR. GRANT: Why aren't the Europeans getting tougher and why are we talking about carrots when in the light of Iran breaking off the talks and in light of Ahmadinejad's weird comments and so on? I think as Volker has already said, we did get quite tough. We broke off the talks and we worked jointly with the U.S. to get a motion with the IAEA.

How many options are there other than some sort of diplomatic option? So this is perhaps, this time a lot of people I guess think that military action is perhaps the least bad option. In Europe very few people think that. One hears occasional report

of Tony Blair's private conversations that might lead one to believe that he's slightly in that direction, but he's certainly not said that in public.

I know Iran much less well probably than many other people in this room, but one thing that struck me on my own visit there last year was how pro-American the country was, public opinion very, very pro-American, and yet everybody who was pro-American and who was liberal who hated the mullahs, they were all strongly opposed to military action and they all thought if there was military action by any part of the West, America, Israel, Europe, whoever, it would rally support for the mullahs and strengthen the mullahs' regime. So that's the European view of why military action is really not an option.

Why diplomacy has to be the way forward? Because, as other people have said, the regime is divided. There are very many different factions in the regime; some of them clearly want to do with the West, some of them think that it could be in Iran's interests to forego actually building nuclear weapons. They all I think in my view want to develop the capability to build nuclear weapons, they don't all yet want to build them, and we have to create an incentive structure, a mixture of sticks and carrots, to make it worthwhile for the relative pragmatists to push ahead and try and win the argument within the regime which is why we do have to talk about carrots. So the Americans have to be part of that because the Europeans simply don't have big enough carrots, that is a fact.

If the Americans would be more supportive of the European diplomacy than they have been instead of belatedly coming on board with some very small carrots this spring, then arguably, only arguably, the European diplomacy would have been

more successful than it has been. So that's why I think the Europeans come to this town and still talk about carrots.

MR. DAALDER: One final question. Sir, right here.

QUESTION: Yes, thank you, actually to follow-up on the line we've been pursuing for the past couple of questions. I wanted to ask a question about broader U.S.-European relations. Mr. Grant and Mr. Gordon pointed out the importance of a mixture of diplomacy, especially with regard to a mixture of sanctions that the U.S. can provide, also incentives that both the U.S. and Europe can work on together.

At the end of the day, success, failure or status quo, does this whole process lead to a more integrated approach to international affairs regarding U.S. and European relations, or is this just a transitory phase, as there's a perception that the U.S. status in the international community has somewhat declined over the past few years? Thank you.

MR. DAALDER: That's a very nice question to end this panel on. Why don't we give everybody an opportunity both to answer this and perhaps say a final few words starting with Phil?

MR. GORDON: Yes, this is a good place to end. The irony is what I think this discuss suggests is that dealing with the Iranian nuclear program is probably not going particularly well, the transatlantic aspect of it is going just fine, and I think that is broadly true to answer your question about the broader relationship.

The division, I think Ivo began with this, is no longer this isn't the U.S.-European split over how to deal with Iran which has been the story for the past 10 years. It no longer is. I think Americans are genuinely surprised and pleased that Europeans

have tough it out as much—we were sure that somewhere along in the process the Europeans would say, all right, well, we said you can't do conversion, but you can do conversion because we really don't want a crisis or something else. But they have been very firm, and I think Washington has noticed and appreciated that. Just as I think Europeans have appreciated the fact that President Bush, whereas in the first administration the line was we're not going to reward bad behavior, this is not going to work, we have our own way of dealing with this, came around after a visit to Europe after actually listening to European leaders and saying, you know what, we should get on board for this diplomatic process and actively support it as it has been doing.

So that aspect of it, it may be small consolation because we've still got the Iranian nuclear issue, but I think it is true on this issue and I think it's more broadly true of the relationship. We don't have time to go into every issue, but the overall point is that we have seen and I would expect we will continue to see greater U.S. efforts to work with allies than throughout the entire first administration.

I don't think, I'll end with this point, Volker, that the next State of the Union address is going to see a reversal and a pledge to reach out to Iran, that may be a bit much, but the trend and the tendency to increase our cooperation with allies, listen to others, soften the image of America in the world, is I think unquestionable. It's driven by problems in Iraq and the budget deficit and domestic political problems, but one positive aspect of it is in its consequences for the nature of our relationship with the Europeans.

MR. DAALDER: Anyone else for a final comment? Go ahead, Volker.

MR. PERTHES: Let me make two points. The one is when I hear people tell us or say that we have to get tougher, I think people should be more explicit and say what actually do you suggest, what actually do you think could lead to a certain positive outcome we want because otherwise speaking about getting tougher is only loose talk unless you say what actually should we do, what would help. Targeted sanctions? Not let Mr. Ahmadinejad visit the Vatican or the United States? I'm not sure he actually intended to go there, so probably he would say I didn't want to travel in the first place.

So we really have to find out what could there be, what could we all together stomach and what would bring us to a certain outcome and as long as we don't have concrete answers for that, we'd better go on with diplomacy.

And yes, Phil, I'm not sure that George Bush will take my suggestion, but we are in the same business here as policy consultants or think tankers, we make suggestions and whether policy makers take them or not, that's up to them.

MR. GRANT: I'd like to endorse what Phil said. I think cooperation on Iran, but also on issues like Syria and Ukraine is very encouraging and does offer a template for cooperation on other very difficult issues where potentially there may be train wrecks in transatlantic relations, China being the obvious one where we had a big set of arguments on the E.U. arms embargo to China, but as a result of that in fact a strategic dialogue has now been established between the administration here and the E.U.

Russia is another area where I think we could achieve much, much more if we pooled our resources and worked together, and the recent regime in Germany and the future regime change in France may help that.

MR. PERTHES: That's a government change.

[Laughter.]

MR. GRANT: Finally, just a lesson for the E.U. itself, I guess most people in this town don't think too much about the details of how the E.U. makes foreign policy, but actually it's been quite important for the E.U. itself. As you know, we've lost the constitution which would have created an E.U. foreign minister and more efficient machinery. That's dead. But this business on Iran shows that if there's a political will, the E.U. governments even without having a foreign minister, just with dear old Javier Solano working together with different groups, subgroups, can actually give a lead and the result of the E.U. has followed and dutifully kept in line, and I think this shows that the E.U. itself can be a factor in diplomacy.

MR. DAALDER: I'm tempted sort of tongue in cheek to say the headline out of this World Goes to Hell, but U.S.-European Relations Strong and Healthy.

[Laughter.]

MR. DAALDER: It used to be that we had these forums which were U.S.-European Relations Go to Hell, World Is Even Worse Off. So perhaps it's an improvement.

I want to thank everybody here for really a terrific session.

[Applause.]

MR. DAALDER: We'll be back next year to talk about how U.S.-European relations are going to solve the other problems of the world.

[END OF RECORDED SEGMENT.]