Thank you, Mr. Chairman, Senator Lugar,

members of the committee. It’s a real privilege to come before you

today to talk about such an important issue.

Iran is an important state in the Middle East, with a proud history

stretching back for centuries. Unfortunately, both Americans

and Iranians tend to look at each other through the prism of the

last 30 years. Before that time, under the Shah, Iran was our bastion

of regional stability. When we replaced the British as the outside

power in the region, we counted on the Shah to preserve stability

in the region. After he was forced into exile and with the seizure

of our Embassy, we and the Iranians developed an intense,

visceral dislike of each other.

It seems to me that now we need to get past our emotions in

order to deal effectively with the problem. Obviously, a first step

needs to be a willingness to talk to Iranian officials. Given our mutual

histories and antipathies, each side will want to make sure it’s

found the right interlocutor. This is not a straightforward task in

the Iranian context.

Furthermore, I believe now is a time of opportunity and one

where we ought to try to encourage the tendencies in Iranian to

liberalize. Voting patterns of the Iranian people indicate they want

a more open regime. At the end of the day the Iranian regime is

not what is revolutionary in Iran. The revolution in Iran is the people’s

desire for more openness. The conservatives, the mullahs,

want to hold things back.

Ahmadinejad is not the senior-most official we sometimes make

him out to be. But when our policies and actions encourage an appeal

to Iranian nationalism, at which Ahmadinejad is a master, we

play into his hands. We help him use anti-Americanism to bring

the country together. Put differently, the conservatives in Iran

have actually been helped by our policies. We need to stop talking

about regime change as the objective of U.S. policy and instead to

engage in discussions with the right Iranian interlocutors to give

flower to the more liberal tendencies in Iran, which in turn may

put pressure on the extremists to evolve.

From a U.S. perspective, I think there are two issues at the

heart of a dialog and they are interrelated. The first is Iran and

its role in the region, and the second is Iran and nuclear weapons.

The fact is that Iran lives in a turbulent region, where it perceives

itself to be threatened. It’s a Shia state in a generally Sunni region.

It’s a Persian state in a generally Arab region. We need to be willing

to engage Iran in strategic discussions and make clear we understand

that Iran has legitimate security interests and concerns

that will persuade Iran that it can be secure without the need to

acquire nuclear weapons and that its continued pursuit of its current

nuclear program will make it less rather than more secure.

America likewise needs to convince Iran that we understand it’s

an important state in the region. For example, Iran is bound to be

involved in what happens in Iraq and Afghanistan because Iraq

borders it on the west and Afghanistan on the east. If Washington

and Teheran can work together to help these countries achieve stability,

it would be productive for the entire region.

I’ve heard both Israeli and Arab officials express concern that the

U.S. might cut a deal with Iran at the expense of the Arab community.

I sincerely believe this is an unwarranted concern. America’s

principal interest is lasting stability in the Middle East and the

gulf region. This can only result from an understanding that deals

satisfactorily with the concerns of all the states in the region and

one that’s endorsed by all the states in the region. Nevertheless, we

need to recognize that these concerns on the part of Iran’s neighbors

are real and deeply felt and that any engagement with Iran

needs to be both preceded and accompanied by close consultations

with all of the neighbors.

On the nuclear issue, we need to reiterate that, while the international

community supports Iran having peaceful nuclear power,

civilian nuclear power program under proper safeguards, a unilateral

nuclear program that provides even a latent nuclear weapons

capability is destabilizing for the region.

I do not doubt that the Iranian desire to master the enrichment

process is partly motivated by dangers Teheran sees in the region.

But we need to convince Iran that it would in fact be worse off

were it to succeed in developing a nuclear weapons capability. This

is, I think, of utmost importance because we stand on the cusp of

a great flowering of proliferation if Iran develops such a capability.

However, I would approach the Iranian nuclear issue through a

strategic approach, rather than as a precondition to a broader dialog,

which has been the case in the past. At the end of the day,

the dialog would convey two fundamental messages to Teheran.

First, we’re aware that you live in a dangerous region and we are

prepared to discuss a regional security framework that addresses

your legitimate security concerns. As a corollary, we recognize that

Iran is an important and influential power in the region, and we

want to work with you on issues of mutual interest. Second, in pursuing

your enrichment program you’re proceeding on a course that

destabilizes the whole region and will make you, Iran, less rather

than more secure.

I believe we can and indeed should work through both bilateral

and multilateral channels in parallel. Our willingness to engage directly

with Iran is a form of leverage, a way to both mobilize more

from our partners and to disarm Iran’s arguments that we’re only

out to change the regime in Teheran. That is, we can reach out to

Iran on a bilateral basis and also show that the U.S. is fully engaged

in the multilateral P5+1, that is the Permanent 5 of the Security

Council plus Germany, process.

It would be important to secure—to share responsibility with the

P5+1 and to engage fully with China and Russia. Just as we need

to have close and continuing consultations with Iran’s neighbors to

assure them we will not make a deal at their expense, we should

engage with the P5+1 to ensure they see our bilateral engagement

with Teheran as reinforcing rather than undermining the multilateral

mechanism.

Thus far, that multilateral process has not worked, in part I believe

because there has not been solidarity among the P5+1. I don’t

think any of them want Iran to continue with their enrichment

program, but they have not been willing thus far to put their bilateral

interests at risk. I believe we need to create incentives for the

other members of the P5+1 to share more equitably the burdens

and risks of increasing the pressure on Iran if it continues on its

present course. To this end, for example, we should take our wider

relations with the P5+1, and particularly those of Russia, into account.

For example, it seems eminently sensible to me to adjust our

missile defense plans in Eastern Europe if Russia actively helps

deal with the threat that Iran acquires nuclear weapons technology.

But we should also persuade our P5+1 partners to increase

pressure on Iran in a meaningful manner should talks with Iran

fail to reach a satisfactory conclusion, and engaging and reaching

out for those talks will help encourage that result.

An essential goal of our strategy should be to present Iran with

a solid international front. While the NPT does not prevent Iran

from enriching uranium or reprocessing spent fuel as long as it

abides by the IAEA rules, enriching and reprocessing are not really

acceptable things to do for Iran or anyone else in the region, or

even broader. I think that a U.N. or other international mechanism

that guarantees the provision of enriched uranium fuel to powerplants

is a vastly preferable way to go.

This is not just a problem we have with Iran, although Iran is

the poster child for it. It’s a nuclear problem. If Iran continues to

enrich uranium, I suspect that Egypt, Saudi Arabia, and Turkey at

a minimum will feel compelled to have the same capability as they

move toward development of their civilian nuclear power programs.

And soon we will have a flood of enrichment programs, putting

many countries within a few steps of producing weapons-grade uranium

and with it a latent weapons capability. That would not be

a better world for anyone.

So Iran could well be a tipping point on the proliferation issue.

Anything that allows Iran to enrich uranium is a deadly peril to

the goal of containing proliferation capabilities in the world.

I think we should say to the Iranians: We, the nuclear weapons

states, encourage peaceful nuclear power. We want to support nuclear

power. To do that, we’re prepared to support a mechanism

which would provide enriched uranium for nuclear powerplants at

a price below any cost which a particular nation can produce it nationally,

and take responsibility for removing the spent fuel after

it’s burned. We will give an international organization such as

IAEA control of the process so that the United States cannot if we

don’t like your policies cut off supplies.

This would be applicable to all countries of the region, not just

Iran. And that’s why I say we need to address the Iranian nuclear

program, not as an isolated problem, but in the context of achieving

an international regime that encourages nuclear power, but

without the threat of enrichment or reprocessing.

In conclusion, I think the situation, as my colleague said, requires

sophisticated diplomacy, looking at all the elements of a

very complicated problem. We need to make clear not only what we

need from the Iranians, but also what we’re prepared to do to address

their legitimate concerns. We have some substantial cards to

play in a bilateral dialogue with Iran: recognition of Iran’s important

role in the region and support for a peaceful nuclear program,

which might include nuclear fuel at costs otherwise not possible.

Direct talks with Iran will not be easy. They will not be easy to

organize. It’s difficult to know who to talk to. But we need to go

the last mile with Iran, making clear we’re not trying to freeze

them out of their rightful role in the region. We must be realistic

about prospects of success and we must have some patience. If the

talks succeed, we will have fundamentally advanced the peace and

security of the region. If it turns out that Iran is simply too intransigent,

then we will at least have strengthened our hand in leading

an international effort to restrain Iran by having shown our willingness

to go the last mile.

Thank you, Mr. Chairman.

Yes, I will. I think it is because, as I indicated

in my remarks, we’re on the cusp of an explosion of proliferation,

and Iran is now the poster child. If Iran is allowed to go forward,

in self-defense or for a variety of reasons we could have half

a dozen countries in the region and 20 or 30 more around the world

doing the same thing just in case.

That is not a better world, and it seems to me that is what gives

urgency to what we’re trying to do here. So I think we need to do

what we can to reassure Iran that we recognize their problems and

we’re prepared to help them deal with the problems, that we do our

best to solidify the P5+1 process, so that Iran is facing a monolith

saying ‘‘Don’t do this.’’ And then if that is not successful, then we’re

in a better position to mobilize the P5 with the kind of sanctions

that can really punish Iran short of a conflict.

So I think all of these have to play together.

Well, I agree in general with what Zbigniew

said. I don’t think we know about the Supreme Leader, but it

seems to me, first, he has no reason to feel kindly toward the

United States. Second, he probably has as his minimum achievement

preserving the regime in Iran. Now, there are others in Iran

who are more revolutionary than the Supreme Leader. The IRG, at

least some elements, are prepared to sacrifice Iran in the larger

jihadist movement.

But we need to find out, and I think we need to pose those issues

to him in a way he will make the reasonable decision. One of the

interesting things that we’re going to see, though, is, I agree with

Zbigniew we should not appear to interfere in any way in the election

process, but now we’re going to have Ahmadinejad running,

we’re going to have Khatemi running, and apparently Larijani.

That’s a fascinating political lineup, and one in which, if they’re all

allowed to run, the Iranian people will really get to say whether

they like the Ahmadinejad nationalistic, xenophobic approach, or

whether they like Khatemi’s more open, embracing posture.

So I think we have a lot to work with here, but we have to be

careful that we encourage the good side and don’t push Iran back

into their fortress mentality.

Well, I’m not sure I can rank them because

I think they’re all serious problems. The nuclear threat I think is

probably the most serious in terms of the world impact if they get

away with it. But I think it is also the one where we are likely to

get the greatest amount of support in dealing with it if we go about

it the right way. For example, a missile deployment, defensive missile

deployment in Eastern Europe. The previous President said at

least a couple of times, we cannot allow Iran to develop nuclear

weapons, and yet we’re building a missile deployment for when

they do. Now, if you’re the Russians what do you take from that?

It seems to me that the way to go is go to the Russians and say,

look, neither of us want nuclear weapons to be developed; let’s

work together. Then we don’t need this, and we’re prepared to

delay long enough so that we can see whether or not it’s necessary,

and if it’s necessary for us it’s necessary for you. It’s a different approach.

With the Chinese it’s a little different. The Chinese get a lot of

oil and Iran is a good customer. But what happens if there’s a turmoil

in the Middle East, a conflict in the Middle East? What happens

to their oil supply?

So everybody has important interests, if we can draw them together.

I think Iran as a power in the region, it’s very important

for us, but probably less apocalyptic in the sense that they can help

us or hurt us in our dealings with Iraq and with Afghanistan. We

had some incipient cooperation with them in the early days of our

operations in Afghanistan, which fell apart.

So I think we have to deal on all fronts equally, and I would not

prioritize.

Well, I would just say that we ought to

start them in as comprehensive a fashion as we can. We don’t

know. We’re not used to talking to the Iranians and that will take

some time. Even finding out who to talk to usefully will be a major

challenge. So I would not say this is more important, let’s focus on

this. I would start and push on all fronts, and we’ll see what’s productive

and what isn’t productive as we go along. This will take exquisite

diplomacy.

I would not dissent from what Zbigniew

just said. I think we make a mistake or have recently in claiming

that they seek a nuclear weapon, because it seems to me the problem

is there whether they want a nuclear weapon or whether they

simply want to control their civilian power and have their own enrichment

capability. I think that is almost as big a threat because,

as I say, I am more concerned about the spread of nuclear capability

in terms especially of uranium enrichment than Iran itself

having a weapon. I think that is a much bigger threat, the general

threat.

When we say—when we say, well, you want a nuclear weapon,

and they say, no, we don’t, then a lot of the world who’s suspicious

of us anyway says, well, what’s our point? I think we have to go

after the broader question, not the narrow question.

That hurts us.

Well, they have answers to those questions.

Their argument why they need their own enrichment program is

that they’ve tried to cooperate and the Germans were going to

build the first plant, they backed off. We were going to supply enriched

uranium to them; we backed off. Unless they have control

of it, they are subject to the whims of the great powers. That’s their

argument.

They simply don’t answer the question, why don’t they let the

IAEA have free run. They simply don’t answer it.

Yes, I think it can. I don’t know if it will.

I don’t know if it’ll work at all. But it seems to me that it is worth

a try, because in the process of trying, if the United States is really

sincere, we’re likely to get on board people who suspect now, who

say we’re sitting off in the corner throwing rocks at them, asking

for sanctions, but not trying to solve the problem. If we can convince

everybody else that Iran is implacable and only the use of coercive

force, sanctions or whatever will work, then we’re in a much

better position than we’re in right now, because we’re the bad cop

and so everybody else just goes about doing their own business.

Yes.

But you also said you haven’t read it.

[Laughter.]

We’re happy to be of service.

Well, Senator, I think we’re not very far on

sanctions, but I think it’s partly due to reluctance of many of the

major countries of the world to hurt what is a good commerce, and

also to the attitude of the United States because, as we both said,

we have not been participating in the dialog with Iran. First of all,

we said before we’ll talk to Iran they have to suspend enrichment,

so they have to give away their biggest card before they sit down

at the table. And that’s been the general attitude. So there’s been

a great reluctance to agree to sanctions that are anything more

than showing symbolic solidarity.

Sanctions generally are a very imperfect instrument. In this case,

sanctions would require—I think they could be very effective, but

they will require sincere acceptance by the major powers. As you

say, oil refining; Iran has to import a lot of its refined product.

That’s a tremendous weapon for sanctions, but it takes agreement

and it takes—people get hurt by it, and the reaction could be that

Iran cuts off exports of crude, which hurts everybody, including

Iran.

So it’s a complicated issue. But I think potentially, if the P5+1

could get to the point there’s nothing left, then I think sanctions

could be really effective.

He’s trying to get rid of us. [Laughter.]

I think that depends heavily on the Iranians.

And we do differ somewhat, I believe, on that. I would be

inclined to start off in private, for this reason: That negotiations

with the Americans is a very controversial issue inside Iran, and

we don’t know whether people in the end are afraid to stick their

necks out to be seen negotiating with the Americans.

I had some experience with that in the first, the Bush Senior administration,

where we got very close to negotiations and they

backed out at the last minute. So I would let it depend, but I would

make the first overtures with the Iranians quiet ones. First of all,

we’ve got to figure out, get a serious interlocutor on their side, and

that’s not easy. Who do you talk to? The government? That’s who

foreigners should talk to. But the government doesn’t hold the

power.

So there are all kinds of problems here, but I would be inclined

to start quietly.

Well, I think there is, there’s a lot of fear.

As a matter of fact, there’s a lot of fear of Iran in the region. It

seems to me one of the ways we can take advantage of that is to

point out to Iran the consequences of their going ahead will not be

to improve their security, but will be to make them less secure because

of the reaction that will be produced in the rest of the region.

I broadly agree with that. The use of force

sometimes looks like an easy option: cut through all the nonsense,

get to the core of it. But force brings its own momentum. It

changes the nature of the game, and I think in this case it would

change it strongly against the United States and its interests in

the region.

Hmm?

It’s always—that’s what I say. It changes

the whole nature of the game, as we found out in Iraq.