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FEATURED SPEAKER:

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P R O C E E D I N G S

MR. PASCUAL: Good afternoon, and welcome to the Brookings Institution. My name is Carlos Pascual and I am the Vice President and Director of the Foreign Policy Studies Program here. Today we have an opportunity to focus attention on issues related to Iran.

At the Brookings Institution we have made a serious commitment to understanding the dynamics of war and peace in the Middle East. We have done that through the Saban Center on Middle East Studies, we have started an Iraq Policy Project which will sustain a focus of attention on issues related to Iraq. And today we look forward in this discussion with Nick Burns to be able to focus attention on how Iran fits into that equation.

Obviously, Iran is presenting a challenge to international security and regional security at almost ever level, whether it is at the global level through its nuclear program, at a regional level through its support to Hamas and Hizballah, whether it is in Iraq as we have seen in the recent controversy of what Iran's might be in supply of weapons within Iraq, there are issues within Iran itself and the conundrum it presents, which the state which is half Persian and multiethnic with extraordinarily complex decision-making, there are questions of how all of these issues related to Iran play into international markets and global oil markets, and then there is the phenomenal challenge of diplomacy as well which involves the U.N., the European Union, Russia, China, and many other countries.

The point person for this administration in addressing many of these questions is with us today, Undersecretary of State Nicholas Burns. Nick is familiar to many of us in the audience, not just in his role as undersecretary, but previously as Ambassador at NATO, Ambassador to Greece, spokesperson in the department, the senior director for Russia, Ukraine, and Eurasia at the National Security Council, he has been a leader in the transformation of NATO in looking at how we creatively and effectively use diplomacy in achieving American foreign-policy objectives, and it is a real pleasure to bring Nick to this podium today at the Brookings Institution. Nick?

(Applause)

MR. BURNS: Good afternoon. I want to thank Carlos Pascual for the invitation to be here at Brookings this afternoon, and thanks to all of you for coming. I want to talk for a little bit about our policy toward Iran, and then I will be very happy to have a conversation and to respond to your questions and receive your comments on how our administration is doing vis-à-vis Iran. I suppose some of you have questions. Some of you obviously have views maybe pro or contrary, but I look forward to that portion of this discussion. I am going to be brief because I do think the discussion part of it is going to be the most interesting this afternoon.

I say first if you look around the world and look at where the United States critical and vital interests are engaged, you have to look to the Middle East, to Iraq first and foremost, to the challenge that we have in front of us

to be successful in Iraq, to the conflict between the Israelis and Palestinians, and the quest for nearly 60 years now by various successive administrations to try to find a way toward peace, to the conflict in Lebanon—and today, of course, is the anniversary of the death of Rafik Hariri; you have seen the demonstrations peaceful in honor of him in Beirut this morning—and to the conflict that we have with Iran. It is those four issues that are at the heart of our engagement right now in the Middle East, and I would say that it is fair to say that our Secretary of State and most of the rest of us at the State Department are spending a huge percentage of our time trying to make sure that American interests are being watched and being protected on all four of these issues.

I am going to speak today about Iran. I would say that next to the challenge that we have in front of us in Iraq, nothing is more important to the United States in the years ahead than to deal with this challenge which is multifaceted from the Iranian government. That challenge is an Iran that most of the world believes is trying to achieve a nuclear weapons capability, an Iran that continues to be in many respects the central banker of most of the Middle East terrorist groups, of Hizballah and Hamas, of Palestinian and Islamic Jihad, of the Popular Front for the Liberation of Palestine General Command, just to name four terrorist groups.

And an Iran because of its recent policy in recent years, particularly through the statements and actions of President Ahmadinejad, that has caused instability in its relations with most of the Arab world and the countries of

the greater Middle East. Those three aspects are the challenges that are in front of American foreign policy, in front of those of us in our government. Our policy is to deny Iran a nuclear weapons capability. It is to diminish Iran's capability of being successful in supporting these terrorist groups. It is as the president said this morning in his press conference on Iraq is to prevent Iran from providing the type of sophisticated IED technology that currently is providing that is a great threat to the American and British troops in Baghdad, in Basra and other places. It is also to help over the longer term we hope the creation of a society and a government in Iran that will be democratically-based and pluralistic, an Iran that wants to be part of the region in a positive way and not a disruptive force in the region.

Finally, I think one of the other imperatives of our policy is that we have to engage the Iranian people. As a country, certainly our government has an interest in doing that. It is the world's most unusual diplomatic relationship. We have an American diplomatic presence in Havana; we have found a way over the last couple of months especially to talk directly to the North Koreans through the efforts of our Ambassador Chris Hill who was so successful yesterday in helping to bring about this achievement on the Six-Party Talks. We have an improving relationship with Libya. We talk to governments that we do not like or admire like the government in Zimbabwe. And yet we have no relations to speak of with Iran. It is not possible now for us to have formal diplomatic relations with the Iranian government, but it is possible for us to in effect end the estrangement

which is going on three decades now between the American people and the Iranian people.

In addition to putting forward the policy ambitions that I have talked about in the nuclear, on terrorist in Iraq, and the wider region of the greater Middle East, we do have an ambition to try to bring Americans and Iranians together. The Congress was nice enough to respond to this by giving us some money to do just that. The United States Wrestling Team, the national team, recently went with our strong encouragement to Iran to compete over a week's time and to break down some of the barriers that have existed between us. We have brought groups of Iranian doctors and nurses here, and we soon are going to be bringing disaster relief officials here. These are programs sponsored by our government to bring Iranians to our country, and it is important to break down the division and separations between the two peoples.

I say that because history weighs upon this relationship. A lot of you of course are experts on Iran, many of you have been there, but the two years 1953 and 1979 have taken on a huge importance in the psychology of this relationship, and if we cannot make a breakthrough in the medium term, and I think we probably will not be able to in official relations with the Iranian government, surely we can work to try to bring people together and to try to bring the societies together so that we understand each other better, because I am impressed by the fact that it has been since January 20, 1981, that we have had

any official contact on any sustained basis with the government, and that has also shut down a lot of the private avenues for contact between the two societies.

Let me just say a word about each of these issues and then go on to a discussion. The nuclear issue has been an abiding concern of ours and it has been now 2 years since President Bush and Secretary Rice decided in February and March 2005 that we would support the effort by the European Union, three countries, Britain, France, and Germany, to try to achieve a negotiated settlement of the nuclear program. We supported it for that first year before Ahmadinejad took power later in 2005 a very active diplomatic dialogue between the EU-3 and Iran. After Ahmadinejad's accession to power in August and September 2005, most of those contacts shut down, the Iranian government in fact unilaterally walked out of the talks with the EU-3, and that led us to believe that we had to create a wider diplomatic coalition to deal with the problem of Iran's nuclear weapons ambitions. It led our president to talk to President Putin and President Hu Jintao about creating a permanent five and German coalition of countries that would focus on the question of nuclear weapons, that occurred in late 2005, and all throughout the last year, 2006, you saw the foreign ministers of those six countries, the permanent five and Germany, get together to put forward several propositions.

First from the IAEA Board of Governors that Iran had to meet the requirements and demands of Mohammed AlBaradei and the IAEA Board, and you saw two votes in September 2005 and February 4, 2006, where Iran was

effectively repudiated by the IAEA because it had violated the commitments it had made to them. That of course has continued until this very day.

It was very interesting to see particularly in that second vote a year ago, February 4, 2006, in Vienna, that Egypt, Brazil, Argentina, India, Ecuador, Peru, Tanzania, Japan, and Australia joined China and Russia, the European countries, the United States and Canada, in sending one message to the Iranians, we do not want you to become a nuclear weapons power, we do believe you have a right to civil nuclear power and we are willing to help you in that regard, but we want you to abide by the restrictions that the IAEA is trying to impose on you.

Very often in our press and public dialogue there is an image created of the U.S. versus Iran on this nuclear issue. We have been able to achieve in 2 years of diplomacy a very wide international coalition of countries from all continents with all of the largest countries in the world included sending one message to Iran. I think the only four countries that I can find that are supporting the Iranians saying let them proceed with nuclear research at Natanz, let them string together 164 or 3,000 centrifuges in a cascade in order to master the enrichment process, those countries are Venezuela, Cuba, Syria, and Belarus, but everybody else is giving Iran a very different message. We have tried in a very patient, painstaking way to assert that a diplomatic coalition of all of these countries can help the Iranians to think through their isolation to give the Iranians a way out of that isolation toward a negotiating framework.

After this very big IAEA vote in February of last year, on June 1st the permanent five countries got together in Vienna and they put something even more ambitious on the table, a proposal for the Iranians that would allow the Iranians to create with an international consortium a civil nuclear industry in their country because the Iranians have been saying, their public line is, we do not want nuclear weapons, we want civil nuclear power, and based on some proposals that President Putin had made in late 2005, the P-5 offer, and the United States of course was a big part of this offer, said to the Iranians we will help you create a civil nuclear industry and capacity in Iran for your people. We will do so in a very transparent way through the IAEA. The most sensitive aspects of the fuel cycle of course will be offshore, and that became a very important issue in the subsequent talks with the Iranians.

I dwell on this for a reason. The entire world community is sending one message, the entire world community is behind a negotiated solution, and our country, the United States, is very much a part of that. I think when Secretary Rice up the day before this announcement was made, May 31st, here in Washington, to say that she would be at the table when Iran accepted these negotiations, that the United States would dedicate itself to a long-term negotiation, that we believe that diplomacy could succeed in trying to dismantle Iran's nuclear weapons ambitions, that was I think perhaps the most significant American government offer made to Iran since 1979 and 1980 on any issue, but it was certainly the most significant offer made on the nuclear issue, and that offer

is still on the table. What happened to that offer? We asked Javier Solana to represent the United States, China, Russia, and the Europeans. He had a series of conversations in June of last year with Ali Larijani, the Secretary of the Iranian Security Council, and we said to them take a few weeks and look at this and get back to us. They took 4-1/2 months. They finally got back to us in the second week of October 2006, and the answer was, no, we cannot accept the offer.

The offer was if you, Iran, will suspend for the life of the negotiations your nuclear efforts at Natanz, we the six countries will negotiate with you, and we provided them with a three-page offer of inducements. Beyond this creation of a civil nuclear program there were other factors, other inducement involved, and Iran said no. Why did they say no? We believe that there was a debate within the Iranian government which is not monolithic throughout the summer of last year and the early autumn, and that those who said that they did not want to accept that offer obviously prevailed in that debate.

We have kept the offer on the table since then. The Iranians of course have not accepted it. We passed a Chapter VII Security Council resolution on December 23 which for the first time places Iran with I think 10 other countries of the 192 in the U.N. General Assembly under official Chapter VII U.N. sanctions, and the Iranians have effectively said no since then.

Next week, on February 21st, Mohammed ElBaradei will report to the Security Council at our request on whether or not Iran is complying with the terms of Resolution 1737. The obvious answer will be no, because we know that

Iran has kicked out some of the IAEA inspectors, particularly, by the way, inspectors from our countries, the countries of the six that made this proposal, which is curious and interesting. ElBaradei will make that report, and then I think those of us on the Security Council will have to entertain the possibility of a second Security Council resolution that will gradually increase the pressure on Iran, but always leaving this exit door for the Iranians that the offer remains on the table that we do want to negotiate with you and that all of us believe, including the United States, that a negotiated solution is possible.

So that is the nuclear issue from an international perspective over the last 2 years, and it remains the most important issue that we deal with on Iran policy because of course the possibility that an Iranian government led by someone like Mahmoud Ahmadinejad might become nuclear-armed capable has really concentrated the minds not only of our country, but of all the countries of the Middle East, certainly of Israel, but also of all the Arab states with which we deal. And there is not a single country in that region, again with the exception of Syria, who says that they think that it is okay for Iran to become a nuclear weapon state. I wanted to spend a little bit of time on that issue.

I thought it was worth it just to give you a perspective of how hard we have tried over 2 years now to try to engineer a diplomatic solution, and we are not going to give up. We are convinced that sooner or later the cost to Iran of its isolation are going to be so profoundly important to them, destructive to their economic potential, that they are going to have to come to the negotiating table.

What have we done to try to accompany this nuclear diplomacy?

One thing we have done is our treasury department has designated certain Iranian financial institutions under the authorities given to us by the Patriot Act, prohibited those institutions from doing business in dollars, doing business with American financial institutions. We have also seen several European banks, Credit Suisse, Credit Lyonnais, and HSBC, shut down all lending to Iran over the last year, and increasingly we are seeing a nervousness in the international financial community about doing business with Iran. And we are actively of course encouraging this trend because we do want to send a message to the Iranians that it cannot be business as usual, that we should not be content to see the Iranians prosper from an active and open engagement with our financial community without a price to be paid for it. So Treasury under Secretary Paulson's leadership continues to take the lead on these very effective financial measures and sanctions, and we believe they are having an effect.

The Iranians are telling people in Japan, Europe, and the Arab world, that they are worried about this. Their worry is not just the United States pulling back from an open and continual economic relationship; it is a variety of countries around the world. So that is an effective measure that we have taken. We also would like to see institutions like the E.U. and the European countries, Japan, and some of the Arab countries, take their own measures, and we have begun to see that. Two days ago the European Council passed a series of implementing measures for the Chapter VII sanctions resolution to have the

Europeans going beyond the terms of the U.N. resolution to strengthen what they do to try to limit the ability of Iran to have a business-as-usual relationship with the Europeans. So that is another important avenue for us to try to show the Iranians that there is a way out, there is an exit door, but there is going to be increasing pressure on the Iranians economically if they do not deal with the rest of the world on the nuclear issue.

We are also of course because of our interest in the Middle East, because of our strong commitment to Israel, our strong commitment to our Arab friends, trying to encourage the Iranians to see their role in supporting terrorism in a different way. Iran is the major supporter of the major terrorist groups in funding and in direction. The United States has been the object of some of those terrorist attacks in the 1980s and the mid-1990s. Right now what Iran is doing is attempting to destabilize the government of Lebanon, the democratically elected government of Prime Minister Siniora, and is using their funding for Hizballah to that air. Their funding for Hamas is actually disrupting the attempt in the Palestinian community to unite and to put aside their differences. It is also disrupting all of our ambitions for a positive way forward in potential negotiations between Israel and the Palestinians. And the actions of the Quds Force, and President Bush talked about this this morning, in providing very sensitive and sophisticated explosive technology to Shia insurgent groups inside Iraq has led to the deaths of American soldiers when those Shia insurgent group use that technology, armor-piercing, against our own soldiers. So the president said this

morning in his press conference that of course we have a responsibility to disrupt those networks inside Iraq. We have a fundamental responsibility to protect American soldiers, men and women in uniform, and that message has gone out to the Iranians and we hope that they will hear that message.

We also obviously want to continue to express to the Iranians that they have a choice. They can continue to operate as they are as the most disruptive, negative force in the Middle East, and I think what they will continue to do if they proceed in this fashion is to make themselves very unpopular with the Arab world, with Europe, with our allies in Asia, and of course with the United States, there is a price to be paid there as well.

As we go forward, I believe that a diplomatic solution to the nuclear problem and all the other problems that I have mentioned is possible. If you look at the history of the last 2 years which we believe has been successful in creating a multifaceted American policy to deal with these many challenges from Iran as well as an international policy, we believe that a patient, carefully applied, skillful diplomatic approach by our country in concert with others can be successful in convincing the Iranians that there is another way forward with the international community. In that respect, I do not believe a conflict with Iran is inevitable, it is certainly not desirable, and we are trying to give every possible signal we can, the president this morning, Secretary Gates when he was in Werkunde, at the NATO Defense Ministers' meeting in Seville last week, Secretary Rice in her multiple comments over the last 2 weeks, our signal has

been to the Iranians we are looking for a diplomatic way forward here and we hope the Iranians are going to respond to that.

That is a brief and albeit somewhat simplistic overview of the variety of American interests that we have tied up in this very complicated relationship with Iran. I hope I have given you a sense of how we are trying to proceed, and I would be happy, Carlos, to respond to questions and ideas on this issue. Thank you very much.

(Applause)

MR. PASCUAL: Nick, thanks very much. That really was an outstanding and I really appreciate your willingness to go through the details of the history and evolution of the relationship with Iran, the complexity of it.

If I could ask you a couple of questions and then we will turn to the audience. I wanted to start out actually by offering congratulations for the developments on North Korea in the last couple of days. Congratulations to the administration, and particularly to Chris Hill who has done an incredible job on the ground. And if indeed we can get a closure to Yongbyon and inspectors back in, obviously the story is not over, but it is a significant step forward and it is a much better situation than we were in even just a week ago, so congratulations on that.

MR. BURNS: Thank you.

MR. PASCUAL: I think it takes us back to the Iranians nuclear question, and if we can come back to that for just a couple of minutes because the

offer that the United States put on the table I think really was extraordinary. It was a statement that we would be willing to suspend action on sanctions if they would suspend the nuclear program for the life of the negotiations, a change in U.S. policy, where we had previously said that they had to abandon the nuclear program and gave an opening here, and Iran still said no. The sanctions that were put on the table were not as good I think as one ideally would have wanted. I think there was a lot of pressure from Russia to loosen up on it. This weekend we heard some interesting words from President Putin about the role of the United States exceeding its Iran authorities. One would hope that that indicates that President Putin will now be willing to in fact take a strong stance on Iran so that we can in fact actually get a diplomatic solution here.

But this a difficult equation because some might say that Iran feels like we have been sanctioned, we have been talked about negatively, but in the end have the costs really been that significant? We really have not felt that much pain. The Russians are still there protecting us to a certain extent; China is coming in behind the Russians. In the meantime there is a certain nervousness that one sees in the West in particular because the administration for understandable reasons has said that all options are on the table, including the military option. So one inevitably wonders how long is there going to be patience.

There has been I think a very significant diplomatic effort thus far, it has had its accomplishments, but we are at a very critical point right now, and

can we in fact get the Russians to take a more constructive stance, and is there a prospect to in fact keep this diplomatic process alive even though it is going to be a difficult one?

MR. BURNS: Thank you, Carlos. The first thing I would say is that we have got time. There is no one arguing that I know of inside the administration or outside to the effect that we have to exhaust diplomacy in the next few months. We have got some time. The patient application of diplomacy particularly at a multilateral level we think can make a difference.

We were surprised by the Chapter VII resolution. It was one thing to be inside negotiating for 3-1/2 months that resolution as I was with a lot of my colleagues in the American government and to feel a little bit frustrated at the end of the process 2 days before Christmas that we had not achieved a stronger resolution, but that is the nature of business of compromise in the United Nations Security Council. But it was interesting to track the impact of that resolution in January and this month. It had a major impact in Iran, we think. I think that is the view of the Russians, Chinese, and the Europeans.

What it did was it prompted a debate within Iran. Iran is a proud country. It is a country that wants into the Middle East, with the Japanese, with the Europeans, both economically, politically, and socially. It is not like North Korea, a country that appears to be happy to try to exist in isolation. So the symbol of a Chapter VII designation against Iran, again, there are only 11 countries of 192 in the General Assembly that are under Chapter VII sanctions,

was a very powerful one in the Iranians political system. It is not a monolithic system, there are many voices, many different points of view, and I think we have seen a balancing of sorts.

You have seen this extraordinary episode of a newspaper backed by Supreme Leader Khamenei directly criticizing President Ahmadinejad for his management of the nuclear issue with the international community. You are seeing Larijani emerge and to go to Werkunde, to travel the capitals of Europe, and I think today is in Saudi Arabia, to talk again about the possibility of negotiations. This is hopeful. I do not lead if it will lead to negotiations, but it is hopeful that the Iranians have emerged after 4-1/2 months of utter silence over the course of the autumn and have begun to say that they are themselves seeking some kind of diplomatic say forward, and will have to test that proposition. I suppose the Europeans will be talking to Larijani, we will have to see what emerges from it, but the positive thing is that there is a debate in Iran and that there are many voices now saying in Iran there is a price to be paid for being an international pariah, there is a price to be paid for having resolutions passed in the IAEA or the U.N. Security Council. So I think there is great value in this diplomatic process and we would be making a very great mistake to say that you should put a time limit on diplomacy or we should truncate the diplomatic effort because it is difficult or because it is time consuming. If you have time before Iran is able to master the enrichment and reprocessing stages and able to then manufacture fissile material into a nuclear warhead, if there is time, then you

ought to use this time to exhaust the diplomatic possibilities and that is what we are trying to do.

I also think that there is a lot that countries can do outside of the Security Council. All countries have a different relationship with Iran. Many of our allies have diplomatic relations or active economic relations. It has been interesting to see some of those countries begin to pull back. Some of the members of the E.U. have on their own individually begun to diminish export credits. I think there were 18 billion Euro in export credits last year from the E.U. member states to Iran. You are beginning to see that slide and fall. Agencies of the Japanese government have begun to shut down lending mechanisms to the Iranians. And most importantly, the private sector, probably reading the tea leaves about all this international pressure on Iran, beginning on their own to shut down lending and investment in Iran.

So that if you put all this together in a carefully calibrated strategy, the nuclear issue, the issue of Iran in Iraq, the issue of Iran's ambitions in the greater Middle East, you see that a lot of countries are coming together in a multifaceted way to try to contain and limit the Iranians and pressure them to negotiate and to surface and to talk to the rest of the international community about the fact that in each of these areas Iran is isolate. I find some hope that we have arrived at that stage; we just have to be patient and hopefully skillful in seeing this through to hopefully some kind of diplomatic solution in the future.

MR. PASCUAL: So the picture you would paint is not really one of stalemate, but one where there is in fact a dynamic at play and that one needs to appreciate the complexity of that dynamic, and that we need to keep working at every point of it?

MR. BURNS: I do. I think there was a period of time over the autumn when a lot of people in the press and academic experts, even some people in government, were saying the Iranians seem to be doing very well. They are proceeding at Natanz in their enrichment program and no one is stopping them, no one is even saying anything or doing anything about it. They are flexing their muscles in the Middle East, their president has called for the destruction of Israel and nothing has happened, and yet what happened over the last 6 or 7 weeks? The Security Council resolution passed and that created a crisis of sorts inside Iran. They were stunned by it. They were surprised that it was a 15-0 vote.

You saw the United States actively assert itself in Iraq to defend our soldiers as we must do. You saw us station two carrier battle groups in the Gulf. We have been in the Gulf since 1949, and it is not an Iranian lake. So the Iranians should not have been surprised to see the United States do what we have done for nearly 60 years, and that is to help provide security and stability for our friends in the Arab world. Then you began to see a lot of nervousness in the financial markets in Iran about these financial designations by the U.S. treasury department and the steps by the E.U. and the Japanese government, and all of a sudden in the middle of February the Iranians are not doing so well, the Iranians

are now questioning their own strategy, and I think that is what is interesting and hopeful about this diplomatic process.

MR. PASCUAL: Very helpful. Let me turn the discussion from just Iran to the interrelation with Iraq and the role of other countries in Iraq. A few weeks ago I heard you on NPR as you gave a very useful explanation of both the Iranian and the U.S. role, but pointing out that the United States is in Iraq under a U.N. mandate and therefore we have a right to be there and we have a moral position and a legal position to stop the intervention of other countries. In the past few days since the revelations about the Iranian weapons that have been used in Iraq, there has obviously been a maelstrom of press about what that means, who is involved, what the role of the Iranian government is or is not. We can come back to that, and I am sure there are going to be lots of questions about it from the audience.

I think what could be helpful is you could help us create the context. Let's assume that Iran is playing some role. How big could it be? Of the over 3,000 U.S. servicemen who have been killed, I think the general perception is that the majority have been killed as the result of Sunni insurgent actions. How important is Iran's role relative to the overall scale of the conflict? And why now? Why is it that this issue has surfaced to the level that it has at this point given that there have been indications of some form of at a minimum Iranian weapons being used in Iraq for some period of time?

MR. BURNS: Carlos, you are right I think to remind everyone that the United States military forces are in Iraq under U.N. Security Council imprimatur and that provides a legal justification for our presence and our actions in Iraq itself. I think you are also right to make the distinction between the different types of terrorist threats that we face. A very large percentage of the American combat deaths, men and women in Iraq, are traced to actions of the Sunni terrorist groups as well as the Shia terrorist groups, the terrorist groups themselves.

What makes Iran's role so unique is that it is a state and an organ of that state, the Quds Force, we believe has been supplying this sophisticated explosive technology to the Shia insurgent groups, and we believe in turn that that technology has been used to kill Americans. The number of Americans killed in that process does not comprise the majority of our deaths, but the fact that a state is intervening to supply this technology is a very important factor. It is one that you cannot disregard if one of our primary responsibilities is not only the maintenance of security in Iraq but also the preservation of the lives of our soldiers which of course is an abiding American concern of every citizen in this country and of our government.

So obviously we have got to combat Sunni-sponsored terrorism, al-Qaeda terrorism, or Sunni insurgent terrorism, we have to combat Shia insurgent terrorism. But we have also got to resist, and President Bush has talked about disrupting the Iranian networks to do this, the attempts by another state to supply

technology to attack and kill our soldiers. I do know of any country in the world that would not make the same choice that we are to defend our men and women in uniform.

We have been very careful in this process. We have detained Iranian military and intelligence operatives in December and in January. We have released some of them. We are still holding others. The message to the Iranians is we are not going to stand for this and the Iranian government should stop it. That was President Bush's message this morning; that was President Bush's message when he spoke out about this a couple of weeks ago. The issue is not new. The issue has been around for at least 2 years, and there is evidence of this type of assistance to the Shia insurgent groups in Basra as recently as 2 years ago, and the British government has had the same public complaint. In fact, Prime Minister Blair went public and various British officials over a year ago, and we have been talking about it publicly for well over a year, many members of this administration, so we did not surface the issue in the last month. It became a prominent issue I think because of the fact that we did detain those Iranian operatives in Baghdad just before Christmas in December.

MR. PASCUAL: Nick, do we have a sense of who is fueling the Sunni insurgency? If we can put aside for a moment the recognition that Al-Qaeda in Iraq is a force there and that there is an assumption of connections with other international parts of al-Qaeda and that support from there, but there is a Sunni insurgency that is quite significant. Some have alleged that there is support

coming from other Sunni Arab states. What do we know about where the funding and weapons behind that Sunni insurgency might be?

MR. BURNS: I think that there is no question that some of the insurgent activity in the Sunni areas of Sunni areas of Iraq is indigenous and some of it is stimulated by outside forces, namely, al-Qaeda and other terrorist groups, so it is a combination of the two.

I was listening to a debate, or actually a report on NPR 2 days ago about this issue, and one of the people in the discussion asked, why is the administration making such a big deal about Iranian support for Shia insurgent groups to this explosive technology when this person asserted that the vast majority of American combat deaths have come from Sunni areas? I am not taking issue with the factual basis of where are soldiers are most under threat, but I would just give you the same reason. We are concerned about terrorist and insurgent activity inside Iraq in both the Sunni and Shia areas, but you have to be concerned when a state outside of Iraq exerts itself in the way that it has to make it easier for insurgents to go after our soldiers. So I do not think the question here is the number of people who have been killed, because a fair number of people, too many people have been killed through this technology, the question is should a neighbor of Iraq be acting in this fashion.

We know that it is inevitable that Iran is going to play a role in Iraq and that Iran is going to have diplomatic relations and economic relations and that a lot of the current Iraqi leadership of course actually sought sanctuary in Iran

during the years of Saddam Hussein. We have never argued against a peaceful role by Iran to help the Iraqis build a state, to help them build their economy, but we do react and will continue to react against attempts to go after our soldiers or for Iran to play in this case indirectly perhaps a military role. I think that message has been broadcast now and we hope it has been understood.

MR. PASCUAL: And presumably the same message would be for any of the Sunni states if there is support for a Sunni insurgency that we take similar position that that is a direct threat to the stability of Iraq and to U.S. troops and we would be similarly against that?

MR. BURNS: We have been saying since the very beginning of the war in 2003 that Syria ought to be more careful to protect its borders and shut down the crossing points of the insurgents to cross from Syria into Iraq itself.

MR. PASCUAL: Maybe one final question, and then I will turn it over to the audience. I really go back to this cross-border issue and the dynamics in the region and the dynamics of refugees. There are 2 million Iraqi refugees now in the region, and the tremendous number of 1.6 million displaced internally within the country. For the most part, those refugees have been living with extended family, and by many signs and reports from UNHCR, that they are really reaching limits of hospitality, so to speak, and that there is in fact a potential danger point here that the refugees who may come may actually result in the emergence of more refugee camps or in fact the beginnings of refugee camps because there is no place else to go.

We have seen from any other parts of the world the risks that are involved with refugee camps with the flow of weapons, using them as recruiting sites for insurgencies and for terrorism and so forth. Can you talk a little bit about what the U.S. policy is on dealing with this problem of the refugee crisis? What kinds of things can be done? Are we working with the U.N. on these issues to try to create more of a regional dynamic in which we would get the states of the region involved and engaged? In particular, is there a way to involve Syria in this in a constructive way since probably 600,000 of the refugees are in fact in Syria?

MR. BURNS: I think you are right, Carlos, to focus on this. It is an emerging, very serious crisis, and some governments in the region, particularly the Jordanian government, have been especially hospitable and open to these people who obviously are in dire straits. It is understandable by a lot of families would leave Baghdad or Al Anbar Province in the Sunni Arab community and get out of harm's way of this horrible carnage on the streets of Iraq.

So it is really incumbent on all of us to try to help address this problem. We are working with the United Nations, with Paula Dobriansky, one of my colleagues at the State Department who has been given the task by Secretary Rice to coordinate our efforts. We are taking another look at whether or not the United States should be more receptive to taking in some of these Iraqi refugees. There were hearings in the Senate where Senator Kennedy spoke out about this I thought in a particularly effective way, and so we are looking at that, we are looking at the U.N. angle, and of course looking at what the regional states

including Syria can do to be hospitable and receptive and then help them manage the impact of this in their own countries.

MR. PASCUAL: Let me turn to the audience for questions.

MS. GIACOMO: Carol Giacomo with Reuters. Undersecretary Burns, in recent public statements you have put pressure on the Europeans to shut down export credits. When you say that they have begun to take action, have they taken enough action or do you think they should cut them off entirely?

And your other focus has been on Russia in which you wanted to shut down action on Bushir and arms sales. Are the Russians going to deliver fuel to Bushir in March or anytime around then?

MR. BURNS: Carol, we actually applauded the actions of the European Council the other day to decide on these implementing measures by the E.U. for U.N. Resolution 1737. As I said before in my remarks, the E.U. seems to have gone beyond the mandate, I should not say the mandate, the guidelines of 1737 in a very positive way.

I think what you are seeing is an evolutionary process here. A year ago last month before the first of these six meetings of the foreign ministers of the P-5 countries and Germany, nobody was talking about U.N. Security Council sanctions, and yet we were able to convince a wide variety of countries to support them and to vote on them in December 2006, and now we are on the verge I think of another process in the Security Council. So I think you have begun to see movement in Europe, in Japan, in the Arab world, that there has to be a response

to an Iranian government that is not listening to Mohammed AlBaradei, not listening to Ban Ki-moon, not listening to any government, that is marching ahead toward further expansion of its research efforts at Natanz. A lot of us expected President Ahmadinejad to say in his speech on Sunday what various Iranians thought he would say, and that is to announce a further expansion. What he did was announce that there will be a big announcement in April, so we will have to wait and see what they announce. But the movement in Iran is away from compromise and so I think you are beginning to see an effort by the E.U. and other countries to ratchet up the pressure. Is there more than can be done? Certainly, yes. Our government decided long ago to end a normal economic relationship, to impose sanctions, we certainly do not provide export credits to stimulate trade with Iran, and we think that other countries should try to cut that back.

On the issue of Bushir, you will remember there is 1737. There are some exceptions written into this for certain countries' activities in Iraq, and one of them was Bushir. It is not our decision as to whether or not when the Russians should deliver to Bushir. That is going to be up to the Russian government. I do not think they need public advice from me on that.

As to the question of arms sales, if a country is under Chapter VII sanctions in the United Nations system, then our view is that no country should sell arms to Iran, and that has been our message to the Russian Federation consistently for well over a year since Russia first talked about this in early

December 2005, and we have not changed our view. I would think that what you are going to see is if the Iranians continue to essentially snub the international community, and if they continue with this experiment in cascades of centrifuges at Natanz, you are going to see the international community move to strong sanctions, whether they are unilateral sanctions by individual countries, whether they are sanctions from the E.U. or other groups of countries, or U.N. Security Council sanctions themselves. That is the clear trajectory internationally.

MS. DONOHUE: Nina Donohue, Fox News. If I may take the liberty of asking you a question not about Iran, but on Putin's tour of the Middle East this week. Russia was very quick to recognize the Hamas-Fattah deal and we were told the U.S. is still studying it. In the light of this, I would like to ask you do you think Putin is delivering the correct message to the Quartet in the region while he is there, or is he undermining the Quartet's mission in any way?

MR. PASCUAL: Just to clarify, we did not quite hear the deal. You mean between Hamas and Fatah?

MS. DONOHUE: Between the two factions, yes.

MR. BURNS: Russia is a member of the Quartet. There was a meeting of the Quartet 2 weeks ago in Washington, and Mr. Lavrov, there was a large-scale agreement at that meeting. There will be another meeting of the Quartet very soon in Europe, so we value the role that Russia is playing. It is not for me to question the Russian president. I have not even seen most of the

statements he has made in his tour of the Middle East, so I just do not want to question the states of someone if I have not seen those statements.

Russia has been an important member of the Quartet, and Russia with some periods of deviation has essentially been with the Quartet for a great many months, so there is no reason for us to question Russia's motives there. I would also say Russia and the United States do not see always eye to eye on the question of Iran. Russia has a diplomatic relationship, a military relationship, they are building a nuclear reactor there, but Russia has been a very effective partner of the United States we think on the issue of the Iranian nuclear weapons program and it was with Russian support that we achieved Resolution 1737 and we have had very good discussions with the Russian government just over the last 3 or 4 days and also last week on this issue. So we are rather comfortable with where we are with the Russian Federation as well as China, and I think the Iranians need to understand that.

QUESTION: On the issue of Iran supplying weapons and weapons technology, you said that we cannot stand for it, we will not ignore it. Is the administration beginning to make a case for military action against Iran? By the way, another think tank this morning as to whether this is unprecedented, there was said Nixon did not sidetrack negotiating with China even though China was arming people who were killing Americans in Indochina. So there seems to be a precedent for talking to a country that also was up to devilish things.

My main point is, are we beginning to hear the rhetoric that will lead to military action against Iran? Otherwise, with all respect, is this a sort of threat without any special reason or purpose?

MR. BURNS: Barry, we are on a diplomatic path. As I said before but I will be happy to repeat it to you, we have some faith that this diplomatic coalition that we have put together over the last 2 years can succeed. There is no reason for us to become impatient with diplomacy. There is every reason for us to be patient and skillful and focused on an international level to try to send the right signals to the Iranian government. If you listen carefully, and I know you have been over the last couple of weeks, every senior American official from the president to the Secretary of State, the Secretary of Defense, has been saying the same thing, that we are on a diplomatic path that can succeed, we are not trying to provoke or start a military conflict with Iran. That is not what this all adds up to.

I would also just bring you back to this offer made by the United States, Russia, China, and the Europeans, in June of last year. It was an extraordinarily important offer. It is still on the table. I am surprised when I read in the press that the United States will not talk to Iran. We are trying to talk to the Iranians. The Secretary of State said, again, Secretary Rice, about a month ago when she was testifying before Congress just after the president's Iraq speech, I want to make it clear, if the Iranians accept this offer to negotiate on the nuclear issue, I, the Secretary of State, will be there, I, Condoleezza Rice, will be at those

negotiations. That is quite an important offer to the Iranians. We are sending a signal that we are interested in a diplomatic negotiation on the nuclear issue.

She also took the opportunity to say that she would obviously use the occasion of such negotiations to talk about other issues in the relationship. So there is an exit door for the Iranians from their isolation, there is a way out for them diplomatically. By the way, it is the same offer being made in conjunction with China, Russia, and the Europeans, backed up by the other great powers of the world. So the Iranians ought to just listen to this, they ought to know that it is there, and they ought to accept this offer.

The suspension which would be temporary of their nuclear program for the life of the negotiations is a fair bar for them to be asked to meet. You cannot expect us to negotiate with a country and allow them to continue their nuclear research. They would have every inclination to prolong the negotiations so that they could master the fuel cycle. We are not going to let them do that. So I think it is a very fine offer we have made, and it is an American attempt to talk to the Iranians.

MR. STROBEL: Warren Strobel with McClatchy Newspapers.

Nick, you mentioned that the al-Quds Forces are an organ of the Iranian government, and I think the president talked about al-Quds a little bit this morning as well. Can you give us the U.S. government's understanding of what that force is, who it reports to? Does it report to Ahmadinejad? Does it report to the Supreme Leader? How independent is it? This is important because it obviously

gets to the question of the government's intent. You mentioned Iran is a state unlike some of the other people causing trouble in Iraq, but it is not a unified state that we sometimes think about. Thanks.

MR. BURNS: I think I will resist the temptation to draw an organizational chart for obvious reasons, but suffice it to say the Quds Force is part of the Iranian defense and intelligence establishment. It is a major part of the Iranian government. Therefore, the actions of that force, and this is the point that the president at several junctures in his press conference today, are the responsibility of the Iranian government and if that force is supplying this technology to Shia insurgent groups, then obviously the Iranian government is responsible for the actions of that force.

MR. PASCUAL: So whether the Iranian government directed it or not, the Iranian government should take responsibility and seek to stop it if now it knows about it?

MR. BURNS: If the Quds Force is part of the Iranian government, then the Iranian government is responsible. One of the questions that people have been asking is whether the Supreme Leader, Khamenei, the President, Ahmadinejad, the Foreign Minister, Mottaki, whether they directed this. The president did not speak to that today, he did not claim that today, we are not claiming that today, but we are saying that the Quds Force is part of the Iranian government and therefore there is an elemental degree of responsibility there that they need to take account of.

MR. FOX: I am John Fox with Global Security Newswire. I was curious if you could imagine a negotiating scenario with Iran somewhere in the future where they would be allowed to have enrichment on their own soil, or is it the American view that that would be unacceptable?

MR. BURNS: The Russian, Chinese, European, and American view is that the sensitive aspects of the fuel cycle should be offshore, and not on Iranian territory. President Putin made an offer in public I believe in mid-October 2005 in a series of remarks where he said that Russia would be happy to lead a consortium of countries to provide civil nuclear power to Iran but that he thought, and this is still the Russian government's position, that it ought to be offshore.

Because of Iran's history, there was an 18-1/2 year period with the IAEA where they did not tell the truth to the IAEA about what turned out to be secret nuclear research that was undeclared, because of that history, there is no consensus at all in the international community that we ought to allow the sensitive parts of the fuel cycle to take place in Iran itself. So the nature of this offer from us is, and this was very much part of the June 1st proposal by the P-5 and Germany, let us help you have civil nuclear power but we will supply the fuel for your reactors and then take back the spent fuel. The Russian government has been the leader on that and of course a lot of the European governments have a lot of experience in that kind of thing and they were willing to put together a consortium and we have put our political weight behind it, we, the United States.

We thought it was a fair offer. We still do. It is still the nucleus of this offer that is sitting on the table waiting for the Iranians to pick it up.

MR. FASHURI: I am Falka Fashuri from Voice of America Television which has broadcasts from Pakistan. Are you asking Pakistan for any kind of cooperation on Iran's issue, and if you have already asked, what does Pakistan say? What do you expect Pakistan to do to help you in Iran's issue?

MR. BURNS: I think I will just speak generally that we are not in the habit of repeating publicly everything we say to another government or what that government says to us, certainly not. We have had talks with the Pakistani government, the Indian government, a variety of governments around the world, and our advice is that Iran is a depreciating asset in the world and that doing business with Iran is somewhat risky. That was our advice a year before Iran fell under Chapter VII sanctions, and now they do, and those sanctions will likely get more severe as we go along if Iran continues on its nuclear course.

I would not want to single out Pakistan because we have had this type of discussion 30 or 40 countries that do business with Iran including some of the Arab states and all the European Union countries. It is our particular point of view. Our view is, it is not a good insurance risk. If a country is going to fall under sanctions and if the sanctions will be strengthened, do you really want to do business with it? There are alternatives in almost every case. If you are looking for energy relationships, there are alternatives. Certainly in South Asia a very good alternative would be Kazakhstan.

QUESTION: Thank you. My name is (off mike) I am from the Cato Institute. You said that conflict with Iran is not inevitable. How much leverage does the United States have over Israel's actions with respect to Iran?

MR. BURNS: I meant what I said. We have been very careful in what we have said over the last few weeks to indicate that there is a diplomatic opportunity here, that we ought to grasp it, and that we ought to stick with it over time. So there is no inevitability to a conflict. There have been these major news magazines that have done these big stories, is there going to be a conflict or not, our view is that we should try to avoid a conflict with Iran. We should use other methods, diplomatic, economic coercion, sanctions from the Security Council, financial measures, to try to convince the Iranians that there is another way forward and to raise the cost to the Iranians of their present behavior. So that is why I said that, and we very much believe that. I very much believe that. It would be a great mistake to give up on diplomacy now, and there is nobody in our administration who wants to do that. We all want to march forward.

As for Israel, all I will say is President Ahmadinejad has given the Iranian government a lot of problems through his statements. Here is the president of a member state of the United Nations which says the policy of his country is to wipe another country off the map of the world. That is an extraordinary statement by any standard in the sometimes cynical debates that you find at the United Nations. He also denied the historical fact of the Holocaust and

held a conference to try to disprove what all of us know to be true, the horrors of the Holocaust in the Second World War.

So I think he has given Iran a very bad name internationally, the President of Iran, he has isolated his own country. He has now stimulated attacks on him from other political figures in the country. It is an extraordinary drama to watch. It is another indication that this is not a monolithic government and that they are not all united on this line that they have to become a nuclear weapons power as Ahmadinejad obviously intends himself in terms of his goals for the country. We hope that those voices in Iran that want to have a sane national discussion and negotiation will triumph in the end.

MR. NEEAZALA: Mike Neeazala. On one hand the United States negotiates and even rewards North Korea before they suspend their declared nuclear weapons program. On the other hand, the United States refuses even to enter into negotiations with Iran before they suspend what they call a peaceful nuclear energy program. My question for you is, what is the rationale behind these two very different opposite approaches? Is it because North Korea is a nuclear weapons state and Iran is not?

MR. BURNS: I do not think there are many differences between them at all. We are not refusing to have negotiations or discussions with the Iranians. We are trying very hard to have those discussions. I have repeated this four or five times, so for the sake of the others I will not repeat it again, but this is

exactly what we are trying to do, have a negotiation with Iran on the nuclear issue.

There is a lesson in what happened Six-Party Talks yesterday perhaps for the Iranians, and the lesson is this, that there are some good things that could result from international negotiation with Russia, China, the Europeans, and us, and the Iranians if they could give up their nuclear weapons ambitions and content themselves with civil nuclear power. That is essentially what we are doing with the North Koreans as you know. We are trying to implement the September 19, 2005 agreement. Yesterday was a very good first step. Now we are going to have to see over the next 60 days whether the North Korean leadership will now implement the agreement that they reached with us, Japan, South Korean, Russian, and China yesterday.

So there are some links here and there are some lessons. I am sure the Iranians are watching what happened with North Korea. It has to be on their minds because they see an international community, specifically, Russia and China, voting for sanctions against them, willing to raise the temperature in terms of international pressure. That was the same dynamic that we had after the missile test of July 4th and 5th, and the nuclear of October 9th with North Korea, and you see what happened to the North Koreans. You had China play a very strong role in trying to convince the North Koreans to agree to the proposal put on the table by the five parties yesterday. So we hope the Iranians will look at this

and understand that we are serious about a productive negotiation should they agree to come to the table.

MR. PASCUAL: Let me take two more questions over here.

MR. ISWAN: Bagram Iswan from Afghanistan Press. What is the feedback you have been getting particularly from Russia and China in relation to a possible second U.N. Security Council resolution on Iran? What will be the key thrust of such a resolution?

MR. BURNS: We said in Resolution 1737 that if after 60 days, 60 days is up February 21st, next week, the Iranians have not met the conditions imposed by the U.N. Security Council, we would have to reflect on what else to do. We have agreed, the permanent 5 and Germany, on a graduated approach to a series of escalating measures or sanctions to be taken against the Iranians, so I suppose that is ahead of us. We have had very good discussions with the Russians and the Chinese about the way forward, and we are working I think very well with both of them and also with the Europeans.

MR. PASCUAL: I am going to ask one of my Brookings scholars if I might if he would like to raise a question from the floor, Ken Pollack. Ken has been a great scholar on issues related to Iran as well as Iraq and has been analyzing the regional dynamics at play. Ken?

MR. POLLACK: Thank you, Carlos, and thank you, Nick, for coming and for making so many fascinating remarks. One of the things that you said that caught my attention was on Iran's role in Iraq, and in particular it was the

simple fact that you said that Iran is going to have a role in Iraq. I thought I would maybe see if I could tease out a little bit more on that question. What kind of role do you envision for Iran in Iraq right now? In particular, you've talked a lot about what you do not want them to do, what do you want them to do? What could they be doing that would be helpful in Iraq? And if they were willing to do it, what kind a seat at the table would you envision for them? What could they hopefully gain from that engagement with Iraq?

MR. BURNS: Ken, you're an expert, you know better than I that it just an inevitability that Iran is going to be influential in Iraq. It is a neighboring state, it has close relations with many in the Shia leadership, it has economic relations, and so the question is not whether Iran is going to have a role, it is the question you asked, what type of role.

We would hope that the Iranians would argue for the following, for an Iraq that will stay together, an Iraq where Iran will reach out not just to the Shia, but to the Sunni leaders and population, and the Kurdish population to help them economically, politically, to unite the country, and to adhere to the democratic process. We would hope that Iran would argue that Shia insurgents should not take up guns against either the government of Iraq or the coalition forces, the U.S. and U.K. forces, but that is not what Iran is doing.

Iran has a fairly self-centered, I would say even selfish policy in Iraq. Iran is arguing for its narrow interests. It is not arguing for the wider interests in a very complicated environment in Iraq. So we would hope that the

Iranians would come to see that they have an interest in stability, that stability can only be produced if all the other ethnic groups in Iraq are taken care of, if their rights are respected, if the insurgent attacks against the civilians in Iraq, and the Kurdish and Sunni areas stop, if Iran would then play that bigger role.

The problem we have with Iranian foreign policy not just in Iran but in the Middle East is the following, take any issue, whether it is Lebanon or the Palestinian-Israeli issue or the issue of Iraq, Iran is playing a disruptive, negative, divisive role. It is not arguing for peace between Israel and the Palestinians. It is not saying that there should be the creation of two states living side by side in respect to each other. That is what we are saying, but that is not what they are saying.

It is not arguing for maintenance of a democratically elected government of Lebanon. It is saying that the government should be brought down by force if necessary and a new government should replace dominated Iran's friend Hizballah. In Iraq it is not arguing as Britain, the United States, the European Union and most of the Arab world is for a unitary state, a state that is united, a state where terrorism ends, it is not arguing for that. So if Iran aspires to real leadership in the Middle East, it is going to have to meet that test of moral leadership, of positive leadership, and of full engagement. And on the great issues in the Middle East, Israel-Palestine, Lebanon and Iraq, Iran has taken a very different view than almost everybody else, and that tells you something about the nature of Iranian foreign policy.

It also tells you why we are opposed to what the Iranian government is doing and why we have talked with such determination about our intention to play that positive role and to seek to have Iran play its negative role.

MR. PASCUAL: I promised a question to the gentleman right back here, so we will close up with this question.

QUESTION: (Off mike) St. Louis Post-Dispatch. Haven't a number of administration policies over the last few years really strengthened Iran? They have seen their two major enemies on either side of them toppled, they have seen us mired down in Iraq, and they have seen our prestige internationally plummet. So haven't we really boosted the major threat in the Middle East?

MR. BURNS: I can assure we did not go into Afghanistan and Iraq to help the Iranians. It may be that the Iranians feel that they are better off because Saddam is gone, or were better off because Saddam is gone. The Iranians are very concerned about the resurgence of the Taliban. They have a major problem in Afghanistan. The narcotics flow into the western part of Iran and it represents a very serious threat to the Iranian people there, and we are trying to stop those narcotics flows. The Iranians are going to have to look around, as I said before to Ken, and figure out a way to be we hope more positively engaged whether it is in Afghanistan or Iraq, but our policy is based on doing what is best for the United States and for our friends in the world. We are not a charitable organization for the Iranians.

I think that the Iranians have derived of course some advantage from the fact that the Taliban were defeated strategically in 2001, although they are alive and kicking, and that Saddam fell. But in the final analysis over a period of decades, the Iranians are going to be measured and judged by the quality of that engagement, and I want to come back to that. I think that is the test for Iran, they are not meeting it now, and it is why they have so few friends in the region and why ultimately I think what they stand for in their foreign policy is not going to have a lot of resonance region-wide.

What you have now is a very interesting phenomenon over the last 6 to 8 months of the Arab countries of the Gulf and of the Levant very consciously engaging the United States to say please stay involved in Iran and in the Gulf, please stay involved to help us counter some of these negative forces that are appearing, and that is the message that is being replicated by the Europeans. So while it may look like the Iranians have derived some immediate advantage in the immediate aftermath of these two wars in Afghanistan and Iraq, I do not think that is how it going to play out over time, and they are going to have to meet that test of leadership which they currently are not meeting.

QUESTION: Could I ask you a follow-on on what you said about the drugs? The Iranians have lost about 3,500 border police fighting Afghan drugs. The Afghans say that they have been much more helpful than has Pakistan in combating narcotics in Afghanistan. We are both on the side of that right, the

U.S. and Iran, but we never talk about the positive role Iran is playing in that. Why? And why don't we cooperate with them on that?

MR. BURNS: We have a full effort underway in Afghanistan and we work most closely with countries that are working in concert with us. The Iranians have not offered to play the kind of role that the NATO allies are playing or the kind of funding role that some of the Arab governments are currently playing. So we tend to concentrate in the way we work with countries on those countries that are actively engaged.

I think you are right that the Iranians do have the same immediate interest in trying to cut off the flow of narcotics. That is coincidental to ours as well. But we are playing a major role in that effort and we need to do better in that effort, all of us, to try to diminish the poppy crop which was at record levels last year and also disrupt the trade routes which particularly affect Iran and the European countries.

QUESTION: I just came back from the Munich security conference where Ali Larijani made it clear that Iran is ready for negotiations. He specifically did not mention the U.S. or the European Union, and he said that he and his government is willing to guarantee those — countries about the future of Iran's nuclear plan. I hear the same thing from you, that the U.S. is willing to start negotiations. My question is, what is stopping the two countries? Would that be something related to different voices that come from Iran, because President Ahmadinejad also spoke the same day as Ali Larijani with the same authority, and

the final decision is by Ali Khamenei, the Supreme Leader. I would like to hear your response.

MR. BURNS: What is stopping an agreement to begin negotiations is Iran needs to say yes. Again, it is not just a drama between the United States and Iran. It is Russia, China, Europe, and the United States saying please come to the negotiating table, but you have to pay a down payment. It is a reasonable down payment. It is a temporary down payment. So we will see. The proof will be in the details of what Mr. Larijani says to the Europeans, and we have been down this road before, unfortunately, many different times over the last few years and over the past year and so we will have to see if the Iranians are willing to do what all of us want them to do, and if they can do it, we will be at those negotiations and we will be very happy to start on that basis.

MR. PASCUAL: Again, Nick, just to be clear, the key distinction here is that Iran has to accept that for the period of the negotiations they will suspend the enrichment program.

MR. BURNS: Yes.

MR. PASCUAL: Not a permanent suspension, but for the period of the negotiation.

MR. BURNS: We said suspension of suspension, so it is suspension of enrichment, suspension of sanctions for the period of the negotiations.

MR. PASCUAL: Nick, I really thank you for doing a tremendous job of walking us through a tremendously complex set of issues related to Iran on a global and on a regional level. I will certainly take from this discussion a few points that you made since we have time, that a diplomatic path is the path that is being pursued, that there is a dynamic which has been initiated and one has to continue to keep moving that dynamic forward in order to try to achieve a diplomatic success, and that a very clear offer has been made as you have just said, suspension for suspension, that for a defined window there is an ability to actually have a negotiation if Iran is willing to say that it will suspend its program in order to come to the negotiating table.

MR. BURNS: Correct.

MR. PASCUAL: I think it is a very powerful message that you have left us here today, and thanks for taking the time to have this conversation with all of us.

MR. BURNS: It's a pleasure. Thank you, Carlos.

(Applause)

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