Thank you, Mr. Chairman, for inviting me. I will

confine my comments to the domestic political debates that surround

Iran’s nuclear issue as I understand them. I would actually

suggest that really more than any other issue in the recent years,

the nuclear question has exposed the divisions within the Islamic

republic on the nature of its international orientation. I think as

some of the other guests said here today, I think all factions are

united on Iran having a robust nuclear program, which in due

course will give it the option to assemble the bomb. However, the

decision to actually cross the threshold and assemble a weapon in

defiance of the international community and in violation of Iran’s

own treaty obligations has generated a subtle, yet, in my view, a

robust debate.

I would suggest that the primary supporters of a sort of a nuclear

breakout option would be hard-line elements associated with

the Supreme Leader’s office, Ali Khamenei, a name who has not

been mentioned yet today, curiously enough. Through command of

key institutions such as the Revolutionary Guards and the Council

of Guardians, they have inordinate impact on Iran’s security issues

and security planning.

A very basic aspect of hard-liners’ ideology is that Iran is in constant

danger from a wide variety of predatory external forces and,

therefore, requires military self-reliance. This is a perception that

was molded by a revolution that sought to refashion the regional

norms. That mission has failed, but the perception nevertheless remains.

Obviously, as has been mentioned, Iran’s nuclear calculations

have been hardened by the rise of the new President, Mr.

Ahmadinejad, and many other Iran-Iraq war veterans who are beginning

to assume positions of power. Although the Iran-Iraq war

ended some almost 20 years ago, I guess, for many within this generation

it was their defining experience that conditioned their strategic

assumptions. Even a cursory examination of Ahmadinejad’s

speeches reveals that for him the war is far from a faded memory;

it is a real historical enterprise.

This has led many, including the President, to perceive that,

given the Western insensitivity to Saddam’s war crimes and his

use of chemical weapons against Iran, combatants and civilians

alike, Iran’s security cannot rest on disarmament treaties or global

opinion. Given their paranoia and suspicions, the hard-liners insist

that America does not necessarily object to Iran’s proliferation, but

it objects to the character of the regime, and that proliferation is

the latest issue that the Americans are using to coerce and pressure

Iran. This argument has some degree of validity at a time

that the President is in India blessing its nuclear weapons program

irrespective of its compliance with the NPT. So that plays into that

particular rhetoric; that particular perception.

Moreover, they suggest even if we give in on the nuclear issue,

the Americans would then find another issue to coerce us with;

therefore, why bother making any concessions at all on what is,

after all, a critical national program. Beyond such demands, the

international community’s demands that Iran permanently and irrevocably

relinquish what it perceives to be its rights under article

4 of the NPT, namely to have some sort of enrichment capability,

has led the leadership to be nationalistically aroused. A country

that has been historically subject to foreign intervention and capitulation

treaties is inordinately sensitive to its national prerogatives

and sovereign rights. For Iran’s new rulers, they are not being

challenged because of their provocations and their treaty violations,

but because of superpower bullying and hypocrisy.

In a peculiar manner, I think you begin to see their nuclear program

and Iran’s nationalism being fused in their imagination.

Therefore, the notion of compromise and acquiescence has a limited

utility to Iran’s aggrieved hard-line nationalists.

The Islamic republic is nothing if not factionalized and there are

other factions that play in the nuclear issue. The Western perception

that somehow the nuclear issue is determined by a narrow

band of conservatives is, in my view, flawed. Supreme Leader

Khamenei has broadened the parameters of the debate and included

elites from all the relevant political constituencies. The reformers

out of power, the pragmatic conservatives struggling

against their reactionary brethren, professionals from the national

security establishment are all allowed to have a seat at the table

and voice their views.

Given the provocative nature of the nuclear program, Khamenei

seems to be hoping that the burden of any ensuing international.

confrontations would be shared by all political factions alike, as opposed

to being the sole responsibility of the conservatives only.

Therefore, even the systematic consolidation of power by the conservatives

since the February 2004 parliamentary election has not

silenced voices calling for restraint within the decisionmaking process.

Who are they? I think Patrick alluded to some of them. But

in contrast to hard-liners, the pragmatic elements within the Islamic

republic suggest that Iran’s ongoing integration in the international

community and the global economy mandates certain restrictions

on its nuclear ambitions. It is tempting to see this issue

as a divide between reformers and conservatives, but it enjoys support

from such conservatives as Hashemi Rafsanjani, the head of

the Expediency Council, and many other reformers who are very

critical of the conservatives and are associated mainly with the Islamic

Participation Front and other such reformist organizations

and parties.

Again, this particular faction does not call for dismantling of the

nuclear edifice and the nuclear apparatus, but it merely calls for

development of Iran’s nuclear program within the confines of the

NPT, which are rather broad. Given Iran’s long-term commitment

to NPT, the prevailing international scrutiny, a provocative policy

could invite multilateral sanctions and lead Iran’s commercial partners,

the Europeans, the Japanese, and others, to embrace United

States policy of pressuring and isolating Iran. Therefore, the nuclear

issue has to be considered in the wider context of Iran’s international

relations.

In recent months, as Iran’s remarkably reckless diplomacy has

led to a series of IAEA resolutions criticizing it and referring it to

the Security Council, the members of this group have called for restraint,

even suspension of various of Iran’s nuclear activities.

Rafsanjani has taken the lead in admonishing the new President

to be cautious and many of the reformers have already come out

and called for actual suspension of the program and resumption of

dialog with the Europeans as a confidence-building measure.

Hovering over this debate, as hovering over all debates in Iran,

stands the Supreme Leader, Ali Khamenei. As mentioned, I think

his instinct is to support the reaction elements within the state in

their call for defiance and pursuit of the nuclear option. However,

in his role as the guardian of the state he must consider the nuclear

program in the context of Iran’s commercial and international

relations. Thus far, despite his ideological compunction, he has

somewhat pressed the state toward restraint. The fact that Iran

continues to negotiate with Russia and others, is open to negotiations,

and has not resumed full-scale activities despite its capability

of doing so reflects his willingness at this time to subordinate

ideology to pragmatism. That may change as there are internal

pressures pressing the leadership toward further defiance.

The question then becomes what is to be done. I have proposed

this idea in a number of forums. It has a poor reception in almost

every one, so I will try it one more time, with the same degree of

confidence that it will be unacceptable here.

Today we are where we are. Iran’s portfolio is at the Security

Council. That is not reversible. But when the portfolio went to the

Security Council in February, the administration suggested that we

have a 1-month pause before the Security Council begins its deliberations,

which will be some time, I suppose, in the middle of

March. I would actually extend that pause for another 6 months,

all the way to September, and in the meantime I would establish

a contact group to essentially address Iran, in the same manner

that the six-party talks are beginning to negotiate with the North

Koreans.

In the end, there is no Russian solution, there is no European

solution to Iran’s nuclear program. Despite our reservations and

prohibitions, the United States has to be involved in these negotiations

for the proliferation problem to be resolved conclusively.

Therefore, this particular seven-party format, which would involve

the United States, the EU3, Russia, China, and Iran—that makes

seven—would approach Iran with its own negotiating template,

namely, in exchange for various security dialogs and even commercial

and economic relationships, Iran would have to conclusively

and irrevocably relinquish its enrichment rights, because I think,

as other guests have said to you today, an enrichment capability

means an essentially accelerated weapons capability should a state

desire it.

If Iran rejects this concerted last diplomatic effort, then the

United States can return after a 6-month period to the Security

Council with a greater consensus and greater assurances that the

United Nations would impose tough multilateral sanctions against

Iran. Examining the past history of countries that have renounced

nuclear weapons or nuclear weapons programs, as this one is, the

predominant theme is that these renunciations took place only

after these countries experienced a substantial lessening of their

external security environment and were greater partners in the

global economy.

And I will stop there. Thank you.

Yes. A lot of this stuff is actually—Iran’s budget and

so on—is actually printed and on various Web sites. It is an opaque

society, but there is some degree of transparency.

Iran’s economy is vulnerable to rigorous multilateral sanctions,

particularly involving its petroleum-gas sector, not just in terms of

other countries not purchasing Iranian oil, but also in terms of investments

in Iran’s dilapidated oil industry. I think Iranians estimate

they require about $70 billion investment in their oil and gas

industry over the next 10 years in order for them to continue their

current level.

Yes, in order to continue their level of production

and perhaps even increase it.

In terms of actually sanctions working on issues other than oil

and gas, which I think would be very difficult sanctions for the

international community to accept because of the dramatic impact

on the global economy, it is important to recognize that a lot of foreign

investors stopped actually going into Iran in June 2005 when

President Ahmadinejad was elected. Once he was elected, if you are

a German pharmaceutical company or a Chinese company you are

not looking at a President, who is disdainful and suspicious of foreign

investment and says he does not want it, as necessarily a hospitable

place to do business.

If you are an oil company, you have to deal with the situation

because Iran is an important producer and has a very rich repository.

But much of the foreign investment has already shrank, and

a lot of the internal investment is already leaving the country.

Now, Iran is actually, I would say, in the long term, is in economically

bad shape, in the short term is in economically good

shape. That is the paradox of it. It has a substantial oil stabilization

fund, which the President of the country is trying to raid and

it is being resisted by the Parliament. It has actually—its projected

economic growth for next year I think they figure will be 7 percent.

But long term, of course, Iran has demographic problems. It has

problems with its oil industry. It has problems managing its situation.

So in the immediate level I do not think Iran is increasingly

vulnerable.

Second of all, the last thing I would say is, I do not actually believe

that the international community would accept an oil embargo

on Iran, and when administration officials sit in places like this

and you ask them, what sort of sanctions are you contemplating,

they say: Oh, we have a menu of options. So far the United States

has been able to get Iran’s portfolio transferred from one international

organization to another. It is because we have not asked

the international community—the Japanese, the French, the Germans,

and the Indians—to actually put their economic, commercial

interests at stake. We have asked them for procedural acquiescence:

Could you vote for us on this issue with the assurance that

we are not going to ask for a whole lot?

Now we are getting into a crossroads. Now we are going to the

Security Council and we eventually are going to ask our partners,

the coalition, that they will have to accept our sanction policy and

put their commercial contracts and treaties at stake. It is entirely

possible that international unity may evaporate at that stage. I am

not certain, but I would not bet on it.

Now, Patrick is an economist and he is dying to answer this

question, with years of training as an economist——

Which is not inconsiderable.

I will just deal with the military option as such. I

would actually suggest again that we do not have a military option

in terms of disabling or I would even say slowing down the pro-

gram. You always hear defenders of the military option or those

who articulate it say, well, it will not destroy the program, but it

will slow it down. I am actually prepared to contest that.

If Iranians are engaged in redundancy, which every determined

proliferator does, what does that mean? That means 10 plants

doing the same thing. You destroy nine of them, you do not necessarily

shorten the nuclear timeline. In order for a military strike

to work, the United States would require not good intelligence, but

perfect intelligence. Now, I was not at Mr. Negroponte’s briefing,

but I do not think I have to be to know we do not have that sort

of intelligence.

Second of all, Iranian nuclear facilities are dispersed, they are

hardened, they are urbanized. We have to prepare to take civilian

casualties.

Third of all, some people suggest, well, maybe redundancy is very

cost wasteful; maybe the Iranians have not done it. If you are sitting

in Teheran and every day the President of the United States

says the military option is not off the table, I think you are engaging

in redundancy.

So we do not really have a military option. Now, whacking the

scientists, Patrick can speak about that. I think the Iranians have

enough scientific knowledge and scientific software to be able to

continue the program.

In terms of Iran’s nuclear calculations, I do not believe they are

immutable. I am unprepared to suggest that it is inevitable that

Iran will become the next member of the nuclear club. I think we

are in a very difficult situation and whichever path you go down

to you have to go big. If you are going to go down the path of coercion

you have to be prepared to have multilateral sanctions enacted

by the United Nations, adhered to by the international community

over a prolonged of time. If you are going to go down the road of

concessions, you have to be prepared to offer American economic,

political, security concessions to an unsavory regime.

The hour is too late for IAEA resolutions and the hour is too late

for pistachios and carpets. It has to be big, whichever direction you

go to. But I think both those directions can have an impact on

Iran’s nuclear determinations.

I actually think a nuclear Iran is really an international

calamity. Barry Posen actually calls himself a realist and

makes that argument. That would contest the realist credentials.

Should Iran become the second state that developed a nuclear

weapons capability while being a member nation of the NPT, that

would effectively eliminate the Nuclear Nonproliferation Treaty as

a means of regulating global proliferation norms. The NPT is a

problem in the sense that it is a treaty that requires modernization,

it is a treaty that requires to be brought up to date. But it

has served a very valuable purpose in maintaining some sort of a

nuclear nonproliferation regime and it has limited the number of

states that have actually crossed the threshold. That would end the

NPT. It would no longer be a treaty of any degree of credibility and

that will have a dramatic impact, I suspect, for international security.

Second of all, an Iran with a nuclear weapons capability or even

nuclear weapons, it is not unreasonable to believe that it will be

a more aggressive state regionally because it will perceive certain

immunities from having such a deterrence, and, therefore, it might

be more of a revisionist state, it might be more of an aggressive

state, within a volatile region, within a volatile subaspect of the region,

the Persian Gulf, which I think is also disastrous.

There are so many unpredictable consequences about the potential

regional arms race. A region that should dedicate its resources

to its economic betterment, given its demographic problems, will divert

further resources to military hardware and that does not do

the region as a whole any degree of benefit.

So, I think this is an eventuality, this is a proposition that we

should try to avoid at all costs.

Sure. It is a very bad signal. Patrick mentioned in

his testimony that we should pay attention to what Iranian leaders

are saying, and what they are saying is that the India-Pakistan

model can be applicable to them. Namely, after initial international

outcry, if we just stand firm we can regain our commercial contracts,

so in essence we can keep our nuclear weapons as well as

our commercial treaties.

In my written testimony I have submitted a number of citations

actually by Iranian officials who say this, that steadfastness and

strength will eventually lead to evaporation of international unity

and then normalization of our commercial relationship.

I will say that absolving Pakistan of its nuclear sins because it

is, a ‘‘valuable ally in the war against terrorism’’—I actually managed

to say that without laughing, which is a remarkable degree

of self-discipline—and now most recently the acceptance of India’s

nuclear program irrespective of that country’s snubbing of the NPT

for a long time—it is very difficult to make the case to the international

community and to Iranians themselves that we are serious

about proliferation.

That is why Iranians say: You people do not care about proliferation;

it is only about the character of the regime, and, therefore,

why should we make any concessions anyway, and in due course

we are going to regain our international commercial relationships.

So this is not a good day for the proliferation cause as such.

In terms of elimination of Israel? Well, if I am Pakistani

I am sort of concerned about India’s nuclear proliferation

from an equally existential perspective.

I do not believe Iran should have nuclear weapons. I do not believe

it should have nuclear weapons capability. I do not think it

is inevitable for it to have either. I think there are many things

that the international community can do to prevent that. I think

that if Iran crosses the threshold it is a failure of American imagination,

it is a failure of international resolution, it is a failure of

international diplomacy, and all those things are avoidable.

I never understood the argument that, well, Iran is going to have

these weapons, so let us just think about containment. To me that

is a profoundly un-American argument. This is the country that

built the Panama Canal and beat Hitler, and we are just going to

acquiesce to Iran having weapons capability? I think there are diplomatic

routes out of this still. The hour is late, but it is not too

late.

Well, I would have to offer my seven-party talks

again. In my written testimony I have a proposal. As I said, it has

poor reception everywhere. It is here today. It draws on a very imperfect

model, the six-party talks with North Korea. That is almost

always difficult to offer that, as Patrick said, as a smashing success.

But I do think that for these negotiations to work, if they are

going to work—and they may not; I am prepared to accept that

they may not work; I offer no panaceas—the United States would

have to be involved in these negotiations. If you accept my assumption—

you may not—that Iran would like these weapons not for

global domination, but as a weapon of deterrence against a range

of external threats, most centrally the United States, if you accept

the argument that this is a weapon of deterrence as opposed to

power projection, then lessening of the country’s security concerns,

security anxieties, could diminish its nuclear appetite.

The only country that is capable of doing that at this moment is

the United States of America. The European negotiations that you

talked about, what security guarantees can Germany make? The

European negotiations took place on the three baskets: The security

discussions, economic discussions, and technology transfer. The

Europeans were incapable of offering what Iran wanted on any of

those three. Security guarantees—Iran is not surrounded by German

troops; they are surrounded by American troops. Economic

concessions—Iran’s inability to be integrated in the global economy

stems from American prohibitions and its own doing, as opposed to

European sanctions. Technology transfer—it is inconceivable for

Iran to have high-level technology without American approbation.

So the United States is central to this project, to this process,

and if it is uninvolved then these negotiations are inevitably going

to fail. They may produce interim suspensions, but they will not resolve

the issue in a conclusive manner.

Now, should the United States become involved in a seven-party

format, eight-party format, whatever contact groups you want?

Would they necessarily succeed? It may fail. That is why I think

any negotiations within Iran has to be a very limited timeframe,

6 months, 4 months, and not beyond that. They should not drag

out, as the North Korean talks.

I am not saying it will work, but you will never know if you do

not try it.

I do not think he would.

I think you are absolutely right in one sense, Senator.

We have to be honest with our allies and public about the

costs of confrontation and the sacrifices that that would involve. In

terms of our allies, we have to let them know that they will have

to put their commercial interests at stake and that is the price to

be paid if we are going to go down the path of coercion, confrontation,

and isolation of Iran.

We have to be honest with our public that perhaps that confrontation

will lead to economic consequences in terms of oil short-

ages, that we will have an increased level of expenditures for gas,

and that has all kinds of industrial implications in America, not

just in terms of transport services.

We have to also be honest that a confrontation with Iran may

play itself out in Iraq, where the Iranians have an infrastructure

that is capable of extending our casualty rates, retarding the development

and reconstruction and rehabilitation of Iraq and, therefore,

prolonging the American occupation of that country.

So this is a very dangerous road we are going on and everyone

has to understand the stakes and everyone has to understand the

sacrifices that are involved. I do not believe a confrontation is inevitable,

but if you are going to go down that route then you have

to prepare your allies and the public for its consequences and repercussions.

In terms of Iran, international community, and the United

States, I do not believe we should offer concessions to every other

country in order to gain compliance, their agreement with us on

Iran. I do not believe we should exonerate India of its nuclear proliferation

sins in order to gain a vote in the IAEA. I do not believe

we should stop criticizing the lack of democracy in Russia and the

retardation of any democratic process in order to gain some sort of

Russian leverage. I do not believe we should subordinate all our security

and political concerns to Iran. But we should deal with Iran

in a more realistic way.

I do not believe at the end of the day we are going

to get international compliance with measurable economic sanctions

against Iran, the type of intrusive economic sanctions that

will make an impression on that country’s nuclear deliberations. So

these concessions we are making ultimately are unlikely to be successful

in terms of the ultimate objective of disarmament of Iran

anyway.