

THE BROOKINGS INSTITUTION

IRAN AND INTERNATIONAL PRESSURE:
AN ASSESSMENT OF MULTILATERAL EFFORTS TO IMPEDE IRAN'S NUCLEAR PROGRAM

Washington, D.C.
Tuesday, November 22, 2011

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PANEL 2: MAINTAINING INTERNATIONAL UNITY

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PROCEEDINGS

MS. HILL: Ladies and gentlemen, I'd like to welcome you all back to the second session of this conference today. I'm Fiona Hill, the director of the Center on the United States and Europe. And before I begin there are just a couple of logistical things that I want to run through because our schedule is a little tight today.

First of all, I actually wanted to also mention, as Ken Pollock did, that this is a joint venture of sorts, this event, not just with the Center on the United States and Europe and the Saban Center, but also with our Arms Control Initiative here at Brookings that my colleague, Steve Pifer runs. And as a result of that we also should obviously say a word of thanks to some of the people who have made this and some of the research that surrounded this event possible. The Carnegie Corporation of New York that's provided some funding for looking at the way the United States and its allies and other countries are dealing with global challenges, obviously Iran being one of those rising power issues, and also funding that we've got from the MacArthur Foundation and Ploughshares for work on arms control and nonproliferation. And this, obviously Iran is one of the critical issues for this.

The other thing that I wanted to mention is that immediately after this session we go into break for a buffet lunch. Now, seeing as there are so many of us I want to avoid a stampede to the door. Lunch is always a very important thing. And if lunch for some reason hasn't proliferated sufficiently, to use the pun of the moment, there's also our cafeteria next door, which of course isn't free. But in any case, for those of you who can't face the stampede for the sandwich bar there's always the Brookings Cafeteria. And they're doing a survey in there right now so I'm going to make a plug for continuing Brookings Cafeteria service.

We also, because we're having Tom Donilon, the national security advisor come to give the keynote when lunch is finished, as you can imagine there's going to be a little bit of reshuffling for security and then he will have a few people with him. So we'll actually need to move some seating around at the front. Sorry to the people who are currently sitting at the front. So that will happen during lunch. And because of security considerations, we all need to be back in our chairs at 12:50 for Mr. Donilon coming in. So I just wanted to say that in advance because I know everyone will have a sandwich on their mind at the end of the session.

Now, the purpose of this session is to cover many of the issues that were already raised by some of you in the audience, which is really what has been the role of the United States allies and other partners in dealing with the situation of Iran. We already had questions about the role of Europe, the European Union, and some of the individual countries of Europe and their interactions with Iran. We already had some comments on how the role of Europe and the European Union has shifted.

We have with us today Francois Rivasseau, who is the deputy head of the delegation of the European Union here in Washington, D.C., to help us think through some of these issues. Francois also has had a very distinguished career in the French Foreign Ministry. He was also the deputy head of the French delegation here in Washington before he took up his current position with the European Union. And in that capacity he's also, in fact, worked directly on the issue of Iran. He was French ambassador to the Geneva Conference on disarmament and nonproliferation issues in the mid-2000s where he was, in fact, involved directly in negotiations with Iran at Geneva. And he's also worked on disarmament issues and advisor to U.N. secretary general Ban Ki Moon. So Francois has a broader perspective on this in the European context.

We also had questions about Russia and whether Russia will continue to play its role in the sanctions issue. Of course, Russia has played a very prominent role in Iran with the Russian involvement in the Bushehr nuclear reactor -- the civilian nuclear reactor which has been a focal point of people's attention. And also in the run-up to the latest, most recent sanctions resolution. And the big question of whether Russia would actually send advanced air defense capability to Iran, the S-300 missile system, which would, of course, have enabled Iran to potentially fend off any kind of military action against its nuclear program.

And to talk about the Russian aspects of this we have John Parker with us. John is currently a senior researcher at the National Defense University and the National Institute for Strategic Studies but he has a long and distinguished career at the State Department. He has been a senior analyst and director, a deputy director of various research programs related to Russia at State's I&R, the Intelligence and Research Bureau. And John is also the author quite recently of a book on Russia-Iranian relations that has taken a look at the depth of this longstanding and sometimes contentious relationship between Russia and Iran and touched upon some of the issues that we're looking at today. So John is

well positioned to be able to talk to some of the questions that were already raised in the audience about Russia.

And then last but certainly not least we have Yun Sun, who is currently a visitor here at the CNAPS Program, the Center for Northeast Asian and Pacific Studies [*sic*]. Yun is from China and most recently was working for the International Crisis Group in Beijing. She's an expert on Chinese national security decision-making. That's some of the work that she is doing out here at Brookings. And clearly she has on-the-ground expertise on China and hopefully can address some of the issues that were already raised about China's role, China's attitudes towards the sanctions regime and also whether China may use -- as the question from the student from George Washington University suggested -- whether China might use the Iran card given some of the broader security thinking going on in China now in response to developments in the South China Seas or in East Asia and Southeast Asia, a particularly thorny set of questions. And these are the kind of things that Yun has been looking at for some time.

So we'll start first of all, as we've done in the other panel, with a brief overview from our panelists and then we'll turn it over to you for questions and answers and perhaps they can pick up on some of the issues that were already raised.

So Francois, thank you so much for joining us.

MR. RIVASSEAU: Thank you very much, Fiona. Thank you, all of you. It's a fascinating subject, Iran. And if I may say so, one of the structuring subjects of international life of the last years.

We have been asked to reflect about how to maintain international unity around Iran for the future. Indeed, we have had now a lot of international unity about what had to be done or what could be done and what has been done. So it is just legitimate that we do we do get lessons learned first of the substance and then maybe I will reflect on the proceedings.

On the substance, I think the first lesson learned is that when you want to keep international unity you have to build a case and you have to build it seriously. And you have to build it passionately. Sometimes it takes time but if you want to get international unity you have to do it as fast as possible knowing that it takes time.

Let me just read one para which indicates two of the conclusions we can achieve. Information indicates that Iran has carried out the following activities that are relevant to the development

of a nuclear explosive device. Efforts, some successful, to procure nuclear-related and to use equipment and materials by military-related and individual entity. Efforts to develop pathways for the production of nuclear material. Acquisition of nuclear development information and documentation from clandestine nuclear supply networks and welcome development and design of nuclear weapons, including the testing of components.

You will recognize one of the conclusions of the last IAEA report. That's how you build a case. That's how you get -- contrary to former cases at the beginning of a century, that's how you build a case which is undistributable or difficult to distribute. And that's the first way of doing it. As long as we are able to maintain this path and to build upon credible, internationally accepted information then -- which was painful, long, and difficult, we should, in my view, be able to keep international unity and it will be up to my two co-panelists to assess that but I'm confident that this will go further than keeping the E.U. with the U.S. It will keep the international community along.

The second thing is when you have built your case, how to present the case. And it's very important when you present the case that you present the case according to standards of international law. Everything which goes completely out of international law is necessarily breaking the international -- the unity of the international community. If you want to keep unity you have to stick to international law. Obviously, international law can be interpreted but we know that since at least 2003 that there are limits to the way you can twist interpretations. You have to interpret to stick to the international law and to stick to -- to accept it, to generally accept the interpretations of its international law. We know about in the U.S. we are very good lawyers and we know that some lawyers can achieve conclusions which are somehow very different of each other. We have to stick also with the mainstream of international law. You have to keep international unity.

The third, if I may add on that one thing, sticking to international law doesn't prevent nations to act. And if you look at what has been done on Iran you will see that we have had a number of resolutions -- six from the U.N. if I remember well the list. Yes, six of the U.N., the last one in 2010. But we had also nation-based measures. The U.S., you know, took some in 2008, took others in 2010, took recently some others as recently as last week. But the U.S. has not been alone to act on a national basis. Some European countries have even acted on their own and the E.U., as such on the 26th of July

of 2010, has taken a number of measures ranging from interdiction of travel to prohibiting assistance -- technical assistance of technological transfer for oil refinery of gas leak eviction, added a number of bunks and of people permitted to travel. And what I want to insist on that is that the E.U. has not only gone much further than whatever the U.N. was obliging us to do but also in a number of areas much farther than everybody else, including the United States.

So, you know, when you want to act you can act. And you have noticed, for example, that between yesterday and this morning the British prime minister about the Iranian Central Bank of a French (inaudible) public about oil sales have also taken very radical positions which go far but on a national basis. So when you want to act you can always propose or even implement measures which go very far on a national basis and this is consistent with international law and so we should not feel too much paralyzed by international law.

The last limit of substance in my view is to once you have built the case and presented the case you have to check out options. What are the best options? And here I will express to you the convictions I thought since the eight years I am on this file. There is no better way valuable to the international community than the present one to go for strengthening and strengthening sanctions making every year -- ideally every month of the cost of this nuclear program which is illicit because it is -- and you know why it is illicit. It's not per se. It is because it has no other possible goal other than a military one because there is no civil conceivable goal for this program. So it is illicit. We have to maintain the point and we have to make the cost of this illicit program more and more expensive for Iran so that at a certain point for the Iranian nation, the Iranian people -- I don't know if for Iranian leaders because this is a very difficult question -- but at some point Iran, which is a great nation, will realize that its best interest is to cooperate with the international community instead of choosing, as I think some European leaders said yesterday and this morning, choosing to go its path alone, to choose isolation. To one point we want to make sure that Iran realizes that its interest is to avoid isolation.

And if you look at the other options -- because there are obviously other options and some have to remain on the table just for the sake of being there -- but that said, if you look at using them you will see that a correct assessment makes no other options available. So I think this is also -- you have also to choose the option which is the most -- not only the only available but the most commonly

seen as the only one possible.

On procedure, very quickly, you know that maintaining the unity of the international community is difficult. It has involved historically in-depth regular contact (inaudible) months between initially at the heart of a reflection you have what we call the EU3. That is France, U.K., and Germany, and the U.S. And some initiatives came from the U.S. Treasury. Some initiatives came from France. Some initiatives came from London. Sometimes also from Berne, Berlin, and then usually they are discussed within the EU3 and with the U.S. in a sort of choreography which varies also not only for -- is not completely specific, can vary depending on the timing but is essential that there is unity of use which is progressively emerging at this level.

But at the same time you cannot do that only within this framework. You have right from the start and from the very beginning to associate discussion with Russia and with China because if you discuss without them or if you solidify U.S.-EU3 position without China and Russia you are likely to face a strong opposition.

So the choreography was trying to get the feeling where we are going but associating very early China and Russia ideally right from scratch. Sometimes not exactly right from scratch because when you have an idea coming out you first discuss it within the EU3 and the U.S., but before solidifying them and giving it a real form and shape, discussing it in the P5 context. And with EU authorities, also, because as you know, the EU3 discussion involves also the presence of a representative of the U.N. to (inaudible). And as you know, this process has contacted EU3+3 as we named them to give mandate to Lady Ashton to discuss with the U.N. authority because another procedural need is to always keep the two track approach which is one track which is the sanctions and making the price of this nuclear program every day higher ideally. But on the other hand, demonstrating to Iran that would they choose to cooperate with the international community, the door would be, therefore, opened.

And this is also a demonstration which has to be done periodically. Sometimes it's very difficult to do because you don't -- you think that you are completely losing your time and trying to remand back to Iran. But you should always know that you are not remanding it only to Iran; you are remanding it to the rest of the world. And it is a condition for keeping the rest of the world aligned with the sanctions but this demonstration is regularly remade and it should not be seen as a proof of weakness but it should

be taken for what it is, one of the tools we have to keep international unity on this side.

If I may in conclusion just add -- because I think I arrive at the time of concluding -- I think there are some methods of contacts and negotiation which still could be used additionally to get slightly more efficiency to the system which we could still do slightly more efficiently the things, but obviously it's time consuming. But I think there are -- sometimes I feel that a number of European countries, the ones that are not participating in the EU3+3 are frustrated not being associated and I think we should keep that in mind and maybe make some provision to discuss with them not only bilaterally but as a group. And I think the international community at UNGA also you have the main states. We discuss with them or we'll discuss with the BRICs. We discuss with some important players, such as Turkey or Nigeria, Egypt, South Africa, Brazil, whatever. But when you are, for example, Peru or Thailand, you would like also to be associated as we have seen, for example, Malaysia, for example. Malaysia you know, for folks who know, was part of a story of (inaudible) and at a certain point it would certainly have been good to be able to talk a bit earlier with Malaysia.

So there are things still that we can do to enlarge and widen the consensus on what we are doing but I am pretty sure that we shall continue working on that. Thank you.

MS. HILL: Thank you very much, Francois.

John, your thoughts on the Russian perspective.

MR. PARKER: Yeah. Thanks, Fiona. And also thank you very much for inviting us all to participate in this panel and for your very gracious introduction.

There have already been questions on Russia that were raised during the first panel. I may take a couple minutes longer to answer those and go beyond my seven to eight minutes.

I always have to start out with a disclaimer. I am a U.S. Government employee but my comments this morning are my own. They don't represent the views of the National Defense University or the Department of Defense or even the U.S. Government. Also, what I'm trying to do this morning is not to debate the Russian position but to lay it out to you as objectively as I can so that you understand where Russia is coming from and what the potentials are to move forward with Russia in a unified way on this process dealing with the Iranian nuclear issue.

So as I see it from Moscow's perspective, international unity on Iran has just gone

through a rough patch that was both unnecessary and not of Moscow's own making but is still salvageable. Moscow was quite comfortable with the situation that had developed since the Security Council adopted Resolution 1929 in June 2010. 1929's tough sanctions, which Moscow added to with its breaking of the S-300 contract, had gotten Tehran's attention. After that, Moscow's "no new sanctions" stand, which Foreign Minister Lavrov first pronounced in February of this year and Moscow's "step-by-step" approach, which Lavrov rolled out in July and that Moscow claimed to have coordinated with its P5+1 partners, allowed Moscow to do several things at one time. One, maintain the pressure of Resolution 1929's sanctions on Iran. Two, take the lead within the P5+1 on step-by-step overtures to Iran. And three, repair Moscow's own bilateral relations with Tehran badly frayed since Resolution 1929 and the S-300 decision.

So against this background, Moscow's furious reaction over the early release and the furious spin given the November 8th IAEA report was no mere bargaining ploy but it really reflected genuine annoyance and some anger. Moscow saw the calls for more sanctions in the aftermath of the disclosure of the alleged Iranian plot against Saudi ambassador Adel al-Jubeir in Washington, in the aftermath of the chatter in Israel over military strike against Iran's nuclear program, and in the aftermath of the IAEA report itself and its unusual, kind of premature disclosure. I don't think it was ever put out as early as it was this time. Moscow really saw all of this as undermining Moscow's lead on step-by-step and confronting Russia with the choice of either support more Security Council resolutions now or soon countenance an Israeli strike on Iran.

Now, just to be clear on Moscow's view of the Iranian threat, although the Russian Foreign Ministry accused the IAEA report -- what it said was "juggling with information" in order to create an impression that the Iranian nuclear program allegedly has a military component -- the Russian leadership and most Russian experts have no illusions on this score. In July 2010, for example, President Medvedev quite clearly stated that it is obvious Iran is coming close to the possession of potential that could in principle be used to create nuclear weapons. Just last Friday, Russian Defense Minister Anatoly Serdyukov told the press that Russia wants to continue leasing the kabbalah radar in Azerbaijan and intends to upgrade it. Enhancing the capacity of kabbalah, Serdyukov said, is useful and very important, in particular, given the Iranian missile program. And the same day materials prepared for

a report by General Anatoly -- Nikolai Makarov, chief of the General Staff, reportedly included the build-up of Iran's nuclear potential among developments that could draw Russia's armed forces into a future conflict.

Nonetheless, from what I can tell, most Russian experts do not believe that the most recent IAEA report presents serious new grounds for imposing another round of sanctions against Iran at this time. They did not have to be persuaded that Iran has been engaged in the military nuclear program for some years, but at the same time they believe it will still take more than several years for Iran to be truly nuclear capable. On VOA last Thursday, for example, Vladimir Sazhin of the Oriental Institute in Moscow gave as good a guesstimate as any. He said that it would be five to seven years -- take five to seven years for Iran to marry a workable warhead with a capable missile as long as there weren't any outside interference. And, of course, there's always interference.

One expert believes that Iran will probably stop dealing with the IAEA only when it has overcome all technical problems and has all the inputs necessary to produce a bomb and a delivery vehicle. In the meantime, the view of most Russian experts is that continuing IAEA control of Iran's nuclear program, however imperfect this control, is more important than how much uranium Iran continues to enrich, and that it is therefore crucial for the international community not to do anything precipitous that might cause Iran to bolt from the IAEA and put an end to any chance for a negotiated solution.

So for these reasons Moscow's clearly pleased with the P5+1 decision after all not to go forward with another sanctions draft. At the same time, given all the publicity and the run up to the IAEA meeting, Moscow is now probably more concerned than ever over the possibility of an Israeli strike on Iran. In Moscow's view, an Israeli strike at this time could not put an end to the Iran nuclear program but would for sure mean Iranian abandonment of the NPT. Moreover, there would be unforeseen consequences ranging from a regional war to a regional nuclear arms race. This matter of ruling out the threat of force against Iran is an old issue for Russia. Russia doesn't have a problem with putting more pressure on Iran as long as it is twinned with engagement and not the threat of force and isolation.

When the Security Council passed its first resolution on the Iranian nuclear program, Moscow made sure it excluded any Chapter 7, Article 42 threat of force. And Russia has been consistent

on this point over the years and the subsequent resolutions on Iran have all been bounded by the original resolutions non-invocation of Article 42. Nevertheless, Russia really has very little confidence that keeping Article 42 out of Security Council resolutions on Iran will in the end restrain especially Israel if it decides to go ahead and strike Iran. And to Moscow's own frustration and I would say regret, Russia's help to Iran in the Security Council has not deterred Iran from inviting precisely such a strike by continuing to move ahead with its nuclear and missile programs.

Now, on a different point, in criticizing the IAEA's latest report, Foreign Minister Lavrov claimed some movement by Iran toward the IAEA in recent weeks and criticized the IAEA report for not mentioning it. But the history of Iranian maneuvering suggests that this is just another instance of Iran flashing enough leg to encourage Moscow to fend off pressure from the U.S. and the other P5+1 powers.

Nevertheless, Moscow can now tell Tehran we saved you this time from another round of Security Council sanctions but you have to move or we will not be inclined to do so again next March. Yes, Moscow, for the record, has already criticized the additional financial and energy sanctions that the United States and its allies are announcing this week as illegal and unacceptable, but I suspect that part of Moscow quietly does not really mind that these so-called unilateral sanctions up the ante on Iran. And in fact, many Russian companies add to the pressure by deciding not to do any business with Iran that might run afoul of these unilateral Western sanctions. Moreover, some long-time Russian observers of Iran have concluded that sanctions, in fact, are having some impact, though not necessarily directly on Iran's nuclear program and though Iran still has a lot of workaround options that it can explore.

On sanctions, finally, Moscow's "no new sanctions" mantra, given Moscow's record over the years, Iran can have absolutely no confidence that Russia will not vote for another round of sanctions if Iran continues to frustrate IAEA inspectors and especially if there are further surprise revelations of Iranian work toward enrichment and weaponization.

Now, will Putin's return to the presidency next year change Russia's policy toward Iran in general and of the nuclear issue in particular? Probably not. It was on Putin's first watch that Russia, from 2002 to 2006, backed the many IAEA investigations of the Iranian Nuclear Enrichment Program that Russia, in 2006, voted for referral of the issue by the IAEA to the Security Council, and that Russia that same year supported the first of six separate Security Council resolutions on the Iranian nuclear issue.

As a dominant partner in Russia's tandem since 2008, Putin has supported Moscow's tougher stance towards Iran since the advent of the reset between the Obama and Medvedev administrations. And from all accounts, Putin has grown to really distrust Ahmadinejad personally, and Tehran in general, for using Russia to stave off Security Council pressure without giving anything in return. And this is likely to remain in place whoever replaces Ahmadinejad as president in 2013.

Nevertheless, the breakthrough ushered in last year by Russia's support for tough sanctions and cancellation of the S-300 contract is not necessarily irreversible. Russian experts warned that Moscow may tilt back towards Tehran in response to a serious fraying in U.S.-Russian reset relations. However, the record suggests to me that any rollback in Russian support for sanctions will depend mostly on whether Iran decides to cooperate more fully with the IAEA in clarifying Iran's nuclear enrichment program and moving towards verifiable restraint and even suspension.

On the significance of economic ties, although some observers assert that they will always draw Russia back towards Iran, bilateral trade has always been anemic relative to the size of these two partners. China's trade with Iran is 10 times larger than that of Russia's trade with Iran. And Russia's trade with Iran is not much larger than Russia's trade with Israel, a much smaller country. Everything else being equal, the United States and Russia's European partners will always be more important to Russia than Iran.

One last caution, however, and then I'll stop. Moscow's Iran policy accents will always differ from those of Washington and other Western capitals, even if they intersect on some major security points as they do now. Historically, engagement has always been Moscow's default setting for dealing with Tehran, especially on regional issues. Right now the Arab spring has pushed forward challenges and opportunities to the positions of both countries in the Middle East, and in South Asia the impending American withdrawal from Afghanistan has raised the prospect that Russia and Iran may again have to partner closely in resisting the Taliban threats to their equities in the region as they did pre-9/11. Thank you.

MS. HILL: Thanks very much, John.

That was an interesting point about the trade, but of course China is also a much larger economic power than Russia is. And I wonder how much trade is a factor in the relationship between

China and Iran, and perhaps you can touch on that as well as the other questions that were already presented from the audience. And thank you again for joining us.

MS. SUN: Thank you for having me here.

I'm going to focus on China's position on the U.N. nuclear issue. Some of the issues that I will cover include China's basic positions on the Iran nuclear issue, the primary reason for China's reluctance on multilateral sanctions, and then I'm going to talk about how is China going to change its position on the multilateral sanctions from the United Nations.

So first of all, China's basic position on the U.N. nuclear issue has remained largely unchanged in the past few years. If you compare China's official lines on the recent tension over the nuclear issue with the official positions from the last round, from 2009 to early 2010, you will discover that China's position and official statements have remained almost identical.

So first of all, on the nuclear development itself, China opposes nuclear proliferation and disapproves of the development of nuclear weapons by any Middle East countries, including Iran. And second, on the resolution mechanism, China strongly opposes a military option and is reluctant to accept a new sanction regime from the United Nations. So from Beijing's point of view, China hopes the nuclear crisis could be settled through diplomatic dialogue and negotiation. And this is always the case.

There are plenty of analyses on why China is fixated on this formula. The most compelling one, like Fiona and John just mentioned, is that China has a vested interest in its economic relationship with Iran, especially on the energy. According to the data from Chinese Journal Administration of Customs, in the first half, first six months of this year, of 2011, Iran was the third largest exporter of crude oil to China, contributing about 10 percent to China's total import. And China's energy stake in Iran has been on the increase this year. For example, the total volume of oil imported from Iran during this period of time increased by 49 percent and the LPG import increased by 72 percent.

Also, aside from the energy resources, China is very keen on expanding and diversifying trade relations with Iran, focusing on the export of Chinese machinery, cars, oil tanks, and infrastructure projects in Iran. So in 2010, the total bilateral trade approached \$30 billion USD, which is a 40 percent increase from the previous year.

So from these figures China's reluctance to support harsh, multilateral sanctions

becomes rather easy to understand. Sanctions over the oil and the petrochemical industries in Iran will have a direct impact over China's thirst for energy. And energy is a key element to fuel the much needed domestic economic growth to build the legitimacy and to reinforce the legitimacy of the Chinese government. Financial sanctions to isolate Iranian banks and financial institutions will further damage China's existing trade relations with Iran and China's rejection of tough sanctions on Iran are therefore based on calculation of its own national interest. So will China ever change its position on another round of U.N. sanctions? The answer is certainly positive. Otherwise, we would not have seen China's support of the previous rounds of U.S. sanction resolutions.

China's position on further U.N. sanctions depends on primarily three factors. First of all, and most importantly, China's attitude towards sanctions is determined by the likelihood of a military conflict as a result of Iran's nuclear program. When China is convinced that Israel and the United States would not be pacified and a war is imminent, China will accept the second best solution and acquiesce to a U.N. sanction resolution. Although U.N. sanctions might also limit China's economic relations with Iran, a war in the Middle East will be worse since it will not only disrupt China's broader oil import from the whole region but also will drive up the price of -- the international price for oil and damage China's broader economic and security interest in the region. This perception is reinforced by the case of Libya earlier this year.

However, at this current state, despite the hawkish rhetoric from Israel and other rumors about an impending military confrontation, China has yet to believe that a war is imminent. Chinese analysts do not think that Israel would launch an attack on Iran without the approval from Washington, and they remain convinced that the Obama administration's top priority is domestic economy and finishing up the withdrawals from Afghanistan and Iraq. And more specifically, they also identify that the U.S. is still having major differences with some of the European countries and Arab allies over a war against Iran. Therefore, several senior analysts in China, including a prominent professor from China's National Defense University, commented publicly last week that in the near term the likelihood of a war is rather low.

So without the imminent danger of a war, China's position on U.N. sanctions depends on the extent of the unilateral sanctions the U.S. is willing to pursue and how they might affect China's

economic interest in the country. Therefore, China is strictly a cost-benefit analysis. Currently, China sees two types of possible sanctions the U.S. might adopt that will affect China. One is on Iran's financial institutions and the other one is on Iran's petrochemical industry. So China's task here is to determine whether the cost to China by these unilateral sanctions will exceed the cost of a multilateral sanction which China will have a role in participating to determine the specifics. The two issues on the top of Beijing's list are restrictions on the business operations of Chinese banks in the U.S. as a result of the U.S. sanctions and the restrictions over Chinese oil companies on the collaborations with and investment in the United States.

The complication here lies in the U.S. calculation. Given the extensiveness and the magnitude of U.S.-China relations and China's overall economic importance for the United States, it would be extremely difficult to carve out and implement a sanction regime that will sufficiently and meaningfully punish key Chinese players without hurting the U.S. itself or jeopardizing the broader picture bilateral relations. That, of course, is a cost-benefit analysis that Washington will have to make.

Certainly, another factor that impacts China's response is Russia's position. China sees isolation in the Security Council as something to be strictly avoided. Although it merely abstains from U.N. Security Council decisions it doesn't like, it is generally unwilling to use its veto if Russia back a certain resolution. Given their common interest in non-intervention and limiting American unilateralism, the positions of Russia and China have traditionally been mutually complementary. Of Beijing's seven vetoes on the Security Council, four were cast together with Russia. This includes Myanmar in 2007, and Zimbabwe in 2008, and most recently, Syria last month. And before the U.N. Security Council Resolution 1929 on Iran was passed last year, Beijing's position to the sanction only began to shift after Russia agreed to cooperate with the West.

So these factors determine that any change through China's current rejection of another round of U.N. sanctions will not happen fast. For China, there is ample ground for more diplomatic talks regardless of their outcome and the results. The IAEA resolution last Friday did not refer the issue to the U.N. Security Council and this supports diplomatic solution. So for now China sees the first priority as for Iran to cooperate with IAEA, just like Russia's position, to clarify related concerns raised in the IAEA report. And most likely from the Chinese point of view, Iran will cooperate with IAEA but, to a certain

extent, to cope with the international pressure. But on the other hand for China, Russia's criticism of the IAEA report was extremely harsh, indicating a change of position from Moscow would neither be easy nor fast. So according to a senior Chinese analyst from the China Academy of Social Sciences over the weekend, the situation will have to brew, fester, or intensify more before China would make any change to its position and this will not happen overnight.

Lastly, I'm going to talk a little bit about China's position on Iran's nuclear program. People might question China's commitment to nuclear nonproliferation given it's very carefully calculated response out of its own national interest. To be fair, China is sincere when it says it opposes nuclear proliferation. As a nuclear power, China doesn't want to see its privileged status diluted by more members into the nuclear club and Chinese analysts also made the comments such as smaller powers are not as responsible as big powers in their nuclear development. However, it is also true that Beijing has other competing interests coming to the issue of Iran and nonproliferation is only one of them. Beijing doesn't see Iran's nuclear program constituting a direct or imminent threat to China's national security. This is also why China would like to consider the Iran nuclear issue and the broader framework of U.S.-China relations and use China's advantageous position as policy leverage against the United States.

Many officials and analysts in China are convinced of Iran's nuclear ambition and they are quite sympathetic about it given Iran's security concerns and the national pride issue. However, they do make a clear distinction between nuclear ambition and nuclear capacity. Few in China today believe that Iran has come close to producing its own nuclear bomb or developing a reliable delivery system.

As for China's perception of the Western intentions on Iran, China is deeply suspicious. Their comment basically is if the West is truly committed to nuclear nonproliferation, then why haven't they done anything about Israel's nuclear weapon? And this is just a double standard. And why did the United States enter a nuclear deal with India? Neither Israel nor India has even signed a NPT, so at least Iran is a signatory country of nonproliferation treaty.

So the natural conclusion here is the West allows its friends to develop nuclear weapons but not its enemies. Hence, the sanction proposals are often viewed with a lot of suspicion in Beijing, that they are ultimately aimed at regime change, not necessarily nuclear nonproliferation. China's suspicion of the West, including the United States, goes deeper and broader than just nonproliferation and the U.N.

Some Chinese analysts commented that U.S. is cooking up the Iran nuclear issue at a sensitive time only because only because the Obama administration needs some achievement on Iran for his reelection campaign. And some even link the current tension in Iran to the desire of Washington to boost its arms sales in Middle Eastern countries, to rescue its domestic economy. And there are some more extremists in China who are firm believers of American conspiracy and they argue that this current tension over Iran is basically a U.S. plot to sabotage Chinese economy by heating up the tension and driving up the international oil price.

So these are pretty much the views from Beijing. I look forward to the discussion and any feedback that you might have. Thank you.

MS. HILL: Yes, well, thank you very much. There seems to be quite a bit of parallel thinking in terms of cunning plots on the part of the U.S. in both China and in Russia. So I think we can see quite a bit of similarity there in the way that both of these countries factor in the Iran issue into their overall relations with the U.S.

But I wonder how much they pay attention. I know Russia certainly pays quite a lot of attention to the views of the European Union and to European countries. For China, it's not a factor at all of thinking of other states and the fact that the European Union has been much more forward leaning in the last several years in the issue of Iran. Does that get their attention at all or is that somewhat disregarded? Does China think at all about Europe when it's factoring in Iran?

MS. SUN: China certainly thinks about the position from the European Union and the European countries on the issue of Iran but I wouldn't say that it constituted a primary concern for China's position. So China would like to coordinate with U.K., France, and Germany because they are members of the P5+1, coordinate on positions engaging Iran but it's not a primary focus of China's foreign policy on this issue.

MS. HILL: I mean, that's quite a contrast though with Russia because certainly in the run up to 1929 the Russians' tension was grabbed by the fact that Germany, for example, not just the E.U., was pushing very hard on the sanctions. And of course there is a lot more trade with Germany and the U.E. for Russia than there certainly is with Iran.

MR. PARKER: Yeah. And now I think again Russia plays it both ways. It criticizes the

so-called unilateral, non-Security Council sanctions as illegal and unnecessarily. At the same time I think that when it draws Tehran close it says, see, look at what you're facing. There's nothing we can do about that. And then thirdly, Russian companies are not forced by the Russian government to contravene these sanctions either. There are lots of reports of Russian companies under official Russian government auspices, various bilateral working groups, et cetera, having all of these discussions over deals but these discussions just go on for years and just are rarely consummated by actual deals. And some of the oil companies just say flat out, yeah, we'd like to do business in Iran but, you know, we don't want to run into trouble contravening sanctions.

MS. HILL: Francois, I mean, I was going to ask you, I mean, how can Europe deal with China in this context? In some regards there's already the political dialogue going on with Russia here but having heard what Yun said, what are your reactions to this?

MR. RIVASSEAU: I very much agree with what both have said but there is another angle to that which is that Europe is not the security main problem for China as China is not the main security problem for Europe for the time being. This has its good aspects which are that, you know, it's maybe because Europe is seen as less problematic for Russia and China but it has been chosen to be representative of P5+1 or U3+3 to Iran. It's not by mistake that it's Lady Ashton and not Hillary Clinton or Mr. Lavrov or a Chinese representative who have been chosen to engage with Iran. So you know, here we are in a complementary role and we are a bit like we were (inaudible) time, also in charge of engaging with Iran. We are still faithful to this aspect of (inaudible). You need somebody in the international community who does that. Or who in terms of security, I agree very much we are not so much a factor in terms of economy. Nevertheless, (inaudible) economic relation between Europe and not only Iran but also for the economic environment of Iran are by far the most important. So you know, here you have also an element because economic sanctions taken by the European Union are probably more important than sanctions taken by (inaudible) entity when it regards the effect of the impact of (inaudible) economy. So all in all I think we are different players with different cards to play.

MS. HILL: That's a very good point.

Let me turn over now to the audience. We'll take a quick round of questions for you. Yes, the gentleman from the Iranian -- yes. The mike is coming down here. Thank you.

MR. NAIMY: Hi, (inaudible) Naimy from the National Iranian-American Council.

This question is for Mr. Francois. You were speaking on the timing of sanctions by the international community and how they are essentially the only practical method to move forward. And you mentioned other options on the table for the sake of being on the table. Can you talk about these other options and why they're bankrupt? Thank you.

MS. HILL: Yes. Can we take another question? Yes, at the very back. The lady in the back row here. Thank you.

SPEAKER: Hello, this is (inaudible). Thank you. I want to thank the panelists for your insight.

I'd like to ask a quick question on North Korea, which is another very heavily sanctioned country. The new multilateral sanctions on Iran I'd like to hear how it's going to impact the sanctions on North Korea, especially when there are a lot of news media reports on the nuclear cooperation between Iran and North Korea.

Also, I'd like to ask if -- what will be the impact of Iranian sanctions on North Korea, especially with Russia and China focusing their efforts on Iran? Like, will it shift the focus? Will it undermine the gravity of the situation in North Korea and its nuclear program? Or will it help international communities to focus on such issues?

MS. HILL: Thanks. That's a very good question.

The lady over here in the red sweater over at the back. There we go.

MS. PENKETH: Thank you. Anne Penketh from BASIC, British American Security Information Council.

As you know, the Obama administration and even the Israelis frame the Iranian problem as a global problem and one which they say requires global solutions. Now, I understand obviously the impact of the E.U. on the Iranian economy, but the fact is that this latest round is unilateral. So I'm just wondering to what extent it might be a problem going forward with the perception that it's the West versus Iran rather than the whole world.

MS. HILL: Thanks. That's also a very good question here. Perhaps, Francois, you could begin with responding to this question about the global dimension. You, yourself, in your presentation

had mentioned the need to engage with other countries -- Malaysia was one country that you had put forward. And you talked about some of the ways in which European countries that are not included in the EU3 wanted to have more of a role here. And as our colleague from BASIC was pointing out, this perception that this is just a western, really, a U.S. and European endeavor, could be very much harmful to the principles that you laid out about presenting the case and keeping unity.

MR. RIVASSEAU: Maybe I should start with this question. Then I shall go to the second question.

I very much agree with what you said from BASIC. There is a risk and that's a limitation and the risk for going for western sanction unilaterally. Not that it is seen as illegal because they are not illegal, they are national. They are not -- it's not trying to impose a unilateral embargo by force. They are just things which are within the framework of national legislation. But that could indeed fuel the feeling that it's the West who leads the offensive and that then the others can safely stay on the side. And that is precisely what we have also to avoid. So we have to keep a balance between both the need of taking new measures and keeping the rest of the world engaged.

There is an element which goes also a bit as also in the timing of sanctions which was the first question raised. If you look over time you see that it takes more and more time between each U.N. Security Council to achieve. In 2006, then 2007, then 2008, then 2010. If we were pessimistic and believing in the law of series we would say that the next sanction is probably not to arrive before the beginning of 2013 at the U.N. level, which is consistent with the initial reactions of both Russia and China. That said, the only -- that's a risk. The only consequence I drew from it is that we have to be continually engaging with the rest of the international community, not going too far on the national sanction front because then it demobilizes the other and trying to fuel the kind of reflection that you were alluding to in Beijing, what is the cost of national sanctions for me compared to the top cost of sanctions -- U.N. sanctions a bit less aggressive but more universal. And we have also to make the calculation. And the calculation is in many cases not so easy to make because there are great advantages also to our universal cover. So I think this is a true concern we have to keep in mind.

On your question about the other options, I think there are two other options which have to remain on the table. One I briefly described, which is to keep -- to show to the rest of the world that the

door remains open for Iran would Iran wish to sincerely re-engage. And as I said, it has to remain on the table but it has to remain on the table mostly for reasons of principle because we don't believe I think that Iran today is really keen to sincerely engage at this stage. The other option opposite is a military option, which asks for a bit of symmetry called reasons to remain also on the table in my personal view, which is that it is very difficult to mobilize really the international community and particularly Russia and China if this option is not on the table, because if not it means that we are not serious and that we are not taking the Iranian situation for what it is, which is one of a major challenge for when the world international security given the situation of Iran in the world and the way its program is conducted.

It doesn't mean necessarily either that we believe that there is an immediate probability of this option being used. As I said, when you look concretely at the options you will see that there are other serious reasons not to use it at this stage and that it could be more counterproductive than productive to use it at this stage. Now there is always a difficulty here because if you want to be credible you have also to make the point that it could be used and to explain why. So here also the balance is difficult to draw between keeping it on the table just for the sake of keeping it or keeping it on the table for the sake of making it a useful tool and then you have to continue working on it. So I think we have to continue working on it and it should not be on the table only for demonstration purpose because if not it does not serve any purpose so it has to be there as a credible tool, a bit as an element of deterrence and the tool of deterrence is useful to the point where you have to use it where it is tough to be useful.

So I think it's a bit of the same logic which would apply here to this military option. It should be maintained credible and used as a deterrence tool in my view. But don't quote me on that because this is a purely personal -- a real personal view of mine. There are many aspects on that and I don't pretend to have the last word on that. I'm not a military specialist on that. But these are basically the two options which in my view for various reasons you probably -- most of you probably better know than me even on that but in my view have to be made on the table because if you went -- if I just stick to my point, which is how to maintain international unity, it is sure that having the two options -- these two opposite options -- re-engaging on one hand and the military option on the other, have technically helped to build international unity.

I will not go further than that because I would go out of my subject. And it's not up to me

to say. But I would just say both have proven useful to keep international unity. And that's all that I can say here.

MS. HILL: Well, this is the ultimate question though for the purposes of both China and Russia. Clearly, this was a factor in the decision-making as both of you have pointed out about the last resolution. There was more credibility the last time around. There might be a strike on the part of Israel. I mean, Russia most classically engaged with the Israelis directly on this. There was the so-called secret visit of Netanyahu to Moscow that wasn't so secret because the Russians leaked it, where there was a discussion behind the scenes about this that actually got the Russians' attention. The Saudis got the Russians' attention. Others got the Russians' attention that there might be larger consequences so that they're stepped up. This time around the Russians don't seem to believe it. As Yun has said, neither do the Chinese. So the option on the table looks like, you know, something that they can take or leave. And as Francois is discussing, it's extraordinarily difficult than to make that credible. So we seem to have something of a major deterrence dilemma here and not one that is really playing in a very productive way into this discussion.

And I think the question we had at the back about North Korea is a very important one and I'd like to put this to both of you here about China and Russia's own calculations on North Korea. I mean, both as neighbors of North Korea there has been a real threat of conflict on the Korean peninsula by both South and North Korea engaging in these questions of credibility about the prospects for military -- hardly resolution but military affairs in the conflict. This has been a real consequence. How much are these kinds of really difficult issues playing into China and Russia's calculations about the broader nonproliferation question?

Yun, what do you think about this?

MS. SUN: Sure. On the issue of North Korea, I remember two quite striking comments from Chinese analysts on the linkage between the Iran nuclear issue and the North Korea nuclear issue. The first comment that I remember late last year from Beijing was, well, North Korea already has nuclear weapons. And if the international community didn't start a war with North Korea, why would we fight a war against Iran who doesn't even have nuclear weapons today? I guess that explains part of the reluctance or the refusal for China as a position against its military option.

And the second comment I remember quite well is Chinese -- some of the Chinese analysts believe that Iran learned an important lesson from North Korea, which is you can develop the capacity but don't test your bomb. Once you test your bomb you are guilty. There is no way that you can avoid the accusation. But if you just develop the capacity and do not have the nuclear test then you can enjoy a pretty big room for maneuvering.

And certainly, North Korea is more important for China because North Korea is on China's border. And after the provocations over the Cheonan incident and the Yeonpyeong shelling last year, China sees North Korea as being relatively well behaved this year. So far -- it's almost the end of November -- there has not been provocation from North Korea.

MS. HILL: Perhaps you shouldn't have said that, Yun.

MS. SUN: Someone may be listening. There will be one tomorrow probably.

And next year will be the centennial of Kim Il-sung and they are going to declare North Korea to be a strong, prosperous nation. So China is seeing that North Korea might have the very large likelihood of adopting economic reform approach and it will gradually open up. So China's concern over North Korea has actually decreased this year.

MS. HILL: So it's actually more positive on North Korea potentially.

MS. SUN: It's more positive on North Korea potentially.

MS. HILL: Well, what about from the Russian perspective of facing it together?

MR. PARKER: I think from the Russian perspective North Korea is in a different stage, more advanced stage. And so it presents different problems than does the Iranian issue. There's still a hope that we can prevail upon Iran not to go fully to weaponization. I mean, that's the hope. My guess -- and there's still time from the Russian perspective.

One point that keeps getting forgotten in terms of what sparks international unity is what is revealed that's new that Iran is engaged in? And there always are surprises. And I have to expect that we're going to have more surprises as we go down the road and that Iran itself will spark this international unity unless it furiously backpedals and really does start cooperating with the IAEA.

MS. HILL: I mean, you mentioned in your presentation that the Russians were not pleased by the fact that they have not got much out of the relationship. And certainly they were most

displeased by the fact that they were called out completely about Qom --

MR. PARKER: Yeah. A lot of that led to --

MS. HILL: -- and their facilities.

MR. PARKER: Yeah, it led to 1929. The other thing that we forget is that sanctions really have had an impact on Iran in terms of a desire by some to try to engage the West in negotiations. That's how I read the whole Tehran research reactor chapter in all of this. I think that Ahmadinejad tried to use that to develop an opening to Washington to the P5+1, but then it really fell afoul of Iranian domestic politics. I think he might have tried to revive that idea later on but again everybody jumped all over Ahmadinejad and he may only be recovering from that now. So it's not that sanctions have not pushed Iran towards negotiations; they have pushed Iran towards negotiations over the years but frequently it's been the domestic political situation in Iran that has made it unsustainable for Iran to engage in these negotiations.

MS. HILL: Thanks, John.

We had a question from the gentleman at the front. The mic here. And then also -- the gentleman just behind you, Joe, and then to you as well. Right here, please.

SPEAKER: Very interesting conversation.

I found the conversation about the choreography of creating its national consensus very interesting. But at the end of the day it's choreography about coming to consensus on the tactic sanctions. What is the choreography and the conversations that are being held to actually come to a consensus on what would be an acceptable solution? For instance, France has from the outset been very skeptical about the idea of any enrichment on Iranian soil. Other P5 states have a different perspective. Are we pursuing a consensus on a tactic without having a consensus of what a solution would be? And if so, is this just endless tactics or is there actually a strategy behind this?

MS. HILL: Thank you. Very good question. And Joe, the front here. Yes, please.

MR. CIRINCIONE: Joe Cirincione, Ploughshares Fund.

I would like your opinion from your national perspectives or for the ones you represent, what do you -- how do you think the U.S. policy has worked so far? How has the Obama administration handled this difficult issue? Has it been a clever combination of engagement and sanctions and

sabotage? Or have they been so constrained by their own domestic political considerations that they have been unable to carry through fully on any one of the dimensions of this problem?

MS. HILL: Thanks. There was a question towards the back and then I'll take some out in front. The gentleman here. Tessa, the gentleman with the glasses. Thank you.

MR. KRAMER: Thank you. Jay Kramer.

I'd like to ask Francois if you anticipate that the new sanctions from Britain and France will be adopted throughout the E.U.?

MS. HILL: Throughout the -- sorry, sir. Could you --

MR. KRAMER: Throughout the European Union.

MS. HILL: European Union. Okay. I thought you said throughout the Aegean and I thought that can't be quite right.

Of course, Turkey is a factor here and it's close to the Aegean so I thought you maybe had an interesting angle there.

Let's go back to the panel. Francois, there were a number of questions about the choreography that you laid out and whether there's a real strategy there rather than just tactics. There's this larger question about broader adoption throughout the E.U. And then I think, you know, what might be a difficult question for John is you're actually still technically with the U.S. Government but if you can put your Russian hat on as was requested about, you know, how the policy of the U.S. looks from the other vantage points. So Francois, perhaps we'll begin again with you.

MR. RIVASSEAU: The question is good. The strategy initially was suspension. Suspension of the enrichment (inaudible). This has been the strategy from 2003 to 2005. Since then, as it seemed that Iran was repeatedly refusing and adamantly refusing suspension, I remember one negotiation with the Iranians, you know, and we wanted to put in the informal, we are not authorized to make formal (inaudible) conclusion. It was June 2005. They said we want to sit at the (inaudible), repeated his request for suspension and then we have the Iranian delegation, the Iranian delegates spectacularly opened the window and say if you put that I have to jump from the window because my instructions are I better to die now than to come back to Tehran with that. (Laughter)

Then we said all right, we have a second round of negotiations. The following day it was

in our embassy and we made the meeting at ground level. So we opened the window and we said now you can jump. And we put -- (Laughter). So that was suspension, the objection and that was a problem.

Today what's the strategy goal? I think, you know, everything evolves and if we were not thinking about the kind of situation we have we would not -- it would not be professional. So we are thinking what should be our goal today? We still officially are on suspension.

Now, it is sure that the reflections going around have been since at least two years, focusing in a slightly more broader way, not necessarily from a European or French point of view as you alluded to but at least from other quarters of U3+3, about in a more broader way how to make sure that there is no military nuclear program in Iran, which is our purpose. We are -- nobody negates the right of Iran to use nuclear energy for civil purposes. Nobody. It's derived from NPT. As long as they are in compliance with NPT, this right is okay. But they are not in compliance with NPT and so in a broader sense of the term this would be in my view a strategic objective, (inaudible) suspension and they are a reflection around about how to make sure that what Iran -- that there is no military program -- nuclear military program in Iran.

About the other question which was about did France and the U.K. sanctions have been anticipated by the E.U.? Yes. The answer is yes. On the 14th of November, the (inaudible) Council of E.U. there is -- we (inaudible) to address international concerns of the nature of its nuclear program through full cooperation (inaudible) and by demonstration grittiness to engage seriously in. Concrete discussion and confidence building steps as proposed by higher (inaudible) of EU3+3. The council recall of related (inaudible) inviting it to prepare new restrictive measures against Iran. The Council will continue to examine possible and new (inaudible) measures and we (inaudible) next meeting. And on Monday, that's two days ago, we said the process is ongoing and he was examining possible additional measures and we already updated its list of entities and individuals at the Council of Ministers (inaudible) on the 1st of December as a first step. So the answer was yes.

We were not to necessarily inform obviously the wording which would be used by the British prime minister or French president are very public but we are working together about what can be done nationally and at the E.U. level. And as you know, we have already taken some additional measures after the Saudi plot. We have also interdicted and submitted to sanctions the five people

involved.

By the way, Europe had already sanctioned one that the U.S. didn't sanction. So we had only to sanction four. We were in advance of one. And we are considering new sanctions. Yes, and obviously, the views expressed by E.U. member states, as we have seen with France and U.K., are elements of these (inaudible).

MS. HILL: Thank you. Yun, on the whole question about U.S. policy, I mean, how effective does it look from the perspective of China?

MS. SUN: First of all, China does see a U.S. policy on Iran this time has a certain flavor of being deliberate and the intention of cooking up the tension. And things -- the resolution 1929 was just passed last year. China was quite -- surprise might be too big a word -- said so soon? This issue just came back again. And just like Russia, there's quite a sense of anger from the Chinese perspective.

And if you look at the comments from Chinese analysts, they do identify a linkage between the IAEA's report, which was -- which they believe is the creation of Amano (phonetic). And as he also pointed out, that in some of the WikiLeaks (inaudible), that they have identified Amano allegedly said that his position is the same as the United States on the Iran nuclear issue.

So there is a suspicion from China that this current tension was deliberately brought up. On the issue of accept a global solution, China's position is this. We agree on the goal. We don't want Iran to have nuclear weapons but we disagree on the approach. The Western countries want sanctions but China doesn't agree. China wants diplomatic negotiation and dialogue. And quite a funny comment from the Chinese analysts is you like democracy, right? This is a democracy of the International relations and you could have one opinion and we could disagree. And in the end we'll negotiate. So for the consensus and the solutions, I think it is exactly because there is no consensus on the solutions that everyone is focusing so much on the tactics. But that is the reality of this world.

MS. HILL: So, I mean, the answer probably then to Joe's question is that the U.S. policy is not seen in the same terms as we're obviously thinking we're laying it out so it is not being effective from the Chinese perspective because they see something else behind the policy moves at all times.

MS. SUN: Yeah. And China always emphasizes the sanctions have numbered to force Iran to give up its nuclear program and it will not work.

MS. HILL: How different is the Russian view?

MR. PARKER: I think in general Moscow has been pretty pleased with Washington's Iran policy since the Obama administration came in. And it's only been in the last six weeks -- well, really since the surfacing of this alleged plot against the Saudi ambassador. And then after that the early surfacing of the IAEA report that Moscow has been unhappy with what we're doing. The feeling I get is they thought that they were being rolled without being consulted. And really, the Russian Foreign Ministry statement almost flat out said that. Somebody is out there to undermine Russia's role in this whole process.

By the time Obama and Medvedev met in Honolulu they seemed to smooth things out and then I think Russia got an IAEA Board of Governors statement that it liked. It both mentioned all of Tehran's failings and international concern but then it also had a sentence or two on some Iran reaching back to the IAEA trying to deal with inspectors, suggesting that maybe they're turning the corner on it now.

And on the sanctions, again, in a sense Russia can have its cake and eat it, too. It would prefer that all these sanctions be approved in the Security Council and therefore subject to Russian vetoes, but on the whole subject of sanctions against Iran we've had so many rounds of non-Security Council sanction sanctions, unilaterally national sanctions, that Russia has got used to it. And I think it just uses them, points at them when it deals with Iran to say, listen, you're just asking for it. This stuff is not going to stop so come play ball. Fess up. Work with the IAEA.

MS. HILL: Let me take two more questions quickly. You had Garrett at the front and this young gentleman back here. And I'm sorry to everyone else because we'll have to move into the lunch and then we'll come back quickly to the panel.

MR. MITCHELL: Thanks. Garrett Mitchell. And I write *The Mitchell Report*. And I want to ask the question this way. Shortly we're going to hear from the national security advisor for the Obama administration who is going to come spend an hour here. Presumably if the subject of today's meeting had been what to do about New Zealand he wouldn't be sparing an hour to do that.

MS. HILL: Did we miss something on New Zealand that's happened? (Laughter)

MR. MITCHELL: Perhaps he'll talk about it.

So one can assume that on Mr. Donilon's short list, his "A" list, Iran is right up near the top. And what I want to ask you is if we imagine that every Monday morning at 7 a.m. Greenwich Mean Time his counterparts in Russia, China, France, and Germany held a five-minute phone conversation to compare their short lists, the three things that I worry -- the three or four things that I worry about every day and most nights -- the first part of the question is, is Iran on everybody's list, short list or not? And B, what are those three or four things I worry about every day?

MS. HILL: Well, that's very similar to the question to a question we had on the other panel about whether the U.S. and Israel were kind of overreacting and I don't think we got a definitive answer to that.

And there was a young gentleman here, please, if you could just introduce yourself and ask a question, too. Thanks.

MR. SALIOS: My name is Sergio Salios (phonetic).

My question was about China. China plays a very important role and especially you pointed out the relationship -- the strong or the robust relationship it has with Tehran as far as their economic relationship goes. But it also has an economic relationship with Israel. I don't think it's as robust as it is with the U.S. But why hasn't China played a stronger role in negotiating, in being a major negotiator with Israel and Tehran given that they're more rational and more neutral in the situation?

MS. HILL: Thanks. That's such a very good question, more broadly perhaps that you could play this out into the Middle East. I mean, China has important interests, not just in energy from Iran itself but from the Gulf more broadly as well. And China also has relationships, not just with Israel but with Saudi Arabia and other countries. So perhaps, you know, when you answer that question you can think a little bit more about how China factors in those broader relationships because I think it's something that people find somewhat puzzling here.

So if we could turn now to all of you on the panel now. You can also give other thoughts of things that you felt you might not have been able to get across. And then we'll wrap up for the lunch.

Sun Yun, on this question of China.

MS. SUN: First of all, on your question of what are the three, four top priorities for Chinese national security, China doesn't have a national security (inaudible). On their top of the list, first

of all it's always a domestic issue. Domestic issue is always more important than foreign policy issues unless there is going to be an imminent war on the Chinese border. And for foreign policy, the top priority for Chinese national security decision-making team it's always the United States. It's U.S., U.S., and U.S.

For example, in the past two weeks China has been immersed or completely absorbed into this U.S. plan in East Asia and in Southeast Asia. So the TPP proposed by the United States is regarded as a U.S. conspiracy to replace China's economic leadership in the region. And what the U.S. was doing was asking countries with APAC and now EAI that we're seeing as the U.S. trying to consolidate its relations with both maritime ASEAN and continental ASEAN countries, to come back to Southeast Asia and to encircle and contain China. So I would say that the U.S. is always China's national security priority.

On the issue of why China hasn't played a bigger role in the mediation between Israel and Iran, well, first of all, China for the longest term, even since -- well, the longest term might be too long -- well, starting from the reform and opening up and especially in the past decade, China doesn't see itself as a global power. China sees itself as a regional power and gradually China is developing this global reach. But, of course, you might have seen that China is having all sorts of problems in this global engagement in Africa, in Southeast Asia, and in other continents as well. So for China its priority first of all is domestic and secondly, is China's periphery. And of course, the U.S. is always an important issue.

But in terms of the Middle East, although China regards Middle East as its grand periphery, it's not China's core national security interest. So that explains why China doesn't want to get too involved in the Middle East struggling because China wants to keep its neutral and outsider role rather than get its hands dirty. If it does get into the negotiation between Israel and Iran, like you pointed out, China has economic and political relations with both countries. Then how is China going to pick a side? So for China the best strategy is let's leave the mess to the United States and the Western countries who would love to get involved in this whole mess and we will quietly develop and reinforce our economic and political relations with all the countries in the region. So that for China is a strategic choice.

MS. HILL: And did any of the events of the Arab spring, like Libya, for example, really change that? Because, I mean, obviously China tried to stay away from the affair but also got criticism for not, you know, making a decision?

MS. SUN: China certainly -- well, the impact of Arab spring on Chinese government, first of all, is domestic politics. Whether it's the Arab spring is going to spread into China and China also has the Jasmine spring -- Jasmine demonstration in Beijing, which raised a question -- headaches with the Chinese senior leaders. But in general, the case of Libya certainly taught China a lesson that China will have to at least think about developing better relations with the oppositions in these countries because the domestic politics in these countries are so unpredictable. And if China always picks a side with the government, like in Libya's case, China always sided with el-Qaddafi, then some day when there is a change of government within the countries and China's national interest cannot be protected. So China's approach and the perception and lessons learned from the Libya case is on how to have better relations with different factions, different political players within a certain country, but not necessarily on a broader regional perspective.

MS. HILL: That's great. Thanks. Francois.

MR. RIVASSEAU: On China, I agree China is -- when I discussed with my Chinese colleagues in the U.N. they always say the interests of China are better served by remaining apolitical. We don't want to be involved in the mess of having to take sides for an issue which is not at the core of our interest. On the stuff Chinese see, yes, they say this is our vital interest. On the Middle East, no. And they always made the parallel with North Korea and saying North Korea is in our neighborhood. We have a border with them. We have to be in the six-party talks and we have to be leading the approach of the international community. And that, on Iran it's up to Russia, and NATO (phonetic), which have borders with Iran to be in the lead and not to us. And this is, I think, a very clear and self-understanding concept.

On what is on the mind of the European leaders, I can speak only for Lady Ashton when you spoke about foreign ministers, but the issues which have been always at the top of his preoccupation is still the Middle East peace process because it's probably the most difficult issue and an issue where the European Union and Lady Ashton, as you know, as a member of a court (phonetic) that has a specific responsibility within the international community. Then, you know -- and why? Because for us it's a neighborhood issue. It's not -- it's a key issue for you because of Israel and the Arab world, but it's also a neighboring issue for us. So we have -- there is a specific aspect into that. Cyprus has sea borders with

the region.

After that I think probably or even before that at this time, you know, we shall have a new U.S. summit next week. The main issue will be the economy and the economy and the economy. So if we have time in the Middle East process, probably a relation with China and Russia because China for economy and Russia for strategic reasons are of specific interest for us Europeans, and after that maybe Iran. Yes. But only after.

MS. HILL: John.

MR. PARKER: In Moscow, I don't think it's on its own in the short list that he or she would look at first thing in the morning. But I think it's our interest in Iran and Israel's interest in Iran and the European powers' interest in Iran that continually bumps the problem up several notches in the list of priorities of issues that Moscow has to worry about.

In general also I would like to make the point that in Moscow it used to be they thought that the problem in dealing with Iran was the conflict between the U.S. and Iran, that we just couldn't sort it out but especially over the Ahmadinejad years. Most analysts in Moscow think the problem is in Tehran itself, in the nature of Iranian domestic politics. There is just no way to get a consensus to do a deal with the West at this time given the viciousness of the politics in Tehran. And Ahmadinejad has tried once or twice to run with the ball and he's basically been cut off at the knees by all of his opponents within the various factions on his right and his left in Tehran.

MS. HILL: So Russia doesn't necessarily blame the U.S. solely for this at this point?

MR. PARKER: No. Not at all. Not at all.

MS. HILL: Well, then that's certainly something to work with.

Well, I think we'd better conclude this panel so you can all grab some lunch and get back to your seats by -- well, we've got half an hour now to grab the sandwich. I know you're all rushing at once but thank you very much and we'll see you back here. (Applause)