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UNDERSTANDING IRAN BEYOND THE DEAL

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P R O C E E D I N G S

MR. JONES: Good Afternoon, ladies and Gentlemen. Okay. I think we are now on. Thank you. My name is Bruce Jones. I'm the vice president for foreign policy here at Brookings. Thank you all for joining us. We're extremely pleased to host this conversation on understanding Iran Beyond the Deal with three leading experts who are going to discuss the situation in Iran today, not the deal itself, the implications of the deal and what comes next in terms of Iran domestically, in terms of Iran in the region and the U.S. approach to the region. We're very happy to have with us today Javier Solana, who is among other things, a distinguished senior fellow here at Brookings, but also of course, the former EU representative for Common Foreign Security Policy and the former secretary general of NATO, Vali Nasr, who is also a nonresident senior fellow at Brookings, but more importantly, the dean of Johns Hopkins School of Advanced International Studies and the author of an extremely widely cited book on the Shia Revival, which is one of the first major books to look at the changing dynamics in the Middle East, and of course, Suzanne Maloney, who is the deputy director of the foreign policy program here and a senior fellow in the Center for Middle East Policy and in the Energy, Security and Climate Initiative.

Suzanne previously served as an external advisor to the state department on long term issues related to Iran and on the policy planning staff, but much more importantly than that, she is the author of this book, which you should all buy, on Iran's political economy since the revolution and it is really the first comprehensive overview of Iran's political economy since the 1979 revolution and offers very detailed examination of the economy, especially the energy sector. But much more importantly I think the implications of that for Iran's domestic politics, its ideology, its leadership priorities and its foreign policies. I think it's going to be a crucial book for understanding for where we have been and where are going in the region, which will be the subject of today's conversation. So, thank you all for joining us. Thank all of you for being on stage, and Suzanne, over to you.

MS. MALONEY: Thanks so much, Bruce, and thank you all for coming this afternoon. Once upon a time in Washington, we used to have a wide ranging and often well informed debate about Iran. For much of the past decade and certainly since the June 2013 election of Iranian president Hassan Rouhani, an event which jump started the previously moribund process of negotiations on the Iranian

nuclear impasse. Our conversations on Iran have been afflicted with an almost obsessive focus on one question, the nuclear issue, and many of its spellbinding aspects, centrifuges, stockpiles, snapback sanctions.

But Iran has always been much more than a nuclear issue and it remains so today. It is a state with a dynamic competitive and awfully complicated ruling structure. It is a nation with a long and fiercely cherished history with vast human and natural resources. And it is a riddle, a foreign policy conundrum, a state whose challenges have repeatedly stymied concerted efforts by U.S. officials and presidents from both parties. In many respects, the resolution of the nuclear issue and I use that phrase very loosely, have brought into full relief the complexity of the dilemmas that we face in dealing with Iran.

Many of the criticisms of the nuclear deal focus not on the technical aspects of the deal, but on the array of issues that were left untouched by the joint comprehensive plan of action, especially Iran's role in the region and the prospects for liberalization of its internal, political and social order. Now that we are, with adoption day imminent, almost beyond the deal, the challenge of Iran actually looms larger and understanding that challenge, understanding Iran becomes even more consequential.

I'm privileged to work at an organization that values a deeper understanding of the policy challenges that we face today and gives its researchers not just the opportunity, but the mandate to do in-depth research and the tools to do it, amazing colleagues, an incredibly enterprising library, wonderful research assistants, several of whom are here, and discussions such as these with two gentlemen who are uniquely positioned to understand Iran past, present and future.

I'm going to begin by making a few comments about my research and then welcome thoughts about what comes next for Iran beyond the nuclear deal from Javier Solana and Dr. Vali Nasr. We'll engage in a discussion and open it up to you from the floor. Since the revolution, scholars and policy makers have tended to overemphasize ideology over the mundane influence of interpreting Iranian decision making. Iranian rhetoric has tended to encourage this propensity with leaders since Ayatollah Khomeini, the founder of the revolution, repeatedly invoking their disinterest in economic concerns and insisting on the primacy of religious or ideological objectives. Khomeini famously declared that the revolution was not about the price of melons. Although this is a somewhat misleading simplification of his

actual statement. And it turns out to be a vast oversimplification of the way that the Islamic Republic has ruled as soon as it came into office.

So I undertook the research that led to this book as an attempt to provide a more holistic understanding of Iran, of the theocratic regime and its evolution and of the policies that offer the greatest prospect of success in influencing Iran's future course. Iran's economy is something of a paradox. It's a country with immense resources, and yet it has persistently experienced resource constraints. The post revolutionary state has adopted a combination of policies that are both developmental and predatory. And it has integrated Iran into the world economy, but it has also kept Iran isolated from many of the benefits of globalization.

The book addresses four key themes that are directly relevant to our ongoing effort to understand Iran. First of all, history matters. Throughout the long span of Iranian history, there's been a direct connection between economic pressures, public grievances and political instability. The Islamic Republic's leadership is keenly aware of this connection and the revolutions' emphasis on social justice made the Islamic Republic especially vulnerable on these grounds.

Two, politics matter. Iran's economy from the beginning has been buffeted by fierce factional differences among the ruling coalition that played out in many respects in more bitter fashion on the economy than almost anything else. This is what's so fascinating about looking at the span of post revolutionary history that in fact today what we see is in fact some of these factional differences, at least with respect to economic issues and economic philosophy and policy have in fact narrowed quite considerably.

Third, oil matters. Energy, rents and resources have sustained the Islamic Republic and defined its horizons. It's hardly a surprise, but it runs precisely counter to the intentions of the revolutionary leadership and we can talk quite a bit more about Iran's oil and gas policies over the years, as well as about the prospects for the future.

Finally, Iranian policies have been shaped, especially those related to the economy by the regime's contradictory relationship with the international community and by the pressure this resulted in. Sanctions and other economic pressures have moderated Iran's fiscal policies more frequently than

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its foreign policy. Iran has more typically adopted austerity in lieu of reining in extremism. However, inexorably and often in very subtle fashion, external pressure does reshape Iran's political landscape and I think that's what we're confronted with today.

Let me just conclude by saying my overarching argument to my view of Iran is a profoundly optimistic one, and that is the argument that the revolution's emphasis on social justice and the post revolutionary regime's reliance on populist policies have effectively backfired for the theocrats of the system. By fostering expectations of improvements in living standards, of delivery, of effective government services, Iran's leaders have undercut the religious and spiritual basis of the Islamic Republic and what they have done is to bolster a competing rationale for the legitimacy of the Islamic Republic, one that's based on government performance, and on its accountability to the people. For Tehran, the mantle of the prophet has given way to the mandate of the pocketbook. With that, let me turn the podium, or the microphone on our lapels over to Javier Solana who is going to give his perspective on what comes next for Iran and on the politics of Iran's role in the region after the deal. Thank you.

MR. SOLANA: Well, thank you, thank you very much for the invitation. Thank you, Suzanne for your book. I had the opportunity of reading it. It's really a very important book because it was something lacking in the literature about Iran, with this period of time, before the, the nuclear negotiation to do a study more deeper and more profound on the economy and the politics, which shines not a tremendous amount of light on this fantastic country that we know so little of.

Now let me be very brief because the time allotted to this first thing, the intervention is supposed to be five minutes. I'll try to do my best in this period of time. Now, we are supposed to be after the negotiations were finished and the question is what is happening now in Iran. Well the weird thing to my mind which is happening is internal politics. The internal politics has been a little bit more excited because President Rouhani, which as you know very well, didn't have the support of all the establishment of the, of the other republic has got a price. The price is to get an agreement with international community, in particular get rid of the sanctions that were a difficulty to the development of the economy. And that tension between let's put President Rouhani and the Revolutionary Guard is seen in many aspects of internal politics of Iran of today.

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Three days ago, you have, probably you read in the newspaper was the vote in the parliament to ratify the agreement. The vote was very good, the majority won by far. But the debating side, the room was very, very dramatic. Dramatic even physically, some shoving battle between two or three members of the parliament there that we separated. And the vote was shortened, the vote, the debate was shortened by President Larijani, Ali Larijani, (inaudible) on your mind probably, which is the president of the parliament and then 50 minutes, he resolved, he vote and dismantled the department. That debate was supposed to last for two days and it lasted really, the act of voting, was half an hour.

So that was the type of tension that still exists between part of the members of the parliament who were elected separate from Rouhani and the ones who really supported the Rouhani situation. So first thing, that.

Second thing, we cannot forget that this is going to materialize in the election that will take place in February which will be parliamentary elections. And that will be a moment in which the people will see if they support and ratify President Rouhani in a way, and they validate, they give to the full process of agreement, plus the lifting of sanctions. And now the battle is going to be how fast the lifting of sanction is going to have repercussions on the life of the citizens. If that goes rapidly, the investment which is coming along from the rest of the world after the agreement, that may give a push to the economy sufficiently rapid to help in the next election in February the sentiment that the nuclear agreement was a success. But it can be the opposite because at the time, god knows how it's going to with the time to the people to sense that the change in their everyday life is taking place. So this is going to be very important.

And second, about the same time is going to be the election of a very complicated body, a weird body which exists in Iran within the Assembly of Experts. The Assembly of Experts is a number of people which are the ones who have to recognize the qualifications of all of the candidates that are going to be in the next election for president. So the candidates for president have to go through an "examination" by this group of people. And it will be selected, these group of people also around February.

And it's interesting that one of the candidates for that place is going to be the grandson of

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the Khomenei, the founder of the republic. And this gentleman (inaudible) has thrown his weight behind Rouhani, which is a very important change really in the political divide there.

Now, not from the political point of view, from the military point of view, I think the most important thing which is taking place now while the nuclear issue is being resolved is another part of a very important and military development capability, which is the missiles. The missiles capabilities of Iran always have been developed, but the jump which are taking place in the last period of time is really dramatic. Now the capabilities that Iran has now and the research that is being done and the possibilities that may have in the future for missile launching is very important. Therefore, they have increased very much their capability, the precision of these missiles and the capacity of beam laser. So this is something that we have to continue looking and see how this technology evolves, because although there are questions if they have allowed to do it through the United Nations Resolutions and the doubt probably of the result is that they probably have the right to do it. And so we have to follow that in a clear manner.

The third thing, the last thing I would like to say is that what happens after the deal was original position of Iraq. After the deal, what everybody expected and everybody with common sense wanted to have is the possibility of fair conversation that will lead to something positive between Tehran and the Saudis. That is not taking place. And without that taking place, it will be very difficult to have resolution of the big questions in the Middle East. And the thing that I expected when (inaudible) when some contest took place, but not sufficiently long or sufficiently deep to change the situation. But then something has come also to complicate at least for a short period of time, less on the short period of time, the relations. That was the big accident that took place in Mecca not long ago with a lot of people being killed. Out of that many of them, Iranians, shift. And to make this situation more dramatic, remember what was the first words that President Rouhani said from the General Assembly the other day, not long ago. He had started his speech by blaming that Saudi Arabia was not able to handle properly, Mecca and that the harness was not being done properly and in a very dramatic manner. It's surprising, at least for me, and for many people I talked later on, it's like it was the very beginning of his speech. Therefore, the very beginning of his speech was a denunciation of the Saudis. Therefore, that has created a little bit of a bigger, a bigger separation between the two.

And I think we don't have any solution in the region without some conversation, positive conversation between the Saudis and the Iranians. The Saudis are not, the leadership of the Saudis, as you know is not the most clear at this point in time, and therefore we have this difficulty to, to put these two countries into a meaningful conversation. I think that apart from that, little more can be said in this first intervention. But we have a drama. We have a drama in Syria, we have a drama in Yemen, we have a drama in Europe with the refugees, and this, in order to get this resolved, probably, the only possibly eventually will be a good conversation, solid conversation, meaningful conversation between these two countries, which at the end are the representative of Sunnis and the representatives of the Shiites.

MR. NASR: Well, first of all, thank you for inviting me to this session. Let me start by congratulating Suzanne on her book, which is a truly important book, very well researched and I think really sheds light on a lot of issues that for thus far have not been focused on and we sort of talk about Iran's economy often as a throwaway in vein and actually she provides a very good context for this conversation. And also, you know, it's important to acknowledge as we talk about the deal, the role that Javier placed for many years in actually laying the groundwork for the kind of conversation that happened in the past two years that led to this deal for better or for worse. But Javier played a very important role in engaging with Iran at the time when the United States couldn't do.

Now, you know, much of the debate has been focused on a very narrow understanding essentially as an arms control deal. So I think both the supreme leader and the conservatives in Iran and at least rhetorically, the administration, like to make this very limited. It's an arms control deal about limiting Iran's nuclear program and it has no broader implication. Much like Suzanne, my interest in this and I think what we ought to be really focused on is not the just the verifiable arms control deal but really what are the broader ramifications for developments within Iran and within the region, particular things that are not easily planned. And there are things that might happen as a consequence of this deal.

So a few points to keep in mind. One is that I think the deal matters in Iran a lot more than it does in the United States. The symbolism of talking with the United States directly, of actually signing two documents with the United States, particularly over the nuclear issue is a much bigger shock to the body politic in Iran than it is to the United States. And also, comparably, Iran has taken bigger risks

in signing this deal I believe. And I know that's counterintuitive for many of the critics of this deal, than the United States has taken. And if this deal were to unravel, the political cost to the regime is much more significant. And if the deal succeeds, the political cost too many elements of the regime is going to be much more significant. This deal matters politically in this election cycle and then maybe in Iran, it really can be a game changer for the revolution and for the Islamic Republic as a whole. So whenever we talk about what the Iranians have in mind, or make simple conclusion, we have to keep that in mind. That, you know, this was a massive risk for them, and they may pay off, but it may not pay off as well.

Thirdly, the deal has happened in a context in the region. It is also shaping the context in the region. We often talk about this deal and U.S. Iran relations as if the rest, the, the two countries are suspended outside of the context in the Middle East, as if Syria and Iraq is not happening, and as if the Arab Spring did not happen, as if Yemen is not happening. This is actually very important both to Iranian conception of their value of this deal, of the importance of regional legitimacy, the way in which they, whether or not they should compete with ISIS for anti-American, you know, popular dominating the popular sort of political arena in the region, or whether they should actually take advantage of this to build relationships with the west that didn't exist in the past. And these are real debates I think in the policy making circles.

And that picture is shifting. I think the Russian intervention in Syria itself is a game changer because it changes actually the conception of which is the dominant outside power in the region going forward. We obviously are not engaged in Syria. We don't want to be engaged in Syria. We don't want to play the role of the power that decides the fate of Syria and the balance of power in the Levant. The Russians have stepped up if they actually are able to have traction, even minimal traction, it will have a very big impact on the calculation of Iran about regional balance, Saudi Arabia's calculation. And those are important changes going forward.

And I think the deal itself is also changing the context. So particularly I think the Iranians are very closely looking at the Arab reaction to the deal, and the fact that the Arabs see this as a game changers that has a significant axial shift in American attitude towards the region, that the U.S. has maybe backed away from effective containment of Iran to at least engaging Iran in some way, so as if

there was a massive wall built around Iran since 1979 that was being manned by Americans and Arabs jointly. Now the U.S. has actually shown willingness to create a door in that wall to see whether Iran wants to walk through it. And I think that, that's, and it's very clear in Tehran that there's now a gap emerging between American and Arab positions. And that has led to a certain debate. For instance, when Tom Friedman has his first interview with President Obama, there was a serious debate within Iran as to whether the American Saudi breach is for real or not. And I think Saudi Arabia went out of its way to convince Iran that it was for real, and that, then Iran is reacting essentially to that strategic possibility.

For now, the supreme leader is saying that there's going to be no conversations with the United States, but I think that's because Iran is going into an election. And it's extremely dangerous for the Iranian political system if the question of talks with the United States, how far they can go over what they are, becomes part of a political campaign where different contenders for power could be debating these things on the campaign trail anywhere in Iran. And I think in order to take it off of the electoral circuit is basically put the kibosh on any conversation. But that doesn't mean that once the parliament, the new parliament is put in place that the door doesn't open to additional conversations with the United States.

Finally, as both Suzanne and Javier said, the domestic scene is also very important. There is real politics in Iran. There's real politics in any country just as we saw that whatever demerits of this negotiation ultimately it touched off partisan debates in the U.S., there are different interests as to the outcome of this deal in the United States and there are opportunities and risks and various political actors supporting it or rejecting it.

It's not that different in Iran either. There is a very clear faction that supports the deal. The deal is very popular among the Iranian public and it has, there was a broad consensus among Iran's leaders that Iran needs to negotiate over its nuclear program for certain strategic concessions from the West. But the nature of the deal actually has divided Iran's leadership. There is significant criticisms of the various aspects of the deal among moderates, among conservatives, for different reasons, and the deal is no more popular if you were to say among Iran's political class than it is among America's political class. In fact, this is something peculiar about this deal, that both sides of governments have held their

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nose and signed the deal and are very sensitive to being depicted as having lost at the table and the other side having won.

The deal has an economic promise that that was the reason why President Rouhani was able to justify these negotiations in the first place, that Iran's economy needs the lifting of these sanctions, that's of strategic importance to the regime. Now, it remains to be seen how much economic benefit will actually come to Iran. If it doesn't come in time, if it comes too slowly, if the expectation of the public about the bump they were going to get from the lifting of sanctions is not there, and that may very well be the case if oil prices remain low because of then really sanctions really would not bring the level of direct foreign investment or level of cash that people expected, then you know the political mood in Iran may well not favor President Rouhani and his advisors. I guess took a bet on this deal that the deal will translate into tangible economic benefits, that combined with the hope for the future will translate into significant political momentum for his faction going into parliamentary elections and elections to the council of experts and ultimately to his own reelection campaign.

The conservatives in Iran exactly want to block that exact scenario. In other words, that the deal does not give him political capital, does not put wind in his sails, and actually they want a scenario in which President Rouhani is blamed for all the political costs of signing a deal, but will not get any of the political benefits of it. And then, you know, there could be a conservative government down the road that could actually implement the deal. And we often forget, there was an eight year hiatus between when Henry Kissinger and Richard Nixon went to China and when U.S. China relations were normalized by President Carter and Zbigniew Brzezinski. And during that eight year time period, you know, you had similar kinds of debates about the impact of opening with the United States on power struggle in China.

So when we looked at this domestic scene in Iran during the course of, before the deal was signed and through the deal, the question was who will sign the deal. And ultimately, I think there was a level of comfort that the deal had, signing the deal had certain degree of broad consensus among Iran's leaders. So the supreme leader did not endorse it, but he did not prevent it from happening either. He could have pulled the plug at many points in time. So he allowed negotiations, called those who

signed the deals as having done heroic effort, but wouldn't endorse the deal itself. But that provided if you would, an umbrella for certain consensus among Iran's leadership.

The question now is essentially who will benefit from the deal and I think for the next two years, that's going to be at the forefront of Iranian politics. So the deal has created, if you would, a very clear wedge around which many political fights are going to happen in Iran. But down the road, the real question for us is who will get to implement the deal. Will it be moderates who actually will try to use the deal to open up the system further or will it actually be a conservative government who might implement the deal but not necessarily try to open the system further. It's not a given I think at this point in time that President Rouhani will be the ultimate beneficiary of the diplomatic process that he started. And I think that's something Congress should keep in mind, you know, making, putting blocks in front of the deal that will make its implementation slower, its economic dividends smaller. It's only going to make it much more difficult for those who took the risk to negotiate and sign this deal to actually be able to leverage the political capital going forward.

Finally, I think it's very clear for us to say that well all the conservatives and hardliners are opposed to the deal and all the reformists are for the deal. I think that's a little too simplistic. I think the short run signing of the deal as the long run benefits of the deal cuts across different economic and political interests in Iran, and then the alliance around this is much more complicated. Even in the Revolutionary Guards, there are elements that will benefit from the lifting of the sanctions and there are those who are particularly engaged in the fighting in Iraq and Syria that are supportive of at least the tacit collaboration with the United States and in confronting ISIS.

And whether large enterprises in Iran and depending on whether they see benefit or they see harm in lifting of the sanctions, opening of the economy or going to basically position themselves very differently against the deal. But I think, and Suzanne, probably has much better place to comment on this, but like every other case of economic restructuring and economic change that we've seen in developing countries, the real fights are going to be about changes to the economy. Much bigger fights than the one around the nuclear deal. And the nuclear deal is basically setting the stage for those fights to start. But once you start trying to change Iran's currency regime, tariffs, laws and regulations that

govern foreign investment, all of these things that might become possible by the deal, that's actually some of the biggest fights we'll see over the future of Iran.

MS. MALONEY: Thank you both for such fascinating and really informed perspectives on what comes next. I'm going to take advantage of the fact that I have a microphone and you all will have to raise your hands for a microphone to ask one or two quick questions before turning it over to the rest of you. So you can pause just a moment, but I want to get back to this issue of President Rouhani that Vali has just focused on, the sort of critical position that he has played. And Javier, you have a long standing personal experience with him across the negotiating table. He invited you to attend his inauguration. I think that was the first time a European dignitary has attended the inauguration of an Iranian president. What is your sense of his ability to navigate this complex period of the deal's aftermath in Iran, and particularly as you said with the elections coming up that have some foreshadowing for the future succession of the position of the supreme leader?

MR. SOLANA: Well, I met the first time President Rouhani today when he was national secretary national of the council of the security council of the president of the supreme leader. So he was an important man at that time, and I have to tell you, that was 2001, and ever since I have maintained a very good relationship with him. In 2001 to 2003, there were the first time that I met him, we were able to get practically an agreement. At that time that the Americans were not engaged, it was only the Europeans. We were engaged in the negotiation, but I knew we had found in Rouhani, somebody who is rational, which is later on, I didn't find in the next negotiator, and the next negotiator, I had three negotiators after that. And I didn't find the rationality, the sense of understanding politics, understanding what is the margin of the negotiation. And I always (inaudible) him as somebody sophisticated.

And when I saw him again in the day of his inauguration, I spent three days there with him, and with his team. And everything he told me the night before that he was going to do, he was (inaudible) and the week after, everything he told me I am going to do this, this, this and this, he did it in a week. Appointed the foreign minister, somebody that it was difficult for him to be accepted, he was accepted, he changed the director of atomic energy commission and put somebody which has been very, very instrumental. He was a nuclear physicist of MIT that has been very, very active in the negotiation

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with the minister of energy from here, the secretary of energy from here, from United States, both from MIT, they had good connection, they understood what they were talking about, physics and all that. And have had very much to do solve the problems of the negotiation.

So I have the sentiment that Rouhani has the capacity, has a good team, a very sophisticated team and they have the capacity. But the Revolutionary Guard is very important. One of the generals, Soleimani, you see him today in the media just about every day, something surprising. He was somebody practically unknown, they only knew the name, now we know the name, the face, so he's campaigning really on the other side. You find him in Syria, you'll find it in Yemen, you find in everywhere acting like an important representative of Iran in the military field.

So probably this type of position are going to ones which are going to be in the foreseeable future, being confronted. So it's very important, what you have said about who is going to get the benefit of the deal. But don't forget that right after the deal is another important challenge for Iran, which is what happens in the region. If, at the end of this game, Iran comes out to the region higher or lower than Saudi Arabia and the Sunnis, this is the big battle which is being played. And that will be the other thing that has to be measured against the deal.

There are two deals here, the nuclear deal, which is very important, but at the same time, this, what is going on the ground, who is going to win that battle there. And these two things have to be analyzed to see what is going to be in the future, or the winners let's say, in Iran, in order to move the country forward in every direction, economically, politically, regionally and democratically.

MS. MALONEY: Vali, let me bring you in specifically on this dimension of the Iranian challenge. I mean, you've written, before anyone here in Washington was really thinking about it, about the sectarian issues. And you also have your experience of your time in the Obama Administration of the difficulties of bureaucratically here, and also diplomatically in direct contact, trying to find a way to constructively engage Iran in the regional challenges that we face. What are the prospects for any kind of amelioration in the relationship between Iran and Saudi Arabia and what constructive role can Washington play in trying to mitigate the sectarian tensions that we face and see around the region?

MR. NASR: Well, I think the second part, I think is simpler to answer, at least what

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should be U.S. policy is that ultimately you have to find a way in these particular arenas of conflict. So in Syria, in Iraq, in Yemen, if the United States is willing to take a diplomatic leadership role, that it would actually dedicate that to having all sides at the table and being able to try to resolve the problem by bringing all sides to the table. I mean so far, the way it's worked is that the Saudis have vetoed Iranian participation. So it happened last time again at the time of last month at the United Nations where Carter had a proposal that foreign minister including Iran would meet at the sidelines to discuss Syria and then the Saudis essentially vetoed that. So that actually gives the Saudis a position to basically have veto power on American policy in the region. And that's very convenient for them. So there's no engagement and if you don't, if you're not going to have engagement with Iranian abstract about the region, we just don't have sort of general conversations at Davos or Aspen with them about the future. It has to be around particular issues. And if the Saudis veto that meeting, then basically, there's not going to be any engagement and now we'll see actually whether the Russians will force the issue now that they've got themselves in Syria. And they talk to all sides, more so than we do, you know, they have a lot of meetings with Saudi leadership before they went into Syria and they meet with Iranians as well. But ultimately it has to be around something very clear.

The larger issue that you mentioned is that there is a narrative which is that Iran is basically, is dominating the region, its hegemony is unchecked in this region and the nuclear deal actually is facilitating it. I actually don't think that's the case. There was a time maybe two years ago, we could have argued that. But I think it's more I would say it's a position that is foisted in order to put, particularly after the nuclear deal put Iran on the back heel. And it also complicates the congressional process. But if you looked at it, Iran has lost control of most of Syria. Yes, it's supporting Assad, but in the end it required Russian intervention to stabilize this situation. And steadily its forces have lost more and more territory in Syria. In Iraq, the government that they backed went from controlling the country, nominally all of the country to actually losing control of large parts of it.

And then even if you looked at Lebanon, the combination of refugee crisis which has changed the demographics of Lebanon, it actually has put Hezbollah in a very complicated situation of being engaged in a very unpopular war in Syria where there has been quite a lot of bleeding in Hezbollah

ranks, high and low. And it actually has put Hezbollah in a war that doesn't have to do with its core mission within Lebanon itself. Yemen, yes, you know, it's a very low cost way of egging on the Saudis, but Iranians really have not been able to show the extreme Yemen, aide and ties have fallen.

And also at the larger level, the sectarian issue has now sort of come completely undone to Iran's disadvantage. So if you are sitting in Tehran, and you're looking at this map, you wouldn't see the glass half full. You see an extremely effective army on the ground in the form of ISIS, which has actually conquered territory and is threatening two capitals that Iran has been supporting, Damascus and Baghdad. That its views about anti-Iranianism and anti-Shi'ism has a certain popularity in the region, even among moderate populations. So, and has basically is not out of alignment with the general foreign policy of America's Arab allies. In other words, they don't agree with ISIS on many things, but generally the anti-Iranian, anti-Shiite drive, the fact that Iran is a problem in the region and the Shiites are a problem is something that basically Sunni, public Sunni rulers and ISIS essentially all basically subscribe to.

So you look at this picture in Iran, it doesn't give Iran many points of entry into the region. I would say actually that, that the shift in the region has been one of the incentives why Iran thought the deal is a good idea, because of pacifying the United States or using the deal to at least try to separate the United States from its Sunni / Arab allies is in Iran's strategic advantage. I think among the Revolutionary Guards, those Revolutionary Guards in my opinion, who are in charge of internal security in Iran are opposed to the deal for no bigger reason than they don't want to repeat of the Green Movement of 2009. But those Revolutionary Guard commanders that are dying in Iraq or fighting in Iraq are not the ones who are fighting against the deal. I'm not saying they're enthusiastic about America, but that wasn't their priority. The priority is a battle to the knife, to basically protect the remnants of Iran's vestiges in Syria and Iraq and in that sense keeping United States pacified or having U.S. air support, or this sort of tacit collaboration we do with them was to their advantage.

I think one of the interesting things about the Russian intervention is that you could think that the Russian intervention is essentially helping Iran and Syria by basically lifting a lot of the burden of protecting asset from Iran's shoulders. So then we can think about what kind of signals that might give Iran. But I actually don't think that Iran is on the offensive. I think actually this is a period of great deal of

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danger and risk for them regionally with very few cards to play in the Arab world. And I think the rhetoric of saying Iran is behind all the mischief and is actually its hegemony is unchecked is sort of one of those, I think shibboleths that we're very good at repeating and repeating until it becomes sort of self evident truth to us. But I don't think the facts actually support it. And the perception in Tehran of what's happening and the mood of the Iranian public about how these wars are going doesn't support that kind of triumphalism.

MR. SOLANA: I think we have to recognize, I agree with your analysis. But we have to recognize two things. One, that Saudi Arabia is going through a very important political crisis which is very difficult to find an interlocutor which is real interlocutor. And that, I don't know, you can say that it's, well it's bad for everybody. But the Iranians, well, they say, we tried to talk and there's no answer. I mean Iran has a position now much more open to say well I'm going to talk and the other side is not ready to talk. That's one thing.

The second thing you have mentioned, which I did mention before, recently the role of Russia. And it's very important, we tend to think that Russia is there, is there basically to save Assad and to save their military capabilities in the region, but I think it's being there for more than that. And one thing that is important, is that Russia cannot not be perceived by the Sunni community in the world, which is very large, much larger than the community in the Middle East, as an enemy of the Sunnis and a part of the, again support of the Shiites complete. That cannot be afforded by Russia.

So, if we are intelligent, we should be able to get Russia as an intermediary between the Sunnis and the Shiite, and going back to the B5 plus one, which was the team, the structure, the function in the dealing with the nuclear issue, I tend to think that that format has to be maintained for something else. Having the Russians there, and maybe having the Chinese, because the Chinese are not players, but they will be players, they will be the ones that need the stability in the region for gas and oil, therefore in the end, they may be needed. So it's not a bad format to take some of the issue of the Middle East now and everybody is there. The Europeans are there, the Russians are there, the Americans are there.

And the second idea would be to construct, as we did when we had Afghanistan, construct another round of countries, they could be Saudi Arabia, Iran, Turkey, fundamental, Egypt

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doesn't want to enter, but it may enter, and with that type of structure, we could be able to do something in not an infinite length of time because this has to be resolved, we have a war that five years already, or about five years, with millions of people displaced, et cetera et cetera, creating problems all over the world, really. Having consequences in Europe and the internal politics of Europe, so that has to be, we have to put the same energy to stop the war that we had to stop other things like to do the negotiations. And I don't think we are putting the same energy to stop the war, to find a negotiation there that we did for other things. And this is a job that's really for the international community, (inaudible).

MS. MALONEY: Let me take this opportunity to go to the floor. If I can take perhaps two questions at a time. Here and over there. Blue suit, across the hall.

MR. LOVELESS: (inaudible) Loveless, from Johns Hopkins SAIS. I have two quick questions. The first one is with regards to the EU's role in the agreement. How does the role that the EU played exemplify transformation of the EU in the global arena to the actor that we want it to be and the actor that it should be. And then secondly, to what extent does Barack Obama's opening to Tehran equivalent to Richard Nixon's opening to China. Thank you.

MS. MALONEY: Let's get another question and then we'll come back.

MALE: Thank you for you a very good presentation. I'm Elliot Horowitz. I'm a retired economist and World Bank contractor and state department official. I would like anyone on the panel to comment on the attitude of the Iranian government on the tremendous drop in hydrocarbon prices since the revolution 46 years ago and what effect that has since I presume, it occupies a high proportion of their revenues, what effect that has on their policy.

MS. MALONEY: Why don't I take that one quickly and then turn to our panelists to address the role of the EU and the comparison with China. And we'll try to get at least one more round in before we have to close. You know, the Iranians have experienced tremendous volatility in the oil revenues over the course of the 36 years since the revolution. This is something that's been a tremendous strain for the state and I think that there was some genuine appreciation for the role of sanctions and forcing the economy to begin to plan for a post hydrocarbons era.

That said, that is a long way off for Tehran and as several of my co-panelists suggested if

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we continue to see low oil prices as well as low fuel prices internationally, Iran's possibilities for really rebounding quickly are going to be somewhat constrained. It opportunities for recapturing any possibility for exporting its gas as opposed to using it internally are going to be highly constrained. These are all challenges that the leadership says it welcomes, and I think Rouhani has put in place a team of really experienced and savvy economists who are planning around a diversification of the economy. But obviously, the rents that the state receives as a result of its oil exports and the possibility of sort of monetizing its gas through massive exports that have been planned but never actually actualized since the revolution is going to be a frustration for the system and it's going to be part of the bumpy road as Vali suggested in terms of the implementation of the deal. Would you like to tackle the EU?

MR. SOLANA: On the European Union, when we had charted before, alone the Europeans, Europe was very much engaged economically with Iran and we were suffering from the view of how they had begun to get into the nuclear program. We had started to do the negotiation with the nuclear program back when it was basically beginning. They didn't have any centrifuge at that time. The first time we met with them, they didn't have, the only thing they have (inaudible) which is the first preparation for uranium to get into the centrifuge but the centrifuge didn't exist at that time.

The Americans at that time didn't want to participate in the negotiations. So we arrived to an agreement which was very good because at that time what they have to give is very little, because they didn't have practically, as I said, at the end of our period of negotiations, they was three years or something like that. They didn't have the centrifuge. So the time that we have wasted is a time in which they were able to produce from zero, from one or two or three to thousands. And why was that. That was because we paralyzed the negotiations for a long time, and then we started again. And it was very difficult to get the Americans engaged. The Americans never sit at the table. The Americans at the time of Condoleezza Rice and President Bush, they were outside and I was negotiating on behalf of everybody. But it took until the year 2000 something, I don't remember the exact date, in which a letter, a letter was signed by an American official. It was Condoleezza Rice. And I remember when the minister of foreign affairs from Tehran read the letter, he couldn't believe that the end was Condoleezza Rice, was really a great surprise for him, because they didn't expect that level of proximate. But that level of

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proximity, they didn't move very much and we continued as Europeans pushing and pushing and pushing and really until the elections, until Rouhani arrived, really, it was not a possibility to start negotiate. And the message that Rouhani gave me when I was with him was very clear. He wanted to negotiate and was ready to negotiate. And the new administration here send a fundamental person there, was Bill Burns which was very, very important in the first steps of the negotiation. I was at the last meeting that I did before I left my job, I was with Bill Burns on that. So it was very good.

But if we had done all this more together from the very beginning, I think, I hope that we could have done it much better. I hope all that time, and I suffer today because we didn't do it. Because remember had started to insist again, we had started to negotiate with them when the program was, as least the public program was very, very, very small. Well, that is life.

MS. MALONEY: Vali.

MR. NASR: Well, no two negotiations or openings are the same. I mean when the United States approached China, there was not a particular issue like a nuclear deal that had to be solved. It was sort of a general opening with China. And in fact, if you look at it, we agreed on very little with the Chinese afterwards. We couldn't even persuade them to stop arming North Vietnam after the Nixon visit. And then, you know, there was no real traction for seven to eight years until the Carter administration came to power.

So if you looked at the nuclear deal, it's obviously a much more concrete agreement about something very specific. But we cannot ignore the fact that it has changed fundamental contextual issues for both countries, but particularly for Iran, about the region, about its conception of its foreign relations, about perception of the revolution. And these things will take time to work themselves into the Iranian system. I think there's no way that, you know, the Iranian politics or its regional role, the relations with the U.S. will be oblivious to the significance of signing a deal first time since the revolution between the United States and Iran.

The symbolism, say for the Iranian public of their foreign minister spending quality time with American secretary of state over several months of, you know, even the image in Vienna and Geneva of standing on a podium with all these global foreign ministers and committing to a deal. But you

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know, how that will play out remains to be seen. So, and the big difference is that when we open to China, we really did call it an opening, a leap of faith and hope for something better. Here, we're trying to contain the language in both publics so that this is something much more limited. It is not an opening. There's nothing more than a very narrow arms control deal.

MS. MALONEY: We have time for one or two more quick questions.

MR. CHAPMAN: Thank you. Irv Chapman, I work for Bloomberg. Dr. Maloney, you ended your presentation on a note of optimism. There is in this agreement with Iran the hope, stated or unstated that 10 or 15 years from now, Iran will be a much more prosperous and internationally manageable country on the international scene. There's also the fear that they will in that time be ready to send those missiles we heard about in the direction of Israel. Do you share that hope? Is that what your optimism is relating to the future of Iran's prosperity and international role?

MS. MALONEY: And I'll tap one third question before we come back to the panel.

SPEAKER: My name is (inaudible) visiting fellow here at Brookings from the U. My question is mostly to you Suzanne, but if the other ones want to comment about the Revolutionary Guard and the importance of them. Javier, you mentioned that they are very important in the Iranian context, but do they have the potential to play the role of spoiler in terms of implementation of the nuclear agreement and to what extent do economic interests of the Revolutionary Guard play into this?

MS. MALONEY: Right up front. Let me get one last question.

SPEAKER: Thank you for letting me have the last question. My name is Satina, also from the U, the University of Utah. I've asked the question of a lot of people and I've gotten very messy answers on it. And that is do you think the United States and Iran have any sorts of, whether it's public or private, have room to bond over going after ISIS. They're both have a share of common enemy. Michael Oren gave me a very staunch response and said that in no way is Iran and the U.S. ever going to cooperate over such measures. But if the regime becomes more and more vulnerable to ISIS do you think that they would reach out to the West in any manner to get assistance?

MR. SOLANA: Well, I can go first to that one, (inaudible) second one. When the Revolutionary Guard, it's a fundamental part of the structure of power, the structure of, what I said in my

first intervention is that it is becoming more public, their weight. Their face, one of the generals of the most important component of the National Guard now is public. And it was something that didn't happen before. And so they don't, they are to be physically present in (inaudible) showing that they are part of the one side there. But at the same time, the Revolutionary Guard as such is a very important economic power in the country, linked to many of the sectors. Gas, but other source. And therefore, it is very difficult to tell from today what is the role that the Revolutionary Guard is going to play. Could they be a spoiler, potentially yes, potentially yes. But could they be a constructive force, potentially yes. So let's see what happens at the end. That they have that capability no doubt and you have to count with that. That is one of the problems which are again, group of people, powerful, militarily sophisticated, technologically sophisticated, economically rich, they are not part of the formal system, but they are really a fundamental part of the big system, let's put it that way.

MR. NASR: I would say they are already collaborating. Neither side wants to acknowledge it but there are many operations Syria, they're underground. You had Revolutionary Guard commanders and Shiite militias receiving American air support. They didn't talk to each other directly. They would talk to each other via the Iraqi military. And obviously it's politically sensitive in either country to acknowledge that collaboration. I think one of the questions was about the Iranian threat to Israel. That's one important concern and interest of the United States in the region. But ISIS is a very big important issue in this region. And we often sort of act as if it's not part of this conversation. Here is a force, it's not only a terrorist force, it's actually eviscerating two large Arab counties, it's creating a whole new entity. And if you read the New York Times today, ISIS is also appearing in Afghanistan. So which power in Afghanistan would the United States after it has made a decision to keep its troops, which may very likely end up being increased rather than just retained, which power do you think the United States would turn to collaborating in fighting ISIS and Taliban? It's not going to be Pakistan. It's going to end up being Iran.

It's not just that Iran will come to the West for help that it needs with ISIS, I think it's also the United States and Europe that would look and see which force on the ground is actually fighting ISIS, right. In reality, who is doing the ground level fighting. If you're going to be, if you don't want to put your

own troops on the ground, who is doing the fighting. That common interest is there. The question is not whether the common interest is there. The question is whether the common interest will actually act upon Iranian policy in a way that would bring it, you know, more openly into acknowledging collaboration and then would force it to change.

So, you know, with China, we always said that the reason China agreed to approach the United States was because of the Soviet Union and the fear of the Soviet Union. So the question is, is ISIS important enough to Iran that it would play the same kind of a role in the mind of Iranian leaders and is it important enough to us to also think that we should engage Iran as much as we have problems with it, because there is a larger menace outside. And the logic of why Kissinger and Nixon went to China was because of the Soviet Union. China was not a good player at that point in time. It had just come out of the cultural revolution, killing millions of people. You had the blood of 50,000 Americans in Vietnam on its hands. It was menacing in Southeast Asia, so why exactly did the American statesmen think it was a good idea to go and try to open up to such a country and take that risk.

So, yes, I think ISIS is a very important factor here. It's one that we don't debate, but it may very well become much more dominant in the next year, and then we're going to have a very different conversation than the one we're having.

MS. MALONEY: Let me just wrap up by touching very briefly on the question about am I optimistic, and I think absolutely. No one who studies the history of Iran, no one who has had the opportunity to spend time in Iran or with the Iranian people and even elements of the Iranian leadership can come away from that experience without a fundamental degree of optimism, about the potential for this country. And this is a new moment. Iran has experienced moments of optimism in the past and I think we can't assume any kind of inevitability about either moderation or a different relationship between Tehran and the world.

In particular, we know that economic prosperity and economic reform aren't necessarily correlated with liberalization or modernization of Iranian policies. But I think you have to look at the context as both Vali and Javier have said, the regional context, the domestic context, the context of the aftermath of this deal and think that this, there's a real possibility here to be explored.

With that, let me thank you all for staying past and let us thank our panelists for coming and sharing their wisdom. (Applause)

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