

American Enterprise Institute

January 30, 2009

[Edited transcript from audio tapes]

8:45 a.m. Registration

9:00

Panel I: The Hostage Crisis, Thirty Years Later

Panelists: John Limbert, U.S. Naval Academy
Michael J. Metrisko, U.S. Army Peacekeeping and Stability Operations Institute
Mohsen Sazegara, Contemporary Iran Research Institute

Moderator: [Michael Rubin](#), AEI

10:00

Panel II: Where Is the Revolution Going?

Panelists: [Ali Alfoneh](#), AEI
Arash Sigarchi, Panjereh Eltehab
Alex Vatanka, Jane's Information Group

Moderator: Michael Rubin, AEI

11:20

Panel III: Tomans and Sense: Iran's Economy

Panelists: Patrick Clawson, Washington Institute for Near East Policy
Michael Makovsky, Bipartisan Policy Center

Moderator: Ali Alfoneh, AEI

12:15 p.m. Luncheon

12:45 *Keynote Address:* Jeffrey Gedmin, Radio Free Europe/Radio Liberty

1:15

Panel IV: The Future of U.S.-Iranian Relations

Panelists: Jon Alterman, CSIS
John Limbert, U.S. Naval Academy
Michael Rubin, AEI

Moderator: [Gary J. Schmitt](#), AEI

2:10

Panel V: What Is the Future of Iran's Military?

Panelists: Ali Alfoneh, AEI
Michael Connell, Center for Naval Analysis
Kenneth Katzman, Congressional Research Service

Moderator: [Danielle Pletka](#), AEI

3:15 Adjournment

Proceedings:

Panel I: The Hostage Crisis, Thirty Years Later

Michael Rubin: Hello. I would like to welcome everyone here. Before we get started and before I give an introduction to the conference, I do ask that everyone turn off their cell phones or put them on vibrate. As any of you have ever heard me moderate a conference know, I will not hesitate to out and embarrass whoever's cell phone actually goes off during the presentations.

I'm going to introduce our three panelists. There are three panelists besides me. One of them had the misfortune of Washington when it even has a quarter inch of snow is that traffic becomes immense and John Limbert will be here shortly but is currently stuck in traffic - he has called in.

What I would like to do, though, is start by introducing the conference. Tomorrow, February 1st, marks the 30th anniversary of Ayatollah Khomeini's return to Iran and really to the heart of Islamic Revolution that had been ongoing depending on how one wants to time it and start it. Wherever one is on the domestic political debates and on the domestic foreign policy debates in either Iran or the United States, without doubt, the Islamic Revolution in Iran is one of the key events not only in U.S.-Iran relations but also, frankly, in the 20th century.

And all too often, especially right after our presidential election inside Washington or with the forthcoming presidential election in the Islamic Republic of Iran, much of the debate tends to be, if you will, about the trees rather than the forest; about whatever the latest foreign policy or domestic political crisis is. But what we have decided to do was to look at this important milestone - this 30th anniversary - and try to look at U.S.-Iranian relations in various aspects of Iranian politics in broader context.

And so with that, what we are going to have is a number of different panels. The first panel will look at the Iranian hostage crisis 30 years later. We are going to look at domestic Iranian politics in where the revolution is going. The revolution is most certainly not first in time and that is also a consensus opinion wherever one is on the political spectrum. Either in Iran or in the United States, everyone agrees that the Islamic Revolution and Iranian politics are, to say the least, quite dynamic.

We are going to look at the Iranian economy in our panels, to name a few. It is perhaps the greatest unreported story in the Western media about what is going on in Iran and frankly, the Iranian economic debate is becoming the primary debate inside Iran today. Oftentimes, we will hear discussion, for example, of Iran's foreign policy, Iran's nuclear energy, whatever the latest outrage is either from the Iranian perspective or the American perspective. But when it comes to ordinary Iranians, for anyone that has ever been to Iran, they know that Iranians often complain about the economy and how certain decisions whether it is international sanctions, whether it is the decline of oil prices, or whether it is economic policy inside Iran - how that is affecting their lives and also Iranian politics and, frankly, also foreign relations.

Jeffrey Gedmin, the president of Radio Free Europe/Radio Liberty, is going to give the keynote address at lunch looking at U.S. public diplomacy, speaking to the Iranians and issues surrounding that - it will be a key issue. It was an important debate during the Bush administration. It will be an even more important debate during the Obama administration. Indeed, it is one of the first debates we see being played out in the Obama administration.

With regard to the panel after lunch, The Future of U.S.-Iran Relations, of course, with all the material and the press right now about Obama's letter to Ahmadinejad on various issues regarding sanctions and nuclear policy. This is also a key issue, and I'm glad to have such a broad array of speakers who will be able to address that.

And then the last panel is the Future of Iran's Military. All too often, we are looking at Iran's military vis-à-vis confrontation or potential confrontation with outside powers, not the least of which is the United States. But there is also a lot of internal dynamics relating to Iran's military, relating to the development of the Islamic Revolutionary Guard Corps and so forth. What I would like to do is take that time to look at some of the internal developments which we might not necessarily hear.

The goal of our panel is to get a very broad array of views. The U.S. presidential election is over. We are not interested in sound bites so much but what we try to do is invite the most serious analysts out there, and I'm glad to have so many of them on our first panel. I would like to introduce, from my left going right to the hidden John Limbert as well, our first panel which is going to be looking at the embassy crisis 30 years later.

Mohsen Sazegara is the head of the Contemporary Iran Research Institute. Anyone who has looked at his biography will see he has quite a lot of varied experience and quite an interesting perspective. In 1979, he was a member of the Iran Liberation Movement. He joined with Khomeini to help found the Islamic Revolutionary Guard Corps and he also became the managing director of the post-revolutionary National Radio of Iran.

Mr. Sazegara has had so many different positions in Iran. He was political deputy in the prime minister's office and chairman of the Industrial Development and Renovation Organization of Iran. In 1989, he left the Revolutionary government and became publisher of several different reformist newspapers. In 2001, he sought to run for presidency in Iran but had his candidacy rejected by the Guardian Council. He was subsequently imprisoned for a few years. He currently analyzes political and social affairs in Iran. And again, I would emphasize that the work done by the Contemporary Iran Research Institute is among the most groundbreaking and provocative analysis out there. It is certainly worth the audience's paying attention to.

Now within the field of Iranian study, sometimes I can be a little bit controversial; I had not introduced myself. My name is Michael Rubin. I'm a resident scholar here at the American Enterprise Institute. But very few people realize the very cast of characters from all sides of the political spectrum which were key to getting me involved in Iranian studies in the first place when I was a young and impressionable college student. One of the guilty parties is Michael Metrisko who I'm glad to have on the panel today. I met Michael Metrisko when he was a Foreign Service officer stationed in Tel Aviv and I was a lowly embassy intern.

At any rate, today, Michael Metrisko is a ministry reform adviser at the U.S. Army Peacekeeping and Stability Operations Institute at the U.S. Army War College in Carlisle, Pennsylvania. He is a retired Foreign Service officer and has perhaps one of the most experienced backgrounds and is one of the most respected former U.S. officials with regard to Iran. He is best known, of course, as being one of the -- he had the misfortune to be stationed at the U.S. Embassy in Tehran at the wrong time and had an extension of duty, if you will, for 444 days when the Embassy was seized in Tehran - the "nest of spies" (laneye jasousi).

His assignments in Washington have included two years as the deputy director of the Iran-Iraq desk and he was also the office director for the Bureau of Population, Refugees, and Migration. He has returned to active government service and has been involved with the Provincial Reconstruction Teams inside Afghanistan and has also been at the U.S. Embassy in Kabul. His latest posting was as an adviser on parliamentary affairs at the U.S. Embassy in Kabul. I also do want to flag his latest publication from the U.S. Army War College on how to be a military adviser in the Islamic world. It is one of the best books out there

on the subject and it also makes for quite entertaining reading. It is not like reading the typical U.S. government manual or textbook.

With that, I also do want to introduce John Limbert who is stuck in traffic but will be here shortly. John Limbert - many of you know from the U.S. Institute of Peace. He is also a distinguished professor of international affairs at the U.S. Naval Academy, where he has served since his 2006 retirement from the Foreign Service. He was U.S. ambassador to Mauritania but he was also a hostage and held in solitary confinement for quite a long time in Tehran in 1979. He has written several books on Iran, and his recent U.S. Institute of Peace book was looking at how the United States can engage with Iran diplomatically. He will be here shortly and he will just join our panel on the side. He will be the last speaker.

What I would like to do is start the panel with Michael Metrisko. I tend to be a strict moderator. I have given each of our speakers about 10 minutes and then I do want the most of the panel to be questions and answers so that we can have plenty of discussion from the audience and discussion among the panelists themselves. With that, I would like to turn the floor over to Michael Metrisko.

Michael J. Metrisko: Thank you, Michael.

I'm going to preface my remarks by saying that this year is approximately the 100th year of my family's involvement with Iran. My grandfather's brother was an oil engineer who helped build the refinery in Abadan. During World War II - that was way back in the early part of the 1900s - one of my uncles served all of his Army time in World War II in Iran. He was an escort doing security for the [indiscernible] line going up to the Soviet Union and wandered all around that part of the country with a squadron of Iranian soldiers as an American Army sergeant. During World War II - on my father's side of the family - a couple of my cousins who had been imprisoned in the Gulag were set free with the Free Polish Army, came down, settled in Iran for a while then made their way down to Baghdad, Jerusalem, Egypt and eventually to Monte Cassino. So the family history in Iran goes back a very long time.

My own history goes back to 1969 when I visited there as a tourist, when I was serving in the Peace Corps in Turkey, and I ended up spending seven years of my life in Iran. I have continued my relationship with Iran - its literature, its art, its politics and its people - ever since then.

The embassy event - the hostage taking of 30 years ago - is 30 years old. And in history, in diplomacy, in relationships between countries, 30 years is a very, very long time. When I came back from Tehran in January of 1981, I was interviewed by the Wall Street Journal, and they ran one of my quotes saying, "Okay, it is over. The time for bitterness has passed." I do not believe there is a place for emotion in politics; I do not believe there is a place for emotion or demonization in relations between countries.

To remember what happened in Iran - the hostage crisis - you would have to be approximately 40 years old or older today. The number of people in the Iranian population who are over the age of 40 is a fairly small number at this point. Most of the country is young; the vast majority is certainly under the age of 40. This means that in the Iranian Army, in the Iranian Police, in the Iranian student body, just about nobody is around who was even there for the event.

I deal with young Iranians all the time. I know a lot of Iranian students who come to the United States. I see visitors all the time. They have no clue what the hostage crisis was. And when they talk about going to the old American embassy, they would laugh about being picked up by a bus from their schools, having a good time, having to go up and walk on flags or burn flags in front of the old embassy then going back to school but basically, it is an outing for them - it has no emotional or political content whatsoever. They do it because they are told, "Okay, it is your school's turn to go up there and do it today," fine.

Have Iranians learned anything from that event?

Well, that is a very good question. I would like to think yes, and this has an implication for what all of our politicians are saying now about restoration of relations with dealing with Iran. Unfortunately, the Iranians have used the event to demonize the United States. They have continued to scratch away at it as though it is some sort of sore that has to be constantly bloodied again, and their own concept of dealing with foreign embassies and foreign relations is in many ways a very childish one. I say that despite the fact that Iranian

politicians can be expert negotiators. They can be absolutely great political philosophers and yet, they still rely on violence against foreign embassies as a way of proving points.

We know about the British Embassy very recently. The Canadians, for example, their diplomats are not able to re-staff their own embassy because they are not allowed to get visas; the Iranians will not give them new visas to go there to staff the embassy. I'm not sure about other countries but I suspect that there are a number of countries who have embassies in Iran - in Tehran - who really do not have very good relations because the Iranians still do not provide security or an environment of trust, confidence and security for diplomats to work normally.

Having said that, I fully believe that we have to have a relationship with Iran, I think that we should put the hostage crisis and all the other events from old history back into the history books, learn from them and go forward. But given the security environment, I think it is going to be a very difficult task. Having said that, I will be very happy to answer questions. Probably everyone here has read endless articles and books and statements about what happened 30 years ago. If you really feel a desire to ask a question about it, I'll be happy to answer. And anything else about Iran, I'll be happy to answer.

I spent many, many years after I left Iran and the Middle East dealing with Iranians. I served four years in Israel and know that there is a huge, very vibrant, very active Iranian immigrant community living in Israel. At one point, I thought I knew everyone of them. There is, of course, a very, very close relationship through the people with Afghanistan, and I spent my last four years in Afghanistan speaking Farsi that would only have been in found the history books in Iran.

But anyway, I'll be happy to answer questions and turn it over to my colleagues now.

Michael Rubin: And with that, what I would like to do is turn the floor over to Dr. Sazegara to speak from his perspective about how the Iranian hostage crisis fits in 30 years after the Islamic Revolution.

Mohsen Sazegara: Thank you, Michael. Thank you.

While you were introducing me, you took me to 30 years ago and I forgot that today is the day that we were very busy in Neauphle-le-Chateau because at the last moment, Air France told us that we have to reduce our passengers to only 150 passengers in that plane and most of them were journalists, so we had to persuade the journalists, "Okay, you have to get off. You cannot come with us." And I jumped on that airplane at the last moment, 12:00 midnight, and returned home.

What I can say about the hostage crisis in Iran, first of all, I think in those days, people of Iran were really angry against the United States. Why? Because they were against Shah. A revolution happened in Iran against Shah and they felt that U.S. supported Shah for more than 25 years. And I remember that while I was a student activist in the United States, whenever we came to Washington, D.C. - to this city - from Chicago - I was studying in those days - we shouted, "Shah is a U.S. puppet. Down with the Shah." That was in every demonstration - the slogan that we repeated.

What happened in hostage taking? On those days, I was a member of Liberation Movement of Iran - that was the political party of Mehdi Bazargan, the prime minister. So Bazargan was one of the victims of that hostage taking. So I did not agree with hostage takers but I knew many of them. I talked on those days with some of them - some of the leaders like Asgharzadeh, like Reza Shah Pahlavi and asked them, "Why did you that?" All of them are Amirkabir University students - engineering school. They said, "We wanted to protest the United States because of supporting of the Shah," and if you remember, Shah came to the United States on those days for his medical treatments. Of course, they wanted to compete with the radical Marxist groups like Fedayeen which three months before that, they attacked the U.S. embassy as well, but they were kicked out of the embassy. They said, "We thought when we went mountain climbing one day, we discussed about going and attacking the U.S. embassy and entering the embassy. We thought that we can keep the embassy for two hours - at most 24 hours, not more - as an action to show our protest."

But what happened then, that was Ayatollah Musavi Khomeini who was close to Ahmad, son of Ayatollah Khomeini, and very close to Ayatollah Khomeini, when the students took that embassy, they were in connection with Khomeini before the hostage taking. And he told them that, "You do not need any

permission from Ayatollah Khomeini because if you ask him, for sure, he will disagree. Go and do that and then ask Ayatollah Khomeini for a message.”

That was very common on those days to ask from Ayatollah Khomeini for messages - something which nobody expected that. Even the students, when they took the hostages and Musavi Khomeini went to Ayatollah Khomeini to ask for a message, everybody expected that he will tell them, “Okay, I understand your protest. You are angry against the U.S. but my sons, go out of the embassy. Their country has, you know, government and we have to respect the international rules.” But astonishingly, Ayatollah Khomeini supported the students and said, “You made a revolution greater than the first revolution. This is the second revolution.” And of course, those students were very happy - 20-year-old students - they thought, “Okay, all right.” They are now at the focus of all the press of the world, and they are supported by the leader of the country and the revolution. And that hostage crisis happened.

If I want to judge about that, I cannot say that -- many people have said that the coup d'état against the national government of Dr. Mosaddeq in 1953 is the biggest mistake of the United States diplomacy with respect to Iran, which I agree. And I can say that hostage taking, which was supported by Ayatollah Khomeini, is the biggest mistake of Iran diplomacy, not with respect to the United States, but absolutely in the history of diplomacy of Iran. So as Michael said, it goes back to 30 years ago.

Unfortunately, this new government - the government of Mr. Ahmadinejad which is supported by Ayatollah Khomeini - is going to repeat the tragedy of revolution in a comedy version. And they would go back to the same slogans but this time, they do not have the support of the majority of the people. This is quite a different situation.

Michael pointed to the young generation of Iran - more than 50 percent of Iranians are under 30 years old. Absolute majority of the country are under 40 years old. Our generation who made the revolution and who voted to constitution of the country only eight million of us are alive. Iran has 73 million population right now. And this generation and contrary to my generation which we were anti-U.S., revolutionary, anti-imperialism as we called ourselves on those days, this new generation astonishingly is really pro-West and pro-U.S. especially. That is wonderful.

I remember my experience in several universities of Iran. I have had these speeches in more than 50 universities of Iran. When you discuss with this young generation, they hope to the United States too much, which I disagree with them. But I have problem to persuade them that this is not true - you cannot rely on any foreign country. They have their own benefits. But wrong or right, they think that there is hope outside Iran, especially in the United States.

For this reason, I can say - this is my main point - I think that changing the regime of Iran is the business of the people of Iran, and no country in the world, no government in the world must think about changing the regime of Iran - it is only the business of the people of Iran. But changing the behavior of this regime, especially with respect to the people of Iran, is something that people of Iran need help of the international community, especially the United States. This is something that has happened already in several cases - for instance, in South Africa. The international community has helped the people of South Africa to get rid of the apartheid regime.

So for this reason, I think that like any other politician, I think that everything must be solved in negotiations. So there is no problem, U.S. can go and talk to the people, to the present government, have negotiations and try to solve any problem, but there is one condition. I think that if whatever U.S. has done - for instance with respect to Muammar Qaddafi in Libya - in any negotiations with the regime of Iran, if U.S. do not support the people of Iran -- everybody talks about change of behavior of regime of Iran. When you talk to diplomats in the United States, many of them say that yes -- when I ask them what is the meaning of change of behavior of regime, they say terrorism, supporting the peace process in Middle East and helping the nuclear enrichment of uranium.

But I think that if they forget about at least three other items which relates to the change of behavior of regime to the people of Iran - freedom of speech. More than 450 newspapers and journals have been closed and banned by this regime, including -- I have published three newspapers and all of them were shutdown by the regime and the journalists are in jail. So freedom of speech, freedom of political parties and freedom of election - they are three main issues, keys to support the people of Iran. So I think in any

negotiations with this regime for changing of behavior should be added to those three subjects in international behavior of that regime, these three subjects of behavior of this regime with the respect to the people of Iran.

Otherwise, I guess that very simply, regime will say to the people of Iran, "U.S. sold you to the oil, deceived you, betrayed you. There is no hope over there." I'm afraid that, again, this young generation which hopes to the United States too much get angry like my generation. So this is the only thing that I can say that the best lesson to learn from that hostage taking which of course was a mistake.

Thank you.

Michael Rubin: Thank you very much. I do want to just point out in terms of the presentations, which we have just heard and the discussion of what exactly 30 years means, I still remember it is one of my first real memories of international affairs when I was in first grade and the hostage crisis occurred, and now I have been out of graduate school for almost 10 years. But with that, let me turn the floor over to John Limbert.

John Limbert: Thank you, Michael. You know how to hurt a guy, Michael. That is all right. It is nothing like my students at the Naval Academy who were born in 1989 - that definitely hurts.

First of all, thanks to my colleagues. I apologize for my late arrival. When Michael asked me about this, I was a little surprised because my personal record of prediction and analysis in Iran is terrible. Just about every way you can imagine, I have gotten things wrong.

For example, I arrived at the embassy in Tehran - as Michael remembers - on the 19th of August, 1979. Now that was lousy timing because, of course, 12 weeks later, the roof fell in on us and as people say, the building on Taleghani Street went condo [sounds like] for 14 months.

I have often said to people that 12 weeks toward the late summer or fall of 1979 was probably the best Foreign Service assignment I ever had. The next 14 months were probably the worst. But continuing on that line, I'll open with the Foreign Service officers' typical copout which is "tell me what happened and I'll tell you why" and that is what we do very well, so we are talking about what happened back in '78, '79 and why.

In July of 1979, the State Department queried our chargé in Tehran - Ambassador Bruce Laingen - about possibly admitting the Shah, what was asked - his views. And Ambassador Laingen went back to -- these messages have now all been published and you can read them. He said, "If you admit the Shah to the U.S., three things will happen: You can kiss goodbye to the provisional government of Iran, to Dr. Bazargan's government - it will fall; you can kiss goodbye to any chance of restoring a normal U.S.-Iranian relationship; and three, you can kiss goodbye to the future of a U.S. mission in Tehran."

Now the first two, I think we cared about, but the third, we really cared about. I think Michael and I cared probably more about that one than the others. Now it is hard to be any clearer than that. That was a very clear, very specific message. The problem was of course - the question then - is what happened? Why did they do it anyway?

And I would have to say looking at the history, reading the documents, that our government's record on Iran was never terribly good. I mean the kinds of decisions that were made, you ask yourself why was this decision made, why was that decision made? And perhaps the root of the problem goes back to a kind of "Star Trek" style prime directive at the base of our policy and the prime directive was keep the Soviets out, keep them out of the government, keep their influence down, keep them out physically, keep them out militarily. And that led us in those previous years to use any means to further that base policy end [sounds like], for better or for worse. And in some cases, it led us to, for example, helping to topple Dr. Mosaddeq, to kissing up to the Shah, and perhaps ignoring Iranian's own national pride and history. I refer particularly to the insistence, to jamming this SOFA agreement - the Status of Forces Agreement - down the throat of the Shah in the early '60s. It was that same prime directive I think that kept Michael and me as sacrificial lambs in Tehran in October of 1979 once the decision was made.

Now, others can talk about the revolution and what happened during the uprisings, why the events went the way they did but once the revolution occurred after February of '79, there was another collective failure of

judgment, and I include myself in that - I was very much part of this failure of judgment. It was a failure to recognize a harsh reality, a reality that was unpleasant that we did not want to recognize what was the new balance of forces in Tehran after February of '79. And the reality was this: we did not want to accept that the nationalist heirs of Mosaddeq who, after February, held very impressive titles.

After the revolution, they were provisional governors, they were ministers, there was the prime minister, the foreign minister, heads of universities, heads of important institutions. By the late summer of '79, these people were powerless and they were irrelevant. And real power lay elsewhere, and it lay in the hands of religious ideologues who had no interest in maintaining orderly relations with the U.S. They had another goal, and that goal was to crush their Iranian rivals - the people who had helped them make the revolution and now, they were going to push aside.

So this was the confused setting in Tehran in October of '79 when the U.S. government -- and President Carter first learned - five years after the Shah had first been diagnosed with cancer - that he was sick in Mexico and needed to come to the U.S. for treatment. He had first been diagnosed in April of 1974. You can read this. There is a very interesting account of this particularly in the William Shawcross' book, *The Shah's Last Ride*.

When President Carter found himself alone against all of his advisers who were insisting that the Shah - who had been our ally for so long - should be admitted, what apparently pushed him over the edge was Cyrus Vance moving from previous opposition to support of admitting the Shah. And what Vance said was, "I have always been opposed to this but we now need to do it and if we do it, we must tell the Iranian authorities that we are admitting the Shah purely for humanitarian purposes." So there you have it.

We not only handed the extremists the ideologues, the weapon that they used to destroy their rivals by admitting the Shah but we also showed an appalling ignorance of history and a complete lack of empathy. Because what was lacking in that room when that decision was made was for somebody to say, "Sir, with all due respect, given the way most Iranians see the last 25 years of our relationship, no one in his right mind is going to believe us when we say only humanitarian issues."

Things like this do not happen very often in real life but about four months ago, I was at a conference in New York and I had the chance to ask that very question of Ibrahim Yazdi, who was the foreign minister, and I said, "When you were told this was being done for humanitarian reasons, did you believe it?" And his answer was, "Not for a minute." And no one we could talk to in the government was in any position to protect our mission in Tehran. As far as I know, no one advised the President in that way. No one ever made that statement.

The results then were as we saw, Michael and I and our colleagues enjoyed 14 months of Iranian hospitality and free rent - and I'll just end with this. The interesting thing about that was - and you can, again, read this in all the accounts - when President Carter agreed to admit the Shah, he foresaw exactly what would happen and asked the question, "I will do this but what will you advise me to do when our embassy is overrun and our people are taken hostage?"

Thank you very much. I look forward to the discussion.

Michael Rubin: Thank you very much.

We are going to move on quickly to questions and answers. I do just want to add a little bit of context just deriving what we have heard from our speakers.

First of all, I believe it was both Dr. Sazegara and Michael Metrisko who had talked about just the number of Iranians who had participated and how many of those Iranians are not with us anymore just by the nature of this being 30 years later. One of the most amazing historical statistics which I have seen - which I believe it was Patrick Clawson who pointed out to me - was that in the annals of revolutions, the Iranian Revolution is truly special because 10 percent of the population took part. When you compare that to the American Revolution or the French Revolution, where it was one percent to two percent, that is quite an amazing figure.

Michael Metrisko had also spoken about the issue of how the Iranians respect or disrespect and continue not to have learned the lesson of the embassy seizure and that this simply is not appropriate diplomatic behavior. He brought up, of course, in the past months' events at the British Embassy and the increasing rhetoric in the Iranian press about that. Of course, we also know that - I believe it was in 1997 or 1998 - Klaus Kinkel, the German foreign minister who was one of the chief proponents of critical dialogue and critical engagement, had remarked that he should not need to fear about Iranian protest at the German Embassy because it seems that the protesters are only there when the Iranian government tells them to be, which just illustrates the point, of course.

And then, of course, in 1998, during one of the periods of [indiscernible] soon after the dialogue of civilizations, many American businessmen went over and their bus had been attacked either by Ansar-e Hezbollah or Fedayeen e Islam vigilantes. The point here being, whether it is official diplomacy or unofficial diplomacy, I do want to just highlight this point that it becomes a pattern of the past which unfortunately continues into the future.

Just a few other things - there have been some references to William Shawcross' book. There are plenty of great books out there by American hostages, by American political officials at the time and so forth. And I'm not going to show my favoritism to one or the other, although I did plug our panelists' books during the introductions.

I do want to point out that there are also some Iranian hostage takers' books that are available in translation. For example, Masoumeh Ebtekar, the spokeswoman of the embassy hostage takers and Mohammad Khatami's former vice president, who is out there in all the talks of apologies. The refusal or the discussions about whether or not to apologize for the U.S. embassy seizure are remarkably -- you have to have a discussion to say that there is even one side to it.

One other thing I want to point out - Peter Rodman who was, in my view, a brilliant analyst who had advised something like four or five different administrations passed away last August. And there has been a lot of talk about his books especially since he has a new book coming out, I believe, this month. But one of those articles which he wrote which I found to be very provocative and very brilliant is now long since forgotten, except in people who file away these articles like probably the panelists here. It was a 1981 Washington Quarterly article on how not to negotiate with Iran, which looks at a view less than a year later of the Iran hostage crisis and it is certainly worth looking up.

With that, I want to turn over the rest of the panel to questions and answers. I'm going to refrain from the moderator's privilege of asking the first question because I'm sure there are lots of questions in the audience. What I do want to do is just go over the rules of question asking. At least on panels I moderate, one is to wait for the microphone which will be coming. Second is to identify yourself and your affiliation. I do not know anyone in Washington that does not have an affiliation if they want to but for our television audience, as well, it would be useful to have. Also, keep your questions short and what I call Jeopardy Rules - phrase your statement in the form of a question and you can ask as many questions as you want but I'm going to direct our panelists only to answer the first one out of fairness to the rest of the audience members.

And with that, let me turn over to the questions.

Male Voice: [indiscernible] from Voice of America Persian Service.

How do you analyze the political -- like the harsh rhetoric from far right in Iran which actually did not support initially one of the groups in Iran, did not support the hostage taking in the beginning but later on, we see like the Clinton administration in Iran or other people like clerics that now they are using at least the rhetoric we see? Apparently, everyone now is kind of proffering that. How do you analyze that, that now, even those groups that did not support it in the beginning now --

Michael Rubin: So the question is, how do you analyze the fact that many groups that initially did not support the hostage taking in the revolutionary government structure now do support that?

John Limbert: I would very briefly respond that you have a phenomenon that is familiar in a lot of political systems, what I think the Iranians called the Hezb-e Baad, the Party of the Winds. People watch which way

the wind was blowing and figure out -- I think it was quick. As far as we know from the conversations we have heard, the people who took the embassy had no particular plan in mind. It was let's-do-this-and-then-figure-it-out. But very quickly, a lot of people figured out, "This thing was very useful, we could ride a wave of popular and extremist sentiment to further our own political goals," and a lot of people hopped on this bandwagon very quickly.

Michael Rubin: Dr. Sazegara.

Mohsen Sazegara: I think that one of the parameters that you have to have in your mind is the influence of the Marxist and leftist groups on those days to the party. As Muslims, we had a competition with Marxists on those days. So the traditional religious rightists as you mentioned, you point to them, they did not have such a view to U.S. to be revolutionary, anti-U.S., anti-capitalism especially. It was something that came from the left which was common amongst the university-educated people, not the traditionalist Bazaarist people and clergy - those groups.

But after the hostage taking and support of that big mistake of Ayatollah Khomeini, support of that action, then as he mentioned, I agree, Hezb-e Baad, the way that the winds -- the storm was coming from this side, so everybody joined that.

Michael J. Metrinko: I'll add one comment to that.

Remember that at the time, if you were in opposition to Ayatollah Khomeini, chances were you would end up in prison and the more important you were in opposition, chances were good you would be killed. So it was a matter of saving their own lives, protecting their own families, protecting their own position, gaining a foothold in the new power structure. You did not stand up to Khomeini at that time as several other Ayatollahs learned to their deturbanization [sounds like] and say that you have made a mistake, you should not support this.

Michael Rubin: As we go to the very back to take a question, I do want to just ask, do any of the panelists see as the myth of the glorious hostage taking, the embassy seizure, has solidified over the past 30 years, do any of you see in the contemporary Iranian debate any cracks in that, any willingness to revise and suggest that perhaps we need to reconsider the place of the hostage taking in our history? And then we will go to the question in the back.

John Limbert: They still hold demonstrations on 13th of Aban, 14th of November, although they are pretty proforma it looks like, and they still issue commemorative stamps as though it is something to be proud of. It is a little hard for me to tell how much of this is real and how much of this is posturing however.

Michael Rubin: Okay, question in the back. Again, please remember to identify yourself.

Ron: My name is Ron [phonetic] from Iran Visual News Corps.

In the waning days of Bush administration, there was talk of opening an intersection in Tehran, and now that Obama is considering certainly engaging in Iran, where does that fit in the agenda? And 30 years after the hostage-taking crisis, how do we factor in our decision to send diplomats back there? I mean how do you analyze that?

Michael Rubin: I'm going to direct the panelists only to answer the last question there because we will also be having a panel on U.S.-Iranian developments forthcoming and that is more appropriate to ask the part of your question.

So how should we factor in the U.S. discussions about opening an intersection in light of what happened 30 years ago? And then the next question will be [audio skips]

Michael J. Metrinko: As what I mentioned in my initial comments, one of the things that the American government has to look at is the question of security. I do not think that the Iranian government is yet mature enough to really guarantee the security of American diplomats going to Iran. Or I do not think that they will be able to physically guarantee security because there are simply too many groups in Iran who

would see this as destroying their own status. And there will be a number of groups, including some very powerful people who do not want to see the Americans return to Iran - I suspect that they will cause incidents. I think it will be physically dangerous, physically difficult, not insurmountable but we would have to see a real change of face of the Iranian government and its control over the various besiege and other vigilante groups that routinely in the past 30 years have attacked foreign diplomats and foreign presence there.

Michael Rubin: Yes?

Stanley Kober: I'm Stanley Kober with the Cato Institute.

We have been discussing the Iranian reaction to something the United States did. Something else that has been discussed recently is the possibility of a military attack, all options on the table. And I hear that there could be two possible reactions from the Iranian people - either this would demonstrate to them the government cannot protect them and would foster opposition to the regime, or that the people would unite no matter what they thought of the regime in the face of a foreign attack. I was wondering how you think the Iranian people would respond, especially, Mr. Sazegara, since you are from Iran.

Michael Rubin: Dr. Sazegara, would you like to address that?

Mohsen Sazegara: It is hard to say. Of course me, myself, I disagree with any military action with respect to the people of Iran and against people of Iran but in our long history, whenever people have become really tired of despotism in Iran, they have welcomed the foreign forces. It has happened from more than 1000 years ago. I can say the last example is Reza Shah. Reza Shah - people really loved him when he took power but when he started to become the traditional, despotic regime of Iran and a dictator and when the allied forces attacked Iran, people danced in the streets and they became glad and they shouted against Reza Shah.

I mean it is hard to say that if we are in that turning point or not, our people is so much tired of despotism of Ayatollah Khomeini or not by any foreign attacks to Iran, they will welcome. I guess that the reaction of the majority of people of Iran will be like the reaction of people of Iraq when U.S. attacked Iraq at the first days. They will sit down at their houses, look at their TV and watch the military actions. They will not support the foreigners and they will not support the regime, I guess, but it can be that behavior of the majority of the people.

Michael Rubin: That is actually a provocative comment and so instead of me responding with my own opinion, I would like to turn it over to our fellow panelists if anybody has a comment.

John Limbert: Well, again, going back to the difficulty of predicting what is going on and my own personal shortcomings in that area, again playing down the national -- you ignore the history at your peril. The history includes a long sense of grievance against humiliation by foreigners and any kind of military action would be seen in that context and would feed into that sense of grievance. I would be very, very cautious about assuming that a new foreign invasion would be welcomed. I think it would be seen as a new humiliation added to the long string of humiliations that Iran has seen in the past 300 or 400 years.

Michael J. Metrinko: I would go even farther. I remember even though I was sitting in prison when it happened - when the Iraqis started to invade Iran - that the reaction in Iran was incredibly, as far as I know, defend the country at all costs no matter what side of politics you are on. And if I remember correctly from reading, even political prisoners who were sitting in jail asked to be allowed to go out and fight. Even the Shah's young son who was living in the United States wanted to go back and fight with the Iranians against the Iraqi-invading forces.

Every Iranian I know in the United States, Europe, Afghanistan and other countries, whether or not they agree with the system of government, becomes incredibly nationalist when you talk about the literature, you talk about the sports or you talk about the sovereignty and integrity of the country. I cannot imagine Iranians being willing to sit back and just silently put up with a foreign invasion or a foreign attack. I think the results would be very much to the contrary. I think they would start to immediately become very loyal to the government whether or not they agreed with the government. And I think that would be especially true of the younger generation.

Michael Rubin: I very much agree with Michael Metrisko. I do want to just underline that. I would argue in historical analysis when one looks at how, if you will, unstable the Islamic Revolution was. There is an article in The New Republic by Bruce Erlanger - now with the New York Times. At the time, he was a Boston Globe assistant editor who had the misfortune of writing in The New Republic - I believe it was two or three days before the hostage seizure occurred - about how the revolution was a spent force, the religious factions had lost and at best, the leftist factions would win.

Now, if the hostage seizure was used to consolidate the revolution - and there has been a lot of discussion recently in the Iranian press about an open acknowledgement of this, what really consolidated the Islamic Revolution - in fact, the best thing that ever happened to the Islamic Revolution, if I can be so provocative, would be the Iraqi invasion of Iran which really rallied people around the flag. And I would argue that should there be any military attack on Iran that people would rally around the flag without question. All the more so since the Iranian government -- we already see the strategy now and they are not stupid, they will spin events to argue about foreign conspiracies to absolutely everything for the specific purpose of rallying people around the flag because they recognize that it is a cord that works.

With that, I do see we have more questions but we have plenty of more panels and those questions can be worked into the additional panels. What I am going to ask is that we take just a three-minute break. I would urge you not to leave the room while Ahmad Majidiyar, my assistant, who is largely responsible for this conference - and I have plenty of other thanks as well - changes the name tags and we move on to our second panel.

In the meantime, I would like to call Ali Alfoneh, Arash Sigarchi and Alex Vatanka up to the podium.

Thank you very much - a round of applause for our panelists. Thank you very much.

[Break from 58:32 till 01:00:35]

Panel II: Where Is the Revolution Going?

Michael Rubin: If we could have everyone take a seat, we will start immediately with our second panel. And then we will be able to have a slightly longer break after the second panel.

Okay, I would like to start by introducing the panel, "Where is the Islamic Revolution Going?" One of the items which you could distill from the first panel, "Looking at The Hostage Crisis, Thirty Years Later," was that how dynamic the Islamic Revolution is. Again, wherever you are politically on the U.S. political spectrum or on the Iranian political spectrum, you can find consensus when one argues that neither the Islamic Revolution nor Iranian politics are a monolith.

And with us today, we have several great presenters who are going to talk about what is actually going on in Iranian politics, and as we go into a key year in Iran with presidential elections in June - the presidential elections are already heating up - I'm very excited to have all our panelists.

Just a couple of notes about program changes - first of all, at the last minute, Mohebat Ahdiyyih from the Open Source Center was not able to join. The Open Source Center, which does a great deal of translations and so forth, has instituted a policy where they prefer not to have their analyst speak lest their own personal analysis contradict U.S. government diplomatic efforts and policies.

I also do want to apologize for Ahmad Batebi not being here. However, I do want to give a shout out to Scott Carpenter. Ahmad Batebi, as you know, became a symbol of the 1999 student uprising. One of the many when he was pictured on The Economist and was holding a bloody shirt and was subsequently arrested, imprisoned and suffered pretty horrendously. Scott Carpenter was the key factor when he was the deputy assistant secretary of State in getting both Ahmad Batebi and many other Iranians out of Iran on humanitarian grounds and is not appreciated enough for all of his efforts on those behalf.

With that, though, I do want to turn over to our fellow panelists. We are very fortunate to have, first and foremost, Ali Alfoneh. Ali splits his time between Denmark and the American Enterprise Institute. He is a research fellow here. He has also worked at the Royal Danish Defense College and he is also affiliated with the University of Copenhagen.

For those of you who read our Middle East Outlook series, I would say hands down - and there is widespread consensus about this - that Ali's work on Islamic Revolutionary Guard Corps and its role in Iranian politics is truly groundbreaking, far more detailed, far more nuance than absolutely anything else which is out there. It is certainly worth the read.

Also, many of you receive our Iran news roundups, which about five times a week our bullet point summaries of Iranian press not just the normal national newspapers but the economic newspapers inside Iran, the Revolutionary Guard newspapers inside Iran, the different regional newspapers inside Iran and so forth. If you do not get this, it is a free service with links to the original so that you can check translation if you want and so forth.

There is a signup sheet by the front desk - just give us your name and your email and you will only be signed up for that, you will not get all the other AEI emails. And for those of you in the TV audience, just shoot us an email, shoot Ahmad Majidyar an email and if you wish to get the service, you will receive it.

Next to him is Arash Sigarchi. We have talked a great deal in our former panel about journalist - what journalists go through, about censorship and so forth. Arash Sigarchi is an acclaimed Iranian journalist. He is the founder of the blog Panjareh Eltehab (Window of Anguish). He began his career in journalism in Iran at age 16. He was the editor of the daily Gilan Emrooz. For those of you who are not as familiar with Iran, Gilan is one of the provinces up along the Caspian Sea - Gilan Emrooz, (Gilan Today).

However, he ran into trouble - which he may tell you about - when he published material on his blog which had officially been censored. This was not a political newspaper - this was just everyday journalism. Last year, Mr. Sigarchi migrated to the United States after spending 14 months in prison in Iran for his publications. And I also do want to welcome and congratulate Mr. Sigarchi on having his family finally unified here in the United States, again, through efforts of many people in this room and outside as well.

And last but not least, I want to welcome Alex Vatanka. Many of you are very, very aware of Alex Vatanka's writing especially for those policy practitioners who read Jane's various publications. Alex joined Jane's in London in April 2001, and since March of 2006, he has been the managing editor of Jane's Islamic Affairs Analyst and Jane's Intelligence Digest. His most recent publications include papers Republic Enemy: US Policy and Iranian Election and Iran's Shia Reach Out to Mainstream Salafists. Alex is also affiliated with the Middle East Institute as an Adjunct Scholar and he is a fellow in Middle East studies at the U.S. Air Force Special Operations School.

And with that, what I would like to do is turn the podium first over to Ali and then to Arash. Ali is going to help translate for Arash and then Alex Vatanka as well. Alex will go last - Ali will not need to translate for him. Thank you.

Ali Alfoneh: Thank you, Michael. Good morning, ladies and gentlemen and thank you so much for your kind invitation and providing me with this opportunity to share with you my analysis of Iran.

Thirty years after the revolution in Iran, the Islamic Republic leadership is experiencing many of the challenges and problems that the Shah was facing back in late 1970s. And this is really not so surprising because the Islamic Republic leadership actually continued many of the reform programs of the Shah and has also, unfortunately, not learned anything from history - has not learned from mistakes of His Majesty, the Shah of Iran.

The Shah of Iran was a great Iranian patriot. His aim was modernization of the Iranian society. Where the Shah failed was to provide political freedom to the modernized people of Iran. The Islamic Republic is repeating the exact same mistake. The Islamic Republic aims at modernizing Iran but does not provide political freedom to the modernized society.

I am so happy to see so many members of this audience, and I'm sure that so many of the people watching this program either online or through C-SPAN belong to the right age group - people who have seen Iran in the Shah era - because there is actually a very interesting link between the White Revolution of the Shah - Enghelab-e Sefid, Enghelab Shah va mardom [phonetic], the people and the Shah's revolution which was the grand modernization scheme of the Shah and, of course, of the revolution of 1979.

The Shah truly considered himself a revolutionary leader - a person who wanted to revolutionize the Iranian society and he did so. He revolutionized Iran by providing education to the Iranians. His fight against illiteracy, which had plagued Iran until 1970s, actually succeeded and the Islamic Republic has continued that fight to the degree that today there is almost universal literacy in my country - something that they can be proud of and something that the Islamic Republic leadership can be proud of.

The Shah's regime also managed to provide secondary and university education to the Iranians. A lot of Iranians were educated at foreign universities even. I have seen statistics telling that approximately 350,000 Iranians were educated at U.S. universities at the cost of Iranian state from 1963 until the year of revolution, 1979. The Islamic Republic has somehow continued that trend even.

Today, the Islamic Republic leadership can be proud of the fact that the majority of Iranian students at the universities are women. So also in that field, the Islamic Republic leadership has continued the policies of the Shah. True, the quality of education - high education provided in the Islamic Republic today - is not as high as during the era of the Shah but people do gain access to university education.

Majority of Iranians have for more than a decade been city dwellers. Iran is no longer a rural society. Iranians live in big cities. In big cities they have access to information. They have access to information through Iranian media which are controlled by the state and, of course, even more importantly, they have access to foreign broadcast to Iran - the broadcast of Voice of America Persian, broadcast of Radio Farda, broadcast of BBC Persian. In other words, Iranians are not ignorant of what is happening in their own country and what is happening outside their country.

And the Iranian people also enjoy access to foreign travel. They see with their own eyes what is happening outside Iran. What they demand and what such types of reform programs - grand reform schemes do is to create a very large middle class which is urban, which is well educated, which is well informed and which also demands political rights. You deny this middle class political rights and this middle class becomes the likes of Dr. Sazegara - revolutionaries who wanted to dismantle the Shah's regime because the Shah's regime denied them political rights. Now the Islamic Republic is doing the exact mistakes of the Shah.

The Islamic Republic has modernized the society, has created the new middle class which is growing but the Islamic Republic denies the right to political participation to the people of my country. Therefore, you see the Iranian student movement chanting slogans against the Islamic Republic government. Therefore, you see women movements in Iran demanding their rights, challenging the more traditional values that some Iranian elites try to impose upon them. Therefore, you see a gentleman like Mr. Sigarchi practicing his journalism not in Iran in which he is denied the rights of free press but practices here in America. This is not surprising at all.

Now, the Shah's regime did set this revolution into motion, but when the protests began, the Shah did not use the military in order to suppress the revolutionaries. The revolutionary had actually a fairly easy victory - I'm sure you all know - because the imperial army declared its neutrality - did not support the government of Prime Minister Bakhtiar. The Shah was never ready to use military force against his own population.

During those critical days, the Islamic Republic is behaving in a different way. The Islamic Republic leadership perceives the threats. There is one threat from inside - the pressure for change, pressure for liberalization in the fields of economy and politics; and from outside there is pressure in the nuclear issue. And in order to face these two challenges - the challenge from within and challenge from outside - the Islamic Republic leadership has mobilized the Revolutionary Guard in order to suppress demands for reform.

Now, this, of course, makes sense but there is also a danger involved in using and utilizing a military force against the population. It is always dangerous to involve the armed forces in politics because you cannot force them out again. The day you invite officers and former officers, when you politicize them, you involve

them in politics of Iran, they might take power out of your hands and this is the risk that Ayatollah Khamenei is facing today but he is not relying on the people of Iran. He has chosen to rely on his military and the military increasingly is cleansing the entire system of the Islamic Republic of the clergymen.

If you look statistically at the political elites of the Islamic Republic and elite composition going through all former positions of power, you see in every single post former officers replacing the clergymen. My statistical data on the composition of the Iranian parliament ever since 1979 until today shows an increasing degree of former officers becoming parliamentarians. There has been a huge jump in number of former officers becoming parliamentarians.

If you look at the composition of Mr. Ahmadinejad's government, half of it is former Revolutionary Guard. If you look at the general governors in the Islamic Republic of Iran, they are either former officers in the Revolutionary Guard, personal friends of Mr. Ahmadinejad from the time he was himself a general governor, and the third group which is quite telling, they are former prison wardens. It is quite interesting that the Islamic Republic finds former prison wardens the best capable and the most competent general governors in my country. This shows the depth of the tragedy.

And this is how I see the Islamic Republic's future. The Islamic Republic is developing from a theocracy governed, ruled by the clergy and guarded by the Revolutionary Guard. It is developing now into a system which is both ruled and guarded by former officers of the Revolutionary Guard and the next decade of the Islamic Republic is going to show this. Unfortunately, the tragedy of this experience in my people's country has developed from bad to worse.

Thank you.

Michael Rubin: Well, I'll leave it to the audience to ask after the panelists have spoken about how far this purge of the clergy can go while the Islamic Republic still maintains the system of Vali-ye faqih (guardianship of the jurists). With that, I would like to turn the floor over to Arash Sigarchi, who speaks English but for the sake of the nuance of his talk will speak in Persian and Ali will translate for him with him.

Arash Sigarchi [through interpreter]: Hello. Good morning to you all this morning. When Dr. Rubin invited me to the American Enterprise Institute in order to deliver a presentation, it was very interesting for me because if you, at this moment, ask Mr. Ahmadinejad or Ayatollah Khamenei to which direction the Islamic Republic is going, I am very sure that they have no idea where the Islamic Republic is developing and going.

I am certainly no prophet; I'm not going to foretell the future events. I have to confess that I have no idea of where, to which direction the Islamic Republic revolution is developing. For example, I do not understand why 30 years after the revolution there exists an institution called the Revolutionary Guard.

Three years ago, I was condemned to 14 years of imprisonment by the Revolutionary Tribunal in Iran. Thirty years after the revolution, there is such an institution called the Revolutionary Tribunal and the revolution is actually in motion still.

I do not want to bereave you of your hopes therefore I will invite you to a journey into the first days after the revolution and very briefly make a comparison of the past 30 years.

Before the revolution in Iran, there was not enough liberalization and freedom in our country despite the fact that the country was developing economically but was not doing progress in the path of human rights and political liberalization. Most elections were actually show elections and were not real elections. It is quite natural that under such conditions that if there is someone promising those very same things that were lacking in that society, the people would welcome it.

Ayatollah Khomeini and his friends promised exactly this. In the course of my research, I have found 11 instances of statements made by Ayatollah Khomeini before his return to Iran when he promised the people of Iran that he would establish a democratic regime - a free society in Iran after his return. In seven of the interviews, he even stressed that he would not enter the political scene, he would not be a political power holder after his return to Iran. And it was with those beautiful words that the Islamic Revolution was brought to victory and this victory was easily won.

After this, the revolutionary politicians of Iran spoke of a civil society in which there is no torture, in which there is freedom of speech, there is freedom for political parties and freedom of assembly. And incidentally, those matters are actually mentioned in the constitution of Islamic Republic of Iran. After this, the Iranian Revolution distanced itself gradually from those very same principles and ideals that were mentioned in the early days of the revolution.

I'm a journalist and it is from this viewpoint that I would like to discuss those matters. Allow me to mention to you two indicators.

The first indicator is that of elections in Iran. During the first couple of elections, they were fairly free in Iran. My definition of free elections is everyone has the freedom to run for public offices. It is the people who are to decide who should be represented in those former positions of power.

A few years after the revolution, well, I have to say that people do not enjoy the freedom of becoming candidates for those public offices like Mr. Sazegara who was here just a few minutes ago. During the parliamentary elections in Iran last year, more than 3,000 candidacies were actually canceled. They were not allowed to run.

Another indicator which I would like to mention is the freedom of speech and freedom of press. Very simply, I can distinguish between three distinct faces of press freedom after the revolution. From '79 until 1990, that was the era of actual freedom but also of suppression. And I call this the silence of a graveyard because the first three years after the revolution, the press wrote absolutely whatever they wanted to write but at the very moment, the mullahs came to power, censorship began and they were dealing harshly with press freedom. And by suppressing political activists, today, there is absolutely no freedom of speech.

During the next 10 years, Iran had only four state-run newspapers. In the second period, which I would like to call blossoming and reconstruction - a part of which also is during the presidency of Mr. Khatami - there was a growth in number of newspapers. We even managed to bridge through the line of censorship. Mr. Sazegara had a newspaper which actually was the source of my becoming a journalist. But the third period simultaneously with the threats from outside ever since the years 2000 and 2001 until now, the dealings with the press had been even more harshly than before and it has increased during the Ahmadinejad presidency.

A research into these indicators alone shows us that the revolution has been diluted from its original course with regard to press freedom. There are those who say that the Islamic Republic regime is an unstable regime but it is somehow stable - a regime which has been to power for the past 30 years cannot be totally unstable. They use every method in order to preserve their power - any method like mass killings in 1980s, imprisonment and torture in the 1990s and a militarist atmosphere in the current era.

The truth is that the true face of Islamic Republic is actually what we see in the media. A representative of Ayatollah Khamenei, Mashat [phonetic], says that those ladies who are deficiently dressed according to his interpretation of Islamic law should be killed because they are agents of the U.S. in order to make through a regime change policy in Iran. The head of the Guardian Council says whomever is not approved by the Guardian Council should not be allowed to run for any public office. They monitor legislation and they only approve of the legislation which is to the liking of the Guardian Council.

Now, under such circumstances, is a revolution able of achieving its original goals. One can look at the future development events in Iran by two ways. One is the viewpoint of the people involved in the regime, and the other point of view is the one being presented by people outside the regime.

The Islamic Republic authorities last year began a 20-year long-term planning upon which Iran 20 years from now will become the most advanced country, the most developed country in the Middle East. Please do agree with me that based upon past experiences and what we have seen during the past 30 years, we should not be so sure about what this program promises about future events but unlike me, Mr. Ahmadinejad, the president, considers Iran today the most advanced country in the whole region.

Every single month, there is report of a new missile test. Every single month, the Iranian president reports a new invention being made in Iran, and I would not be surprised if Mr. Ahmadinejad next month announces Iran launching a missile to moon next week.

Now, the second viewpoint is that of those people interested in Iran and loving Iran outside the regime. Democracy is a necessity in Iran. Freedom of speech and freedom of political parties is a necessity in Iran - it should be. Human rights should be respected in Iran. These are not only hopes because we do already have very good principles with regard to human rights in our constitution. We do also have so many extrajudicial and extra legal authorities which are given to the Supreme Leader.

Allow me to finish my presentation with this point - if the Islamic Republic government wants to choose the second path, it should also be able of having a good deal of endurance [cross-talking] and if it does so, it has also a very good destiny. But if it follows the path of authoritarianism, there is no good future for the Islamic Republic.

The people of Iran are passengers of a car. If they are allowed to choose freely the driver for this car, they can also achieve their goals. But if they are not free to choose who is going to be the driver of this car, they have to deal with an incompetent driver which would lead the Islamic Republic into total chaos and defeat.

Thank you.

Michael Rubin: Thank you. Using that metaphor, I remember my first day in Iran - I think I saw three car accidents.

But I do want to say that on Arash Sigarchi's website, you can find analysis both in Persian and in English. And there is an old joke about someone who speaks three languages is trilingual, someone that speaks two languages is bilingual and someone that speaks one language is called American. Simultaneous translation, this is not t'aarof, but simultaneous translation is a really hard skill and I do want to thank Ali Alfoneh also for his simultaneous translation there.

And before we move on to Alex, I do want to just put this in context just by reading a couple of quotes from today's newspapers in Iran.

The first is Hassan Rohani, the Supreme Leader's representative to the Supreme National Security Council who warns against Iran returning to the Arab authoritarianism. Mostafa Pour-Mohammadi, the Islamic Republic chief inspector and head, says, "An open political atmosphere and a sense of joy permeates Iranian society." Rafsanjani says, "It is a great sin that people are not allowed to criticize the regime." Ahmadinejad says that the Islamic Republic has given the greatest degree of freedom and independence to the Iranian people. Mohsen Rezai, the former commander-in-chief of the Islamic Revolutionary Guard Corps, says, "The 30-year-old Iranian democracy has not yet matured which means popular participation and formation of competent government are yet to be achieved. Popular participation is not translated into improvement of conditions of life for the population."

These are mutually exclusive statements, of course, but it will give a sense that some of the discussion and analysis that we are hearing on this panel is being replicated almost every day in Iranian political rhetoric especially as we move forward to the June 2009 elections.

And with that, let me turn the floor over to Alex Vatanka.

Alex Vatanka: Good morning, everyone. Thank you very much, Michael. Thank you for the invitation by the American Enterprise Institute. It is great to be back here. I have prepared a number of slides. I think I'm the only with a PowerPoint, again, like last time I was here so I apologize for those of you who do not like PowerPoint but it sometimes helps me structuring things in my own head.

I have been asked to talk about foreign policy in relations to Iran's neighbors, which is quite a nice fit for me because I have just spent the last two months traveling across the states of the Gulf Cooperation Council, visiting Iran's neighbors and listening to their views about how they look at the situation in terms of domestically in Iran but more importantly how they think a new Obama administration is going to impact their relations with the U.S. when it comes to the Iranian issue.

So I will talk about those and, as I said, I have a number of slides prepared along those lines. Let me also say this, it was not just listening to Arab leaders and officials whom I met while I was there in terms of what

they feel is happening between the U.S. and Iran, and I do not want to underestimate this issue. There is a huge debate about the Arab states being betrayed by the U.S., and the U.S. and Iran somehow becoming friendly again - a return to the great era of the Shah prior to '79 and what would that mean for U.S.'s Arab allies in the region.

But I also spoke to a lot of Iranians who live in places like Dubai, Qatar and Bahrain - why have they chosen to live in those countries as opposed to being back home, why have they chosen to invest their money in Dubai or in Qatar as opposed to back home when we know that the economic situation in Iran is quite dire. Looking at this issue from the patriotic point of view, why invest your capital overseas when you could spend it back home?

But also forgive me for pretty much giving you some well-established facts here when it comes to the points that I raised but I just think it deserves to be reaffirmed. These points, as I said, are pretty well established but I really think they deserve to be reaffirmed. And the question that I have is - and I hope we can get to that in the Q&A - do we believe that these realities somehow in the next few months or years under the Obama administration could anyway be shaped, be changed, and if they do change, what does that mean for the regional settings and Iran's relations with its neighbors?

But let me kick off -- Michael, I know you will stop me because I have only four slides but I have a tendency to talk a bit too much so just stop me when I get to that point. Let's talk about perceptions.

Overall, regional threats have become geopolitical opportunities for the Iranian government today since 2001. Primarily, we are talking about the change of government in Afghanistan but also obviously the change of government in Iraq. But notice, I put or underlined the word "threat". I do not see what is happening in Iraq and Afghanistan just purely from a benefit point of view. The Iranians might benefit from what happens in Iraq, particularly since they have obviously good ties with a number of the political parties in that country but there are also likely threats down the path. What do I mean by that?

If you end up with a secular genuinely democratic long-term government in Iraq, that would pose a threat to the survival of the Islamic Republic as we know it today, and you can argue along those lines in terms of what happens in Afghanistan. So yes, the Iranians are benefiting to some extent because of the allies that they now have in post-Saddam and post-Taliban Iraq and Afghanistan but they are also aware that there might be consequences down the road. This is a long-term game for them and they look at it that way.

One of the main drivers -- the realities before 2001, you have a country, Iran - this large Middle Eastern state - that almost pathetically was just trying to reduce its regional isolation - an outcome of the major issue that brought us all here today, the fallout between Iran and U.S. '79 onwards. Not having good relations with the U.S. meant that Iran was isolated in the regional stage and it was desperately trying to - prior to 2001 - increase its influence whenever it could. Compare that to today where you have an Islamic Republic of Iran which has a heightened level of confidence which is reinforced, by the way, and I think that is a very important point by tacit public consent to increase Iranian influence.

Michael Metrisko talked about nationalism, and I will get to that point later on. Iranian nationalism is a real serious powerful force. It cannot be underestimated in any way or shape. In the West, by and large, what we have tended to do is to overemphasize the Islamism aspect of the Islamic Republic and we have not paid enough attention to this nationalism that we know is deeply rooted in Iranian society. And I would, by the way, argue, regardless of who takes over in Iran, you will have to deal with that nationalism. And the point I'll make later on is that the Arab states are very much aware of that.

What is Iran's strategy today - early 2009? Despite the rhetoric that we hear from Ahmadinejad, overall, if you look at their actual actions, they seek to avoid military confrontation in any way or shape. They are not looking for a fight and that includes U.S. Naval Forces in the Gulf - Persian Gulf - and elsewhere I would argue. They use soft power whenever they can and proxies again when it is possible. What they are trying to do is create economic spheres and influence.

Look at what they are doing in terms of trade deals in Iraq and Afghanistan, arguably, despite the fact that Iran does not have the same - to give you one example - trade volumes that Turkey has with Iraq. When you look at Iranian investments, there is a long-term aspect to what they are doing that I do not see the

Turks have. The Turks basically bring in the merchandise in many ways, sell it today. The Iranians almost seem to be taken a page out of the Chinese book and looking at everything in the long term.

Another very important characteristic, keeping options open, which takes me to a point that I will return to again and again - this is a pragmatic government, regime, whatever you want to call it. We should not pay too much attention to the ideological aspect of it. We should not allow Ahmadinejad to run away with the headlines and assume that is how Iran is ruled. And as would be the case with all these Iranian governments, the way I see it, every single one of them regardless of color or shape would have to make Iran a regional power because that is how Iran is perceived by its own people.

In terms of patents, look, as I said, we have Ahmadinejad, he captures headlines and his approach to foreign policy has been different from Khatami's era, or even going back to Hashemi Rafsanjani. But essentially, what it is is a process that is cautious and evolutionary. And one important aspect of it is that it is very often almost devoid of Islamist ideology. This was a government that came to power in '79 with slogans like *esteghlâl, âzâdi, jomhoorie eslâmi* - independence, freedom and Islamic Republic. There was a constitutional mandate to export the revolution. Thirty years on, you do not see many attempts - at least the way I see it - directly trying to export this revolution.

You have no major strategic exceptions when you look at those points that I make. I mean, do we see a place in the Middle East where Iran's foreign policy is definitely ideological and not pragmatic? I do not see any cases like that, and I would argue you probably have to go back to the mid-1990s where Iran was involved in the Yugoslav Civil War siding with the Bosnian Muslims, where ideology and the pragmatic approach were almost equal - there was a sense of Muslim solidarity. But since then, Iran is, by in large, driven by pragmatic calculations.

What I'll also say later on in that point is that these strategic objectives - like the nuclear program, Iraq and so on - they will remain intact. If we are sitting here hoping a new president will take over in June of 2009 in Iran and everything is going to change, I do not think that is going to happen because it is a part of a process that is slow, it is tedious, the Iranians are not very quick getting to decisions - this is a major aspect of the Islamic Republic. And therefore, those strategic objectives that they have set for themselves tend to be a product of a consensus, and the consensus that they arrive at is something that we cannot say Ahmadinejad dominates because he certainly does not. We can point to the Supreme Leader, Ali Khamenei, as the dominant factor but that would only also be true to some extent. It is a consensus processing including many players.

Final point, which I think is very interesting about the Arab neighbors and I already have pointed that one out, is they are worried. The Arab states of the Gulf Cooperation Council are worried about the consequences of some sort of a [indiscernible] process between U.S. and Iran. What would happen to them? You hear the question, what would happen to the disputed islands for instance between the United Arab Emirates and Iran? Would the U.S. side with us? Would the U.S. walk away from us?

The Arab neighbors and the point about Iran's immediate neighbors is significant because at least on paper, the Iranian constitution - as it was devised in '79 - designates very clearly where Iran's foreign policy objectives should be - immediate neighbors, Muslim states, states from the developing world and number four, states that can benefit the political, economic and military needs of Iran. In reality, what we see is - again, this overriding emphasis on number four - if you can bring certain tangible benefits to Iran - Iran does not care if you are Ecuador, Bolivia or North Korea - Iran has certain objectives it wants to reach and it will pursue those objectives.

So again, ideology is only evident in foreign policy when it supports strategy - it is not a substitute for policy. Iran plays the Islamic card when it comes to Hamas but it does play it when it comes to places like Russia, India or China. And therefore, having seen the Iranian foreign policy in action for 30 years, the Arab states - and justifiably so - tend to ignore Tehran's public ideological and pan-Islamic rhetoric as disingenuous and self-serving. Very evident, recently, when I was in the Middle East seeing what, for instance, the Gulf States or leaders from Egypt and so on were saying about Iranian accusations of Arabs being silent about what happened in Gaza.

You got Iran rising as a power under Ahmadinejad - again, I put a question mark there but my answer is Ahmadinejad has very little to do with it. If Iran is a rising power, again, it goes back to that consensus

making state machinery that is in place, and arguably, the one entity that has more influence than anybody else in Iran is the Supreme National Security Council that decides fundamental strategic issues and there are about 20 members in that one. And again, if there is one voice that is clearly more powerful than others, it is the Supreme Leader - it is not Ahmadinejad. Ahmadinejad uses the platform of the presidency to promote his own personality and he is very often more interested in scoring points with domestic rivals in Iran than trying to really attain long-term strategic goals of Iran - ideological or pragmatic or otherwise.

I think I'm running out of time. Let me very quickly close here with '79 versus 2009.

Ali has already mentioned this which is a very valid point. Regional policies of Iran today generally pretty much are reflecting what was being conducted or pursued back during the Shah. So if you look at what they are trying to do in the region in Asia or international state, that is really the case. At the same time, this Iranian "big brother" attitude of hey, look at the size of us, look at our resources, look at our history, this is also being resented today as it was being back then. And I really think this complicates the intraregional affairs immensely.

You see this hesitance on the part of the Gulf States with huge amounts of oil revenue to invest and Iran is in many ways a perfect place to invest your money but there is this resentment. Why should I, the Gulf state, invest my money in Iran when there is this superior attitude to the north of the Persian Gulf? You have this not stopping integration but it certainly does slow integration.

I have already mentioned that point about the West and the tendency to overemphasize ideology and underestimating nationalism as a driver behind foreign policy which is, as I said, really important. This is rooted in Iranian sense of historical mandate. You cannot sideline this issue. There is this sense, and I agree - I think Mohsen Sazegara pointed this out in the earlier panel - whatever happens, you would have Iranian governments looking at regional affairs this way - through that historical lens.

One of the promises of the Islamic Republic was independence and they surely have achieved some of that but I would argue this independence is proven to be very costly. One quick point - and I'm sorry, Michael, I'm running real late, I'll wrap up - one quick point.

Look at the amount of Iranian investment in UAE - brain drain, look at all that. The reason why these companies who are working with Iran base themselves in UAE while trading essentially with Iran is that they are not able to do so because of Iran's isolation and position in the international stage. This is costing Iran huge amounts of money.

And by the way, the Gulf States are worried, what if Obama and Iran reach some sort of conclusion, what happens to about \$300 billion worth of Iranian money in the UAE alone? What happens to those 8,000 Iranian businesses in UAE? Are they going to pack up and go home? It complicates relations.

Final point - this is a reality that goes back to what Ali and Arash were talking about - population in Iran, 35 million in '79, 71 million today. This is a young population - you have to feed them, you have to get them jobs. One of the things you can do as Iranian government is to integrate regionally on economic level. There is a lot of money that you can have in terms of investment coming from the Gulf Cooperation Council but the resentment and the fact that Iran is isolated internationally have really slowed that process. If they are wise about, it they will speed this process up. They could be the long-term beneficiaries and they could help themselves by keeping the Islamic Republic make it survive essentially.

And with that, I thank you very much and apologize a bit.

Michael Rubin: No reason to apologize. You stopped just in time when I pass notes. It is amazing in Washington the effect a threatening note can have on a PowerPoint. But before we go to questions and answers, I do just want to make a few comments.

First of all, with regard to the brain drain, it is also interesting and just one of those issues to ponder is whether from Ahmadinejad's standpoint, from the standpoint of his political faction - what they call the principalists - whether it is such a bad thing to have the brain drain because the more educated, the more capable people who are fleeing - or people that for reasons we talked about on the first panel - cannot

necessarily make trouble. No doubt that it is a tragedy for Iran but also there is the strategy which we had in 1979.

For those of you who read the Persian press, the Islamic Azad University system is often in the news. You can think of it as a huge community college network but it is more than that - it is a four-year school system with many multiple branches. And one of the reasons it was created, frankly, was to take the 18 to 22-year-olds off the street back when Iran had a population of 35 million. Now, it cannot take nearly as much people off the street, so if you want to prevent this population - especially the well educated - is necessarily brain drain an issue but we can open the floor to questions.

There are lots of other provocative statements which I'm sure we are going to debate next time we all yell at each other on the phone and so forth as Iran analysts tend to do outside a public site.

At any rate, are there questions from the audience? And again, I remind you, state your name, your affiliation, keep your questions brief and keep your questions, questions. And with that, the first question will go here and then I see a question all the way in the back.

Leonard Oberlander: Leonard Oberlander [phonetic], member of board of trustees, James Monroe Foundation, independent consulting and financial liaison. My question is my own.

Both Ali and Alex touched on this in their remarks and I want to ask about the business and financial factors involved. Iran, while it may be perceived as independent in some regards, is part of the international system and particularly business and financial international system. Countries such as China and Russia and India are very well entrenched in Iran in its development of infrastructure, technology, particularly in transportation and energy fields. What is your view of this factor in terms of American-Iranian bilateral relationships? Is America, in dealing with Iran, intruding on the stability of the international system which also, by the way, includes Venezuela and other Western countries in this regard?

Michael Rubin: Okay, I'll turn that question over to the panelists and I'll also ask as they prepare their preparations - the speakers on the next panel on Tomans and Sense on Iran's Economy - to also try to work this into their presentation but does anyone have a comment on how -- yes, Ali and then Alex.

Ali Alfoneh: Very briefly - well, the big problem with Iran and political decision making, economic decision making, Dr. Clawson is the person to ask but one of the big problems is that inter-factional disputes and fights also affect Iran's financial policies and economic policies. So nowadays, I see a clear tendency that the Revolutionary Guard which also is a huge economic actor inside Iran - it is not only a military force but it is also an economic actor - actually is interested in frictions in relations with the U.S. It is interested in all sorts of incidents. Why? Because the Revolutionary Guard actually can speculate in economic sanctions against Iran. Economic sanctions will help the IRGC outcompete foreign companies and also Iranian companies involved with, let's say, international business and it helps them maintain their monopolies in certain fields.

Michael Rubin: Alex? In the back please. Just wait for the microphone.

Richard Weitz: Richard Weitz from Hudson Institute - question for Alex.

We heard in the first panel that an American attack would probably not break that consensus. It would actually have a rally around the flag effect. Is there anything that could happen that would break the consensus in the near term that you are finding that has sort of solidified the kind of foreign policy we are seeing?

Alex Vatanka: The only thing I can think of that would really break it swiftly is if the government of Ahmadinejad and people who support him who, by the way, I do not think make up more than probably those hard core ideologues - five percent of the population or less - and a lot of those people have a vested interest in supporting Ahmadinejad because their livelihood depends on it, but say they decided to take Iran down the path of North Korea, I think that is when you are going to have a serious rift in those state organs in Iran that have in the last 30 years produced consensus and the consensus has been produced. If they

decide that they are going to stay in power regardless of what happens to their own people - i.e. starvation, more isolation and so forth - you are going to have a serious rift.

You already have those debates. You have to read between the lines when you read Iranian media but the Rafsanjanis and the Rohanis versus the Ahmadinejads of this world are having this debate. They are having a fundamental debate - where is this country going? But depending on the kind of choices they were faced with - i.e. over the nuclear issue - if the choice was between starvation for the people and changing their ways, that might bring that fight head on and you might not be able to have those debates just within the Supreme National Security Council, you have it out in the open and then Iran will face a whole new episode in the post-revolutionary period.

Male Voice: The issue of ideology versus pragmatism, okay, they are more pragmatic in some aspects but how we explain their stand regarding the states that it has cost them a lot but still the recent rhetoric is heard like two days ago, Ahmadinejad was talking that U.S. has to apologize for the last century - whatever they did - do you not think it is more leaning towards not really just ideology but another sort of ideology which is anti-West or anti-American rhetoric at least?

Alex Vatanka: There is absolutely no doubt there is a strand in this generation - the IRGC members who are in their 50's - who genuinely believe that the days of the West are over, that the West is declining because of demographics. There are people like I would go as far as saying Jalili, secretary of the Supreme National Security Council, who wrote his thesis on this issue of [indiscernible] - you know, Africa, Latin America. But that is a debate they have to have. Iran has not to this day, 30 years on, really taken the big leaps away from the West.

I mean, see how much Iran is struggling to fully commit itself to either Russia or China. They do not want to give up on the West yet - 30 years on. But there is a strand within the regime that believes they can do it - they should do it because that is where the future lies. But I still think the pragmatics are in clear majority when it comes to those big fundamental issues.

Ali Alfoneh: I have one more little thing to add and it is that, time and again, the Islamic Republic elites have sacrificed the national interest of Iran in order to promote their own personal interests. I think the hostage issue in 1979 was a very good case of that.

You have one faction which wants to monopolize power and wants to purge the system of all opponents so what they do is that they speculate in worsening of the U.S.-Iran relations. And what we also see today is exactly the same thing - the Revolutionary Guard speculating in U.S. and Iran having a permanent state of conflict.

Now, how do you purge the system if there is no external enemy? How can you accuse your internal rivals are being U.S. agents, CIA agents, involved in soft coup strategies against the Islamic Republic if the U.S. and Iran have perfectly normal diplomatic relations? How can you accuse the people of Iran - the writers and journalists - of being Israeli Mossad agents trying to overthrow the top of the regime if Iran and Israel have normal relations?

In other words, there are certain elite groups in Iran who speculate in worsening of Iran's relations with the world and they desire an external enemy.

Michael Rubin: At a conference at Yale University last year - this is a question to the panel - David Menashri, who has written frequently on Iran, tried to put the last 30 years of the Islamic Republic in context and at the same time talk about the future of the revolution in internal Iranian politics. The broad pattern which he highlighted was when one looks at the scope of internal elections, especially parliamentary elections inside the Islamic Republic, you have had a constant winnowing of acceptable public discourse. Right after the revolution you had the Islamic liberals, you had people who in many ways were quite Marxist, you had the conservative Baazari merchants and so forth. With time, slowly the numbers of people and the types of people who have been purged by the Council of Guardians increased. For example, many of the reformists who came to power under Mohammad Khatami are today banned from running for elections. What we have left is a debate that consists of the principalists both Ahmadinejad and others who may say that Ahmadinejad has handled the economy poorly, but this back to the future argument remains true. The question I have for the panel is will this pattern of consistent narrowing of political discourse continue or is

this the wrong way of looking at it, that there is a future for reformist in Iran, that there is a future for more liberal elements within the political context of the Islamic Republic? Alex and then Arash.

Alex Vatanka: I would be very brief because I love to hear what Arash has to say about this. But what you said is, from my reading of the situation, absolutely the case as well. One of the things that makes me excited about reading Iranian newspapers everyday is the latest insults that officials throw one another's way - all the time. These insults are getting more colorful by the week, by the month. The question is - we are talking about consensus - how long can this regime contain this? When are they going to have a fight that they cannot keep behind the curtain? That is the thing I'm interested in because in terms of the point that you made about it, yes, fewer people are having a say. Well, even within this fewer, fewer people who are now left alone on the stage and can have a debate, there is this very, very nasty, colorful fight going on. And the question is, can they contain it, can the supreme leader above all contain it, because he is the powerful broker in all of this. He is keeping everyone pretty much on sight in terms of the question of making sure the regime survives. But I just wonder if he has the political clout to be able to maintain this because it is just getting on a monthly basis as Iran faces the world and the domestic situation in terms of the economy and so on getting worse. Can they maintain it? Can they maintain the status quo?

Michael Rubin: Thank you. Arash.

Arash Sigarchi: [Through a translator] I am of the conviction that most things are related to the personality of Ayatollah Khamenei. If Mr. Ahmadinejad is the president of Iran today, it certainly is because Ayatollah Khamenei desired it to be. Please do pay attention to the fact that when Mr. Khatami was elected in 1996, politically, Iran went through a special condition. Right after the Mykonos, after the European countries had withdrawn their diplomats from Tehran, their ambassadors, domestically the people of Iran were facing economic and social hardships. Three hundred people were arrested just because they had signed a petition, an open letter to Khamenei. Allow me to state the fact that the combination of external pressure and social movements on the parts inside Iran did prepare the ground for reforms in Iran. This is exactly what we have witnessed during the Khatami presidency.

In Iran, people used to say about the elections or voting papers would say Nouri just for making Mr. Khamenei happy but in reality they wanted Khatami. They voted for Khatami but in the ballots they would read out Nouri's name, the name of the rival of Mr. Khatami. But Khatami was actually elected. Just for today the Islam come up with [indiscernible] in the very person of Ayatollah Khamenei, because of the two issues of external pressure and the social movements inside Iran, is not free from concern, is not a concern. Therefore, he does not allow reform. This methodology has been used several times on several occasions in the Islamic Republic.

Michael Rubin: I would like just to ask a followup question there and open the followup question to the panel if you will. Arash, you had said that so much has to do with the personality of the supreme leader, of Khamenei, as we look at this. Now, breaking away from that, back in 1989, Khomeini died and Khamenei took over. The reason Khamenei took over was largely because within the context of the Islamic Republic, he was a consensus figure as opposed to one of the major poles of debate. The question I would have, not asking about the 2009 elections, but asking about the future of the Islamic Republic itself is, given the growing polarization within the internal Iranian political debate, are there any consensus figures out there in the Iranian political power circles within the revolutionary circles? That is open to the whole panel.

Arash Sigarchi: [Through a translator] The problem today is that certainly we cannot make a comparison between Khamenei and Khomeini. I claimed that Khomeini certainly was a charismatic leader, but did not abuse his power as much as the power holders today. But as soon as Mr. Khamenei was elected supreme leader, his first deed was to increase the supreme leader's power in the constitution. The IRGC and the law enforcement forces were subjected to his control. In judicial affairs, he also did interfere. Now, all the three powers of state are subjected to control of Ayatollah Khamenei. Therefore, any future scenario involving consensus is reduction of the powers of the supreme leader.

The next issue is that besides these illegal powers that the supreme leader holds, the supreme leader also possesses extralegislatory powers. Under these conditions, one certainly cannot be too hooked especially because the reformists are practically outside power structures, and the principalists are not making any negotiations with reformists, and the game of election in the future they consider their own privilege.

Michael Rubin: Alex?

Alex Vatanka: On the point about the future of the Islamic Republic, it is true that Ayatollah Ali Khamenei pretty much got the supreme leader's position on a silver platter. He did not have to work hard for it. He was not certainly - by the standards that they had set in 1979 - was not qualified for it from a religious point of view but he nonetheless got the position. Twenty years on, he is a 70-year-old man. Lot of reports out there about his health. Shia clergymen tend to live long lives. He is only 70. I think he would have probably another - if he plays his cards right - 20 years or so.

But anyway, on the future of Iran and given how he inherited this position of being a supreme leader, given the fact that he must realize the realities of life in Iran, the question I have is would he sort of sit down and make a sensible decision and say, "Look. The Islamic Republic as it stands today cannot survive for long given the challenges we face. I'm going to make everybody a favor. While I'm still alive, I'm going to oversee a revision of the constitution. We are going to get rid of the powers of the supreme leader. We are going to create a new system."

Now, I'm wishful thinking here on my part but I'm just wondering, my classic question of consensus candidate. We do not know. Nobody expected Khamenei to be the supreme leader. That happened within a week. He was a surprise. There is no way we can tell if any of those gentlemen from the Assembly of Experts, 86 of them, are going to become the next supreme leader. We just do not know.

But the question is if he is going to play the sensible way and think about the Islamic Republic surviving as a system, changing its ways, but surviving the system, he could get rid of the supreme leader's office or at least some of its powers. He could create a different sort of agency - a body. For instance, a number of men sitting as the supreme leaders as opposed to one individual. Because right now the challenge they are facing is severe and I really wonder if one consensus figure exists out there given the infighting that happens in Iran today.

Michael Rubin: Excellent, and Ali since Alex hinted it that if you could also discuss [Iranian word] in your very brief answer.

Ali Alfoneh: Thank you. Well, the Islamic Republic is not unresponsive to demands for change as Mr. Sigarchi also pointed out. After the end of the Iran-Iraq war, Mr. Rafsanjani became president. He certainly wanted to liberalize the economy of the Islamic Republic. Many predicted back then that the Islamic Republic could develop the way China has developed - economic liberalization but no political liberalization. But I'm not sure that the Chinese development model is suitable for the Islamic Republic because economic control of state on every single Iranian - most Iranians are employees in the public sector - is actually also a political control mechanism. So if the state loses this control mechanism, the entire system could collapse, and it is also of course also why the system did not allow Mr. Rafsanjani to reform the economy of Iran.

The second wave of reforms was those of Mr. Khatami. Now, let's consider that Mr. Khatami actually wanted to liberalize the political system. Now, I know that many Iranians are increasingly becoming very, very cynical about his designs and his schemes. But those reforms also were considered very dangerous for the Islamic Republic and he was called Ayatollah Gorbachev. In other words, somebody who believes in the system, Mr. Gorbachev was also a believer, he was a communist, but as soon as you start to reform the political system, the entire system could collapse because it is a semi-totalitarian regime.

And now that both political liberalization and economic liberalization have been defeated as rational strategies of regime survival, there is only one method left applicable to the Islamic Republic and the one method is militarization of the Islamic Republic and the Ayatollah Khamenei's reliance on the military. Now, how do you use the military ideologically? Because you also need some source of ideological legitimacy of military taking hold of power. If we look at all other military regimes in the Middle East, most of them had also an ideological dimension.

Most of Kemal Ataturk's modernization scheme and Pan-Turkism of course was the ideological elements of the Turkish Officer Corps led by the great Mustafa Kemal. Nasser's Arab socialist was the ideological dimension of the three officers and their coup. The ideological project of Mr. Ahmadinejad and Khamenei is Ayatollah Mesbah-Yazdi's concept of velayat-e faqih - supreme jurist - and this is what we see and also the

irrational methods of using miracles and claims of contact with the divinity that Mr. Ahmadinejad has been expressing in the public room.

Michael Rubin: Well, when I analyze Iran and I have been doing so for 15 years or so, I oftentimes analyze it in terms of diplomacy, U.S. foreign policy and so forth. Whenever I want to turn to domestic political patterns inside Iran, I eschew the Washington polemics that infect so many panels and turn to real experts and therefore it really has been an honor to be able to moderate a panel with the three people who consistently I turn to, to read their analysis of internal Iranian political developments and with that Ali, Arash, and Alex I do want to thank you and also for the miracle of a panel that ends on time. We would not want an [indiscernible] Perez, Ignatius incident here. And with that let me say let's take a four-minute break. We will reconvene at 11:20 for a panel on internal Iranian economic developments with Ali moderating, Patrick Clawson and Michael Makovsky speaking. Thank you.

[Dead air from 2:16:00 - 2:21:11]

Panel III: Tomans and Sense: Iran's Economy

Ali Alfoneh: So ladies and gentleman, our next session is on Iran's economy and I'm deeply honored to have Dr. Clawson here by my side. My history with Dr. Clawson is actually longer than many of my friends know because I actually started my career in Washington being a research intern at the Washington Institute. The Washington Institute had just published Iran Under Khatami which is an excellent book. The report was published almost a year after Mr. Khatami was elected into office, and the analysis was so good that I read some of it online, and I called Dr. Clawson and he was so kind to send me the report. Afterwards, I moved to Washington, worked at the Washington Institute back in 1999 to 2000.

Dr. Clawson is an accomplished economist, a true expert on Iran, a true lover of Iran, I can say as an Iranian. He knows everything about the Safavid era in Iran and of course Safavid era was one of the very, very important periods in the history of Iran, in my country. He knows everything about silk trade and today he is unfortunately wearing a tie which has nothing to do with Iran. Actually, I thought the tie was the symbolic scarf that the supreme leader sometimes wears. Now, Dr. Clawson has also this signature tie.

Mr. Makovsky is an oil economist. He will talk to us after Dr. Clawson's presentation. With these words, I welcome you, please.

Patrick Clawson: Thank you, Ali. No political meaning with the tie. It is just nice colors.

If we are going to talk about Iran's economy under the Islamic Republic, it is useful to compare to the economic performance under the Shah because that is the point of reference which many Iranians, even those who are not alive during the Shah's period bring to bear. There is much nonsense said in this country about the economic performance under the Shah. There is the impression that Iran's economy under the Shah was somehow terrible. Let me just quote from an Internal Monetary Fund or IMF report that came out in 2004, "During 1960-1976, Iran enjoyed one of the fastest growth rates in the world. The economy grew at an average rate of 9.8 percent per year in real terms." That is a 17-year period in which Iran's economy was growing faster than China's economy has grown during any 17-year period of China's history.

Now, I say that to point out what a dramatic contrast the performance after the revolution is. In other words, to an Iranian who lived through that experience or whose parents lived through that experience, you went through a 17-year period in which your country's per capita income in real terms grew threefold. Just think about that. I mean I do not know about you, but my per capita income has not grown threefold in the last 17 years - certainly not after inflation. This was a period in which Iran basically went from being a very backward country to being a country of middle income and where if that trajectory had continued Iran would have come to be a country of European standards of living within another generation or less.

Then against that background which the revolutionaries described as an utterly inadequate economic performance, there comes 30 years of really profoundly disappointing performance, beginning with an extraordinary dismal first decade. The first decade, Iran's economy was hit by three very powerful negative

shocks. The first which the regime always likes to cite is the war. Yes, the war was a dramatic economic problem but I would just suggest that certainly, if you look for instance the United States' economic experiences during the wars that we have fought in the 20th Century, you realize that wars can be a period of dramatic economic growth because of extraordinary government expenditure - that was not the case here. But the effect of the war on the economy can easily be overstated and is by the regime.

Second and actually more important than the regime usually acknowledges, is that the first post-revolutionary decade was a period in which oil prices declined sharply after their initial bump up in 1980 to 1981. That drop in oil prices hit hard at all of the oil producers and not simply at Iran.

The third factor - I mean I'm ranking these and starting with the smallest, the middle, and now the major one - was the dismal economic policies adopted by Iran. Here, again, that same IMF study that I was just looking at is very useful because what it does is breakdown the factors which led to the economic growth in Iran and it looked to what extent is the increase in human capital because of the excellent education policies that Ali mentioned under both the Shah and the Islamic Republic. That increased human capital, and there was an awful lot of investment in physical capital. And then there is the question of what is the productivity growth, and productivity growth in a country like Iran has much to do with the quality of overall national economic policy. This country's productivity growth is much more due to the efforts of our private economy but in a place like Iran it has been much more to do with the quality of macroeconomic policy or the quality of the government decision making and the like.

And in the period of 1977 to 1989, the IMF's calculations, had the productivity stayed flat - had there been no productivity growth - Iran's economy would have grown 7.2 percent a year; instead, Iran's economy shrank by 2.4 percent a year. That is a 9.6 percent a year drop from what you would have expected had the productivity stayed flat. And that is due to bad economic policy. So the overwhelming impact on Iran's economy is in fact the poor economic policy. This is not surprising given the attitude of the revolutionary leader, Ruhollah Khomeini, who quote widely cited as, "We did not make the revolution for the price of watermelons." Actually what he said was a little more literary. He said, "I do not accept that any prudent individual can believe that the purpose of all these sacrifices was to have less expensive melons."

He was also widely cited as having said that, "Economics is for donkeys" but I have never been able to find a source for that. If anybody here can give me a reliable source for that I would be very grateful since it is often quoted but I have never been able to find a reliable source. By the way if you are a student of the matter, you will notice that the collective works of Ayatollah Khomeini keeps shrinking in length in each new edition because they keep cutting out parts that they do not want people to remember. So you have to go back to the earliest editions you can find if you want to discover the real interesting things that he had to say.

Ali Alfoneh: The reverse trend [sounds like] of Hemingway's works.

Patrick Clawson: So the first decade was truly dismal and it was followed by two mediocre decades after the war ends, and these are two decades in which there is inconsistent reform. Iran had a president who came to power in 1989 - Rafsanjani - for whom economic growth is the centrepiece of his conception of what will allow the Islamic Republic to hold on to power and what will make Iran into an important country, and yet his record at implementing reform was really modest. One of his big initiatives, for instance, is to end the crazy system of multiple exchange rates that Iran had which led to tremendous corruption and speculation. He introduced the unification exchange rates in 1993, which falls apart, and it takes Iran a decade before exchange rates are really unified. But they are unified but it takes a decades and I suspect that we will see something like that with a number of other reform issues which have come up and touch on in a moment.

So in the second and third decades, we saw a period of modestly rising standard of living and a lot of this is the sort of follow on effect of past increases in income. But, we also saw some decent progress in certain areas and in particular the energy area. The last 20 years, we have seen a remarkable substitution of the use of natural gas for oil which has allowed Iran to keep up oil exports in spite of rapidly rising energy demand and the figures on these are really quite stunning. At the time of the revolution, Iran was using relatively little natural gas and by now natural gas makes up 55 percent of its total energy consumption. So natural gas is now used for most electricity production, most heating and lots of other industrial purposes.

Meanwhile, Iran's oil fields continue to age. Iran's oil minister a couple of years ago said that, "Each year if we did nothing, our oil production would drop by half a million barrels a day" which is his estimate which is, I

mean as far as I can tell in the debates inside Iran, there are some people who said, "No, it would be 400,000." Some people say, "It would be 550,000." But all of the estimates are higher than that of the National Science Foundation study done a number of years ago here in United States, which was not particularly well informed but was highlighting this problem of the declining production because Iran's fields are aging.

However, it is in that background that it is really quite impressive that the National Iranian Oil Company has been able, primarily from its own efforts and with modest assistance from abroad because of Iran's incompetence in attracting foreign investment. With modest assistance from abroad, in fact Iran has been able to increase its oil production over the last 20 years at about 50 percent, about the same rate as population growth. By the way the oil statistics that you get about Iran, you have to pay careful attention to what people are citing because OPEC, for its own peculiar reasons, only looks at the production of crude oil without considering the oil that comes up associated with natural gas production. When natural gas comes out of the ground it always has certain oil suspended in the natural gas and because Iran is dramatically increasing its natural gas production, the proportion of its oil which comes in the form of these natural gas liquids has sharply increased and so therefore, the oil production which OPEC monitors has become quite a bit below the actual complete oil production of Iran.

Now in the recent period of course, there has been a dramatic oil boom. In 2007 and 2008, Iran earned more from its oil exports than it did during the entire first four years that Khatami was the president of Iran. What has been done with this boom? Well, the most recent IMF report on Iran gives us a basis for saying what has happened. Basically the answer is \$15 billion of this additional revenue was going into capital outflow and \$35 billion of this additional revenue was going to the growth of the government.

What has that growth of the government been for? Well, the largest single component \$14 billion has been growth in subsidies and grants and now that is just the subsidies and grants in the budget. Most of the subsidies and grants are outside of the budget, especially the energy subsidies. The Central Bank governor said almost a year ago that the energy subsidies were \$45 billion a year. The IMF disagrees and says that they are \$62 billion a year. At that level, subsidies are 25 percent of Iran's national income.

The other big element in this growth in the government has been an \$11 billion increase in the other item which has gone from being \$4 billion a year in 2005-2006 to \$15 billion a year this year. About a decade ago, I was giving a paper at a conference in Paris and I said that this other spending was all for national defense and this combative person from the Central Bank said, "No, there is a couple of other small items in there, too." I will agree there are a couple of other small items in there, but essentially that \$15 billion is not a bad proxy for what has Iran spent on national security and in the broadest sense, including all of its nuclear program, misadventures abroad and the like and it has gone from \$4 billion to \$15 billion. Not good.

So the last oil boom period has been a period of modest growth in Iran. Iran is not at the edge of economic collapse by any means. It has been experiencing modest growth. But that has left Iranians profoundly dissatisfied because they think that the country should have had dramatic growth and, furthermore, even the modest growth has been badly mismanaged. The Ahmadinejad government has managed to provoke through its policies a dramatic inflation and a dramatic import boom that has undercut domestic industries.

Meanwhile, Iran is in the midst of a youth boom. It is no longer a baby boom. It is a boom of young people joining a labor force and has been unable to find enough jobs. They have been able to create both jobs and lots and lots and lots and lots of places in universities which just exploded in Iran to contain the youth boom but to do no more than that.

Iran is tremendously vulnerable to a price decline in oil. The most recent IMF survey of the Middle East says that Iran needs \$90 a barrel in OPEC marker oil price in order to balance the budget. A year ago, the IMF report said that Iran needed \$55 a barrel to balance their budget. Fifty-five dollars a year ago, \$90 now - that says a lot about the policies implemented over the last year.

Iran has modest reserves, foreign exchange reserves, and modest government reserves at the domestic banking system that are sufficient to last for at least a year. I would anticipate that given upcoming elections that the government will maintain a high pace of spending. Ahmadinejad does not see any reason to change direction. Furthermore, the history of Iran and the crisis in the early 1980s and of the mid-1990s was that Iran kept up high spending policies until the bus had long ago left the cliff and then suddenly

noticed, "We have to do something." I assume that that is what they will do now. So I will leave it to Michael to forecast where the oil prices are going but if prices remain at anything like current levels for a period of time, Iran is going to be in very serious troubles.

You will notice that so far I have not talked about the U.S. or now UN sanctions, they contribute to the economic problems in Iran but they are not the fundamental reason for it. We, the United States, and we, the West, are seen by the Iranian people as being much more powerful than we actually are on influencing the performance of the Iranian economy. We are in a very positive situation for achieving our objectives in Iran in that the Iranian people blame the regime for the hardline stance which makes it hard for them to have normal economic relations with the West. As Mr. Sazegara said, many Iranians think that good relations with the United States will bring all kinds of wonderful things. So that is a very different situation that we are in.

I think it is wonderful that we get credit for having more influence than we actually do. I think that a lot of politics consist of how to take credit for that which is going to happen anyway, and so I think that we should be taking credit for what is likely to be a dramatic economic problem Iran is going to face in the next few years.

Ali Alfoneh: Thank you so much, Dr. Clawson. And with these words, I give the floor to Dr. Makovsky, please.

Michael Makovsky: First, I want to thank Michael Rubin of AEI for inviting me here and Ali for moderating. Can everybody hear me all right? I'll speak louder.

I want to just introduce just a moment. Where I work at the Bipartisan Policy Center, we did a report that came out a few months ago on U.S. policy to Iranian nuclear development. We have the reports out there. I think some of you have brought them in already. I just want to mention, Ed Morris was involved in our project. Though he is ill today and could not make it, some of what I'm going to talk about today for a few minutes came from Ed, who is really one of the best, I think, in oil markets and in oil politics.

I just thought I would briefly highlight a few issues on Iranian energy issues and then talk about the policy implications of those issues. Patrick just covered a lot of areas, and I'll just highlight a few key points. Iran is one of the richest countries in the world in oil and gas. Its oil production, say, is about four million barrels a day, give or take, that is higher than it was about both 10 years ago and 20 years ago, but if you compare it to what it was before the revolution, it is down by a third where its peak was in the '70s at about six million barrels a day. So its oil production, while it has again slightly risen a bit in the last 10 or 20 years, it is still significantly down from what it was.

Now, this is not unusual. Often in the oil industry, after you have had a lot of political turmoil - if you look at other countries like Venezuela, since Chavez has taken over and see the significant decline in their oil production, if you look at how long it took Russia after the fall of the Soviet Union for it to match its Soviet levels - it was very common in other countries for oil production to decline after a lot of political turmoil. Certainly, with Iran though, unlike, let's say, the Russians, they have really done a poor job of reaching its pre-conflict levels.

Just to give you an idea of how important the price of oil to its oil revenue - I'm picking 1998, when oil prices tanked at about \$10 a barrel - oil revenue in Iran was about \$10 billion. In '07, it was about \$70 billion. So it rose seven times in those years in about 10 years, but its oil production was pretty much stagnant at that time, roughly. So Iran's oil revenue is very sensitive to the price of oil, given how, I would say, generally a poor job it has done in increasing its oil production, and also as Patrick mentioned, in compensating for its natural decline in its fields. Now, oil prices, as we know, have declined from a peak last summer of \$147 a barrel - that is the U.S. price - to about, let's say, \$40 a barrel. It is a decline of about 70 percent. So you could imagine what sort of impact that has had on Iranian oil revenue, which makes up -- oil exports make up about two-thirds of all state revenue.

I'm not going to give you too many statistics anymore. I just want to lay the basis about that. The breakeven price, as Patrick said, that varies about what oil prices need to be for Iran to balance its budget. Of course, as Patrick also noted, its government expenditures have been rising, but let's just say \$80 or \$90 a barrel - various sources say that. So oil prices are obviously significantly below that right now. What is the

impact of that? Well, I'll mention one other point about gasoline, and then I'll talk about the implications. One of the issues that come up a lot certainly in policy circles is how vulnerable Iran is to outside gasoline sources. Commonly used, it is not self-sufficient. It does have refineries. It has plenty of oil. It exports oil, but its refining system is not able to match its consumption needs, and consumption has certainly risen over time. So a commonly used figure is that it is relying for about 40 percent of its domestic gasoline consumption on imports.

When we were doing our Iran report last year - actually that was co-chaired by Senators Chuck Robb and Dan Coates - we estimate that the figure is closer to at least 25 percent. That is actually lower than is commonly reported. And we believe that the Iranians have actually been rather effective at rationing its gasoline consumption with -- well, it did spur some riots in Iran. There was not really that much political upheaval, which I think should give the Iranian government confidence that if gasoline imports decline due to outside pressure, they will be able to weather that.

Now, what are the implications of what I have just mentioned and highlighted? Look, the 70 percent drop in oil prices obviously means that what were once budget surpluses in Iran have now become budget deficits. That has undercut the government's ability to buy political allegiance, offer subsidies of various goods. It has certainly reduced the diplomatic leverage vis-à-vis net energy consumers. And I think something that might get a little more discussion at some point in the future, makes a military strike on its nuclear facilities more conceivable by reducing the impact for the global oil market. When oil prices were \$147 a barrel, a military strike would have sent it significantly higher. With oil prices at \$40 a barrel and spare oil production capacity in the world, meaning the amount of oil that can be produced in the world but is not, has risen to maybe four to six million barrels a day and Iran is only exporting about two million barrels a day roughly, now you are talking about reduced implications for the oil market of a military strike, which should actually improve the leverage of the United States and other Western countries.

Now, let me focus on the issue of the gasoline imports and what does that mean. That has gotten a little more attention. Certainly, President Obama mentioned it in, I think, the second presidential debate against McCain in the fall. He used the words, "We should consider preventing Iran from importing the gasoline that they need to change Iranian cost-benefit analysis." The ideas that some people have been talking about and as Obama and his administration pursue a diplomatic approach, some people are talking about, well, one way to pressure the Iranians is to try to get companies to stop selling Iran gasoline. This is not just a Democratic idea. Many Republicans have been also talking about this idea.

However, one of the negative aspects about oil prices declining is that gasoline prices have also declined significantly. We all see it at the pump in our country, and it is the case in other countries as well. So what does that mean about the global gasoline market? It means there is a lot more spare capacity to refine gasoline in the world. It means that even when oil prices were \$147 a barrel, you had many gasoline suppliers that could sell gasoline to Iran. Now, you are going to even have more gasoline suppliers and more gasoline to sell. So that is the flipside of more leverage on the oil side, and the oil revenue side is that there is less leverage on the gasoline import side because it would be a lot easier.

Now, we also believe that on the issue of -- it is not just the amount of gasoline that is available, but I do not think that you could -- given that there are so many suppliers, given that there is even more supply out there to sell, the idea that you could cut off gasoline imports, I think, is wrong and that this focus on trying to cut off, get companies to stop, you might get some companies to stop, but overall, you are not going to have a really big impact. The only way, really, to stop gasoline imports to Iran is to blockade. And if you blockade the gasoline imports, that means you might be inviting war.

Now, if the Obama administration down the road feels that diplomacy has not worked, they might have to think about stronger measures. I'm not saying they are thinking about blockades, but I'm saying that if they do want to think about stronger measures, certainly a blockade would be a way to do that. But if we do think about that sort of thing, we must think about what that means, and what that means is that the Iranians would take that as an act of war and they could likely retaliate. And they still have a lot of influence in Iraq, and they could knock out without necessarily their fingerprints being on Iraqi southern oil export terminals, which is about 1.8 million barrels a day of exports to the world. And they could retaliate against other regional energy facilities of the Saudis and so on, whether clandestinely or more overtly.

So I think when we think about the issue of energy in Iran - and I'll conclude right here - I personally would think less about the issue of trying to cut off their gasoline imports through persuasion and so on because I

do not think it is going to work or it is not going to be very effective on the Iranians. I think they have been pretty adept at dealing with rationing. I think the only way we really need to think about it is to think about if we want to use energy as a lever with Iran, it would have to involve a blockade. And if it involves a blockade, then we have to be prepared of what that means and we have to prepare countermeasures about that sort of thing. So that is how I see the issue of Iran and energy.

Ali Alfoneh: Thank you so much, Michael. Now, there was, of course, this joke. Last year, the Iranian government attempted to reform the subsidized gasoline to the Iranian public. There are a couple of friends sitting in a car, waiting in a very, very long line for tanking, to get into the gasoline. And along this line, they are impatient, and one friend says to the other, "Now, I am fed up with this system. I'll go and kill Ahmadinejad. He is the one responsible for this." After 10 minutes or so, he returns, and the other friend asks, "So did you kill Mr. Ahmadinejad?" He says, "Well, you see, I went there, but the line over there was even longer." So questions, please.

Michael Rubin: To the two panelists and I especially point this out to Dr. Clawson and agree with what was said on the previous panels with regard to sanctions making the Islamic Revolutionary Guard Corps stronger, and if not, under what circumstances does the economic troubles within Iran -- actually, I'm breaking my own rule, so I'll only ask that first question.

Patrick Clawson: Certainly, any imposition of sanctions is going to create an opportunity for some people to profit. And I would assume that the Islamic Republic Guard Corps is going to be very good at figuring out where those profit opportunities are and horning in and taking advantage of them. So I would assume that the Revolutionary Guard Corps is going to find ways in which it would profit. However, I would suggest that if they were a completely open and free economy, the Revolutionary Guard Corps would also be very good at figuring out who is going to profit from that and be very good at horning in and getting a very big chunk of the profits to be had from that. So when we have seen sectors of the Iranian economy growing and doing well, the Revolutionary Guard Corps shows up and is quite prepared to use force of arms in order to advance its dubious claims. And so, I would find it implausible that the Revolutionary Guard Corps' ability to muscle in and take over profits is only in the areas where sanctions are creating profit-making opportunities. I think that would be true anywhere just because they have the arms. They have the authority. No one reins them in and when they muscle in on all kinds of businesses, which have nothing to do whatsoever with the sanctions. So I think the basic problem is more that the Revolutionary Guard Corps is able to take over larger and larger sections of the economy.

Now, is that strengthening the Revolutionary Guard Corps? I am not sure. It is making it richer. On the other hand, it is also feeding a great deal of resentment against the Guard Corps. And Ali is talking about the dangers of militarization is that all of the country's problems are now laid at the hands of the military, and I'm not sure that it is good for the Revolutionary Guard Corps to have this image in the eyes of not only the Iranian business community but many ordinary Iranians as being a bunch of corrupt thugs. And its economic activities in recent years have fed that image.

Ali Alfoneh: Mike a comment, please.

Michael Connell: Thank you. Is it working? Mike Connell, I'm from the Center for Naval Analyses. I have a question for either of the panelists. It relates to [audio skips] economy-based subsidy plan to something as more cash-based, just handing out cash to individual families. Could you tell me more about that? What is the reasoning behind that?

Ali Alfoneh: The question is about cash handouts and oil divide rather than a subsidy-based economy that they have seen in Iran before.

Patrick Clawson: Well, it has been more than a decade that the World Bank has recommended that Iran move away from a system of subsidized prices and that noting that this would have some impact on the poor that what should be done is to replace the price subsidies with instead cash payments to some of the poor sectors of the economy.

Now, in the years I worked at the IMF and the World Bank, I worked on several studies about how to eliminate subsidies in different countries, and I always thought cash payments was generally an attractive idea in economic theory that was largely impractical. And it is impractical for some of the exact same

reasons we are seeing in Iran that namely it really would strain the capacity of the Iranian government from a technical point of view to determine who is eligible for these subsidies. You can imagine that there are tremendous opportunities here, shall we say, for people to understate their income, especially in a country like Iran where people do not have the tradition of necessarily being frank and open with the government about their income.

And furthermore, you can imagine that politicians dearly love the idea of being able to send every month a check to Iranian families that has their name at the bottom and so that these poor families get this check from the president each month. All right, Ahmadinejad says, "Where do I sign up?" So I have always thought that this idea of monetization of the subsidies was a little bit dubious. I'm much more in favor of an approach which the Indian government used over the years, which is to provide the subsidized commodities only for inferior goods and only in poor neighborhoods and only with long lines on the grounds that rich people are not going to put up with this and the only people who would put up with it would be the poor.

But anyway, Ahmadinejad's interest in this monetization seems to be entirely unrelated to sound economic theory and completely based on the idea that he gets to send a check to families with his name at the bottom. I think the chances of it happening are relatively slight, frankly, partly because [audio glitch] and a lot of people and the marjas do not want Ahmadinejad to be able to do that and partly because saner heads are saying, "How the heck are we going to do this?" It would be really beyond the capacity of the existing Iranian government to implement this very fairly.

Ali Alfoneh: Thank you, gentlemen. Please.

Allen Keiswetter: Allen Keiswetter from CNO Resources and then also the Middle East Institute. And this is a question for Patrick, but others may want to comment. Given your general gloomy economic predictions, what do you see is the domestic political impact of all of this, particularly on the forthcoming elections?

Patrick Clawson: Well, on the forthcoming elections, I'm a firm believer that Iran's election system is based on the principle of one man, one vote. The one man is named Khamenei. I think that the choice that he makes is very important because it is an important signal of which direction he wants to see the country go. But I think that he can relatively easily dictate the rules and procedures that guaranteed an outcome that he finds acceptable.

And unfortunately it would appear at least so far that Khamenei is continuing his traditional stance of not caring about economics. He did not care about economics when he was president. He has not cared about economics when he has been Supreme Leader. The subject is really just not something he talks about. It is not him. And he seems to, at his heart, believe at the end of the day, Iran has ample oil resources and the oil markets will be good enough that Iran can survive off exporting oil and importing everything else. And in the current period, I would love to think that he has been influenced by the geostrategic deterioration in Iran's situation of whether it is because of the United States doing better in Iraq, whether it is because of the decline in the price of oil. But I do not see that happening yet.

We have the attention of the Iranian business community, which is very unhappy and very upset with the hard-line confrontational policies on the nuclear issue, on Hamas, on -- but unfortunately, the business community does not have Khamenei's attention. He seems to be much more interested in how his friends in the IRGC are doing and their ability to continue to take over larger sections of the economy and therefore to insulate themselves from the downturn continues.

Ali Alfoneh: Before we go to the next question, I had a question to Michael. What is the critically low price of oil or when does it become critical to the regime?

Michael Makovsky: What do you mean by critical? It is already affecting [audio glitch] as we discussed. There are different levels of I guess you could call -- where you have key markers. When it is not economic to produce oil - and that is obviously not the case - the marginal production cost -- maybe Patrick remembers it better. I cannot remember it right now, but it is extremely low in Iran as it is for all the Gulf countries. It is not like it is, let's say, with Canadian tar sands. So that is one key level where they can produce, where it is not economic that it is highly unlikely we will ever reach that point. And then there is another level which we mentioned about where the breakeven for the budget and it is obviously much lower

than that right now. So I would say it is already pretty significant, having a significant impact obviously on the Iranian economy.

Sameera Daniels: Sameera Daniels, Ramsey Decision Theoretics. In the earlier panel, it was mentioned that the Iranian leadership [audio glitch] there was increased militarization in [audio glitch] actions and [audio glitch] rhetoric. To what extent [audio glitch] divided by [audio glitch] pattern that [audio glitch] on its feeling [audio glitch] action of jeopardy of its security. There is the [audio glitch] war and so forth. And I was a little bit confused because on the -- there seemed to be a suggestion that this was just inherent to this specific leadership. I think this is patterned that [audio glitch].

Ali Alfoneh: I do not know if the mic worked. The question is about the co-relationship between military intervention in politics and external level of threat.

Patrick Clawson: Well, let me just talk about the military intervention economics. And I would suggest that I do not see any trend around the world for increasing military intervention and economics. And indeed I would suggest that, if anything, countries which have undergone substantial, greater state intervention in the economies like Russia and Venezuela in recent years, the role of the military has been largely peripheral to that, and where it has been used in a place like in Venezuela because it has been used as an instrument of repression. And that is what I think has been going on in Iran and not because of external threat. And I do not think that the greater intervention of the IRGC, the Revolutionary Guard Corps in an Iranian economy has been because of a perception of greater threat, but instead because of greater influence that the Revolutionary Guard Corps is playing in the political system.

And the Revolutionary Guard Corps will, of course, justify its activities with reference to threat, but as Ali has suggested, it does its best to make sure that that threat persists and has an interest in keeping that threat up. So I would say if we are going to see a cause-and-effect relationship, it is that the Revolutionary Guard Corps wants to preserve its privileged economic and indeed political position and therefore does its best to exacerbate threats. It is not that threats drive greater intervention in the economy. It is that those who want to make sure that the Revolutionary Guard Corps is an increasingly dominant element in Iranian society are darn well determined to make sure that Iran does not resolve its conflicts with the international community.

Ali Alfoneh: And if I may add -- thank you for your question because that exact question is one of the questions that arise in my PhD dissertation that I'm writing on. And what we see from experiences from other developing countries is that countries with underdeveloped political culture or weak civilian institutions in exactly those countries, we see military intervention in politics much more prevalent than in countries engaged, let's say, in war. The United States has been engaged in many, many wars ever since your independence, but the military has not become a dominant force in U.S. society.

Patrick Clawson: Yes, some are wrong. [Audio skips]

Ali Alfoneh: Please, there is a question from VOA.

Male Voice: [indiscernible], VOA Persian News Network. The idea of economic sanctions targeting government instead of the people of Iran - how plausible is that and how practical is that in reality regarding the structure of economy in Iran, which is not very strong? The private sector is not really strong, so how do you see that in reality going to happen?

Patrick Clawson: [Audio glitch] as Michael has mentioned, the Iranian government depends overwhelmingly on oil and gas revenues. And so there is a certain rationale for saying that if we want to influence the Iranian government, we should target oil and gas revenues. The difficulty is that those same revenues which are then used for programs which the government carries out, which benefit ordinary people as well as for its various nefarious activities. And so that is going to have an impact on the Iranian people. There are just no two ways about it.

Look, our experience with Saddam Hussein should show us that economic sanctions, which target a regime in these dictatorial societies provide a way in which the -- or the regime has ways in which it can make sure that the penalties are borne by ordinary people and not by the regime leaders and not by the national security projects nearest and dearest to the hearts of the regime leaders. And there is nothing we can do about that.

Michael Makovsky: I think your question is a very good one, and it gets to the heart of the issues of economic sanctions because the issue of -- again, the new administration, the Obama administration is going to be engaging in a new diplomatic approach. I think that is a very healthy thing for the policy. I think they have to give a very vigorous effort to diplomacy to see if we can make that work. But again, one of the challenges is when you try to increase sanctions. I think it is important, by the way, as the U.S. focuses more on diplomacy that we try to get our allies to increase their economic sanctions - the Europeans on Iran.

But when it comes to energy or any economic things, one of the challenges is that the government could portray the hardships as being the cause of foreigners and it could, as opposed to undermining the government by reducing its revenue, in some ways it could strengthen the government because it gives the government an easy scapegoat. So that is the challenge with any economic thing, whether it is gasoline or any trade.

That said, I still think as we -- Obama has spoken about carrots and sticks with policy to Iran. And while I think the carrots approach is healthy, it is very important also that there be real sticks, and one of that is trying to get our allies to increase their sanctions in terms of their trade relationship with Iran.

Patrick Clawson: Just a word, Mike - one of the interesting dynamics in Iran is that for a long time, the business community and as far as we can tell a broad layer of the population, playing hardliners in the regime for the sanctions much more I think in the West. And in fact, we seem to be in a virtuous cycle in Iran that is exactly the opposite of the vicious cycle we are in Cuba. The Iranian regime gets blamed for economic problems even greater than its own doing. And the power of the West and better relations with the West for resolving those economic problems is exaggerated. And so I think Mohsen Sazegara was spot on target when he said that the greater problem is that especially young people in Iran but I would say even the business community exaggerates the extent to which better relations with the West would solve Iran's economic difficulties. Now that is a power multiplier for us at the moment, while we have bad relations with Iran. If, as I hope will happen someday, we have very good relations with another kind of government in Iran, then we have a problem of unmet expectations.

Ali Alfoneh: Thank you. Thank you, Dr. Clawson. Thank you, Dr. Makovsky. Thank you for your questions and attending this session. See you after lunch at 12:45 for the keynote address. Thank you.

Michael Rubin: Okay I would like to call this back to order. Continue to enjoy your lunches. But what we would like to do is get into our keynote address with Jeffrey Gedmin who is the president of Radio Free Europe. Could I ask that everyone in the front sit down please? Could everyone please sit down now?

Public diplomacy towards Iran is one of the defining issues right now. There are any number of debates about how the United States can refine public diplomacy and how the United States can get its message out both diplomatically and also more importantly at the grassroots level and so forth. So I was thrilled when Jeffrey Gedmin, the president of Radio Free Europe and Radio Liberty, agreed to come and give our lunch keynote today.

For those of you who do not know Jeffrey Gedmin, who is sitting right next to me. He has a long and distinguished career. He ran the New Atlantic Initiative at the American Enterprise Institute before moving on to be the president of the Aspen Institute in Germany. And for the last couple of years, he has been the president of Radio Free Europe/Radio Liberty which of course includes the Persian-language service Radio Farda. And without further ado I'm going to call on Jeffrey Gedmin to give us his thoughts on public diplomacy and so forth for the next half hour or so.

Keynote Address

Jeffrey Gedmin: Michael, thank you very much. It is a pleasure to be here and I want to thank Michael Rubin for running this beautiful conference and his assistant, Ahmad, and the other staff. I know it is a lot of

moving parts. And I appreciate being here. Thanks to American Enterprise Institute where I once worked. Welcome C-SPAN and C-SPAN audience. It seems to me Michael that you flattered me by giving me the podium at lunch. But you also embarrassed me a little bit because I think I'm the only person in the room who is not an Iran expert which does put me at some disadvantage. But I do think about Iran and I think about public diplomacy and I work with Iranians in Prague. So with that maybe I have something to share with you.

As Michael said I have been with Radio Free Europe/Radio Liberty now almost two years. And when I began I had been on the job just a couple months when we had a kidnapping. It was a kidnapping of one of our journalists in Baghdad, a 29-year old woman who was a cultural reporter. And in the days and couple of weeks actually that followed, we had intense negotiations and assistance with the U.S. Embassy in Baghdad, with the U.S. State Department, with the Pentagon here, with the other embassies, human rights groups and a number of other actors to win the freedom of this woman which we did succeed in. She was freed. But almost immediately when she was picked up -- she was on her way to work being driven by a neighbor, who was shot by the way. The neighbor driving was immediately shot and killed and the body thrown in a ditch.

Almost immediately - while, she, Jumana, was in captivity - her Iranian colleagues in Prague came to me and said they suspected an Iranian hand behind this. And you know one might react first by saying, "Good heavens this sounds farfetched; emotional, maybe, typically conspiratorial," if I may say that about the Middle East. But it is the case that in 2006 and 2007 there was a spate of kidnappings. Just to remind you how severe the wave was, at one point someone in the American Embassy in Baghdad told me that things were looking good. Kidnappings were down to about 50 a day - 50 a day - and by all accounts there seemed some to be Iranian connections. Because the Iranians had been and still support insurgents in Iraq both Shia and Sunni. And in this particular case we had an Iranian journalist from our program called Radio Farda/Radio Tomorrow detained inside Iran and the interrogators had leveled quite an explicit threat right before this kidnapping of the Iraqi colleague. The interrogators in Tehran told our colleague, our radio journalist, "When you return to Prague, stop reporting about domestic news. If you want to report, report about light, international news. But if you report about domestic news and you try to find our pressure points, we will find yours." And so my colleagues in Prague concluded, "Well, they are looking for our pressure points and not just here in Prague and not just inside Iran but perhaps even in Iraq." Who knows? We do not know exactly who took Jumana but it was a speculation.

Earlier this week in Prague - I flew in last night - we had a senior Afghan official visit us and visit our Afghan service. During the conversation over breakfast I asked him, "Mr. Minister, what is the role Iran is playing in Afghanistan today?" And the first thing he did was smile and he said, "Which Iran?" In a reference to the multiple voices that we have heard about this morning, Michael, multiple actors inside that political landscape, he said, "If you mean the Revolutionary Guard, quite a destructive role. They continue to finance, continue to aid, and continue to assist insurgents including the Taliban."

Well it seems to me that of all the debates in Washington D.C., about what to do with Iran and what is happening in Iran and what Iranian behavior means for us, two things are certain. First of all that Dennis Ross is right when he says that this current government of Iran threatens American interest throughout the region including Iraq, including Afghanistan. I think it is also true, I believe, that while the timing is in dispute the new administration and President Obama - in one way or another - is going to engage in a different way in a more robust way the Islamic Republic.

So in my judgment that begs two questions, "With which Iran are we going to speak? What part of Iran are we going to engage? And what are we going to talk about?" And I have two fervent hopes. The first is that we do not speak merely and exclusively to the government of Iran. I think it is absolutely vital that we speak to and listen to the Iranian people. And the second thing is, whatever this new approach entails, whatever this rapprochement is all about that it ought to be a comprehensive approach.

I was interested in hearing the new American president on an Arabic language television station earlier this week say that, "The approach of the United States to the Middle East should be holistic." And I think their approach to Iran should be comprehensive and holistic. And to that three points.

First of all, most obviously the United States Government has in mind a conversation, a negotiation with the Islamic Republic's government on how to halt its pursuit of nuclear weapons. Nothing is probably more important than this. And it has been said and stated and formulated but I think it always bears repeating that

nuclear weapons in the hands of this government, in the hands of these men who rule Iran today would mean a change of balance of power in the region. It would almost certainly ignite a dangerous, destabilizing arms race. It would certainly provide terrorists with the protection of a nuclear umbrella and would definitively pose an existential threat to Israel. I do not think there is anything more important than any kind of conversation, negotiation incentive or disincentive package that persuades this government to stop its progress and campaign to acquire nuclear weapons.

But there are other things; second, I think the new administration would be well advised to engage the Islamic Republic about its behavior in the region as it affects our interests and the interests of our allies. That is Afghanistan, that is Iraq and that is support for terrorist groups like Hezbollah, Palestinian Islamic Jihad and Hamas. I think that you could have the most brilliant, tenacious, sophisticated, subtle, penetrating diplomacy in the world. I do not think there will ever be peace between Israelis and Palestinians when a country like Iran finances and supports and promotes terrorism.

Third, I think it is important in this comprehensive approach that the United States have a robust, serious think about how we support human rights civil society and democracy. There is a quote by Ronald Reagan that I'm fond of from a speech that Ronald Reagan gave during his first term at Georgetown University here in Washington D.C. Reagan said, "All Americans share two great goals in our foreign policy, a safer world and a world in which individual rights can be respected and precious values may flourish." Reagan went on to say, "These values may be cherished by us, but they do not belong exclusively to us. They were not 'made in America'." Now I think that was true during the Cold War. I think it is true today. I think it is true for Republicans; I think it is true for Democrats. And I think that kind of quote could have easily come from the pen of the new president of the United States, President Obama.

I think in engaging the people of Iran we need an approach that is as rich, as varied, as multilateral and if I may add as bottom to top as humanly possible and conceivable. A parenthesis about that - what I'm not advocating today is a new intensified hunt for the moderates inside the Iranian government. That is not what I'm talking about. Not to say that moderates do not exist and we heard that this morning. The Iranian government is not a monolith; I'm aware of that. But it is a government, again as we noted on a number of panels this morning, that is exceptionally opaque.

We have a terrible tradition of identifying moderates. The tradition and attempt goes back to the Reagan administration. And sometimes the results have been quite embarrassing. Remember in the early 1990s in Berlin, in a Greek restaurant called Mykonos, four Kurdish-Iranian dissidents were gunned down; they were murdered. This was at the height of critical dialogue and Europe's efforts to engage Iran and speak to Iran and identify and work with moderates. By the end of the decade, a German court had found that in that execution, in that murder of those four dissidents, the so-called liquidation order went to the top of the Iranian government and was explicitly supported and signed by then President Rafsanjani. Well, we have heard his name invoked this morning. In some Washington circles and in many European circles, he is one of the famous and desirable moderates. Well, maybe, but these things are surely quite relative.

I prefer, as a compass, the kind of thinking that Nick Burns left us with when he left the State Department at the end of the last administration. Nick Burns, the undersecretary for political affairs, who said, "Today in Iran the critical divide is not between moderates and hardliners, the critical divide is between society in general and the ruling class." So I would suggest to you, yes let us engage the government on nuclear issues - absolutely critical - let us engage this ruling class on regional issues, but let us also do whatever we can to engage and listen to the Iranian people. I think it is soft power. I think it is smart power. I think it is common sense.

Now what do I mean by that? A number of things - number one is I think that we ought to engage the Europeans. The Europeans have had a problem with the way the United States deals with Iran for years and now we have a moment. Europe likes smart power; Europe likes human rights; Europe actually likes the new American president. I think it is a golden opportunity to tell the Europeans, "Please now, finally, step up." Engagement is not only about commerce. It is not merely about multinational corporate interest. There are a range of things that we could look to Europeans to do - great human rights traditions within the Green parties, some instances within social democratic parties. The German foundations have a fantastic tradition of helping civil society from Portugal to Southern Africa. I think we should engage them.

What else do I think? I think it is important to engage trade unions. I'm aware that there is not much - yet - in the way of trade union movement inside Iran. I think there are a couple that are weak and they have very little connection to the outside world. You have to start somewhere.

I think this new administration of Washington should engage environmentalists. There are some environmental NGOs in Iran; again nascent, again underdeveloped, again weak. We have to start somewhere. I would push the Europeans. Good heavens, the German Green Party is keenly interested and concerned about the Iranian Nuclear Program and it would be a wonderful interlocutor for a number of Iranians on environmental issues. I think the Europeans should be involved. We should push environmental issues.

I think we should push cultural dialogue, exchange, and cultural diplomacy. I met recently in London with the chief curator of a major British museum who had organized a small visit of some British curators to Tehran to explore the idea of museum exchanges. Their visas were denied. The opportunity to travel was cut off. I think that Americans and Europeans and others, there is just an immense amount that can be done also in the area of film which Iranians take great pride in. Also in the area of literature, there was a documentary on Iranian television recently where experts sat around the table discussing Harry Potter, and the conclusion of the experts on national television in Iran was that Harry Potter is a nefarious Zionist plot aimed at world domination and subjugation of Iran. I have a strong intuition that there are some Iranians who dispute that thesis. I think we should engage them. We should hear from them. We should listen to them.

I think we should promote educational ties, business ties. I'm not naïve about these things - good heavens! I recall the kinds of educational exchange that took place during the Soviet Union. I remember once being in line at the Moscow Airport during the Gorbachev era. There was a school group from Minneapolis and they had trees that they were coming to plant in Moscow. I guess the Friendship Society of the Soviet Union and the communist youth group will go to Minneapolis and plant trees. Well, these things are used and abused and manipulated and regulated - we heard numerous times today how young the Iranian population is - but on balance, the more exchange, the more contact, the more Iranians who can get out of the country, the more people we can send there has a positive effect.

I said business. I'm not for the unqualified and unconditional lifting of sanctions. I think sanctions have a place, but I am for the vigorous review of sanctions and wherever we can think about smart sanctions because my understanding is in Iran, there is an entrepreneurial class, there is a technocratic class, class that is keenly interested in contact with the West, exchange with the West and it is stifled right now. It is stymied; it is suffocated.

I would do everything I can to promote and support the rich activity of Western NGOs that try to connect to, listen to, talk to, and have dialogue with Iranian civil society; that is Freedom House; that is the National Endowment for Democracy. In Paris, it is Reporters Without Borders. I mentioned in Germany it is the stiftung and it is the German foundations.

I would engage Iranians outside the country, many of whom are in this room today. I have been out to Los Angeles a couple of times to meet with Iranians out there. I have been to Paris, I have been to London, and I have been to Berlin. Openly in this room, we can say that the Iranian community outside the country has a reputation of sometimes, shall we say, being divided. There is suspicion. There is acrimony. There are Iranians in this room laughing right now. I guess I touched a chord. It does not matter because we either include you Iranians in this process, or you will include yourselves anyway and I prefer it by invitation.

I would do everything we can, by the way, to promote religious exchange. I do not know if you noted here in the United States but over Christmas, Channel 4 in Britain offered its so-called alternative message to Mr. Ahmadinejad and argued that this was the way that you show tolerance, diversity, and intellectual curiosity. Being the president of Radio Free Europe, I guess I should be for freedom of the press and freedom of speech. My own view on those things: Yes, have an open mind but not so open your brains fall out. An alternative Christmas message from President Ahmadinejad seems to me odd. But nevertheless if he wants to speak to us, let's listen and let's speak back. I would propose as many exchanges, and conferences, and seminars, and symposia. I would include Muslims and Christians and Jews and Baha'is to say we want to listen and we want to learn and we want a rich dialogue with this country and with this society.

There is a lot written these days about the importance of the blogosphere inside Iran. Depending on who you listen to or what you read, Iranians are either the second leading bloggers in the world or the third or the fourth, but they are at the top five and they are big, big bloggers. Well, I'm also told that if you look at what they blog about religion it happens to be an extremely popular, controversial, important issue, the role of religion in society. I would engage on that.

I would engage on women's issues. I cannot think of anybody better placed than the new Secretary of State and her State Department to engage on women's issues. It is a nascent movement. It is an underdeveloped movement. It is a movement inside Iran that does not have full coherence, and I think it has immense potential for us to listen and learn and to contribute in whatever way we can.

I would also say that if you are interested in building civil society and having such a rich and varied dialogue, you have to think about minorities. Iran has minorities. One being the Azeri minority, again, depending on what estimate, between 25 and 30 percent and by some estimates 20 and 25 percent of the population are Azeri. They play important roles in the government, important roles in economy. But they do not - some of them - feel that they have the autonomy and the rights that they would like as a minority group. It is not about separatism. That is not in our interest, and I do not think that is what they are pursuing either but minority issues.

I would suggest that we also find ways to help people inside the country find their own voice, and I do not know what kind of support that means, but I think it is a valuable thing and I would not shy away from it. I'm fully aware that we had this little controversy in the last few years about President Bush and the \$75 million that the State Department wanted to use to support democracy in Iran. It was widely criticized by everybody, by Shirin Ebadi, the Nobel Prize winner, by dissidents inside the country, by Iranians outside the country, by NGOs, by human rights groups. It was said to be counterproductive. It was said to be dangerous. It was said to be meddling. Some people said it was just poor timing. This is the Ahmadinejad era. We should have thought of this before when the reformists were in power. I have to tell you I do not find any of that very convincing.

In April 2000 before George W. Bush was elected and a reformist president was in power, a small group of intellectuals traveled from Iran to Berlin. This was the Berlin of soft power, engagement, and critical dialogue. They went to participate in a conference organized by the German Green Party, not exactly the militaristic part of the German political landscape. They came to talk about things like secularism and constitutional reform. They went home and they were arrested and they were imprisoned in 2000.

At that time, some people blamed the Germans and the German Greens, "What a provocative thing to invite Iranian intellectuals to Berlin." Well, if you will, okay, but in 1999 the year before, there was a crackdown of media in Iran during this reformist period. There was violent suppression of demonstrations at universities during this reformist period. It seems to me that if we reach out on a strictly voluntary basis and help those who wish our help, they will be endangered and the regime will target them and that is a problem. If we do nothing, the regime will go after them. They will be endangered and they will have problems.

We do know this. We know that whatever happens inside Iran is a choice of the Iranian people, and it will be driven from inside Iran. But I think we also know that it is fair and reasonable when people inside this country wish a dialogue with us, information from us, intellectual nourishment, moral solidarity, I think it is fair and reasonable to say, "Yes, we would be happy to participate." We did this in South Africa. We did it in Eastern Europe. We did it in the Soviet Union. We are trying to do it today in places like Belarus and Burma. It is hard for me to understand why Iran would be the one single exemption where we say, "No, not for us. Too dangerous for us and them, we don't participate."

Final point and this is self-serving my goal, but it seems to me that broadcasting does play a role and should play a role as well, and I would be happy to say something about this. I think it is terribly important that BBC does what it does and in my view BBC Persian, for its Iranian audience, offers a vital window on the world. I think it is important that Voice of America does what it does. If BBC provides a window on the world, Voice of America provides an American perspective, a U.S. perspective that apparently Iranians want and need.

And then, there is what we do in Radio Free Europe/Radio Liberty and our Persian-language station called Radio Farda. We are not a window but we are kind of mirror. We try our best to focus on domestic news and developments that Iranians would not need if they had a fully fair, free, and independent media. Radio

Free Europe/Radio Liberty today is broadcasting in 28 languages in 21 countries, to Russia, to the Caucasus, to Central Asia, to Afghanistan, Iraq, and Iran. We are not doing propaganda. We are not doing psychological operations. We are providing news and information and it seems to work.

I mentioned the Afghan, Afghanistan, our Afghan Service and a visit we had from Kabul earlier this week. In Afghanistan where we are permitted a bureau and freedom of movement, we have 60 percent market share. We broadcast in Dari and Pashto and we have impact, I would like to suggest. Sometimes it is dramatic. We have had two instances since I have been on this job where suicide bombers have called in to our station saying, "I want out, and I do not know how to get out. I'm in a very dangerous position here and I did not know who to call."

Sometimes it is not so dramatic, but I think it is equally profound. Last week, we took a call on our Radio Azadi, Radio Freedom in Afghanistan, we took a call from a gentleman who is representing a group of students at the University of Kabul; they are all disabled. And he said, "We have a problem. We are expected next week to take exams, but the exams are being held on a higher floor in the university building and there is no access, there is no wheelchair access, there is no elevator." At which point, a government official called our station and said, "Sorry. We will fix it. We will make sure that the exams are held on the first floor."

It fosters debate. I can tell you that one of my favorite letters that Radio Afghanistan, Radio Azadi, has received - they get bags of email, phone calls, bags of mail every week - was written by a 12-year-old boy from one of the provinces. The letter is one piece of paper. If you unroll it, it is about 20 feet long - 20 feet long - with art kind of done by pencil and crayon. I do not know what the letters says - all 20 feet - but I have had bits translated to me. One of my colleagues said, "Well, here is a piece. The 12-year-old boy talks about the role of women." Do you know what he says? He says, "Women are our sisters, our mothers, and our wives. Women tame the wild horses. That is us boys and men. Always treat women with dignity and respect." Things like this I think foster debate, stimulate discussion, promote respectful dissent and add an immeasurable contribution to the development in these societies.

A final word about Farda, the Persian Service, it does not have the advantages of the Afghan Service. We are not permitted as a bureau inside Iran. The website is blocked, the signals for the radio are jammed, the journalists are threatened and still there is an audience, there are emails, there are phone calls. We can get as many as 500 SMS text messages from Iranians throughout the country overnight. There is much more that could be done. I regret by the way that BBC Persian positively has moved to Persian television this past couple of weeks and the government of Iran has declared it illegal. It is the right sort of thing to do.

Final point, 10 days ago, 11 days ago in Iran, you may have noticed it was reported here. Two doctors who were revolutionizing HIV prevention inside the country. They had been arrested in June; they had been sentenced to prison - three years and six years, respectively. There are rumors that they are in solitary confinement. There are rumors that they are being forced to sign confessions. They are accused of trying to overthrow the government. You know what the principal charge against them is? You know what these two men were doing? They were trying to get other doctors and athletes and professionals from culture and education to visit the West and visit the United States and as the Iranian news service put it, "To destabilize the government and convince Iranians that the Americans are the savior of us all." Well, they will come here. They will see we are the savior of nothing and we have to save ourselves. But it would be a very good conservation to have. I think these are exactly the kinds of people that we have to find means and mechanisms to speak to, listen to, assist and support.

Thank you very much.

Michael Rubin: Thank you very much Jeff. You have certainly given the forthcoming panel on U.S.-Iran relations quite a lot to grapple with. As we move on to the next panel and some questions from the audience might come, I might ask you if there is a specific question directed to you that I may call you back up to the podium just for a minute or two at a time. But with that what I would like to do is call the next panel up to speak as we begin to discuss U.S.-Iran relations and where they are going. Thank you.

Panel IV: The Future of U.S.-Iranian Relations

Gary J. Schmitt: Good afternoon and welcome to our fourth panel: The Future of U.S.-Iranian Relations. My name is Gary Schmitt. I am a resident scholar here at AEI in strategic studies and I will be moderating the panel today.

Let me do a brief introduction of our panelists. You have the bios, but let me do a little bit of introduction for our TV audience.

Jon Alterman joins us from CSIS where he runs the Middle East program. He has had a distinguished career both in academic life and in government life; was with the policy planning staff at the Department of State and has written numerous books on the Middle East. He continues to teach at Johns Hopkins-SAIS and at George Washington and prior to that, he was a Harvard professor. And the most important thing is that he has something in common with me, which is that we both worked for the late Senator Daniel Patrick Moynihan.

John Limbert is now teaching at the Naval Academy. A former ambassador to Mauritania, had a very distinguished career in the Foreign Service; held numerous positions and responsibility. He has a PhD from Harvard; is the author of two very fine books on Iran and the Middle East and while maybe not as stressful as working for Senator Daniel Patrick Moynihan, he was an Iranian hostage for 14 months.

Finally, my colleague, Michael Rubin, is a resident scholar here at the American Enterprise Institute. He lectures at the Naval Postgraduate School; he is the editor of the Middle Eastern Quarterly; he has worked in the Pentagon; he served in Baghdad; and he also has written two very fine books on Iran.

We have less than an hour so what I would like to do is have each of our panelists speak for about 10 minutes, and then we will turn it over for questions from you and hopefully have a good exchange. John?

John Limbert: Thank you very much Gary. Also, I want to thank Mr. Gedmin, our previous speaker, for an excellent talk. I would look forward to hearing from him the good news that they are going to revive -- he mentioned Radio Azadi. Radio Azadi was the original name of the Iran service of Radio Free Europe. It was an excellent vehicle and really did some superb programming. I look forward to hearing that they are going to revive some of that format and we could hear some of that excellent programming again.

A reporter once asked me, he said, "In relation to Iran, would you be considered a moderate?" This was a few years ago and I said, "Look, I do not think so because in this town, sometimes a moderate is someone who thinks we should bomb Iran tomorrow, and I do not fall into that category." But, look, we and the Islamic Republic have been estranged for 30 years. For 30 years, we have not done much but trade insults; call each other names like "axis of evil", "rogue state", "world arrogant", "great Satan", and so forth.

At the time, 30 years ago, I certainly would not have guessed - I do not know who in this room would have guessed - that the estrangement would have lasted all this time and we still would have been in the same situation for no war, no peace.

Why has it lasted this long? The late Richard Cottam, the political scientist, called our relationship a downward spiral. Why can we not get out of it? Why have we not been able to get out of it for 30 years?

Well, I would propose that the main reason is that history or somebody's view of history on both sides has created what I call mutual mythification. Each side has used and misused history to construct the perfect enemy - an enemy that is devious, hostile, cunning, and an implacable enemy. What one side, for example, calls its interests; the other side calls meddling. What one side calls caution; the other side calls paranoia. There has been also a failure of what negotiation experts call a failure to separate person from problem. People look at the people on each side and say, "How can you ever do business? How can you ever talk to people like that?" So we have confused person; we have confused problem. Convinced of its own rightness, each side hurls insults at the other and asks, "How can one deal with people who do such terrible things?" What is the result? It is as we have seen. Thirty years of mutual insults, repeating empty slogans and occasionally escalating to murder.

How do you break this spiral? Murder, I said sometimes, as close as Chevy Chase, Maryland, if some of you remember back to 1980. How do you break it? First of all, it is going to be hard. Thirty years of accumulated grievances and then grievances going back, but it can be done. One can agree on something. I mean if we and the Iranians could never have agreed on anything, probably Mike Metrisko and me and Ambassador Laingen would still be in Tehran. We would still be there. Although, I never had the experience of working for Senator Moynihan, but it could have been worse. But I am not sure. I think would have preferred it.

Second, probably one way out of the spiral is to leave our sermonizing and leave our moralizing at the door. You know all of these talks about sins of the other side past and present. Yes, it makes us feel good but in the end what does it do? I see a colleague from Voice of America. I sometimes am on there. There is this wonderful show they have, Mizegerdi ba Shoma, The Roundtable. People often call in from Iran and it is a lot of fun to do.

About a year ago, I was on the program and someone called in from Iran and said, "You Americans, you should really get over this business of the embassy seizure and the hostage-taking. I mean that was a long time ago, that was almost 30 years ago. A lot of time has passed. You really should get over it." So I said, "Okay, fine, fair enough, but what about you and the coup of 1953? Can you get over that?" He said, "Never - not going to happen." We have to set that kind of thing aside where our dialogue consists of reciting the sins of the other side.

Also, special kind of hobbyhorse of mine, we have to stop telling the Iranians that they must change their behavior. I cannot think of any language that is more useless and more condescending. What one hears in Persian is kind of this language; it is sort of [speaks in Persian], "You become a human being then we can talk." Anyone who has ever raised teenagers knows the uselessness of such a formula in saying you must change your behavior and then everything will be fine. It also gives a lie, frankly, to the claim that we respect someone. How can you respect someone at the same time you tell them that they have to change their behavior?

Another way I would suggest is to be aware of history. In Iran's case, I call it the Ozymandias history. It is a history of grandeur, great cultural achievement, great artistic achievement, great political achievement and grievance at the same time. At least for the last 300 years, there has not been a lot of grandeur. There has been a lot of humiliation. And it affects political positions, and it leads to the assumption that when one side - particularly the U.S., particularly Britain - is offering something, it is out to cheat us Iranians. They are out to cheat us. There is something behind it. So, one should be aware that the overture, the offer to talk will probably not be accepted immediately. We should not be surprised if an overture, whoever it comes from, meets with suspicion and meets with some reluctance.

Let me end this way. If we are going to make any progress in this relationship, we are going to have two things. We are going to have to have low expectations and we are going to have to have high expectations at the same time. It sounds like a paradox but here is the way it is. Low expectations mean we expect progress to be slow; we should expect it to be uneven and difficult. Offers as sincere as they are; as good as they seem to us will be met with suspicion and hostility. There will be spoiler events. I can guarantee it. Somebody out there is going to try to derail any progress.

But at the same time I think we need high expectations. I was pleased, for example, to see the president talk about preconceptions in his interview with Al Arabiya. Leave our preconceptions about Iranian irrationality, their xenophobia, and their fanaticism. Let us leave that at the door because what we have seen is where Iran has seen its own interest, as in the case of Afghanistan in 2001, they can be very professional and very pragmatic in pursuing that interest.

But if the Iranian side perceives these preconceptions and this happened, for example, with the British in the oil negotiations of 1951 where I think the Iranians suspected or felt the British were looking at them as somehow less than fully mature human beings. Then, what you have is not a negotiation, not an engagement but you have a death struggle. In that death struggle, the object is not to seek benefit but to humiliate the other side. Your only satisfaction from that is to say, "You know this may kill both of us, this may hurt both of us but there will be more flowers at my funeral than there will be at yours."

Okay. So let me end with a quote. I saw a quote from a Foreign Service colleague, Ambassador Ryan Crocker, he was talking about Iraq but I think it relates to relations with Iran. He said, "Everything you do is going to take longer than you think. It is going to be harder than you think, and somebody somewhere is going to come along and try to screw it up." So thank you very much. I look forward to hearing from our colleagues.

Jon Alterman: It is always hard to follow John Limbert because I think he is so smart but I'm going to try. I also want to thank Michael Rubin not only for convening this conference but also for keeping me on his email list. He and Ali Alfoneh make me not only smarter about Iran everyday but also help to remind me, just how complex, how interesting Iran is. How all of these easy stereotypes that we have do not really hold.

The U.S.-Iran debate it seems to me has become kind of strange. On the one hand you have people who say that Iran's hostility to the United States is this durable constant and that engagement with Iran is a fool's error. On the other hand, you have people who say that a sufficiently creative and comprehensive grand bargain can cut the Gordian knot of U.S.-Iranian ties and the energetic engagement is the only way forward. Iranian officials seem to look at all this and they take delight in supporting both camps at the same time. On the one hand, unleashing such vile invective that the first camp feels vindicated while murmuring to the second camp that if the United States will only make a dramatic enough reversal in its policies, the problems will melt away.

The view that it seems right to me is the one that to my mind seems to get the least attention and that is this: We cannot fix the U.S.-Iranian relationship because anti-Americanism is too deeply woven into the Iranian DNA - or the DNA of the Iranian revolution I should say - but that is not to say that we cannot better manage the hostility in this relationship and that managing that hostility is better done through a significantly more bilateral context than we have had up to now.

I'll walk you through how I got to this point and I hope you will come to agree. The Iranian revolution was about a lot of things but anti-Americanism was surely high in the list. The United States not only restored the Shah to power in 1953, but it maintained him in power for two-and-a-half more decades. Close intelligence ties persuaded many Iranians that the United States was a crucial part of the apparatus that secured the Shah's realm and abetted the abuses of the Iranian domestic security services. All revolutions seek to overthrow the status quo but in this case, the Iranians saw the United States as its principal guarantor.

When the revolution came, the impulse was not only to push out U.S. influence but to undermine it throughout Iran's regional neighborhood. The Islamic Republic and the United States became locked in a zero-sum game for power in the Gulf. Because of Gulf Arabs' traditional fear of the Iranians that tended to shift countries into the American camp and make the Iranians feel even more isolated. This battle further entrenched the United States as the symbol of the status quo and it was difficult for the Iranians to oppose that status quo without opposing the United States.

In the decades that followed the Iranian revolution something strange happened. As the Soviet Union melted away and the Cold War receded into history, virtually all of the countries of the Middle East became allied with the United States. Egypt was among the first to flip in this chain. Libya was one of the last, but flip they did. Now the only countries with truly hostile relations and no U.S. ambassador in the Middle East are Syria and Iran, and Syria seems to be bent on reversing that state of affairs. Iran's efforts to subvert the status quo are limited mostly to covert support for Hamas and Hezbollah - neither of them states - and with far more power to destroy than to create. It is precisely this power to destroy that Iran seeks because it loosens the U.S. grip on the region.

My colleagues on this panel are far more versed in the patterns of Iranian domestic rule than I am, but it seemed to me that as the Iranian government has grown more isolated, it has increasingly based its legitimacy in some measure on anti-Americanism and anti-Zionism as some of the only remaining principles of the revolution. I have a hard time imagining how the present government in Iran might split those two - the anti-Americanism and the anti-Zionism - let alone how one of them might be abandoned.

One might reasonably ask if Iran could pull a China which is to say it could reconcile its revolutionary past with the status quo present, rescuing U.S.-Iranian relations in the process. There seem to me to be two reasons why this analogy does not hold. The first is that China flipped because it feared Moscow more than

it feared Washington. Iran has no similar enemy against whom it might seek U.S. support. Second, the Sino-American relations have warmed over three decades in part because the Chinese have abandoned so much of the ideology that guided the revolution for the previous three decades. China has long ceased to be a revolutionary power, and I would even argue that in the Middle East, China has been far more wedded to the status quo for the last several years than the United States has been.

You could also ask if Iran [Editor's note: Speaker said China] could pull Libya which is to reverse its negative relations principally in terms of foreign policy vis-à-vis the United States but not really shift its internal politics with the rest of their foreign policy orientation. Here, too, I'm skeptical and as I have said in this room and I have written an article on Michael's journal, I do not think the analogy holds very well. Libya was on relatively good behavior for about a decade before its relations with the U.S. flipped and the United States was able to sequence the resolution of bilateral disputes, addressing some questions immediately and deferring others for years. Iran has had no period of good behavior in its actions, from support for violent militias to unchecked progress in nuclear enrichments - are so potentially deadly it is hard imagine deferring any of them.

All that being said, it is hard for me to make a case that our strategy of isolation and sanctions has worked. As the U.S. has tried to tighten the noose around Iran, Iran's behavior has worsened – not improved. Iranian nuclear enrichment has accelerated, not slowed, and the country remains the most important source of money and weapons for both Hamas and Hezbollah. There is some truth to the argument it is unfair to judge the effects of isolation at a time of record high oil prices and now that oil is at about \$40 a barrel, sanctions will start to bite. But it seems to me, overall, the Iranians have adapted to being isolated in the world and they found workarounds to the most biting constraints. What this has meant is that sanctions and isolation have had increasingly less effect on the Iranians. Like a Washingtonian on a hot August afternoon, the difference between 95 degrees and 100 degrees is largely trivial. One merely dresses properly with shrugs and tries not to leave the house too much.

In my view, the way to successfully deal with Iranian behavior is to put more at stake. Greater engagement over time creates constituencies in Iran with a keen interest in maintaining positive relations and that helps guide future Iranian behavior. To do so effectively, we need to do so in a coordinated way with our allies and key countries such as China so that a change in Iranian behavior truly creates a change in the way the international community deals with Iran. This is neither a quick nor easy process and it needs to proceed cautiously over time.

Certainly, for several months at least and probably through the Iranian election in June, we need to probe Iranian desires and fears rather than reward them for good behavior. Relaxing current restrictions on U.S. diplomats meeting their Iranian counterparts would be, I think, a step in the right direction as would be expanding the Iranian diplomatic presence in the United States in exchange for the establishment of U.S. intersection in Tehran. Ways to boost bilateral trade modestly should also be explored. Simultaneously we should seek to continue the P5 plus 1 process not because the Iranians will renounce their ambitions to be a self-sufficient nuclear power but because the process can introduce safeguards into the Iranian program and slow its progress.

Finally, we need to work aggressively with other countries in Europe, the Gulf, Israel, Russia, and China to ensure we are not working at cross-purposes. When most people talk about diplomacy with Iran, they systematically underestimate the complexity of the multilateral tasks it brings with it. We cannot do this alone. I do not think any of this is going to produce a compliant Iran - at least in the forcible future. Our grievances with the Islamic Republic will fill a long list, perhaps almost as long as their grievances with us. Many of our interests will be at cross-purposes and our allies will be at each others' throats. But it is precisely our desire to manage this competition that should drive our actions.

We are an awesomely powerful country, and Iran is a relatively weak one with the GDP less than that of the state of Massachusetts. They are isolated and we are integrated in the world. Seeing this as an eye-to-eye standoff elevates them and reduces us. While we should not welcome tense relations with Iran neither should we fear them. We have many more tools at our disposal and our national well-being is far less at stake. What has most been missing from the U.S. approach is self-confidence and that has led to a misplaced arrogance on the Iranian side.

Getting the American approach right means we have to reset our goals. We are looking to shape the Iranians' behavior, not win their affection. Breaking down the walls of distrust is a task that if it were to

proceed, will take decades to complete as John suggested. But shaping Iranians' behavior means that we need to have a more complete sense of what the government wants and what it fears and they must feel that something is at stake. The only way to do that is through greater engagement rather than less and with a clearly defined set of limited goals that advance American interests.

Thank you.

Michael Rubin: Well let us say that the only thing worse than going after John Limbert is going after the combination of John Limbert and Jon Alterman because they are both way smarter than I am and that is not just the auto [sounds like] for the Iranians in the crowd.

What I want to do is look at question: What lies ahead for U.S.-Iran engagement? Rather than advocate whether I think this engagement is a good idea or not, I am going to assume that President Obama is a man of his word and he is going to try to recast and reinstate diplomacy in a number of levels and with a number of strategies. What I am going to do instead is look back over the experience and instead of using the experience as a reason not to engage, rather I am going to look at the experience in the past in an effort to identify some of the roadblocks and some of the issues which we have never really been able to overcome in the nature of how we conduct diplomacy and how we think about diplomacy when it comes to the Islamic Republic of Iran.

It is absolutely false to say that President Obama's initiative is the first time the Iranians and Americans have talked in the past 30 years. Every single administration has sought outreach to Iran in one level or another. Jimmy Carter of course -- even before the hostage crisis, many people would argue that the hostage crisis was sparked by a desire to set a new type of relation with the Islamic Revolution; hence, we had Zbigniew Brzezinski's meeting in Algiers with senior Iranian officials, Ibrahim Yazdi and so forth. That meeting on November 1, 1979 three days before the hostage seizure did play very much into the Iranian politics especially when photographs of that handshake appeared in Iranian newspapers and so forth.

It is interesting looking over the memoirs of that event, there still is a lot of debate among Carter administration officials about whether that handshake was authorized or not and how much of that meeting was planned ahead of time, and how much of it was in a way off-the-cuff diplomacy; although, what is not really debated is that the Carter administration hoped for continuity. And even after the hostage crisis, we kept the Iranian embassy open here in a desire for dialogue. The hostage crisis was in November 1979, I believe the Iranian embassy remained open until April of 1980 because there was some hope that we had to provide this mechanism of engagement, mechanism of communication.

Reagan of course had his own engagement with Iran and I'm not going to get into the whole issue of the Iran-Contra affair but while it is remembered most in Washington for the illegalities of bypassing Congress and the Nicaraguan angle, it also very much was about trying to open a new door to engage Iran. It started with I believe -- I do not think it was called the National Intelligence Estimate at the time but an intelligence community consensus that came out of a National Security Council Meeting about whether we would have leverage in Iran as Khomeini's health faltered - after Khomeini. There was a consensus within the intelligence community at the time saying, "No, we did not have proper leverage," and then there was desire to increase the relationship in order to have something about which to bargain, and so that was Reagan's initiative.

If one goes and looks in LexisNexis' database or other databases of newspapers, there was great hope after George H. W. Bush took office that there could be a new era in U.S.-Iranian relations, especially after the election of President Rafsanjani who was seen by many pundits and commentators and analysts in the United States as a pragmatist. That also for a variety of reasons went nowhere.

Now, it is kind of interesting the president who has been most hostile in practice to diplomacy with Iran was actually Clinton or at least the first seven years of the Clinton administration during which time we had the three executive orders and we also had the Iran-Libya Sanctions Act which of course was not the Democrats only, it was a bipartisan consensus also coming from Congress. Congress is a whole another issue that comes into play when we talk about engaging Iran.

George W. Bush, we can argue about, I'm not going to use my time on the podium right now, but as has been chronicled recently on the Middle East Forum website and as I believe Steve Rosen has mentioned in

the article as well, there has been any number - more than a dozen, over 20 actually - periods of engagement between the Bush administration, Bush administration officials and Iran and that is only the periods of engagement about which everyone agrees. The Cyprus talks, the Geneva talks, this was back in 2001, 2002, recent public efforts with regard to Afghanistan, with regard to Iraq and so forth not the least of which being the recent inclusion of William Burns, who continues in his post in Geneva with regards to some of the arms talks.

Now, that is one issue. I want to highlight a couple of other issues that we need to think about and I'm deriving this from some of my research on my ongoing book project about talking to the enemy, engagement, diplomacy with adversarial regimes.

First of all, there is the issue of momentum and how one keeps momentum alive and also what costs momentum have. On November 6, 1979, there were leaks to The Washington Post from within Carter's National Security Council arguing that under no circumstances would there be a military option to this. I'm not arguing that there should have been a military option right after the hostage seizure, but as Peter Rodman argued in his 1981 Washington Quarterly article that removing that doubt, in a way, allowed the hostage crisis which at that point was still a temporary crisis to coalesce. In interviews which the Boston Globe and other journalists did with hostage-takers, many of them have said that it was some of the realization that United States was not going to do anything, removing that doubt, that coercion behind the diplomacy which enabled, if you will, a consolidation of the crisis.

Peter Rodman had also cited the issue of international law. The Carter administration, and there are great reasons to do this, went ahead and sought to get the international community on our side. There were resolutions in the United Nations Security Council. We made significant progress with that until the end when the Soviets, I think, on the second or third resolution vetoed. There was also going to the World Court to declare Iran's actions illegal, and that certainly gave us the moral high ground as we went into diplomacy and negotiations with Iran. On the other hand, though, in those 17 days it took to get an emergency World Court ruling, there was also great consolidation of control within the hostage situation. In this, there was a situation that one needs to recognize that on one hand, getting international law in on our side is a good thing; on the other hand, the time taken to reach that consensus and the watering down of that consensus as symbolized by the Soviet Union's veto on certain aspects in 1980 is a real cost.

Letters, the letter between Obama in theory and Ahmadinejad is making headlines flashing siren on Drudge and that sort of thing. Well, it is not the first time that the United States president has sent a letter to the Iranian authorities. Many people forget that in November 1979, again, Jimmy Carter sent a letter to Khomeini or at least he tried to. Because of the sensitivity of reaching out with any American official, there was a desire to find someone who would be acceptable to Khomeini to deliver that letter, and those two people ended up being Ramsey Clark and former Foreign Service Officer William Miller. They ended up cooling their heels for 15 days in Istanbul especially when news of this letter was reported in the press. That also raises questions about if one is going to send letters or engage, is that better done transparently in the press, or perhaps with a little bit more discretion so that the Iranians do not end up making people cool their heels for 15 days in Istanbul?

Track II negotiations, going through intermediaries, not only informal dialogue of civilizations issues but also going through intermediaries. One of the earliest mediation efforts we had during the Carter administration was actually the Palestine Liberation Organization who used their good offices. Remember Yasser Arafat, even though of course Sunnis and Shias never worked with each other, the first head of state to visit Ayatollah Khomeini after the Islamic Revolution, 13 days after, was Yasser Arafat, the head of the Palestine Liberation Organization. There was a lot of discussion and we used the PLO, the question comes when that collapsed, did the cost of using the PLO, did that end up costing us more than it gained? What goes around comes around.

Limiting who gets to talk is another issue. With Track II, oftentimes people will go back and forth to Iran but as we have already heard, there is an issue with who gets visas and who does not. I think any number of Iran experts - including many in this room, including myself - have gotten invitations to go to Iran only to have our visa vetoed. Oftentimes, the people that do go to Iran are the ones that perhaps agree more, are critical of U.S. policy rather than those who can engage in the real issues which continue obstacles in our relations.

I would also say there is the question of who we deal with. We decided to reach out to Banisadr out of a desire to have a partner. Banisadr actually added three demands which the hostage-takers at the embassy had not already said. And he only had served the tenure of foreign minister for two weeks before he was ousted but everyone who becomes a partner has to increase their own legitimacy and oftentimes that results in more demands. The same thing happened with Ghotbzadeh who we had turned to after the Banisadr channel evaporated, and a pattern was established.

And lastly - I'm concluding now - one has the issue of timing. The Americans are very sensitive during our election campaign to any notion of foreign interference in that election campaign. I still remember when Muammar Kaddafi in Libya endorsed Michael Dukakis in the 1988 presidential elections.

Male Voice: [Speaking without a microphone] -- in 1992.

Michael Rubin: Oh exactly, at any rate, the issue being we Americans do not like it. The Iranians are in the heat of election season right now for their presidential elections and one risks the danger of creating a dynamic and internal political discussion in Iran in which Ahmadinejad or the principalists can say, "See? My defiance, my strategy brought the Americans to the table, brought the incentives to the table, brought the offers to the table, where you the reformists, you Khatami, you Mir-Hossein Mousavi," or whomever it is, "you failed, I succeeded. Look, the Americans are offering us incentives."

And this goes into my conclusion - this really is my conclusion. There is going to be a lot of obstacles in any diplomacy and the Iranians and the Americans are going to have to make tough decisions. A lot of this has to do with the costs of their continuing current policies. Ayatollah Khomeini when he decided to accept the UN resolution ending the Iran-Iraq war after six years of stalemate said, "This decision was like drinking a chalice of poison." But the cost of the war had become so great. I would argue that if diplomacy is to be successful, as the economy in Iran deteriorates, as its oil production capacities deteriorate and so forth, that not offering incentives raises the costs and offering incentives and bailing out the regime from its own economic failings in a way can actually hamper the diplomacy.

Why do we not turn it over to questions and answers so we can get into debate? Thanks.

Gary J. Schmitt: Well, two quick points. The first one, is you can see why Michael had me sit as the moderator at the other end of the table. Just for the record, let me say that working for Senator Moynihan was not as tough as being an Iranian hostage. So with that on the record, actually, I think our panelists did a great job of setting out the broader framework for thinking about U.S.-Iranian relations. I'm going to use the opportunity as a moderator to ask the first question.

Actually, I want to follow up on something Michael ended up with or almost ended up with and that has to do with the upcoming Iranian presidential elections. I would like to ask both Johns to comment if they would just briefly about how they think the Obama administration thinks about those Iranian elections and the place of our negotiations with Tehran in those elections.

Jon Alterman: I mostly agree with Michael that trying to meddle in somebody else's elections ends up not only having unpredictable results but often having kinds of results you do not want. I think one of the biggest dangers we can have with the Iranians is if we seem too eager. I think if we seem too eager to the Iranians, they will move away and let us keep coming. Also, I think we need to be more confident about the strength of our position and the fact is that they are the ones with the crumbling economy - even more crumbling than the U.S. economy right now, right? I mean for all that we talked about the weakness of our economy, we have a weak economy with a per capita income of what, \$47,000 a year, I mean come on. They are the ones with the problem. And if they are the ones with the problem then I think we send signals that we could look at this, this is a workable issue but the idea that there is urgency on our part to quickly do this, I do not think, on these issues I think we show the openness as the president has done, but I think it all will require a fair bit of time and we should let the Iranians come to us rather than chase them and aggressively try to do something before the election. That seems to me to be your basic haste makes waste proposition.

John Limbert: I certainly agree with Jon's comments about not being too eager. The journalist, Barbara Slavin has a very nice book about the U.S.-Iran relations and she compares the relationship to two adolescents maneuvering over who is going to invite whom to the prom. When one side moves forward the other side moves back and that in fact has been the history.

Michael cited some of the American attempts to start a dialogue; basically, all of those, so far, most of those attempts have foundered on this mutual suspicion. For example, under the Clinton administration, Secretary Albright and the president made what was a very good offer of negotiations on any issues of mutual interest with no preconditions and the Iranians turned it down, and many observers including many Iranians themselves said, "We blew it. We had a good opportunity." But the assumption has been - frankly it has been on both sides - that if the other side is offering something, given its nature, there must be some hidden trick involved and at that point, we have seen the results of that over the last 30 years.

Gary J. Schmitt: We will open it up to questions from you all. Please wait for the microphone and then identify yourself and as always, make it a question. In the back please.

Eric Chapman: Thank you, Eric Chapman [phonetic], I work for Bloomberg Radio. Would we get on with the Iranians just famously if we simply accepted their right to be a nuclear power?

Michael Rubin: Short answer is no. First of all, the nuclear power issue is not just the issue over suspicion of motivations for the nuclear power whether it is a nuclear weapons program or a nuclear energy program. There are also longstanding issues with regard to violent oppositions in the Middle East peace process, other regional issues. The Bahrainis, for example, are not too happy that I think it is now four times in seven months they have been referred to as a province of Iran, most recently two days ago. There is of course the terrorism issue, as well, so I do think there are a lot of issues. And then there is real fear among a broad array at the policy circle that if Iran did become a nuclear power that some of the other problems we have with Iran could actually get worse given, if you will, overconfidence on the part of the Iranians as well as tensions in the region increasing as other states in the region for example Saudi Arabia, Egypt feel that they too have to match Iran's power.

John Limbert: I agree. Would things were that simple but as Michael has pointed out, the relationship and the grievances are much more complicated and go much deeper than that.

Stanley Kober: Stanley Kober with the Cato Institute. Although the title of panel is The Future of U.S.-Iran Relations, you talked about Iran being isolated. I wonder if the panelists would address Iran's relations with two of its neighbors, Turkey and Russia.

Jon Alterman: I know very little about Russia so I may shy away from that. Turkey I know a little bit more about and I think the Turkish government has adopted a policy where they want no problems on their borders. They want to be a sort of a hub state with all kinds of imports and exports going back and forth. Turkish trucking, as you know, is a dominant force throughout Central Asia and much of the Middle East.

I think that the issue with Turkey is that the United States would very much like to have Turkey play a role in a broader scheme to condition Iran's integration with the world on Iranian behavior. But as far as the Turks are concerned, this is a one-way faucet and the only direction they are going to go is to deepening their ties to opening the taps to having more interchange with Iran. I think the Turks are extremely reluctant to do anything that either might alienate the Iranians or diminish their interaction with Iranians.

I do not know that that is easily changed. I think it is probably not easily changed and, therefore, we need a policy toward both Iran and Turkey that takes account of the Turkish determination to have a free flow across that border rather than hoping that as a NATO ally, Turkey can somehow be part of a well-calibrated American scheme to shape Iranian actions. But Michael knows much more about Turkey. He spent much more time in Turkey than me so --

Michael Rubin: I'll go. I think we are both going to have comments. You know, a few years ago we had Kurşad Tüzmen here who is Turkey's Minister of Trade, and we were talking a great deal about Iran. This is something one hears about the Iranians and increasing relations with the Iranians not only from Turks, not only from Turkmenistanis, not only from Indians but almost everyone that tries to do business with the Iranians and that it is a lot easier said than done to broaden relations. There are a lot of announcements about outreach and these announcements often get featured in the American press but if there is followup, that followup is often lacking.

On one hand, Turkey is trying to increase its trade with Iran to about \$20 billion a year according to press reports. On the other hand, Turksat and another Turkish conglomerate which had the contract to operate

Imam Khomeini Airport found that they had their contracts obviated by the Islamic Revolutionary Guard Corps' business interest despite all their investment. Now, there is talk about a \$3 billion tender from the United Arab Emirates Telephone Company in Iran and the Iranians are saying, "We are going to cancel this." Certain elements within Iran are going to say, "We are going to cancel this unless you treat our people nicer when they get to Dubai International Airport," and add a bunch of political conditions.

The Indian-Pakistani-Iranian pipeline has gone nowhere largely because the Iranians keep changing the terms. And so when one talks to these countries, on one hand there is desire for good neighbor relations; on the other hand, there is the sense that relations with Iran are an incredibly frustrating thing. What many people are trying to do is maneuver so that they have a foot in the door in case anything gets better, but there is not a great deal of hope that something is going to get better anytime soon.

When it comes to Russia, a lot of people talk about the Russian-Iranian relationship and what motivates it. Just as a historian, my academic specialty is 19th century Iran but reading Safavid Era documents, Qajar and so forth, you have never had an Iranian-Russian relationship like one does right now. It is a historical anomaly and it is worthy of a lot of study. On the other hand, forget the regime for a second in Iran and let's talk about ordinary Iranian people. There is a great deal of suspicion which is still out there based on some of the occurrences in the early 20th century, in the 19th century, and so forth about what intentions are so that when the Russians at one point floated the idea of actually having a military base in Iran to protect Iran from the likes of us, I think comments were literally 99 percent negative in the write-ins to the websites of the newspaper which covered the story. I think it was Al Gasazi [phonetic] or something like that.

With that, let me turn over to John.

John Limbert: Something I did not know but had discovered recently was that of the first five resolutions of the UN Security Council starting in 1946, three of them involved Iran and the Soviet Union. They were about the occupation of Azerbaijan. I mean that suspicion goes back a long way. The Iranian sociologist and one of the ideological godfathers of the Iranian revolution, Dr. Ali Shariati talking about Iran's relation with Russia and the West put it this way, he said, "We have an enemy and we have a rival." But the words he used were dushman and havoo. Havoo is a co-wife. In other words, "We know where we stand with the Russians. Those are out and out enemies." In a sense, that rival is more dangerous but not an out and out enemy.

Gary J. Schmitt: We have a number of people that already raised their hands, so let me go ahead and back here, please.

Miriam Mossadiqui: I'm Miriam Mossadiqui [phonetic] my question is for John Limbert. You talked a lot about understanding grievances and the importance of understanding grievances as being heavy on both sides. I also understand from your comments that you are very much interested in a democratic Iran. Do you think that the grievances that the Iranian regime has are often presented as an obstacle so that it does not have to democratize, or if as a result of negotiations, it will not be forced in a position of reforming itself? And so how do you reconcile those two interests that I think you have? You have an interest in a free Iran but you also have an interest in negotiations and better U.S.-Iran relations. It seems to me that the Iranian government makes use of its grievances that they are disingenuous and makes use of those grievances to prevent political reform. Thank you.

John Limbert: Thank you for your question. I'm sure you are shocked to know that the government of the Islamic Republic uses and manipulates history for its own purposes. I'm sure that would not come as a great shock to you. Of course, they will do that. The question about, and you are exactly right. Personally, I think Iranians deserve better than what they have, and I would love to see a system there that would allow this wonderfully sort of creative and artistic people to flourish. The question is how do you do that? And I only raised it -- can you do that at the barrel of a gun, or can you do that by force and coercion? I do not know. I wish I had a good answer but I do not.

Male Voice: Where is the microphone?

Miriam Mossadiqui: I seem to think that by taking the grievances seriously, taking the Islamic Republic's grievances seriously, you can help that process.

John Limbert: I'm sorry if I was not clear about it. By taking them seriously, maybe the idea is simply to be aware of them. Let me give you an example, not necessarily to say, "Oh yes, you are right and we were wrong." That does not work. I'm not of the school which says, "Well, if we are nice to them they will be nice to us." It is not going to work that way. I mean it would be nice if it did but it does not.

But to give you an example, during the recent debates over the status of forces and agreement in Iraq, a question came up of what was the Iranian role and what were the Iraqis doing. The issue was this history that Iran had this very special history and with a controversy over status of forces going back to the '60s. Mike, I wonder how many American policymakers were aware of that history and what it meant. Not to say that we were wrong, they were right but it is a question of awareness, to understand what goes into a position that the Islamic Republic may be taking.

Gary J. Schmitt: I apologize but we only have time for one more question so -- please in the back. Make it a great question.

Samar Chatterjee: My name is Samar Chatterjee; I work with the U.S. EPA. I would like to kind of just give a little background saying that I'm a U.S. citizen even though I look like a foreigner so that nobody assumes that -- I agree with Mr. Limbert that your position is well taken, and I hope there are more people like you in this country and in that case, there would be a settlement between the United States and Iran.

Actually, my understanding, having been in the United States from 1970 and even looking at the British history in colonialism, I feel that Americans have been a lot less smart than Britain in dealing with their enemies. When the United States got thrown out of Vietnam, it took them what 40 to 50 years before their relationship started improving and with Iran, it has been going on in quid pro quo. U.S. has to take a position of leadership and go forward like it did in China. It went almost begging to China for friendship and it needs to do that.

Gary J. Schmitt: Excuse me, unfortunately, as best I can tell there is no question here.

Samar Chatterjee: No, I'm just commenting so give me just one more minute to finish.

Gary J. Schmitt: No, I'm sorry.

Samar Chatterjee: All right.

Gary J. Schmitt: We have to -- I apologize again but we have our next panel that is going to start right away. But before I end, I would like to give our panelists just one more brief bit of time to wrap up any other comments they want to make and at the end of that, I do want to thank them. It has been an extremely interesting panel, extremely articulate in terms of framing the issue of how U.S.-Iranian relations go forward but let's begin with Jon at the end.

Jon Alterman: I would like to heal this rift between the two countries. I think that there are a lot of reasons why it is going to be extraordinarily hard to do, but I think that the fact that it is difficult should not be an excuse for not engaging that. That we can engage with other goals than to heal this political rift because it seems to me that healing this political rift is going to take much more time, quite frankly, than we have to deal with many issues or aspects of Iranian actions throughout the world.

John Limbert: Very brief, I was glad to hear the question refer to Vietnam because, really, if you look at the time between the end of the Vietnam War and the reestablishment of relations, it was not that long and if you consider the casualties involved, they were enormous. In the case of us and the Iranians, the casualties have not been that many, maybe a few hundred on each side. The question I always ask myself, I leave that, why is it still after 30 years we are unable to break out of the downward spiral?

Michael Rubin: I'm just going to end with a couple of thoughts about rhetoric. First of all, we have talked about how to approach the Iranians and words, the power of words and so forth. On one hand, I would like to make a pitch that it is actions and not words which mean a great deal more. I would just like to remind that it was about 10 years ago that we had this huge debate about what to call the Iranians and states like them. Were they rogue regimes or were they states of gentle concern? And the fact of the matter is that

even though we changed our diction, the behavior of these adversarial states did not necessarily respond to our change in diction and while it is useful, rhetoric is important and the tone of diplomacy and so forth it is also important to see the forest through the trees and that forest is trusting but verifying a lot more and judging countries by what they do and not just what they say.

Thank you.

Gary J. Schmitt: Well that wraps up this panel. Please join me in thanking the two Johns and Michael.

Panel V: What is the Future of Iran's Military?

Michael Rubin: I regret to say that Danielle Pletka is ill. She had every intention of chairing this panel on the military but is unable to do it so I'm going to substitute for Danielle and moderate. I'm going to forget about my own lack of discipline in going on a little bit too long when I was speaking and hold the next panelists, who I hope will come up immediately, to the time period as we consider what the future of Iran's military is. So we will start in just about a minute as soon as we can change the name tags and get our new panelists up.

[Break from 5:15:34 - 5:17:04]

Michael Rubin: Well, we are going to get started. I do want to introduce our next panelists. From my left, for the C-SPAN audience, we have Ali Alfoneh, who we have introduced before, is a fellow at the American Enterprise Institute. He has also been affiliated in the past with the Royal Danish Defence College and is completing a dissertation at the University of Copenhagen on the Islamic Revolutionary Guard Corps.

Sitting next to him is Michael Connell whose PhD is from Harvard and has been the lead analyst at the Center for Naval Analyses on Iranian military issues for quite some time. His expertise is actually broader, but that is what I'm highlighting.

And next to him, a man that needs very little introduction is Ken Katzman who wrote what still remains the most hard to find but the best published book on the formation of the Islamic Revolutionary Guard Corps and who is the chief Iran analyst at the Library of Congress. He frequently gives testimony in Congress. His speech, his talk is going to be very short because he is suffering from bronchitis, but I beseeched him like I can beseech people when I get stressed to come anyway.

What we are going to do is start with Ali, go to Michael, ask Ken whether he has any brief comments and then also to have Ken's participation during the questions and answers. Without further ado, I would like to ask Ali to talk a little bit about the politics of the Islamic Revolutionary Guard Corps.

Ali Alfoneh: Thank you Michael. Thank you once again. The problem of having two presentations in one day is that you cannot reuse the material you have already shared with the audience and with this learned audience especially with Dr. Katzman and Michael and the other Michael, it is very difficult to live up to the standard.

I want to distinguish between three distinct phases of the development of the IRGC as a military organization and discuss its metamorphosis politically and the role it has played in Iranian politics. Now, you all of course know that in the political will, political and spiritual testament of Grand Ayatollah Khomeini, it is something that is always mentioned in the Iranian press that Grand Ayatollah Khomeini did not approve of IRGC intervention in politics, and it is actually something you can find in his political testament. But in reality, if you look at the formative phase of the IRGC from the very first years until the death of the Grand Ayatollah Khomeini in 1989, Grand Ayatollah Khomeini systematically used the IRGC as the political arm of the clergy

in order to suppress his political opponents and rivals, in order to purge his system. So the IRGC has never been a political instrument in the sense that the U.S. Army is a political instrument. It is a political instrument used also against domestic rivals of the clergy, not only an armed organization which defends the country against external enemies but also an organization used against internal political rivals.

The first phase, of course, was the revolutionary phase in which the IRGC helped the clergy around Grand Ayatollah Khomeini to stabilize the system and monopolize it. The second phase begins in 1980 with the Iran-Iraq war in which the IRGC is involved primarily in the warfront but also involved in the domestic scene. Now, the second phase is the phase after the end of the war and this is when the IRGC becomes increasingly more important. As you all remember, the Grand Ayatollah Khomeini's slogan during the war was, "War! War until victory! Jang, jang ta piruzi!" And now, just imagine, it is 1988, Grand Ayatollah Khomeini has drunk from the chalice of poison, he has not managed to win the war against Iraq. He has not managed to liberate Jerusalem from the Jews. That was also one of the revolutionary slogans, "The path to liberation of Jerusalem goes through Iraq." That was one of the official slogans of the war.

Now these angry, defeated men who have sacrificed everything they had in life for the cause, this holy sacred cause that Grand Ayatollah Khomeini, mobilized them towards. They are returning home. What are they returning to? To nothing, to cities in ruin, to a society in total social disarray, to a system which is disillusioned. There are no more ideological causes to fight for now that the war is lost. And Ayatollah Rafsanjani has probably always been and certainly even today is one of the greatest strategists of the Islamic Republic and he knew back in 1988 that all these troops returning from the front, they could actually stage a coup d'état and remove the clergy who were to be blamed for the ills of Iran during the years of war, those terrible years. So he first of all managed to get Grand Ayatollah Khomeini to announce on Iranian radio that it was his personal responsibility to sign the declaration of ceasefire.

Secondly, Ayatollah Rafsanjani, as president, managed to engage and involve the IRGC in the economy of Iran as a way of bribing the officers. He knew that if the IRGC were not given certain privileges after the end of the war, he risked what the czar's army after World War I did. They staged a revolution against the czar. So the IRGC was bought to stay out of politics from the end of the war until the end of the Rafsanjani presidency. These all changes when Hojjatoleslam Khatami, President Khatami comes to the scene because of his liberalization of the political system scheme.

By that time, Ayatollah Khomeini fears that too much liberalization of the political system would eventually lead to the total collapse of the system. If you look at the statistical data, it is just after the beginning of the Khatami presidency that you see a very erratic change in the role of the IRGC in the internal politics of Iran with the IRGC becoming increasingly more active, and you see that I can prove this statistically. I have collected the relevant data for this. And after the end of the Khatami presidency you see rise and rise and rise of the IRGC during Ahmadinejad's presidency. These issues I have discussed earlier.

There is one more thing that I would like to share with you and it is what types of control mechanisms there are in Iran. Civilian - enforcing civilian control of the armed forces. Now usually we differentiate between democratic countries and authoritarian regimes. In democratic countries like yours there is democratic control with the armed forces which means that the politicians do not engage in military issues and the military stays out of politics. This is the Huntingtonian model that you have reached in your democracy. In non-democratic regimes, usually the civilian leadership uses subjective control mechanisms which consist of, first, infiltration of the armed forces with ideological political commissars. That is, representatives of the supreme leader that is one part of the enforcers of civilian control among the body of armed forces. They infiltrated the ranks and they enforced political control. The second method of control is that of ideological political indoctrination of the armed forces, this is also a control mechanism. And the third is the country's espionage or Hefazat-e Etelaat-e.

Now what I have done is to systematically study, one, the role of the representatives of, first, Khomeini and then Khamenei in the Revolutionary Guards. Second, I have done a content analysis of ideological and political indoctrination materials used in the IRGC. And third, I have attempted unfortunately, fairly unsuccessfully, to see how the counterespionage works. The counterespionage is the hardest part to study from open sources and my only source of information is open sources. I do not have access to other information.

But what I can see is that the two first mechanisms simply do not work in the IRGC. The IRGC has systematically managed to crush those individuals involved in enforcing civilian control among the members

of the Guards. The IRGC has killed at the very least two representatives of Grand Ayatollah Khomeini who were the commissars in the Guards. The first one was Ayatollah Lahuti and the second one, Hojjatoleslam Mahallati. These two individuals were crushed by the IRGC because they wanted to enforce political control among the ranks of the Guards and the biggest issue - this is something that you can extract from the memoirs of Ayatollah Rafsanjani, he systematically -- I personally thank Mr. Rafsanjani for sharing his memoirs with us.

If you do an analysis of Mr. Rafsanjani's memoirs, he always refers to meetings that he has held with different representatives of Khomeini among the ranks of the Guards, the political commissars. And what I see is that the political commissars always complained about the Guard leadership ignoring them, keeping them out of the information flow and also even more importantly the Guards suppressing Khomeini's decision to end the war. This is very, very interesting. I can prove that Grand Ayatollah Khomeini after liberation of Khorramshahr in April 1982 was ready for a ceasefire with Iraq. But the IRGC pushed its agenda forward and the clerical system could not out-compete, could not force the IRGC to negotiation table. This is something which is quite important today and may even have policy implications. What if the Iranian nuclear program today is to such a degree under the control of the IRGC that it is not even the clergy who control it? What if? This I think is quite important.

If you look at the content analysis of the ideological and political indoctrination material used in the IRGC, and this is freely available on the homepages of the IRGC and home website of the Defense and Armed Forces Logistics Ministry, you see what type of interpretation of Islam is being taught at the schools of the Guards. They tied the ideology that Ayatollah Mesbah Yazdi is teaching in Qom which is a totalitarianist interpretation of Islam but also of Khomeini's ideology.

Even more importantly, the IRGC has erected its own theological seminary. So some years ago clergymen were used as ideological political commissars who infiltrated the ranks of the officers in order to enforce political control. Today we see the reverse tendency. We see the IRGC itself running a theological university, training clerics who can later infiltrate the ranks of the clerics. And this is in reality guardsmen, officers who have thrown their uniforms and are dressed in clerical garbs infiltrating the entire system. And they also used the ideology of Ayatollah Mesbah Yazdi in order to legitimize their rule. In other words, ladies and gentlemen, the IRGC as an ideological army is totally out of control.

Thank you.

Michael Rubin: Michael?

Michael Connell: Thank you, Michael and then thank you Ali, that was - you are as always a tough act to follow. Hopefully my talk will complement Ali's and that is, whereas Ali was talking about the political developments, I plan on discussing recent structural leadership changes in the IRGC and what the signal for the IRGC's future strategic priorities, its war-fighting strategy and its future tactical interactions with the U.S. Military.

Before I begin I'm just going to reiterate the oft-repeated mantra that my views are my own and not CNA's. So I called the talks that you will hear the Islamic Republic begin [speaks in Persian]. Of course in Washington, we begin - these are only my views and not the government's.

Now, as some of you may be aware the Guard Corps is currently undergoing a major restructuring and several branches of the Guard Corps are affected by this. Just by way of introduction, the Guard Corps has five branches, three of them parallel Iran's regular military; that is, the Guard Corps has an air force, an army and a navy, but it also has a Basij which are the popular militia, and it is also has a Quds Force which you have probably seen a lot about in news in terms of its export of the revolution.

Now this restructuring is affecting several of these branches, the ground forces, primarily, but also the navy, Iran's strategic missile forces and the Basij. The chief architect behind many of these changes is Major General Ali Jafari. This is the current head of the IRGC. He replaced former head Safavi about two years ago. Jafari, when he replaced Safavi, was coming out of the Center for Strategic Studies which is an IRGC think tank. You know, imitation is the ultimate form of flattery and you find a lot of developments that occur in the Iranian military are actually imitations of the U.S. military. So just like us, they have their own military think tanks just like the Center for Naval Analyses.

When Ali Jafari was heading the Center of Strategic Studies of the IRGC a lot of his focus was on the possibility of a Velvet Revolution in Iran. He was concerned about the possibility of what they referred to as soft regime change policies on the part of the U.S.; that is, he thought that the real danger coming from the U.S. was not so much major combat operations or an invasion of Iran, it would be trying to undermine the regime from within. And essentially Jafari argued that the IRGC should focus on countering internal threats to the Islamic Republic's security rather than focusing primarily on the external threat.

Now in order to do this, he favored restructuring the IRGC and integrating Basij units under IRGC provincial commands. This has been the case before 1994. But after 1994, the IRGC became much more centralized. Within a year of taking over as head of the Guard Corps, Jafari, in 2007 - this is when this occurred - Jafari announced that the IRGC be reorganized into 31 separate semi-autonomous provincial commands; this is 30 for each of the provinces and one for the Tehran metropolitan area. And he also announced that there will be 10 tactical operation command centers that would kind of exert overarching authority over these different provincial commands. He linked these changes to what he termed the mosaic defense plan whereby each province would defend itself but also would assist neighboring provinces in the event of a conflict.

Now this plan has a couple of notable features. One of them is that in periods of crisis, the provincial Guard Corps units will be authorized to initiate military action without consulting Tehran. This is in contrast to the more hierarchical command-and-control structure that has existed since 1994. In the words of the IRGC deputy commander, "Each region must be self-sufficient and operate without reliance on the center."

Another notable feature of this plan is that the Basij which have more or less operated independently in the provinces since 1994, are going to be integrated much more closely into regular IRGC ground force units. And as part of this process they are actually creating special hybrid IRGC ground force Basij units where the different personnel will be actually integrated. And the Basij is also shifting its function as many of you have been to Iran, you probably had some encounter in one way or another with the Basij - I know I did when I was there - the Basij have been told relatively recently their main focus has been policing. I mean, they go around and they police, they enforce morals, they arrest men and women who should not be together based on Islamic Republic laws. That focus is shifting somewhat to dealing with counterinsurgency and also the possibility of dealing with internal unrest. That has always been a function of Basij but it is just receiving a greater emphasis at this point.

Now these changes have affected the other services in the Guard Corps, including the IRGC navy. There had been press reports saying that the IRGC navy is assuming a more prominent role on exclusive operational control over the Persian Gulf and that the regular navy is now taking the area outside the Persian Gulf. I mean, there are practical reasons for dividing the armed forces in this manner. But it is important because this is where the U.S. military frequently comes into contact with Iranian military, especially in the Persian Gulf. I mean that is where our tactical forces rub up against Iranian military on a day-to-day basis. The fact that the Guard Corps is assuming a more prominent role in the Persian Gulf is going to have major implications.

It is also affecting Iran's strategic missile forces. As many of you probably know the Guard Corps has operational control over Iran's ballistic missile inventory. But there had been press reports, again, indicating that the Guard Corps is going to create a separate missile command basically for streamlining command and control and reducing the amount of time required to initiate a launch in times of crisis. Again, this has implications for the way we interact with Iran.

Now, essentially, the mosaic doctrine is meant to decentralize the IRGC structure and give provincial commanders more latitude for independent action, thus allowing a more timely response during times of crisis. In a marked departure from most of the other militaries in the region, tactical commanders in the IRGC are being given more authority and more leeway to undertake independent action.

In my previous lifetime as an Army officer, I spent some time in the region. I'll tell you, independence is not encouraged in militaries in the region. In fact, we were constantly running up against the fact that people would not replace a battery in a piece of equipment that was not working because it did not have authorization from higher to do it.

This is not the case with the Guard Corps and some of that has to do with the Guard Corps' history of being a revolutionary organization. But some of it also has to do with this restructuring plan; there really is an emphasis to give lower level commanders more latitude. Now, a quick word of caution, it is difficult to say how far these changes have actually been instituted to the current time. As many of you are probably familiar and who watch the Iranian military, exaggeration is a common thing when dealing with Iranian military, they are always exaggerating their capabilities. For those of you who might have witnessed the recent missile tests on the Noble Prophet III exercise, there is the famous Photoshop picture that came out where they actually dubbed an additional missile launch because it had failed in the actual test but they showed it launching. The only problem is that the Guard Corps is not very good at this so this frequently backfires. In this case, it is certainly did. Anybody who knew anything about Photoshop looked at the picture and said, "This is a joke, it did not launch."

But anyway, my main point is that it is difficult to say how far this is going. But there is significant evidence that they are taking these changes very seriously. There have been a lot of personnel changes at the national as well as the provincial level in the Guard Corps recently. At the provincial level, a lot of the newly-appointed commanders are brigadier generals who were not in leadership positions during the Iran-Iraq war.

We were talking about demographic changes earlier today in Iran and a lot of these changes apply to the Guard Corps as well. Some of the leaders who had been in the Guard Corps and were in significant positions of leadership during the earliest days of the revolution and the Iran-Iraq war are no longer in positions of authority. I can mention just a few individuals. One of them is Morteza Rezaie. We were talking about counterintelligence before. Morteza Rezaie had managed the Guard Corps' counterintelligence unit for 25 years. He held that one position. He was just replaced and I do not know what happened to him actually, I have lost track of - but I do not think he is in the military at all anymore, as far as I can tell. Another one is Mohammad Baqer Zolqadr. This is a key figure in founding the Guard Corps from the very beginning. He has been more or less sidelined into a minor functionary position.

So in the Guard Corps, the revolutionary generation is passing. There is a large wave of request for retirement. The Basij are playing a more prominent role, they are actually integrated with Guard Corps units in terms of managing those units. This is significant because the Basij, to a certain degree are trusted -- you know, the IRGC in general is trusted by the regime more than the Artesh, the regular military. The Basij are even more trusted than the regular IRGC. The Basij are seen as kind of stalwart supporters of the regime.

Some additional evidence that they are taking this structural transformation seriously is the Guard Corps appears to be moving away somewhat from the large set-piece military exercises that they had during the 1990s. They are placing a greater emphasis on counterinsurgency and guerilla warfare. And also I would point out that the Basij appeared to be playing a more active role in military exercises themselves. When you look at the media events, the way they cover these military exercises in Iran, the Basij seem to be playing a prominent role.

Now from a purely tactical perspective, there are cogent reasons for decentralizing the Iranian military. Flexibility to respond to a crisis is one reason I mentioned already. But there is also the issue in terms of command and control. If there was a decapitation strike, a coup, attempted regime change by pushing authority to lower level units, that ensures longevity for the regime.

However, there are risks for the regime as well. Giving greater local autonomy to commanders in the IRGC raises the potential for rogue commanders to take actions on their own. They could, for instance - corruption could become more of an issue. There is already a great deal of corruption involved in the Guard Corps but as you push authority to lower levels, that is likely to increase. Of special significance for the U.S. and coalition, IRGC restructuring could also increase the potential that a local commander on the ground could engage in activities without oversight from Tehran that could result in an escalation of tensions both with the U.S. and coalition forces, and this, as I said before, is especially the case in the Persian Gulf.

There are already several historical precedents for problems with pushing authority to lower level commanders. Some of these occurred prior to 1994. I'm grateful, actually, Ali wrote an article recently in which he referenced the case in 1991 in which a local Guard Corps unit almost succeeded in launching ballistic missiles at U.S. forces that were deployed in the region to provoke a crisis without the knowledge of the authorities in Tehran. They found out about it; they will interfere at the last minute but it is an example. In fact, incidents like this may have been a reason that after 1994, they worked on centralizing the Guard Corps and bringing it much more in line with Tehran than they had in the past.

And I could mention more recently you have the case of the U.K. sailors who were held hostage by the Iranians. That is an example, in many ways, a hallmark that suggests there was some autonomy in the operation. The way that the regime took days to respond to the crisis suggests that they did not have a game plan from the beginning. And perhaps it had been initiated from the tactical level.

You may recall the incident with the coordinates, the dispute over the coordinates where the British said that this incident took place in Iraqi waters and the Iranians, it took them a while to respond and they said, "No, they took place at these coordinates" and then the British responded that, "Well, these coordinates are still in Iraqi waters." Then there was another pause and then the Iranians came with a second set of coordinates that were firmly within Iranian territorial waters. And I can mention some other incidence.

It is difficult to say where this is going to go in the future, but I just want to say that what it means in terms of the possibility for escalation with the U.S., it is pretty -- there are large implications in terms of the restructuring along these lines. And if we want to deal with this I think what we really have to do is develop some kind of more formalized mechanism at the tactical level for dealing with the Iranians, particularly in areas like the Gulf where we want to avoid escalation. And that is going to be difficult with the Guard Corps.

You know, I deal with the Navy on a regular basis out at NAVCENT. There are regular communications between our Navy and the Iranian regular navy and apparently they are fairly professional. But in terms of the Guard Corps, it is much more difficult but some mechanism has to be set in place so that we can avoid tensions in the future.

Thank you.

Michael Rubin: Kenneth, as much as you can go.

Kenneth Katzman: Thanks, Mike, I appreciate it. Thank you for inviting me and thank you for taking me away from Afghanistan for an afternoon to talk about maybe a more hopeful subject - Iran.

I gave a similar talk here, I believe in May, and I attempted to clear up some confusion in this town, and now it is January of the following year and the confusion persists. The Revolutionary Guard has not been designated a foreign terrorist organization. I will repeat that. It has been designated under Executive Order 13382 as a proliferation entity. The Quds Force, which I'll talk a little about, that is if my lungs hold out, has not been designated a foreign terrorist organization. It has been designated a terrorist supporting entity - okay the confusion maybe just about terrorism supporting entity - under Executive Order 13224.

Now to continue, I see the IRGC - the Guard, I call it, have called it most of my adult life, I guess - it is Iran's barking dog. It barks; it is there to scare people. It makes exaggerated claims of its missile capabilities - we have talked about that - routinely exaggerated claims about its ability to control the Gulf, exaggerated claims about new weaponry it is developing, sonar torpedoes, all manner of air-seeking missiles, et cetera, all manner of threats about closing the Strait of Hormuz, et cetera. I get calls everyday from people in and out of Congress - of course, I'm not speaking for Congress here or CRS expert on this on my own right - "Can the Guard sink a U.S. aircraft carrier?" "The Guard is going to sink the --" no, it is not going to sink a U.S. aircraft carrier. I can assure you, you can quote me, I will pay you if they sink a U.S. aircraft carrier. They are not going to sink a U.S. aircraft carrier. It is a barking dog.

The one unit, as my voice maybe is holding a little bit, that has been successful and can hurt the United States, is the Quds Force. This I view as their most successful child, so to speak. They have done real damage, they can do real damage because they do not fight us on our terms. The Quds Force does not go head-to-head with U.S. combat soldiers. The Quds Force does not fight in organized units. The Quds Force, it is a unit of the IRGC, they have served at the front in the Iran-Iraq war, they have come up through the ranks, but really they are not really soldiers. I would describe them more as a hybrid special-forces-secret-agent type. They do not wear uniforms; they blend in with like-minded Shiite partisans where they are serving.

For example in Iraq, for example in Lebanon with Hamas - obviously that is Sunni but still - Afghanistan. No uniforms, sometimes they do not even carry weapons. Really in Iraq what they do is hang out with the governor in the southern provinces of Iraq and they get friendly with the governors in the southern provinces. Basically they are arranging weapons deliveries, this is what they do. They pay for a warehouse

to store the weapons, they find a shipping company to take the shipment in, this is what they do. They do not do any fighting. We have captured about 20 Quds Force in Iraq over the past three years. None of them was captured in any combat. Five, I think five - was it five or eight - were captured in Erbil, in a liaison office in Erbil, no uniforms, et cetera. So this is the unit that I think has been highly successful.

And let me just discuss a few things they have been up to recently. Obviously after Israel withdrew from southern Lebanon in 2000, Iran could have said, "Well okay, Hezbollah is claiming victory; they drove out the Israelis. It is now a quiet border, we will leave it alone." No, they continue to ship weapons and resupply Hezbollah with rocketry which was used in the 2006 summer war. They have been supplying Hamas, in fact Admiral Mullen, the Chairman of the Joint Chiefs just said two days ago that indeed we stopped an Iranian ship off Gaza which was trying to drop off weaponry to Hamas in the latest conflict. We did not seize the ship, we searched the ship and the ship was allowed to proceed and it docked, I believe, in Syria. So those weapons may still yet to get to Hamas.

Iran, I have talked a little about what they are up to with Muqtada al-Sadr and the Mahdi army, the Shiite militia factions; although, that is quieter now as Sadr has tried to hedge his bets and come a little bit more into the political process. What worries me most is Afghanistan, again, Secretary of Defense Gates testified just the other day that he is seeing now an increase in Iranian weapons shipments into Afghanistan. Again, Iran using the IRGC, using the Quds Force to do damage to U.S. policy, to undermine and be in position to exercise leverage against U.S. policy, again, very successfully because they are not coming at us in a combat situation where they would, I believe, be easily defeated.

Now let me just conclude by saying U.N. resolutions have been passed against Iran because of the nuclear issue. I just want to discuss Resolution 1737. It named the commander of the IRGC air force as sanctioned under that resolution. It also named Safavi, the former commander, the then-commander of the Guard as sanctionable. Then Resolution 1747 was passed, a follow-up which then named - one, two, three, seven - IRGC officials as sanctionable, basically banning transactions with them although there is not many transactions with them to ban and calling on states not to allow them to travel, although that was not mandatory. It named the deputy commander of the IRGC, the chief of the IRGC joint staff, the IRGC ground forces commander, the Basij commander at that time, the IRGC navy commander, Mohammad Baqer Zolqadr, whom Mike mentioned, and the commander of the Quds Force, General Qassem Suleimani as sanctionable under these resolutions.

So the international community, just to conclude, has taken note of the IRGC's external activities and has begun to impose some sanctions against these leaders.

Thank you.

Michael Rubin: Thank you very much, Ken. I would like to open the floor to questions. Same rules as always. Yes, question in the back, behind the cameras. Again, please state your name, your affiliation, and do not give us a statement, please. Give us a quick question.

Dina: Thank you. My name is Dina [phonetic] and I'm with Al Jazeera Network. My question is for Mr. Kagan and it is how do you see Iran's influence in the region changing as the U.S. begins to draw down its forces in Iraq?

Michael Rubin: Let me answer on behalf of Mr. Kagan who was not able to be here at the last minute.

Dina: Oh, I'm sorry.

Michael Rubin: Do you want to direct that question to someone else?

Dina: Can you answer it actually then?

Michael Rubin: Could you repeat the question for a second?

Dina: How do you see Iran's influence in the region changing as the U.S. begins to pull back its forces in Iraq?

Michael Rubin: First, I do not want to abuse the privilege of the moderator, what I want to do is throw that question to our panelists.

Kenneth Katzman: I think the conventional wisdom is that it is going to increase because of the countervailing of U.S. influence. The U.S. influence is declining. You know, we have the Strategic Forces Agreement now, it is being implemented. It does lay out a timetable for U.S. withdrawal. The thinking is that there is going to be a vacuum to fill. Iran has already got tremendous influence in Iraq and the conventional wisdom is that, that will increase.

Michael Connell: You know, I could say that I have taken several trips to the Gulf countries lately and I know in the GCC anyway, there is a widespread perception that really there is a power vacuum and that U.S. influence is decreasing. And I think that at least from the Gulf countries' perspective, there certainly is going to be an uptake in Iranian influence if we withdraw our presence in the region. Now, there is no chance that we are going to withdraw all of our military presence. I mean, we may reduce our presence in Iraq eventually; hopefully, in Afghanistan if we can achieve something there. We have always had naval forces in the Gulf since the Second World War, et cetera, but we are having a tough time convincing a lot of our allies that we are there for the long term. Plus, there is this fear that was mentioned in one of the other panels, that we may reach some deals, some accommodation with Iran. That is a perpetual fear on the part of the Arab countries.

Michael Rubin: I'm just going to say a couple of words in response to a question that was a very good question. First of all, one of the greater U.S. mistakes with regard to Iraq or one of the miscalculations, if you will, after the decision to go in had been made was misjudging the psychological impact of formally allowing ourselves to be labeled "an occupying power." Perhaps the greatest mistake the Iranians have made was underestimating the psychological importance of Iraqi nationalism. In some ways, specifically in Iraq, but also with regards to some of the other regional states, the Iranians have overplayed their hands at times in a way that picks upon themes of traditional Arab states' sensitivities as to what they would define as Iranian or Persian arrogance. That is one issue.

There has also been an overplaying of hands to some extent and we have seen this with Shariatmadari with regard to his editorials claiming Bahrain as Iranian with regard to questions in the Iranian newspapers, suggesting that Ahmadinejad's trip to Bahrain was not a foreign trip but just one of his provincial trips. And recently in the last couple of days as well, arguing not just about the disputed islands in the Persian Gulf, Abu Musa and Greater and Lesser Tunbs, but arguing that the United Arab Emirates itself is and has always been Iranian.

These things do not really play well among many of the Arab states. I think what we are going to see is no doubt a shift in -- I would not say a conclusion as to what influence is going to be but there is going to be a lot of watching, what exactly the United States is going to do. Is this going to be like what the British did in 1970 with a withdrawal to that extent from the affairs of the region in which case our people going to make an accommodation with Iran or not? At the same time the Iranians are going to increase the theme that the United States does not have staying power, not to make people in the region love them because people in the region will always have their own problems with Iran and vice versa, but rather to force that accommodation on Iran's terms. I'm afraid that it is too early to tell how this is going to play out, but I do believe that these dynamics are in place with trying to figure out what that new accommodation is going to be.

Other questions? Yes, there is a question up front and then I'm going to go behind for a question, and please identify yourself.

David Ahearn: David Ahearn, Space and Missile Defense Report. As you observed, Iran does at times overestimate, exaggerate its capabilities. But given that they have launched a missile from a submerged submarine - even in the Photoshop picture I think three out of the four missiles actually did launch - and they have the nuclear program, what is your estimate, perhaps three years, or how long before the nuclear production program yields nuclear weapons and the missile program yields missiles that will be able to strike Western European capitals?

Michael Connell: I do not really follow the nuclear issue quite as closely as the missile issue. I can talk about the missile issue somewhat. Iran has been testing a number of two-stage solid fuel ballistic missiles

which are of course more reliable in some ways than liquid fuel. These are medium-range ballistic missiles. Most of the technology is coming from North Korea, but there is some evidence, based on the types of tests they are doing, that they are trying to move towards perhaps an IRBM. There has been a lot of fear in the West of perhaps an ICBM program. Based on media reports, I do not know how much we can really tell if they are trying to establish an ICBM program. But certainly they have a space program which could be leveraged for an ICBM program.

I will not make a prediction in terms of years, but in terms of missiles that could reach Europe, they have got one right now, the Shahab-3, which in the media is being reported as having a 2,000-kilometer range. And that I think can already range Greece, not that Iran is going to want to for any reason lob a Shahab at Athens, but they are already getting the southeastern portion of Europe right now. Accuracy is an issue though. From what I understand these missiles are not very accurate. That is a different story.

Michael Rubin: Ken?

Kenneth Katzman: Yes, they have done launches. I would add a lot of their tests have been failures. We later learned that a lot of their tests end up not going as far as they were intended or blowing up in the middle. Accuracy is obviously a major issue. I do not think we have any real evidence that they have produced anything that would have the type of accuracy that would give Iran the confidence to use this type of weapon or even threaten the use of such weapon.

Michael Rubin: Yes, next question?

Male Voice: I have two questions for two people. Monsieur Ali Alfoneh, thank you for your --

Michael Rubin: I'm going to ask that you only ask one question, please, there are others waiting.

Male Voice: Oh, so let me go to the second one I wanted to ask. A part of the report that you mentioned about the ship - that gentleman - was not that the arms they have inspected was not for the Hamas because the kind of the shipment was not something that Hamas was using. That was on the report, including some shells and things like that at that report. It was in the newspaper, too.

Kenneth Katzman: I was just quoting what Admiral Mullen said and he linked clearly this ship to [cross-talking]

Male Voice: No, look at Washington Post and all of that.

Kenneth Katzman: Okay.

Michael Rubin: There was a question all the way in the back and then we are going to work our way forward.

Charles Perkins: Charles Perkins, APAC. On the issue of deterrents, if indeed it is true that there is this devolution and disaggregation of authority in the past in Iran and perhaps this is spreading towards the actual strategic missile forces, how does this play in terms of those that would say if in some years' time the Iranians cross the threshold and acknowledging that they do exaggerate sometimes, but if, let's say for the sake of argument, in five years if they do deploy a nuclear warhead on their strategic missiles and you have this devolution of authority with, perhaps, even launch authority broken out among much lower level commanders?

Secondly, could you just say a word about the relationship between a regular Iranian military and the Rev Guard and how that has evolved? The common perception is that the regular military has a somewhat subservient position. I was wondering if that is true or are they being co-opted into the RGC. What is the status?

Michael Connell: Well, to begin with, in terms of the risk factor associated with devolution of authority, I do think it is a serious problem. I mean if they do move to weaponizing nuclear warheads that could be an

issue. Now that is not meant to imply that there is not going to be some form of command and control authority from the top, down. I mean I do not think the Islamic Republic is going to trust a local commander on the ground with a nuclear warhead. It is one thing on a ship with cruise missile, something to that effect. It is a totally different story when dealing with nuclear. But there is an element of risk there, certainly.

Regarding the relationship between the Artesh and the Guard Corps, traditionally it has not been very good and this stretches back to the revolution. I mean one of the reasons that the Guard Corps was created was to counterbalance the regular military which was seen as pro-Shah, pro-Western, very much a standard military, not a revolutionary ideological military. From what I understand, there is a lot of dissatisfaction among the regular military in terms of privileges. The Guard Corps gets special perks that the regular military does not get. I wanted to bring in a PowerPoint presentation but I figure I inflict too many people with that at the Center of Naval Analyses so this one time I did not do it. But there is a great photo that I have got that shows the Supreme Leader greeting the heads of the Guard Corps and in the background you have the heads of the Artesh. There is General Salehi just kind of standing there in the background in the corner. It is very illustrative of this fact. The Artesh is not a key player in the regime. They have been very much sidelined. They are actually larger than the Guard Corps, personnel-wise but they have been sidelined.

Michael Rubin: I would just like to distill something which Michael Connell said in answer to the first part of the question. When one talks about Iran's nuclear program, for example, I would argue that it is actually counterproductive to U.S. policy to talk about Iran's nuclear program rather than try to identify the command and control. Whose nuclear program specifically is it? If it is the Revolutionary Guards' nuclear program then perhaps that is the way we should say it. I mean many people - if not everyone - on this panel has been to Iran before. The Iranian people, the Iranian culture, it is wonderful, but it is the guys who control things that we need to be worried about and it would be useful to highlight this aspect of command and control.

The only other thing I would add, and Ken perhaps disagrees with me a little bit, would be the whole issue of doctrine and maturity of doctrine which we have talked about. When we had the cargo crisis between India and Pakistan, one of the great concerns there as we tried diplomatically to walk both sides back from the brink was just how much, not only the chain of command, but how much doctrine both sides had about how these would be used, at what would cause usage, and so forth.

Kenneth Katzman: I differ with calling it the Guards program, I mean --

Michael Rubin: The hypothetical, I'm saying, whoever's it is.

Kenneth Katzman: A hypothetical -- oh, if it is, okay. The Guards' role as I understand it is to secure the facilities, organize the construction of the facilities, monitor the scientists and technicians who are working at the facilities, try to procure equipment even if that is done illicitly or however for those programs. But the actual work, the science, whatever it is, is done from graduates of, you know, they have studied abroad and are not technically Pasdars themselves who are doing the work.

Michael Rubin: Okay, there is a question in front of the pillar right here.

Ian Dulle: Ian Dulle [phonetic], [indiscernible]. You talked about decentralization of the command in terms of the IRGC. What do you see are the risks of a low-level continuing confrontation in the Straits of Hormuz, not sort of a full confrontation but ongoing minor skirmishes for annoying oil vessels, et cetera? And then is there any type of constraint that can be put on the funding arms of the IRGC in terms of the engineering companies that they own?

Michael Connell: You know, I think that this [audio glitch] significant. I already mentioned the Royal Navy when the Royal Navy and Royal Marines were captured. In the Strait of Hormuz there was another incident in January of 2008, in which the Guard Corps sent a flotilla of small boats towards a U.S. frigate, destroyer and cruiser and they came right in front of the U.S. vessels and started tossing white boxes out. And this is probably to test our response. But nevertheless the commander on the U.S. vessel was ready to open fire. He came very, very close. While that might be just a tactical incident, you say okay, so the Guard Corps loses a few small boats, it could easily escalate. I mean if something like that were to happen, we were to

retaliate, we were to take out those small boats, they were likely to do something else that could lead to further retaliation. So there is a risk there.

I'm sorry, the second half of your question, actually.

Ian Dulle: [Speaks away from the microphone].

Michael Connell: The difficulty - in a conventional sense - of dealing with funding, with the IRGC is that first of all they tend to be very low-tech. I mean because it is guerilla warfare, a lot of what their focusing on, the small arms, the low-level anti-ship cruise missiles in the Navy case, in the Army case, it is handheld RPGs and things like that, it is tough to constrain those types of items. There really is not any means or even a legal mechanism that we have to constrain that activity that I'm aware of.

Kenneth Katzman: [Audio glitch] that is it. In October 21, 2007, the Bush administration designated several Guard companies as sanctioned under Executive Order 13382, designating them as proliferation entities. These entities were Khatam al-Anbiya, or Ghorb, which is the broad construction company, and then Oriental Kish which is an oil firm, Sepasad Engineering Company, Omran Sahel, Sahel Consultant Engineering, Hara Company, Gharargahe Sazandegi Ghaem, Morteza Bahmanyar and several other entities. Now again, these designations are of limited effect because obviously the U.S. does not do any trade with these entities. But the issue is to try to get the Europeans, by so designating it, to try to get European companies to stop dealing with the Guards' companies and engineering subsidiaries.

Michael Rubin: And with that, we only have about three minutes left. What I would like to do is just to take a moment to -- I have actually only been in the office about four days this month. Much of the conference organization was in the hands of our research assistant, Ahmad Majidyar, whom you have seen around, and also Ali Alfoneh who has helped with creating the panels, putting people in the panels. I do want to say that even though we have spent over six hours discussing Iran, it seems like we could go on for a while longer and we will on February 4th, when there will be a further program on U.S.-Iran policy, a debate between Ken Pollack from Brookings, Jim Dobbins from RAND and Danielle Pletka, the vice president of foreign policy and defense at AEI and moderated by Jackson Diehl. This will be at the U.S. Senate.

I also do want to call your attention, some people made reference to this. About five times a week we will translate, just bullet-point summaries, of what is in the Iranian press, without political commentary. Frankly, if we ever try to slip political commentary in, John Limbert will email us and be our conscience on that, but to give a whole wide breath of articles relating to media, articles relating to the economics, articles relating to the trade, mutually exclusive articles, but articles showing what the discussion inside Iran is. There is a sign-up sheet where you register for conferences if you would like to get it. Anyone can have it; it is free. You will not be signing up for every AEI publication that is out there, only about five emails per week strictly dedicated to Iran, with links to the original Persian language sources.

I would also like to thank the interns who have helped make this possible today - Jessica Cocos [phonetic] and Sarah Westfall. Oftentimes, in Washington, people like me like to take credit for things. Really, the fault is mine. The credit goes to the interns, to Ali, to the research assistant.

And last but not least, I do think that we had not only an interesting panel right now discussing the military in Iran, but we have been able to touch on a lot of subjects over the course of the day, looking at different aspects of Iran and the Iranian-US relations 30 years, frankly, tomorrow after Ayatollah Khomeini's return to Iran.

With that, I would like to conclude. I would like to thank you all for your patience and for coming here, for your excellent questions. I'm sorry I was not able to get to everyone, but I look forward to more Iran programs. I want to wholeheartedly say that the writings which I see from my fellow panelists here and on the other panels are what keeps everyone educated on what is going on in Iran today. Thank you very much.

[End of file]

[End of transcript]

