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WHICH PATH TO PERSIA?
OPTIONS FOR A NEW AMERICAN STRATEGY TOWARD IRAN

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen.

Welcome to the Saban Center for Middle East Policy at the Brookings Institution. We normally have a full to overflow crowd, but we've actually got a larger assembly of Brookings Senior Fellows in one place than I think has occurred in recent history. It's very nice to see my colleagues.

Seriously, we are here in the wake of President Obama's latest press conference relating to the events of Iran in the wake of dramatic developments there, which may be the end of the beginning or the beginning of the end. We'll get into that in a moment. But clearly, we have profound events in Iran which have profound implications for the whole Middle East. That's because Iran has been a driver of strategic relations in the region for at least the last decade, particularly in recent years. And it was that context in its bid for dominance in the region, its

efforts to project its influence into the Middle East heartland and into the Arab-Israeli arena and of course into Lebanon. In particular, its drive for nuclear capabilities, notwithstanding the efforts of the international community through successive Security Council resolutions, to try to gain some purchase on that program.

All of those things have really, I think, dominated the Middle East agenda, and in particular for a new Obama Administration as it seeks to address the challenges in the region from Arab-Israeli peacemaking, to independence and democracy in Lebanon, to the threat to the stability of friendly Arab regimes, to the whole question of trying to head off a nuclear arms race in the Middle East, it all comes back to Iran.

So it was in that context that Ken Pollack in particular, with support of his colleagues who I'll introduce in a moment, thought it would be very timely to do a policy exercise of assessing the different ways, different options for dealing with Iran.

I immediately jumped onto this idea because when I was an administration official trying to deal with the very difficult problem in the late 1990s of Saddam Hussein in Iraq and Bruce Riedel was a colleague of mine in those days when we were confronting a very real challenge there, I received on my desk a publication edited and authored by Ken Pollack about the policy options with Iraq, and it was one of the few

documents or policy analyses from outside the government that I found truly useful, and so Ken has, with the support of his colleagues, replicated that exercise in the case of Iran.

"Which Path to Persia," as he will explain, looks at the variety of options for U.S. policymakers as they contemplate how to deal with this Iranian challenge.

One of the problems that we faced was that we were in the midst of this exercise when the Obama Administration came into office. The President had a mandate to engage with Iran and had in effect chosen one of the policy options, but Ken argued, I think, that we can see now the wisdom of that we could not tell exactly what would happen in Iran as in the rest of the Middle East. One had to expect the unexpected. Indeed, you will see in the concluding chapter a section precisely on that. Engagement might well fail, chances are it probably would fail, and therefore, the policymakers would still be confronted with the same questions and the study would still be relevant.

I think if you look at the conclusions, you will see that one of the things that the team looked at was precisely the potential for the kind of opposition that has suddenly emerged in the Iran as a result of the attempt to steal the elections.

So this is a very timely and I think very useful exercise. I was very proud to have the chance to participate in it, but I was also very gratified that we had so many of our Middle East experts contributing to it. I want to introduce them quickly to you, and then Ken will present the basic findings,

Suzanne Maloney will talk about the current situation; Bruce Riedel will discuss the strategic developments; and then I will lead a conversation with all of them. Bruce Riedel, Senior Fellow in the Saban Center and Foreign Policy Program at Brookings, former CIA official for three decades, and has had just about every other Middle East policy position particularly in the White House, where he served in the NSC as Middle East Adviser to three recent presidents.

Ken Pollack, Director of Research at the Saban Center, soon to become the Director of the Saban Center as I move up to a different position, and not only a CIA analyst himself on Iraq and Iran, but also served in the White House as Director for Near East Affairs with Bruce Riedel, and of course the author of several notable books, and particularly relevant in this case, *The Persian Puzzle*.

Suzanne Maloney, a Senior Fellow in the Saban Center at Brookings who works on domestic politics in Iran and their influence on foreign policy, is writing a book about that subject and has done a number

of very important policy monographs related to the issue of engagement with Iran, and has also served in the Policy Planning Department at the State Department.

Mike O'Hanlon, a long-time Senior Fellow at Brookings, a defense analyst with a huge reputation. I think he is far and away the most productive author in the Brookings stable, and is a much appreciated member of this team for his deep knowledge of defense issues.

Finally, Dan Byman, who is also a Senior Fellow in the Saban Center and is an expert on terrorism and served on the 9/11 Commission and has also worked in the CIA on these issues, and has published a number of books in particular on state sponsorship of terrorism, where of course he has focused on Iran.

So that's our line-up for today. Without further ado, I will welcome Ken to the podium to tell us what he's discovered.

MR. POLLACK: Good afternoon. Thank you all very much for coming out for this.

Our purpose today is twofold, as Martin already suggested. We did want to tell you a little bit about this new publication that we have, "Which Path to Persia," and draw some connections between it and what's going on and what hopefully will be happening in the new few weeks with regard to U.S. policy toward Iran. But we also kind of wanted to take the

opportunity, because all of us participated in the drafting and crafting of this product, to also put on display in one place at this critical moment the glittering constellation of Brookings stars with expertise on Iran so that we could have us all together in one place and talk a little bit about the current crisis and current developments.

So we'll get through this; I'll run you through a quick overview, and then we can get to the good stuff, the current stuff that I know all of you would like to hear our thoughts on.

This is just a quick little intro. The book will be coming out in two months -- I'm sorry, it will be coming out again in book form from Brookings Press in two months with that cover on it. You're all fortunate. By agreeing to come here today, you got it two months early and you get it for free. If you'd like to come back and buy a copy of the book which will be identical, we welcome that too. But for now, consider yourselves all very fortunate.

This is a quick overview of what we were trying to do. As you can see, the idea was to have a big options memo, if we were back in government, what's the kind of options memo that we would want to put together for the administration, and of course as Martin pointed out, we started this project well before the administration came into office, and had it not been for our good friends at CIA and NSC, this product would have

come out in March. As it is, it's coming out in June, but nevertheless, we wanted to have this kind of a big options memo to allow every member of the administration, every American, every person who cares about Iran, to get a sense for what these options look like.

Our most important criteria therefore was to try to present as objective a portrait of each one of these options as we could possibly present. It's one of the reasons why we put together this team of people, because between us, we were able to hammer out a lot of the biases that each of us had individually by pointing out that's not necessarily an objective opinion or an objective fact, that's a subject opinion.

As part of that, we also wanted to be very careful. There are nine options included in this, and each of us has a personal preference, but none of us wanted to be personally identified with any of the particular options, A, because we wanted the options to stand on their own; and B, because we wanted to have the freedom to present them in as strong a form as possible without necessarily being identified with any single one of them. So please don't assume that this chapter represents so-and-so's views and this other chapter represents another of our views. This is a collective product, and as I said, we tried to write it so that it would stand on its own.

As you'll see down at the bottom of the slide, one of the other things that we did is we farmed out the manuscript to about a dozen outside experts on Iran, some of them highly partisan from both sides of the spectrum, as well as Iranian-Americans and long-time American Iran watchers, again to try to get a sense of where there was still residual bias, and to make sure that each option was treated as fairly as possible both by those who actually subscribed to it and by those who disliked it, and I think that the final product is not a bad one in terms of trying to achieve those different goals.

Again, the purpose is many-fold. Because of the timing, we were able to provide an assessment of the Obama Administration's approach to Iran, and that will be the first one that we talk about. But of course, we also as Martin suggested wanted to look at all of the alternatives, both because they can serve as contingency plans and fallback options, and also because at some point in time, the United States simply may decide that it wants to do something differently, a different Congress, a different president, a president who wakes up on the other side of the bed, may all decide that he wants to do or she wants to do something differently depending on what the circumstances are.

And because all of the options are so rotten, and that is the one big takeaway from it which I'll talk about several times, there is no

clear-cut winner, there is no obvious solution to the problem that we face with Iran, and that's why we wanted to look at all nine of these and treat each of them with an equal degree of seriousness and an equal degree of depth.

Finally, just this last point I think is an important one, which is that one of the things that we had seen in the policy debate on Iran is that oftentimes, many people were arguing past each other because in fact they wanted to achieve very different things in Iran or with Iran. Some people were out there saying all we really need to do is deal with Iran's nuclear program and everything else is fine, and there were other people who believed just as vehemently that if you didn't replace the regime, nothing else mattered, and that a lot of the divergence and the differences among people within the debate here was based on these differing goals and these different approaches and different thinking about what the time available was.

So we wanted to put them all out in an objective fashion in a similar standardized template so that you could compare all of these different options and recognize where the differences lay between them.

This is the standardized template we used. Each chapter considers the goal of the policy and its time frame, and by time frame, the amount of time it would reasonably take to achieve success, and each

policy defines its own version of success, and that's where the goals come in; an overview of what the policy would look like, the requirements to give it the best chance of success; the pros and cons. Again, you will find as you go through all of this that all of the options had far more and far bigger cons than they did pros. That's just part of the joy of dealing with the problem of Iran.

Let me run you quickly through the nine options that we looked at. Just to keep things short so that we can spend most of the time on what's going on now, I am going to be very brief and only touch on some highlights.

The first policy, we chose to call persuasion. This is the Obama Administration's policy. Just a couple of things to highlight. As we say and as the President said, this is really the strategy of carrots and sticks, but one of the biggest things and one of the areas where we felt that the administration had not done a great job in pursuing this option is that you don't talk about the sticks. Everyone knows the sticks are out there, including the Iranians. It simply backs them into a corner to threaten them with the sticks, and that in fact the smartest thing you could do if you were going to pursue a policy of persuasion was call it a policy of engagement, which I'm going to come to in just a second.

That has the virtue of being true, because as I say in the next tick, this is a strategy or policy option which includes engagement as a tactic, as a way of broaching the subject of the Iranians and exploring what kind of a relationship they would like, and as the President has suggested, if they make it clear they want a better relationship, then it can become a strategy for the President with Iran. If not, it becomes something else altogether.

Then just the last point to highlight on this, the big requirement, the obvious requirement, is the importance of international support. This policy simply can't work without international support, and especially given some of the comments that we've seen from some of the key international players over the last few days, one of the big cons that we find out there and has been reinforced by the events of the last two weeks is that it's not at all clear that we're going to have the kind of international support that would be necessary to actually make this policy work.

We then looked at what is called the policy of engagement, and here, what we were looking at is again not what the administration is calling engagement, because in truth, that's the carrots and sticks, rightly they're calling it engagement, but it's an older policy, a policy that's been around for at least five or six years, and it stems from the analytic

consensus among certain Iran experts that Iran does not respond well to threats at all, that the sticks are what undermines any kind of a policy of creating incentives for Iran, that is, the sticks are what undermine persuasion, and therefore, what you have to do is go for a policy of all carrots.

What's important here to note is first the time frame, which should have been bolded in red. Because it's a policy of all carrots, it's about engagement, it's typically referred to as a China approach, where we simply make it clear to the Iranians we want a better relationship and over a period of time, as it was the case with China, over time, Iran recognizes that we're not a threat, improves its behavior toward us and allows for a reconciliation.

The problem of course with this one is that, first, in the short-term, it's really hard to avoid Iran's hardliners claiming this is a victory. Their argument all along has been the outside world needs us more than we need the outside world, and if we simply hang tough, they will come around and let us do whatever we want. And by giving up all the forms of pressure, giving up the sanctions, giving up all the sticks that are inherent in persuasion, engagement makes it that much more likely that the hardliners will be able to declare victory, and that Iran will continue to pursue its nuclear weapons capability program, that it will continue to

pursue its support for terrorism, et cetera, and that if we get there, if we actually get to this better relationship, it is going to take a long time, and Iranian behavior is probably going to get worse before it gets better, if it gets better at all.

Obviously, not everyone is interested in these more diplomatic approaches toward Iran, so we also decided to look at three different military options toward Iran. The first one is the big enchilada, the invasion. This stems from the idea that we got all these different problems with Iran. The one thing out there that would solve all of our current problems with Iran would be to pull in Iran what we did in Iraq and Afghanistan: go in, invade the country, topple the regime, uproot the nuclear program and start all over again from scratch.

This has got some obvious problems with it, too. As I point out at the bottom, perhaps the third time will be a charm, but we haven't gotten it right the first two times we've tried this, and I think that we have to ask ourselves how much domestic political support, let alone international support, would there be for another major military operation and another major nation-building exercise in the Middle East.

Unfortunately, the more that we looked at this, the more that we felt that it really wasn't conceivable to do the invasion and the regime

change without everything that went with it, without the nation-building effort that would inevitably have to follow.

If you don't like invasion, if that's too big, what about air strikes? That tends to be the military option that most people who favor military options like, and we looked hard at this. There are at least two different sets of problems that are worth bringing up. One is the one that I think most people know about and talk about, which is it's just not clear what even massive American air strikes would do to the Iranian nuclear program. In particular, let's say our intelligence was perfect, let's say we flew thousands of strike sorties and cruise missile strikes against the Iranian sites and we flattened every single building that the Iranians have connected with their nuclear program, and let's say that we knew about where every one of them was. Right now, there is a lot of debate among the experts as to how long it would take the Iranians to rebuild the nuclear program from scratch, but the estimates all seem to range from one to two years, to maybe three or four at the outset. Given all the other downsides that would occur when we talk about them in this chapter, it's not clear that the payoff is there.

But there's a second set of problems with it that we didn't really feel that people had thought too much about that emerged as a result of this exercise which is that air strikes are a one-shot deal if the

United States is not going to mount several thousand sorties against the Iranians every three or four years to shoot down their nuclear program, and since the first round of strikes would likely empower Iran's hardliners and convince them to redouble their efforts to acquire a nuclear weapon, chances are those would not solve the problem for all time. But the problem is once you've done the strikes, it then becomes very hard to do anything else as a follow-up. In an ideal world, what you'd want is you'd want the strikes and then the harsher sanctions, but the problem is the strikes are probably going to eliminate all of the sanctions and eliminate any likelihood of getting future sanctions.

So the air strikes option has a problem not only in terms of in the short-term and what it would actually achieve, but in terms of its longer-term in how it can be turned into a more sustainable policy of dealing with Iran, and beyond that of course, it does nothing about those other aspects of Iranian behavior. It has no answer for what to do about Iran's support for terrorist groups and its opposition to the status quo and everything else it does. It is very narrowly focused on only one aspect of our problems with Iran.

We also of course had to look at the other big military option that's out there. The chapter is called in the book, "Leave it to Bibi," allowing the Israelis to take care of the problem for us because we don't

have the *cojones* to do it. There are obviously a lot of people out there who would like to see this happen, and there are even some people in the Gulf who would like to see this happen. Looking at it from an American perspective, though, I have to say we really didn't find a whole lot to recommend it.

The strike would likely be smaller than any American effort, and therefore less likely to achieve even what an American strike would achieve. It would have all of the same downsides as the American strike. Beyond that, especially with Bibi Netanyahu as prime minister, because of the likelihood that Hezbollah would retaliate and how Bibi would probably feel compelled to respond to that, it probably would be that the Israeli strike is simply the overture to another major Israeli operation in Lebanon, which would not be helpful either.

Then we looked at some regime change options. If the military ones were problematic, and of course they were just as all of them were, we wanted to look at regime change, and one of our chapters is called "The Velvet Revolution." In reading it over last night, I think you will find quite a bit about how to think about what's been going on over the last two weeks in this chapter, where we talk about how the United States might try to encourage and then take advantage of a popular rising against the regime. But it's worth highlighting a few things, and I highlighted a few

more because of recent developments on this one, which is, first, note of course the goal has changed in fundamental ways.

As opposed to some of the previous policies which were much more focused on Iranian behavior or even just narrowly focused on the Iranian nuclear program, this is all about the regime, and this stems from the feeling among many Americans that it's not the behavior, it is the regime itself that is the problem.

Second, as we've seen over the last couple of weeks, it is impossible to predict revolutions. It is impossible to predict when they will try to start, it is impossible to predict when they will succeed. Scholars have failed to ever predict a revolution successfully. They have failed even to retrodict revolutions in history. We just don't know how to do it. It's simply too difficult. So if you're thinking about this as a policy, you can't attach a particular time frame to it. You can't say the Iranians are going to have a nuclear weapon in three years so we have to have the Velvet Revolution in two. You can say that, but there is no way to actually make it happen. We just don't know how.

Requirements. As we've also seen, it's very hard to know how to help these revolutions succeed. It's hard to know what they need to succeed. Sometimes you just have to get lucky. One of the things that we might have faced had this gone on longer and had the United States

encouraged it would have been the very unpleasant circumstances of had the regime cracked down harder, would the United States have found itself in a position of having to intervene or consider intervening to stop a bloodbath, having encouraged the revolt in the first place, and what was in some of our minds is what happened in Iraq during the Gulf War, where George H.W. Bush encouraged the Iraqis to rise up, they did, we failed to support them and 100,000 Iraqis were killed, which is not something that we necessarily want to see replicated in Iran.

The last points of course which we've all been talking about, keeping in mind again the only way that revolutions seem to succeed, or a necessary precondition, is that the regime has to lose the will or the capacity to employ violence. It's not clear how the United States would enable that from our distance. We clearly have not done so this time around. And of course, there is the other issue which the Obama Administration has been grappling with which is how does the Great Satan, how does the United States, which has been the third rail, the political football of Iranian politics for 30 years, help a genuine uprising of the Iranian people without actually discrediting that movement?

Another idea that's out there and certainly has a lot of adherents in Washington is the idea of supporting some kind of insurgency. The Mujahedeen el-Khalq, which many of you are aware of,

would like the United States to use them as the insurgent group. The issue that we've got out there is it requires a capable insurgency with widespread appeal, and we don't yet have an Iranian group that meets both of those criteria. The good thing about an insurgency is we actually know how to do it. The con, as I said, is it's not clear we have the tools and it will take a very long time if it works at all.

We also looked at the possibility of a military coup. At least three of us have CIA backgrounds, so we have at least some experience working with people who do this for a living. What we found there is again, the time frame is impossible to predict because at the end of the day, you're trying to reach out to people in another country who are going to have to do the heavy lifting themselves. It becomes the military officers in Iran, the cabal itself, that has to pull the trigger, and our ability to control them, to encourage them, is extremely limited.

So it happens on their timetable and when they're ready, and they have to have the courage to be ready and they have to have the skill and the experience to know when the time is right, and all we can do is hope that they're right and maybe give them a little bit of intelligence. Intelligence becomes the critical issue in it, because given a closed society like Iran's with a paranoid regime, it becomes incredibly difficult for Americans to reach out, meet, vet, and aid would be coup plotters without

actually exposing them to the Iranian Secret Police and having the coup plot snuffed out in its cradle.

The last is containment, which is always the last. When all else fails, if we can't come to some kind of negotiated agreement with the Iranians, if we can't develop a better relationship with the Iranians, if we can't invade them or bomb them, if we can't overthrow them, we just have to find a way to live with them and to limit the amount of damage that they can do. Of course here, there is a lot of evidence to suggest that containment would be feasible even if it would be very unpalatable, but the big question out there, the really big issue that no one can ultimately answer, is the question of a nuclear Iran, and containment assumes that because we're not going to stop the nuclear program, it will come to fruition and there will be a nuclear-armed Iran and whether that nuclear-armed Iran can be deterred. There is a lot of debate over the issue. We all have our personal options. We tried to keep them out of this. But that will be the critical issue on which it all hinges.

In the end, in the concluding chapter, we look at the future. We talked about uncertainties. Martin is right that there is actually a whole section called "Expecting the Unexpected" which talks about how things in Iran happen that we have no way of predicting. But the other thing that we do in that last chapter is talk about how difficult the problem is and

therefore the need to try to integrate several of the policies to craft a better, more sophisticated, more nuanced and more able policy that can deal with some of this. Just to give you one quick idea of what we have in mind, one of the reasons why persuasion has a lot of appeal is because it can be married up very nicely with so many of the other policy options. As I mentioned before, persuasion is ultimately putting a choice to the Iranians, which is we're going to give you a choice and that choice is ultimately going to be between engagement; if you actually want to do the right thing and have a better relationship, we will then turn this into a policy of strategic engagement, of a much, much tougher form of containment than what you've seen so far, and that's the whole point of the harsher sanctions.

But it could also set up military action if you wanted it to. You try the route of engagement, you try this approach, and if it fails, then you go to the international community and say we gave it our best shot, now we got to start bombing. This of course is exactly what a lot of Iranians are terrified of. They're afraid that our policy is nothing but a façade for the bombing campaign that they think so many Americans would like to employ.

Then finally, you could imagine employing as the Bushies tried, elements of regime change as another form of pressure, so that it is

a way of integrating all of them together, a way of thinking about these as being pieces of a larger whole, one that will hopefully give you a better chance to deal with the problem of Iran than any of these policies would individually.

Thank you very much.

MR. INDYK: Thank you very much, Ken, for going through the options, if Ken didn't come out and give you the solutions (inaudible) that was the purpose of the exercise, to allow you to go play the role of policymaker and make up your own mind or mix and match the options and see whether you can come up with a better one than anybody else. Good luck.

Suzanne, why don't you bring us up to date in terms of the current situation and how the option of engagement or what we call persuasion is going to fare as a result of developments there?

MS. MALONEY: Thank you very much, Martin and Ken, and thank you all for being here. I have the unenviable task of trying to brief you all on a situation that is evolving by the minute and that defies all of our ability to both analyze and predict, because to some extent, most of the most relevant information is very difficult to obtain at this stage. I like you have been following the internet with rapt attention and have come away from the past 10 days in near-shock at what is happening on the

ground, with a couple of conclusions that I wanted to talk about today and look forward to the discussion both among the rest of the panel but also with the audience.

I think to my mind first and most important as a caveat but as a reminder for all of us whenever we talk about Iran is simply how unimaginable this scenario was even a mere two weeks ago. There were many of us and many of you I know in the audience who have been attending events and participating in discussions on the Iranian elections for months now. This is a predictable event, and it was a contested event and I think everybody understood it was going to be an important and an interesting election because it involved the fate of Mahmoud Ahmadinejad, Iranian elections have proven so difficult to interpret in advance as we've seen time and again, and because this is such an important moment at the outset of a new American administration.

So there has been a lot of attention around this election, and I can say with a certain degree of confidence that no one in this town and I would suspect no one in many foreign capitals or perhaps even within Iran itself expected the series of events that we've seen over the past 10 days.

We all recognize that there would be some manipulation of the outcome of the elections. Some predicted more, some predicted less. No one predicted the degree of blatant rigging of the election that we saw

10 days ago. No one predicted that the ostensibly losing candidate, reformist Mir Hossein Mousavi, a long-time functionary of the Islamic Republic, someone who had effectively run the government during the period of the war with Iraq but had been absent from politics for most of the past two decades, would emerge as the single political figure within the Iranian establishment in the past 30 years to defy the expressed edict of Ayatollah Khamenei.

And no one predicted that with this defiance, together we would see a defiance on the streets which has been at least as dramatic and as important and as long-lasting as what we're seeing within the political establishment.

Obviously today, we recognize that there has at least been temporarily for the moment a successful crackdown by the regime, a crackdown both in terms of physical repression of the protests which has driven the numbers down from the hundreds of thousands, perhaps a million who amassed in the streets of Tehran in the immediate aftermath of the announcement of the Ahmadinejad "landslide," to the tens of thousands and maybe even numbers as small as hundreds who have been on the streets in the past day or so. We've also seen obviously a very successful crackdown in terms of information that's being both passed around Iran, but I think also in terms of the report.

There has been a phenomenal amount of independent amateur media, and I know that there are many around this town who are analyzing the impact of Twitter or cell phones and new technology on both protests, the way that they've developed on the street but also the way that they captivate an international audience. All that has been quite important, but clearly, we are seeing far less reporting on exactly what's happening on the ground, far less information coming out of some of the key political actors, simply because those reports who are left in Iran are in many cases under severe restrictions, in prison, many others have been forced to leave the country.

But Martin at the outset of our discussion today posed a question which I will at least try to give an answer to, asked is this the end of the beginning or the beginning of the end, and I'm going to maybe split the difference. I think what we've seen is the end of a chapter, but the beginning of a very profound and important story in Iran, and again one that I certainly did not anticipate and will be watching with very rapt attention over the next few weeks.

Let me just say I think that what we've seen was unprecedented. I was in Iran 10 years ago this month or next month, when the student protests erupted in the streets of Iran. I arrived in the midst of those protests to see the crackdown and to get a sense of what

the experience on the streets and the mood of the people was. I can tell you, although I haven't been in Iran obviously over the past 10 days what we're seeing and what we have seen over this period is profoundly different, is more important, far more long-lasting.

It is not to suggest that the July 1999 protests, the June 2003 student protests, other periods of unrest in Iran, and frankly there have been many with a certain degree of regularity that the regime has withstood and repressed without dramatic differences in the way that the politics are run in Iran or the relationship between the government and its people, this is something profoundly different and more important. I think it's broad and it's multifaceted.

We saw protests of a magnitude and scope unlike anything that we saw in July 1999 that impacted the lives of Iranians, even though we're far from the scene of the events. And we're seeing I think ultimately events that are changing the structure of power in Iran that will impact our policies and our choices in the international community.

Let me just explain why I think this is so, even though I do believe that the regime has successfully cracked down and at least for the moment we're not going to see a million people amassing on the streets of Tehran. I believe what's happened in the past 10 days has created for the first time in the aftermath of the revolution a serious opposition movement.

This is one of the issues that many of us looking at Iran always felt was missing. When people talked about popular dissatisfaction, it was clearly true. You felt it when you spoke to Iranians, but it was open dissatisfaction. It was never organized. It had never coalesced into anything remotely resembling a movement. There were student groups, there were labor unions, there were organizations of women and others that were mobilizing to try to express unhappiness over particular demands, there were reformist political parties, there were semi-tolerated oppositions like the Iran Freedom Movement, but there was nothing that resembled the kind of broad-based organized movement that one would need if one were going to see something along the lines of a revolution or a regime change.

We don't have that yet today, but we have at least the start of it. We have the seeds of it for the very first time in Iranian history. Clearly what happened over the past 10 days, much of it has been spontaneous, amorphous, chaotic, but we have at least the skeletal structure of a movement. I don't know that we can even identify it from here, because so much of it has been outside of our range of vision, so much of it has been happening over this new media, over cell phones, but Iranians are communicating with one another, they're organizing, they're developing slogans and they're developing strategies for confronting the

regime, and that is really a first I think in post-revolution history at the scope and level that we're seeing.

Equally as important, I think we have seen the emergence of an opposition leadership. Frankly, there has been long-standing contention within the regime really since the days leading up to the revolution. This was a coalition that unseated the shah that never agreed on anything beyond the fundamental aim of eliminating the monarchy, but there was never agreement and there has always been feuds, even fierce feuding, even during the days of Ayatollah Khomeini, and it has certainly entrenched itself and gotten worse over recent years. But we've never had anyone who we could point to as a potential opposition leader, and frankly, at different points in time, I might have identified individuals who I thought might take on that kind of a role: Gholam-Hosseini Karbaschi, the strategist who helped plan the original Khatami victory; Abdullah Nouri, the interior minister under Khatami who was imprisoned for his comments on America, Israel and other issues; a number of other people whom you might have pointed to as having potentially either the organizational capacity or the leadership potential to begin to draw supporters and to lead some sort of a movement against the regime in a serious way.

I would have never pointed to Mir Hossein Mousavi, and yet in many respects he is a natural candidate for this role, in part because of

his experience during the Iran-Iraq War, when he fought some of the fiercest ideological battles of the regime's history. He was in many ways the original Ahmadinejad, a radical leftist who fought bitterly with many of his rivals within the government and tried to amass as much authority under the structure of the state as was possible.

But clearly over his two decades in political exile, he has come to a different understanding of the nature of power and is prepared in a way that I simply never would have imaged possible to confront the regime and to continue to lead these protests to call for defiance even though he recognizes that this sort of thing typically doesn't end well.

The last putative Iranian president who tried to lead protests in the streets was Abdul Hassan Bani-Sadr, who fled Iran during the civil war reportedly, at least according to the apocryphal stories that go around, dressed in women's clothing. So Mousavi knows what he was getting into. He knew from day one that by defying Khamenei's congratulation of Ahmadinejad, that he was moving beyond the red lines, as they say in Iranian politics, in a way that was irrevocable and meaningful. He may not be the organizational leader of this movement, but he has certainly become the symbolic leader of the movement and that is quite important.

At a lower level we're likely to see the development of other leaders of a potential opposition. There have been hundreds of activists,

dissidents, journalists and intellectuals who have been put in prison over the past week. Many of these were individuals who have been confronting the structure of power in Iran in different ways but had not broken with the system of the Islamic Republic. I sometime (inaudible) will change their calculus at least for many, and simply the recognition of what has happened in Iran is so unprecedented, that even within the bounds of the semi-competitive elections that Iran has had for 30 years nothing like this has ever happened before, is going to change the calculus for many as it - - for example, for former President Khatami, who certainly didn't go to the barricades back in 1999 or 2003 when students were risking their lives, when students were mobilizing in the streets in defense of the ideals that he proclaimed, but in fact came out and backed Mousavi and has continued to support this effort in a way that many of those who have derided Khatami as a political coward perhaps did not think possible.

So with the change in the context comes the change in individuals, and I think that we will see that over time, and it will be something that we simply have to watch who comes out of prison a changed man or a changed woman, and there are a lot of people who have been sent to prison in the past 10 days or so.

A couple of other points just on why I think this is an irrevocable change and a fundamental change in the system of power in

Iran. What we saw in this power grab, and I think there's really no debate that that's what it was, was an effort and an inevitability of narrowing the regime's base. One of the advantages, one of the pillars of support of the Islamic Republic for the past 30 years, is this connection that people had, and they may not have liked their government, but it was their government, they had a greater stake in it than many of their neighbors did, they criticized it intensely, and yet they saw no value in outsiders intervening in that struggle.

There were many who benefited from the regime across the board -- who participated in the regime, who, again, did not like it.

But whether they had passports that let them go abroad, whether they were able to make some money from the oil boom of recent years, whatever it was, they found a way to live within the structure of power of Iran.

Today, that base is considerably narrowed. Clearly, there is a vast schism that is underway within the revolutionary elders, and certainly between the first generation and the second generation of the revolutionary technocracy.

And we don't know exactly where that -- who sits on what side at this point, you know. Obviously, all eyes are on the missing figure of Akbar Hashemi Rafsanjani, the former president, the political godfather of Iran, who heads two very important institutions, but also and perhaps more importantly is a figure of great influence behind the scenes; has not

been heard from over the past 10 days, but is presumed to be doing a lot of negotiating behind the scenes.

Where he comes out will obviously be important, but the fact is we know that there are many like Khatami, like others, who have already made their choice, and have been divided from Khamenei and Ahmadinejad in meaningful ways.

The base of support of the Islamic Republic at this stage lies with some small, but important constituency of popular opinion who rally around Ahmadinejad's populist views among a hard-core defense of the most basic ideals of the clerical element of the revolutionaries, but also importantly among the Revolutionary Guard.

And I think that is where the base of power of this regime now lies -- no longer with the traditional clergy, no longer with many of the merchants who have benefited from the regime, no longer with the people who felt at least a stake in the outcome and a stake in their government.

That simply doesn't exist anymore.

Beyond Rafsanjani, I think we've seen Ahmadinejad considerably weakened by these events. This entire effort was evidently intended to engineer a mandate for the president that was unparalleled in Iranian history.

He was going to come away with more votes, a greater percentage of the vote, a greater turnout than even Mohammed Khatami had, and perhaps that was meant to empower him in a way to do important and potentially even useful things from our point of view.

I've heard the notion that somehow a narrowed, consolidated, hard-line regime might be more amenable to outreach with the United States.

I'm dubious of it. But if that was the intention, I think that Ahmadinejad has clearly undercut his mandate tremendously, because, both at home and abroad, he has shown himself to be a petty dictator.

He has alienated beyond revocation much of the political elite, the clergy, in a way that I think leaves the presidency that he initially sought to empower far weaker and far more imperiled for the future.

Just a couple of kind of concluding comments. As I said, I think this is the beginning of a very important story for Iran. I don't have any real prediction as to where it leads, but I think that we are certainly in the long-term going to see a far more democratic Iran than even those of us who were optimistic about the country might have said a week or two or three ago.

I think we also recognize how important the democratic experience, even within the very narrowly confined limits that the Islamic Republic has permitted over the past 30 years, has generated for this country.

I work a lot on the economy as well as the internal politics and often spend time talking to people who are expecting Iran to devolve at any moment into either labor or bread riots -- people frustrated by double-digit unemployment, double-digit inflation.

Iranians accepted that, unhappily, often with great

dissatisfaction, and looking for better from their government, but that didn't drive to them to the streets.

What drove Iranians, in the hundreds of thousands around the country, clearly from a wide variety of ethnic groups, social classes, was the decision by the regime to try to annul even a modest democratic process.

That, in many ways, is a very inspiring development from Iran and one that admits the tragedy of the crackdown of the past 10 days I think should give us all hope for the future. Thanks.

MR. INDYK: Thank you. Fascinating, Suzanne.

Could you just give us all -- since we all have access to the Internet, if we want to follow this more closely, given the crackdown on the press, where do you go to follow this?

MS. MALONEY: You know, it's been quite interesting. There have been a lot of blogs that have kept up with, you know, the Twitter feed, and, as someone who frankly thought Twitter to be something of the --

MR. INDYK: The Twits.

MS. MALONEY: Britney Spears generation, and I'm dating myself by even using that reference, you know, anyone who can update me on the Twitter is very useful. I have friends on Facebook who are posting material, which is fascinating.

I think the Times lead blog has -- the New York Times lead blog has been quite useful. There are some Persian media that are

operating. Tabnak, the website of Mohsen Rezai, has had some material. There have been a few other sites.

MR. INDYK: How do you spell that, please? How do you spell it?

MS. MALONEY: In Persian, it's T-a-b-n-a-k dot I-r.

MR. INDYK: But (inaudible) Persian (inaudible). You follow it?

MS. MALONEY: Well, I mean, the irony here is, of course, much of what constituted the Persian press has been muzzled over the past 10 days or the people who are speaking to it have been muzzled.

So, in fact, you know, while access to Persian media is incredibly important and useful, there is so much coming out by virtue of Twitter's English base in English I think at this point that there's -- that there are multiple ways to keep up, but frankly, you know, we been here for now 45 minutes or so. The situation may have changed on the ground, and we'll all rushed back to the computers.

MR. INDYK: Keep in your seats for just a few more minutes. Bruce?

MR. REIDEL: Thank you.

MR. INDYK: Go for it.

MR. REIDEL: I'm going to violate the first principle of what Suzanne said, which is if you listen carefully that no one predicted that this was going to happen. Anyone in their right mind would not try to predict what's going to happen next.

So, I'm going to leave my right mind and try to predict what happens next.

Let me underscore a point that Suzanne made, though: 31 years ago, as a very junior analyst in the CIA, I was drafted against my choice to join the Iran Task Force.

Two and half years later, when I finally emerged, I had learned the fundamental truth that Suzanne is pointing out: Anyone who tells you they know the future of Iran is delusional, and you should run away from as quickly as possible.

With these caveats, what I want to do is very briefly look at three possible scenarios for the future of Iran and what those mean for President Obama's policy of persuasion, although I will probably occasionally refer to it as engagement to confuse you as to which is persuasion or engagement.

What I want to especially focus on is what do they mean for both the carrots and sticks.

I also want to say a few words about what each of these scenarios might mean for Israel, because one of the fundamental points of this book is to recognize that there's always been a third party in the bed of U.S.-Iranian relations, and that's the Israelis; and we must keep that in mind.

One brief overall observation, and I think it flows very smoothly from where Suzanne left you. No matter how this ends, the image of Iran as 10 feet tall and the inevitable regional hegemon, which is

going to take over the Middle East, has suffered a very serious setback.

I would argue Iran never was 10 feet tall; that a lot of people have exaggerated its importance and its significance, and the Iranians have been very happy to let them exaggerate its importance and its significance.

But Iran does not look like the 10-foot tall hegemon, which is inevitably going to take over the region. It looks increasingly like the country that is going to be consumed with internal problems of an unprecedented kind for at least the immediate future.

This, of course, has significant implications for everyone in the region, both Iran's foes who can now perhaps take a small breath of relief, but even more importantly for Iran's allies and friends.

Hezbollah and Hamas have to be looking at what's going on in Iran today and saying, what does this mean for me? What does it mean for my supply line? What does it mean for me if I get into a crisis with the Israelis in the future?

As I said, you can come up with endless scenarios for what's going to happen next. I'm just going to give you three.

I think they are fairly generic and that most any scenario could be fit into one of these. But please, these are not exclusive. And secondly, I'm not predicting the likelihood of any of them.

The first scenario is what I would call the fizzle out scenario. This is a scenario which the chief of the Mossad, Israel's secret intelligence service, said almost on day one is how it would end.

And it's basically that intimidation works. The violence that the regime has used already is sufficient to convince the opposition it's too dangerous to come out, and what we see is that the level of protest steadily starts to decline until it reaches a point where it's basically all fizzled out.

This is clearly what Khamenei and Ahmadinejad are hoping will happen.

At the end of the day, of course, as Suzanne has pointed out, you have a regime which is weaker, because it has a real opposition. Even if that opposition has been intimidated for the moment, it faces an unprecedented situation.

What does it mean for the United States, and particularly for the Obama administration?

Well, in many ways, this is back to where we were at the beginning of June. After a decent interval, all the policy options that were on the table then, all of these nine, are still on the table. And their pros and cons haven't really changed all that significantly.

That said, I think there is one thing that is very different. Any Iranian regime which has a serious internal problem, even if it has successfully intimidated it for the moment, is probably less interested in talking to the United States.

It's arguable. Some would say, well, maybe the Iranian regime in this case will want a Hail Mary pass. Perhaps.

But I don't think it's going to want it to be thrown by an

American quarterback; that it may look for a Hail Mary pass somewhere else, but probably not from the United States.

An Iran focus increasingly on its internal situation, I would argue, is less likely to be interested in diplomatic engagement with the United States.

For the Israelis, I think it's largely the same. The difference is that the Israelis will now argue, "Look. Everything we told you about the Iranian regime is true. And we need to move on our timeline much faster."

In other words, we'll give engagement until the end of 2009, but let's count the end of 2009 as December 1st instead of December 31st. Let's speed up the process.

The second scenario that I think is possible is what I'll call the Tiananmen Square scenario, which is the opposition is not intimidated, and they continue to come out, and they face in the end a massive crackdown from the regime.

And massive crackdown is not what we've seen so far. By various estimates, we've had several dozen killed.

In Black Friday, in 1978, over 100 people were killed in one day of violence in Iran. In Tiananmen Square, no one knows how many died, but the conservative estimate is around 2,500.

So, if you think you've seen crackdown, you ain't seen what it really could look like -- a real bloody mess. The difference from this and Tiananmen, of course, is you're not going to see it live on CNN.

The Iranian regime has learned at least one lesson from its

Chinese predecessor.

I would argue for the Obama administration this is clearly the worst possible outcome. First of all, it's bad -- it's a horrible thing to watch, and it's bad for the whole spirit of democracy and change in the region.

If the Obama effect leads, as some will argue, to this, then that's not very good for the Obama effect.

Secondly, of course, is how it plays in the domestic politics of the United States. The President's neoconservative critics have set him up already. By saying he hasn't done enough, if it turns into a bloodbath, they can blame the bloodbath on him.

That will be unfair. It will be inaccurate, but the politics of this have already been set up, I think, in that direction, making it very hard for him to react.

I can't help but take a small footnote here. The last time we had a large Muslim country which had a dictatorship under siege and it tried to impose a crackdown, and the regime was firing on lawyers demanding the accountability of the government, most of the neoconservative crowd lined up right behind the dictator.

So, they've demonstrated remarkable adaptability here when it comes to being on the side of democracy.

Back to Iran, I would argue that this scenario also makes it much harder to engage Tehran.

There won't be a consensus in the United States anymore that engagement or persuasion, if you call it that, is the right approach.

There will be bitter partisan arguments over this, and Tehran will probably be less open to engagement.

You're not going to crack down on your domestic foes and then turn around and engage directly with the Great Satan.

It will be easier in this scenario, I would argue, to get sanctions past the Europeans. The Europeans will probably say, yes, we should sanction the regime for human rights violations.

But that's not the problem with sanctions. The problem with sanctions has always been Moscow and Beijing, and I don't think that you can convince the Chinese that cracking down on domestic unrest is a good reason to sanction a government.

Thus, I think, this is a worst case, because both the engagement, persuasion, and pressure become very, very hard to achieve.

Options for the United States become more limited, and you're probably moving towards containment faster rather than more slowly.

For Israel, I think this also argues for speeding up the agenda and for moving rapidly toward sanctions and possibly through some kind of military force.

Third is the scenario I'll call change -- change in Tehran.

There are probably 100 different variations of what this might look like -- some kind of political deal, some kind of compromise that gives the opposition some sense of achievement that they have a voice in

politics. Exactly how you get there is very hard to predict. That's why I said at the beginning anyone who tells you the future of Iranian politics is delusional.

But it is conceivable that, at some point, Khamenei may come to the conclusion that Ahmadinejad has become more of a liability than an asset, and it's time to drop him. And a formula is found.

Rafsanjani and others are task masters at this kind of compromise.

For the United States, I think this becomes a real opportunity. Even if we don't really understand what the change is, even if it's not necessarily change we believe in, but change Iranians believe in, it's an opportunity.

It's an opportunity that I would argue you would grasp rapidly. That is not to say you endorse the outcome, but you suggest that you will recognize that change has come. And that there's something new and different and that that argues even more for dialogue between Washington and Tehran.

This also defuses in many ways the domestic political problems that the President would face in the Tiananmen Square option, and it validates the approach the administration has followed so far.

The hard part is that the sticks are going to be considerably harder to get under this scenario.

Everyone is going to want to give this new whatever it is in Tehran a chance to succeed. No one is going to want to talk about going

back to the U.N. Security Council and putting more sanctions in effect.

That is why I think for Israel this is a pretty unsettling scenario, a scenario in which the Israelis may find themselves the odd man out. While the rest of the world is gloriously saying this is great, the Israelis are likely to be the most skeptical, particularly my former counterparts in the Mossad and the Israel Defense Forces.

They may note that Holocaust denial has been removed from the new Iranian vocabulary, but what they'll focus on is how many centrifuges are spending and how much aid is going to Hezbollah and Hamas. And unless they see significant changes in those, they're going to find themselves, as I said, the odd man out.

Other scenarios, as I said, are possible, but I think you can fit most of them into one of these three.

Let me conclude only by saying that Brookings, in addition to giving you a lot of information in the last hour, has also created the ambience of a Shi'a mosque in Tehran in the middle of June and July, and now you know what it's like to listen to an hour-long sermon.

MR. INDYK: I'm told that relief is on the way in terms of the air-conditioning.

Thank you, Bruce. I just came back from Israel yesterday, and I was there last week while all these events were unfolding. And I would say two things in comment to what you said. Number one, and I know most of the leadership there, they are completely focused on the relationship with the United States and the issue of a settlements freeze.

The issue of Iran simply didn't come up except with the Chief of Staff of the Israeli Army where it was the only subject that came up.

And he was, as you suggested in your last scenario, particularly concerned notwithstanding everything that was going on in the streets of Tehran with the advances that are being made in their nuclear program.

Mike, does regime change look like a better option today? And if so, how do you answer the question that Ken actually asked I think which was how would you help the movement without discrediting it if you were the President of the United States?

MR. O'HANLON: Thanks, Martin. And first of all, and thank you, Bruce, for liberating me to take off my jacket. I take that as implicit permission that we have Brookings' summer rules on dress, so everybody else feel free as well.

Well, I guess, Martin, you're probably referring more to the diplomatic role, not to the military option that we had in the book necessarily?

MR. INDYK: Well, it's up to you where you want to take this.

MR. O'HANLON: Well, I'll just -- I'll do both quickly. On the military, on the regime change overthrow option, and Ken knows this very well, and all of us do I think that to me the only utility of that -- and why I'm glad we put in the book -- but the only real utility is as implicit reminder to Iran that if they did something truly horrific, we actually know how to at least think through this scenario.

And what I'm talking about, of course, is what they might do with a nuclear bomb, which none of us expect them to actually do, but if they actually started moving in the direction of some of the Ahmadinejad rhetoric, we do have regime change options.

They're extremely hard, but they're not totally undoable. And, you know, that's probably not a big part of the conversation today, but it's the main lesson I draw from looking at that option.

And in terms of the way to use diplomacy, I'm not going to say a lot because it's -- I think others here know more than I. I would only say one thing that I am encouraged by President Obama's rhetoric of the last few days. I actually do think it's been much better than his initial rhetoric.

I have a little bit of sympathy for some of the neocon critique because, while Obama was certainly right in my mind not to want to associate the opposition in Iran with us, he was almost too careful about not championing American ideals, which are not American ideals; they're universal ideals of human rights.

And I thought the statement a week ago in particular that it didn't matter that much in some ways who won was especially regrettable. Having said that and gotten that off my chest, I don't claim that if he had said what I would have preferred that it would have led to some great new momentum for regime change right now.

And so I guess I'm really not answering your question, but I'll stop there anyway.

MR. INDYK: Dan, you've studied the Iranian role in support of Hamas and Hezbollah. Bruce mentioned that Hamas and Hezbollah must be a little concerned about developments there. Is that your read on it, and do you imagine, you know, so regimes that face harsh domestic criticism sometimes find an advantage in striking out elsewhere. Do you imagine that they might use Hamas and Hezbollah for that purpose?

MR. BYMAN: I would say that Hamas and Hezbollah, like the rest of us, are watching events with great interest, which is I think the euphemism we often use when we don't know what else to say.

I think there are two things to think about when you look at Iran's support for terrorism and the recent events. One of the things that struck me is not just the differences that emerged within Iran as a whole, but the cracks within the revolutionary elite.

If you look at these names, 10 years ago, 15 years ago, I at least often put them in the same box or certainly on the same broader team. There were always differences among these people in terms of particular policies, but the idea that Rafsanjani would be almost directly challenging the authority of the Supreme Leader is still one of the more amazing things to come out of the last 10 days to me.

With that, however, I think and what I see as the (inaudible) of consolidation in the last couple days, assuming that continues, to me that means some of the voices for pragmatism and with that some of the voices that were more cautious in using proxy groups around the world are going to be weaker.

It's Iran. They're not going to be gone completely. I don't want to say that the people making the decisions are going to go off the rails, but I think you're going to see some of the voices that were urging being careful, being cautious are not going to be as strong. And efforts to try to change Iranian policies are going to be less successful.

The other thing I'll raise is we've seen rhetoric in the last couple days that Iran is trying to put the blame on some of the demonstrations and unrest on the United States and Great Britain and so on. This is pretty common and not surprising to anyone.

The question to me is how much does the Iranian conservative elite believe its own rhetoric. How much do they drink their own Kool-Aid?

And to the extent that they did, we would, I think, criticize -- the standard criticism you hear in the U.S. is that the Obama administration has not been supportive enough, but they would take the opposite point of view.

If they actually believe that, efforts to try to get them to reduce support for anti-U.S. groups in Afghanistan or Iraq are going to be harder as well.

MR. INDYK: Okay. Suzanne, let's just focus on Khamenei, the Supreme Leader, the ultimate decision maker, for a moment.

He could have presumably tried to straddle both sides here, try to be above the fray? He didn't. He came down decisively on Ahmadinejad's path -- side on this.

Has he lost it? Has he -- or is there something you need to understand about his calculations here?

MS. MALONEY: Well, I think there has perhaps been something of a misperception about Khamenei and it may be simply the contrast between him and his predecessor Ayatollah Khomeini. It may be that we're often trying to interpret these folks through such a distance and through such opacity that it's hard to see what political role they play.

But I think when you consider the entire span of Khamenei's career, and particularly while he's been Supreme Leader, since '89, he is not a balancer and perhaps less of a balancer than his predecessor was.

Khomeini explicitly tried and often I think ideologically sided with the leftists, however you divide the Iranian political sphere -- the radicals, those who were espousing socialist economic views.

Khamenei never did. He's always been extremely conservative, and he has amassed a pretty good track record of trying to consolidate his own authority, and institutionally has found ways to empower himself and his office in a much more dramatic sense than Khomeini did, who really, you know, didn't require that because he had so much personal authority.

And particularly if you look at Khamenei over the past four years, his endorsements of Ahmadinejad, his interpretation of that election, his statements about the administration of Ahmadinejad, even if it came under great fire not simply from popular opinion, not simply from reformists, not simply from the West, but also even from people who are

very close to Khamenei himself -- members of his own personal staff, Akbar -- Ali Akbar, Nateq Nouri, who was the Khatami opponent in '97. Khamenei finally came out and defended him in a sermon last week, but Ahmadinejad and Nateq Nouri have had a low-level sort of war in public, and yet you continue to see the Supreme Leader back Ahmadinejad.

I think this is -- reflects the correlation between their values and their world view, which is, in both cases, very paranoid, very defensive.

MR. INDYK: Okay. Let's go to questions. I'm going to take three and address them to some of us, please, rather than the whole panel so that we can move it right along.

Yes, please, here. Wait for the microphone, please identify yourself, and ask a question.

MR. LANE: Michael Lane, Rethink the Middle East.

If you were to take a step back from the policy solutions to the problem, it is a nuclear Iran -- can the United States live with a nuclear Iran? And if -- I'm not sure who the best person is to address this -- what are the specific threats of a nuclear Iran?

Certainly, if they launched a nuclear attack on Israel or the United States, but short of that, are there ways that Iran as a nuclear power could threaten things that would make life very difficult for the United States and our allies?

MR. INDYK: Okay. One over here. Yes, please.

MR. LILLY: Marshall Lilly with the Brookings Institute.

Given the other policy challenges facing the U.S. and the economic crisis and a hostile North Korea and the attention required to deal with these issues, and given that the pros are outweighed by the cons in the report, can the Obama administration really afford to take such a proactive approach toward Iran or can we only hope to respond to events happening in Iran?

MR. INDYK: Yes, up the back, please, with the beard.

MR. REIMER: Jordan Reimer (phonetic), OSD Policy.

In your briefing you wrote that the persuasion method, which the Obama administration is currently using, should take about six to 36 months to work or give it a chance.

And it seems from all reports they're indicating that under pressure from the Israelis or under his internal pressure, he's saying about 12 months.

Do you think he's selling himself short right off the bat? What do you think is going to happen with those 12 months versus 36 months? Thank you very much.

MR. INDYK: Okay. Bruce, can the United States live with a nuclear Iran?

MR. REIDEL: A generation of American politicians said we would never let Red China get nuclear weapons. Go to Wal-Mart. We can live with Red China. Americans have gotten over it.

We can live with an Iran with nuclear weapons. In my view, Iran is not a crazy state. It's an unpleasant state, and it's getting more

unpleasant. But the rules of nuclear deterrence work with Iran just like they work with everyone else.

I think the more dangerous phenomenon is that Iran will feel emboldened to do other things, not use nuclear weapons, but it will act like other nuclear weapons states. I'll use my favorite: Pakistan.

If it has nuclear weapons, it will feel it is invulnerable if it allows terrorists to attack its neighbors. It will feel invulnerable if it starts small wars with its neighbors. It will feel invulnerable if it stands up to the United States and says, no, we're not going to do that.

That I think is the danger. We'll live with it, but it will be more unpleasant and more difficult.

And, of course, the final problem is that everyone else in the Middle East will also want to have a bomb now -- and more bombs. And everyone in South Asia will want to build more bombs faster, too.

So it will accelerate an already serious arms race. It's not a good outcome. I think it is one that, in my judgment, we will probably have to live with over the course of the next decade or so.

MR. INDYK: Mike, you want to come in on this or?

MR. O'HANLON: I don't.

MR. INDYK: No. Okay. Ken, second question, you want to answer?

MR. POLLACK: Sure.

MR. INDYK: You need to restate it for us. Marshall, you want to?

MR. POLLACK: No, no, no. Look the bottom line is that -- obviously, the President has an enormous agenda ahead of him, and he's generated part of that agenda, and the rest of the world is generating other parts of the agenda.

Where Iran fits on that agenda, we all know it has to be somewhere near the top. But, to a certain extent, the President is going to have to decide, in part, based on things like Bruce's answer to that last question.

And, at this point in time, I don't think that we know Barack Obama's answer to that question. And, you know, one of the things I think as you go through the book, one of the reasons that we wrote the book the way that we did was because different people will answer that question differently.

If you believe that Iran is a far greater danger than, you know, anything that comes out of Russia, you know, what it's doing in its (inaudible) near abroad, its nuclear arsenal, you might decide all right I'm going to sacrifice everything having to do with Russia in the hope of getting Russia on board with harsher sanctions on Iran.

That would be one reasonable set of choices. Another President might decide I'm not going to make that same sacrifice. I'm going to, you know, do what I can on Iran, but I'm not going to give everything the Russians want. That would be a different choice, probably just as legitimate.

At this point, though, we don't know where Barack Hussein

Obama is, and I'll be honest with you. I don't think he knows, because, at this point in time, I don't think he knows what the real trade-offs are. And until he knows what the real trade-offs are, I don't think he's even going to think about what trade-offs to make.

MR. INDYK: You want to just answer the question about the time.

MR. POLLACK: Sure. The time frame.

MR. INDYK: The 36 months?

MR. POLLACK: I think, first, my understanding of what the President was saying was that he basically said, look. We don't think we're going to sit down with the Iranians until sometime in the August-September time frame. Once we sit down with them, assuming that we sit down with them, it's going to take several months to figure out whether or not they're serious.

If you figure out that they're not serious, we will have to reassess our policy. That's all he said -- a perfectly reasonable thing. Anything else would have been ridiculous.

Some people have taken that as, you know, there is a clock and December 31st, 2009, the policy ends. I think that's certainly what the Israelis are hoping.

I don't think that that's the administration's perspective as well. And I think that it will be very conditional, exactly as I described it.

If the administration believes that the policy is gaining traction, they'll stick with it. If they don't think it's gaining traction, then

they're going to start looking at these other eight options.

MR. INDYK: Is the timeline?

SPEAKER: (Off mike).

MR. POLLACK: No, because the clock is, in part, being driven by centrifuges, not by protests.

MR. INDYK: The administration assumption, as Ken says, was that, you know, negotiations would at least be tested come September, i.e., once we get through the elections. Is that going to be possible now given what's happening in Iran?

MS. MALONEY: No, this is Iran. Anything's possible, and, as others have said and certainly one of the lines that the administration is at least floating anonymously is that a consolidated Iran might be able to move even a bit more expeditiously. I think, as I think Bruce suggested, that seems a little bit dubious at this stage.

Iran will be extremely inwardly focused, but never say never where Iran is concerned.

MR. INDYK: Okay. Let's take three more questions. One right up the back, please. No all the way at the back, right at the wall.

MS. KELLY: Hello. Mary Louise Kelly with NPR.

I wonder if those of you with CIA backgrounds could speak to the quality of U.S. intelligence on Iran, as the Obama administration tries to formulate a way forward.

To what extent do they actually understand the schisms, the motivations of the players there, not to mention some of the deeper

issues, such as the nuclear program?

MR. INDYK: Who wants to take that?

MR. POLLACK: Bruce and I have decided Dan should respond to that.

MR. BYMAN: One of the joys of not having worked at the agency now for 15 years is I can legitimately claim ignorance on the quality of current intelligence estimates. So, with that as background, let me just give a much more general statement. We know from several investigations that were done on nuclear programs that the quality of intelligence on Iran's nuclear program was judged to be quite poor. That was several years ago.

In general, we are talking not just about a closed society -- because that's actually misleading; Iran, in some ways, is a quite open society -- but we're talking about an elite that the most important elements of which are deliberately closed, where deception is a norm in a wide variety of ways, and where much of what we're looking to is actually what intelligence people would tend to call mysteries rather than secrets.

You know, how will the Republican Guard -- excuse me -- the Revolutionary Guard respond under certain circumstances. A lot of this simply is not known, and is, thus, is a matter of conjecture.

And in hindsight, of course, we all think it's obvious, but one thing that Suzanne said that I think quite forthrightly is that almost everyone got the selection wrong so far, both in Iran and in the United States.

And to try to pile conjecture on conjecture means the likelihood of error is going to increase.

To me, when policymakers think about the quality of intelligence, what they should recognize is both that there are going to be limits on some of the most important issues, and, beyond that, that a lot of this is simply hypotheticals at this time, and we're going to have a lot of mistakes.

So policies need to be robust enough to recognize that we're not going to have that information. Now one of the things we talk about in the report is that some of the options, like working with opposition groups, fomenting a military coup, require an exceptional amount of intelligence

Military coups, in particular, you need to understand not just kind of a broad structure of a military, but the particular loyalties of individual commanders, key choke points and so on.

And that information is likely to be missing. And it's very difficult to acquire even when you have great access to a country. And if you like that information, then this option is not likely to succeed

And policymakers should recognize that this is kind of the furniture of the universe. It exists or doesn't, and they're going to have to design policy around it.

MR. INDYK: I'll give you a quick speculative answer, but it is pure speculation. I think the intelligence community was very strongly of the view that regime change could -- was not a possible option and particularly at a time when the previous -- the Bush administrations was

particularly interested in the idea of regime change. I think the intelligence community took a very strong view against that possibility.

And, therefore, I suspect that they were surprised, as everybody else was, by this development and that the President's misstep last week may well have been a product of intelligence assessment that said there isn't much difference between Mousavi and Ahmadinejad when it comes to the nuclear program.

I say this because the only time I was in the intelligence community was 30 years ago, in the Australian Office of National Assessments, when I was the Iran Assessments Officer during the Revolution and produced an assessment which said the Shah was finished and my bosses, under the heavy influence of the CIA, changed the assessment to say that the Shah was likely to face a few problems, but that "the sun would never set on the peacock throne."

Gary Mitchell.

MR. MITCHELL: Thanks. I was surprised you didn't have a tenth option in there, which was to get the North Koreans to, you know, use their interest in nuclear weapons on Iran. And it's a good place to practice.

I want to ask frequent questions which I think are connected and probably Suzanne related.

MR. INDYK: Oh, they better be quick.

MR. MITCHELL: Yeah. The first is this is being increasingly described as a stolen election. And my question is do we really mean

literally stolen, in other words, do we think if the votes had been counted correctly, Mousavi would have actually won?

The second and related question is there is not much, but some talk about the fact that in the interest of preserving his political and spiritual hold, Khamenei may decide to do away with Ahmadinejad. From a process point of view, how does he do that?

And the third is that if John McCain and Lindsey Graham were here and we were trying to demonstrate why it doesn't make sense for the U.S. to be more interfering in this process, what beyond the sort of, you know, answer to that question. What will we say specifically? Okay, you know, if you do X, then Y happens. If you do Y, then Z happens.

Just walk us through that a little bit.

MR. INDYK: Give the mic to Sam Lewis. He'll have the last question.

MR. LEWIS: Martin, this is for you or you can pass it off.

What do you think the result of the current situation and maybe the three scenarios will be on the behavior and assessments in Damascus?

MR. INDYK: Okay. Suzanne?

MS. MALONEY: I'll try to give quick answers because you asked very difficult questions.

You know, what the precise contours of the outcome of the election were I don't think anyone knows. There are reports that have floated around that suggest Mousavi did indeed win. I don't know if that's

credible. I don't know if we have any way to gauge. I do think that the debate over whether it's rigged is simply a silly one. There's no question that it was rigged.

The question is only by how much, because no one in their right mind who knows anything about Iran would believe that Ahmadinejad would command a two-thirds support among the electorate. It's just not credible.

In terms of Khamenei throwing Ahmadinejad overboard, I think in theory that's possible. But he made a commitment to back him for this post -- for the second term.

There is no prospect that he is going to waver on that commitment now. Much, as I also think, there's no prospect you're going to see some sort of institutional engineering to get rid of Khamenei either. I think we're stuck with these guys for the foreseeable future.

And why is intervention problematic? I think precisely because this is a multi-level game. You have a popular movement on the streets, which is very, very important, but you also have an enormous amount of maneuvering behind the scenes, and that may well influence the future shape of power in Iran.

To the extent that Mousavi or whomever emerges as the most likely leader or proponent of a different way for the Islamic Republic or for a new system entirely, any contact, any cheerleading that we appear to do on behalf of that person and their movement would fatally undermine their prospects for succeeding.

MR. INDYK: As far as Syria -- well, let me first make a point about Arab dictators more generally. They are likely to be delighted that Ahmadinejad is getting his comeuppance, and deeply frightened at the idea that an election could produce this kind of unrest. I think Mubarak, in particular, must be both delighted and deeply concerned.

President Assad, similarly, you know, he always wins elections with 95 to 99 percent of the vote, and so he would have to be concerned. But interestingly, today, he came out with another overture to Bibi Netanyahu via the Dutch Foreign Minister saying he was ready for peace with Israel, and wanted to start the negotiations via Turkish mediation.

I think we've seen this before. The Syrians would like to decouple themselves from developments in Iran, they have their own interests to pursue.

They say that very clearly, and even though they are allied with Iran and would be concerned with a weakening of Iran, the impact that would have on the balance of power, they are, in my sense of it, far more focused now on the United States, on Israel, and on Iraq, where they see themselves as competitors with Iran rather than partners, wishing to assert Iraq's Arab identity rather than its Persian identity.

And so I suspect that they would actually welcome an Iran that's going to be preoccupied with its internal problems.

Close out question. Quick answer from each one of you.
Who will be President of Iran in three years' time?

MR. RIEDEL: Ahmadinejad.

MR. POLLACK: Ahmadinejad.

MS. MALONEY: I'll answer Ahmadinejad, but I remember a similar quiz in the run-up to the U.S. presidential elections, in which I answered incorrectly.

MR. O'HANLON: I'll go with the flow.

MR. INDYK: Oh.

MR. BYMAN: Yeah. I'm a conformer as well. Ahmadinejad.

MR. INDYK: Okay. Mousavi. You heard it here. Ladies and gentlemen, thank you for your participation.

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