

**CARNEGIE ENDOWMENT
FOR INTERNATIONAL PEACE**

**DEALING WITH IRAN NUCLEAR AMBITIONS:
WHAT FUTURE STRATEGY
FOR THE INTERNATIONAL COMMUNITY?**

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VOLKER PERTHES: Okay, since the door is being closed, I think that's a good signal for us to start here. Good evening everybody. This is a meeting which is cosponsored by Carnegie Europe and the Bosch Foundation here, and it's a great honor for me to chair this session, which is on Iran and the question where we are going to go or how we are going to deal with the Iran nuclear crisis over to Iran and its nuclear program.

I have three very distinguished speakers. I know we always say that these people are distinguished when we have a panel discussion, but this time it's true. I have three distinguished speakers with me here on the panel.

I start here to my right, George Perkovich, who has been working on proliferation and Iran for many years.

GEORGE PERKOVICH: Too many years.

PERTHES: Too many years. It's a two-digit number of year, I guess.

MR. PERKOVICH: Yes, 15 at least.

MR. PERTHES: And he has done that from different places, but he is now a vice president of the Carnegie Endowment. So welcome to Berlin, George.

On my left here, I have Pierre Goldschmidt, who is also with the Carnegie Endowment now, as I understand, as a freelance senior associate, or like that, but of course he has a long career as an official in the International Atomic Energy Agency. He was a deputy director general of the IAEA until 2005. And he has been following Iran and other issues inside the agency and he has been following afterwards from outside the agency.

And politically well placed on my upper left here, I have Eckart Von Klaeden, who is the foreign policy spokesman of the CDU/CSU Group in the – parliamentary group in the Bundestag and as such, of course, is following international politics and foreign policies all over the place, but certainly with the German involvement inside the EU-3 group, the focus on Iran is something which Eckart Von Klaeden has to follow politically. And we will take him as a European, which he is of course, as a European tonight because we don't have anybody from Solana's office here and of course this is – or seems to be – one of the issues where the Europeans actually have been coordinating quite well during the last years.

We will start the discussion here at the panel with two, three rounds of exchanges here and then of course have the chance for you to ask questions or even give short, brief comments if you think that is necessary. After the hot stuff, we will have a light cocktail at seven o'clock. We are going – trying to close it down here by seven o'clock and then Carnegie Foundation and – Carnegie Endowment and Bosch Foundation are going to invite us for something healthier perhaps than the nuclear issue.

MR. : Than nuclear weapons.

MR. PERTHES: Than nuclear weapons. My name is Volker Perthes. I'm connected to SWP, Stiftung Wissenschaft und Politik, the German Institute for International Security Affairs. It's a pleasure to be here with people from other institutes who do serious work too.

I think we would like to start asking our three guests here where we actually are, a little bit trying to find out what all these confusing reports we have heard about or you've probably read actually do mean for the state of affairs, state of nuclear affairs with regard to Iran. We have had the National Intelligence Estimate in the United States in December last year, which has astonished a number of people who read it, even though I guess there is no one here in the room who read the total report, but we all read the summary that was released for publication. We had very recently the IAEA report about the so-called work program which the agency had agreed upon with the Iranians about half a year ago. Some questions have been answered. Some have probably not been answered. Some have been answered well. Some have been answered less well. So I guess Pierre Goldschmidt is going to enlighten us about what is actually in the report and what does the report tell us. And I think Eckart Von Klaeden will tell us a little bit where Europe is after all these reports and the diplomatic impasse in which we seem to find us after the last Security Council resolution.

I think – because it's the most recent report, I think we should start with the IAEA report. So, Pierre, if you would like to tell us where are we. Where are the agency and the international community in regards to Iran and finding out what the nuclear program is actually all about?

PIERRE GOLDSCHMIDT: How many minutes?

MR. PERTHES: Well, five, or if you need four and a half – (laughter).

MR. GOLDSCHMIDT: Okay. Well, I – (off mike) – fortunately that last report has been made available to everyone, and I guess you have read it. It's a very important report and essentially it's – the real question that is highlighted in the report is to find out what is the real nature of the Iranian undeclared nuclear program, the program that had been undeclared for some 20 years and with a lot of activities that, one has to agree, make more sense if the purpose is a nuclear weapons program than if it is purely a peaceful commercial program for electricity production.

So the question asked there is what is the real nature of this program. And the report is important because, although there had been already a lot of indications in previous reports that the agency was willing – the IAEA was willing to look into weaponization activities, this is clearly the case today and not only in the report, but also in the behind-closed-door briefing that was given by DDG Safeguards Olli Heinonen and which was reported in open source articles.

In the report, for instance, essentially what is said is that the agency – and this is important – the agency has provided to Iran information that they got from member states essentially on procurement activities that took place since 1988. And again, it's very important to put things in the right perspective of time. Iran has said that they initiated their centrifuge enrichment program in 1985, in the middle of the war with Iraq. A centrifuge enrichment program, or an enrichment program, at that time, is something very strange, which has never been quite resolved. The agency had asked Iran, "well, can you show any document? How this decision was made, by whom?" Apparently by Ayatollah Khomeini. "And who was charged of developing this program when you had no nuclear power plant foreseen in the future because Bushehr had been idle for many years." It had been bombed by Iraq. There was no fabrication facility. Uranium enrichment at the time didn't make sense. So this is still an open question that has not been properly addressed.

Now 1988 is the time when – and we know that since 2006 because it was released by Rafsanjani – Khomeini wrote a letter saying that the head of the Revolutionary Guard at that time indicated that they couldn't win the war against Iraq – and this is what made Khomeini decide that they would end the hostilities – and in that letter, Mohsen Rezai indicated that in order to win the war, he would need by 1992 to have a number of very advanced military devices and equipment, including the ability to make a substantial number of laser and nuclear weapons.

Of course, this is not a proof of anything, but it's an indication. So '88 is important. In its last report, the agency is indicating that, the person who later became the head of the PHRC- the Physics Research Center, which was created in '89 -and which was related to the Revolutionary Guards, procured equipments in 1988 for a technical university and also seemingly the Atomic Energy Organization of Iran. And among those procurement, I just quote here, was "vacuum equipment, magnets, balancing machines, fluorine handling, and UF6 mass spectrometers." Now, this might sound very technical to you, but all those equipments make a lot of sense if one wants to have a centrifuge enrichment facility.

Now, why would universities or the Physics Research Center, which is depending on the Revolutionary Guards, want to procure these equipments outside the Atomic Energy Organization? You will find Iran's answer in the agency's report: for almost everything they say it was for educational purposes at a technical university.

Okay, all of that is, of course, questionable and that's the problem. When you have an answer like this, which is plausible, you can always find a reason to use equipment for research or educational purposes, but when all the equipments you are mentioning would make a lot of sense if you had an enrichment program, what's the credibility of all those plausible answers considered together? Then, the report goes into the alleged studies, and that's more recent information that the agency has received from member states. And there what is mentioned is information related to the testing of high-voltage detonators, and the use of a 400 meters shaft and a firing capability remote from

the shaft by a distance of 10 km, all of which the agency believes would be relevant to nuclear weapon R&D.

And then, when you have a nuclear weapons program, you also have – you need to develop the delivery means. And there again, the report is mentioning a Shahab-3 missile and a layout of its reentry vehicle, and I quote here, “quite likely to be able to accommodate a nuclear device.” It seems that during the briefing, the Agency has also shown pictures describing the chronology of events leading to an explosion at 600 meters of altitude.

Now, you don’t explode a device if it’s a conventional weapon, if it’s a biological weapon, or if it’s a chemical weapon at 600 meters above ground. You do so only for nuclear weapons.

So the report is very important in that sense. Of course, you can always say, nothing is evidence. Nothing is a proof; Since I have only five minutes, I cannot go further into the details – and many other previous indications are all pointing in the same direction. And I would say that essentially this reinforces the conclusion of the NIE – and you will hear more about the NIE report – that at least until 2003, part of their program was in the framework of a nuclear weapons program.

Now, the agency has not drawn this very blunt conclusion, but when you add everything together, you have to recognize – it makes most sense if it’s part of a nuclear weapons program rather than a purely peaceful one.

MR. PERTHES: Would the agency – let me ask you that question – you gave us some of the technical details and maybe you’ll get some more questions for that – but I think already what we heard sort of may make some people shiver, even though we are speaking about probably experiments between 1988 and 2003. But would the agency, according to the rules it is operating under – would it be entitled to draw stronger conclusions in the first place? Or is that sort of the ways the agency writes its reports, and it said, “well, we have lot of evidence, but of course we cannot prove anything more and we can only say that the Iranian arguments maybe don’t convince us, but they are plausible”?

MR. GOLDSCHMIDT: Well, thank you for the question. It’s very difficult for the agency because, frankly speaking, what they are doing today is in fact going beyond a strict and narrow interpretation of their mandate. Well, at least, it’s going beyond what the agency is used to do under Safeguards Agreement. In the past, as you know, the IAEA was focusing on nuclear material. Here they are going much beyond nuclear material. They need to do so because all the indication that – all the weaponization or missile developments that would make sense for nuclear weapons are not necessarily linked to nuclear material. So they are doing the maximum that they can. And they cannot do more because if they go beyond that, and if Iran says, “we’re simply not going to answer that question,” there is nothing really the agency can do.

So I think they did an extraordinary good job, investigational job, and I think the reports – of course it is phrased in a politically acceptable way and they are very careful, and they should be, of being balanced to be able to justify every word that is in the report. And by the way, in the latest report – there is something important – I try to remember the exact formulation – it's when they say that they have been closing issues, – that issues are not inconsistent with agency findings, and therefore – how do they say? Do you remember?

MR. PERKOVICH: And this issue –

MR. GOLDSCHMIDT: Yes that this issue is no longer outstanding at this stage.

Now, this is a new thing. They say, “at this stage.” The agency, of course, had agreed to the August 2007 work plan which can be criticized because it was clearly written by Iran. You can see, if you look at the text, that it's not IAEA language. It's not even IAEA orthography. So it's clear that that was the deal or else nothing. But now the agency is stepping back and says “at this stage,” which means that nothing is really closed. And so that's the answer. They did the maximum so far and they are still investigating.

MR. PERTHES: Thank you, Pierre. Let's move to the other report and let's move to the United States. We have had the NIE released in December and of course the smaller the newspapers, the bigger the headlines. And it was only one thing in the headlines. Iran stopped its nuclear program, probably in brackets, in 2003. There is a little bit more in that report, so probably, George, you can read that for us.

MR. PERKOVICH: Thanks, Volker. And I want to thank the Bosch Foundation and my colleague Fabrice Poitier and Volker for helping us pull this all together. It's great to be here in Berlin.

Picking up from where Pierre left off, in a way, the now infamous public statement, summary of the National Intelligence Estimate of the U.S., and this is an estimate of kind of the consensus or near consensus of 16 U.S. intelligence agencies. And that had a very famous and I would say regrettable first sentence, which said basically that as of – as of fall 2003 Iran had stopped its nuclear weapons program.

A couple of interesting things right there. One is that it's the strongest formulation that prior to 2003 there was evidence of a weapons program, and then the headline, obviously, was that it had stopped, which was a very different conclusion certainly than the U.S. administration, France, Britain, and others had been promoting and operating under.

But I think one of the things that's key is that sentence has a footnote. And the footnote goes to some of the details that Pierre was talking about in terms of the limitations under which the IAEA operates, the rules, the mandate under which the IAEA operates. And in this intelligence estimate, it says, “we define a nuclear weapons

program as having – a clandestine nuclear weapons program as having three elements. One is undeclared production of fissile materials. That’s highly enriched uranium or plutonium for the most part, the parts that make a nuclear yield. Weaponization and work on delivery system.” Well, by that definition, which is interesting because that definition parallels in many ways back to the IAEA’s definition and mandate, so you have kind of the circular problem of very narrow legal definitions that don’t pass kind of a common sense understanding of what a nuclear program would be.

So by that definition in the footnote, if it’s declared production of fissile materials, then that’s no longer an indication of a weapons program. So the key was the adjective “undeclared.” Now, Iran’s was undeclared until it got exposed. It didn’t volunteer the information. It got exposed. And then, at that point, it was declared under duress in a sense, but by that measurement is no longer an indication of a weapons program. And so what – so that box is checked. And then the other one was weaponization, and so that’s where they said, “we have evidence before 2003, which Iran hadn’t admitted, that it was working on weaponization, but we know believe new information came to light that they stopped and that they’re continuing with work on delivery systems.” Adding all that together, they issued this kind of the headline that Iran had stopped work on its weapons program, but the footnote – and we’re really carefully – it’s a peculiar but legally correct definition kind of referring back to the IAEA approach, where the mandate isn’t to look at weaponization and the issue is whether it’s declared activity or undeclared activity.

We can speculate endlessly about why the summary was released and in particular why it was formulated the way it was, particularly that first sentence, because if you read the rest of even the summary, it goes on to say that not much has changed, that Iran is still producing fissile materials which could be used for nuclear weapons if it made the decision to do so. The time in which Iran could make such a decision and build nuclear weapons hadn’t changed at all. And so when you kind of read through the rest of it, it’s not that different from what the international community had been saying and worrying about, with one exception, which was absolutely vital from the standpoint of the U.S. political debate, which was the conclusion that Iran is subject to international influence, in political science terms, that it acts as a rational actor, that it calculates based on stimulus from outside and makes judgments not irrationally. For the U.S. government to say that was actually very interesting.

As to kind of the motives and why, we can talk about it more in the discussion period. I think, on one hand, it’s not an accident that the leaders of the top intelligence services in the U.S., the National Intelligence Organization, the CIA, and the Defense Intelligence Organization are all either serving or former military officers, which is kind of an unusual configuration. And there’s lots of indication in Washington that the U.S. Military has absolutely no interest in fighting a war with Iran, not that they don’t think they could hit all the targets they’re supposed to hit, but that it’s a bad idea for other reasons.

However, I think that these – the people who produce these are straight shooters in American parlance. In other words, they're intellectually honest. They're public servants. And they're doing what is their legal mandate. And I think that again is reflected in the footnote in terms of how they define a nuclear weapon.

McConnell, the director of the National Intelligence Organization gave a very – there was a very interesting profile of him in the New Yorker, about six weeks ago by Lawrence Wright, and he explain why it was released because a lot of people have speculated, “well, why was this released because it was so damaging to U.S. and international diplomacy with Iran?” And he said, “look, I oppose releasing any intelligence information. I think it only helps our adversaries. As a matter of principle, I'm opposed to it, but I personally was on record saying that Iran did have a nuclear weapon program. So if now the intelligence community produces a report that says that they stopped that program and we don't release that information, it's going to get leaked and the allegation is going to be that I, as the director of the intelligence services, suppressed the report because I disagreed with its conclusion. And so I didn't want to have a scandal about the corruption of our intelligence services and about my integrity. And so I agreed that we had to release it.” All of that's going to be subject of memoirs and histories in years to come, but the anecdote I think makes sense about why it was released.

What it points to – and again, this is the same thing that Pierre's discussion of the IAEA points to – is that we have a real problem with the rules of the international nonproliferation regime, both kind of the definitions of what constitutes nuclear weapons, the mandate of the International Atomic Energy Agency, which is to look primarily at nuclear materials, that is uranium in whatever form, plutonium, other isotopes. But there is no clear mandate to look at weaponization per se, and most importantly, there are no evidentiary rules. In other words – I sound like a lawyer, which I'm not – there aren't criteria by which it's established how you look at evidence, how in essence you determine that a country does have a nuclear weapon program. And so we're facing this problem with Iran, and one conclusion I draw from that and from what Pierre said about the IAEA is that this is why precisely it was and is appropriate that the matter be referred to the Security Council because the Security Council is a body that can make decisions and act on the basis of threats to international peace and security. So it doesn't have to be bound by kind of these ambiguous evidentiary issues with the IAEA or another legal definition of a nuclear weapon.

The Security Council could say any given act by a state in a given context is a threat to international peace and security, and it has that ambit, which the agency doesn't have. So I think – and by the way, I think that's one of the reasons why Iran has been so insistent and today is ever more insistent that the matter be taken out of the Security Council and that it will only deal with IAEA. It won't deal with the EU even because again, that's a political dialogue. The EU dialogue doesn't – isn't based on this kind of narrow evidentiary problems. And so it doesn't want that. It wants it to be within the agency because there the rules and the mandate are so limited that Iran concludes that what it has done it can in essence kind of explain away or a get away with and not face

consequences. And that's a natural thing then for Iran to do. That's a very reasonable thing for them to try to do.

Volker asked me to talk just briefly about kind of the fallout or the implications of the – very briefly. I would say that right now no one knows where we are in the sense of kind of where U.S. policy is, where it should be heading, partly because of the NIE, partly because of the IAEA report. And so there's a basic sense of, I would say, confusion or drift in Washington in terms of what to do next, and we'll come back to that, please.

MR. PERTHES: Right, we will. George already pointed to the one other striking sentence in the NIE report, which got unreported a little bit in the press, which is Iran in the end is a rational actor. That it was not so much in the headlines, but it was the basis on which the Europeans had acted for many years. So the Europeans see that as a diplomatic process because they were convinced and probably still are convinced that Iran is an actor which somehow acts to incentives and disincentives from outside, which it certainly does. And what it did now, sort of acting or reacting to the last disincentive, which was the UN Security Council Resolution 1803, was in the words of their president to say, "we are no longer going to speak to Javier Solana." I guess they may probably rethink that, but for the time being it is that they said, "well, you have disappointed us Europeans. You led this process, but you didn't solve it. At least you didn't solve it the way we wanted to solve it. You went into the Security Council. We didn't want you to go there or to carry us there. So we stop talking to you."

So what does that mean for where is European policy now, Eckart Von Klaeden? Maybe you can reflect a little bit about the experience and tell us where we are.

ECKART VON KLAEDEN: First of all, I would say that Ahmadinejad says he doesn't want longer talks of Solana to Iranian officials, is in a way a good sign because it shows that he has understood that it is not possible to drive a wedge between the Europeans and United States. My impression always was that this was the hidden analysis in Tehran to think that – thinking that the opposition against their nuclear program is in reality a conflict they have with the US and that we just follow, because of solidarity or other reasons, but now he sees that it is also our concern, really our concern and that we say very, very seriously, if you say that the nuclear ambitions of Iran are a threat for the security, not only of the region, but also for us. And if you see that, since March the 3rd, we have a new resolution, the third one. And if you see how it came to this resolution, I would say it is a success of European and especially of German diplomacy, of our foreign minister Frank-Walter Steinmeier, who brought together the P5 in Berlin and before – still in the week before that meeting, a lot of analysts said that we would – that it would be very, very unlikely that they would come to a common agreement for another resolution. And they said it would be better not have this meeting because this would bring in public that the P5 or the EU plus – three plus three – disagree on this issue.

And I think this was also what the – was to sanction Tehran. And they were surprised, from their point of view of course negatively, that there was an agreement in Berlin. And that, I would say, it is just a consequence of the misassumption they had in Tehran that they say they don't want to talk longer to the Europeans or someone else, just to the IAEA.

The second point, I think, what's also important for the discussion in Europe is that a military strike against Tehran is very, very unlikely. I would say it's off the table. And in that way the NIE report was helpful because it showed that there are not enough reasons for such a strike, and on the other hand, it underlined the argument that a military strike would not fit into the broader picture regarding, for instance, the Annapolis process. If you would attack militarily Iran, on the one hand, and try to have some progress, some success in the Annapolis process, I think both things are not possible.

The NIE report, this is something what was not so reported very often in Europe. Also the assumption was not shared. The estimate was not shared by – even by the European and also not by our German intelligence service. So I don't think that I say too much if I say that they said that we have more concerning and other information, and the director of the National Intelligence backpedaled also at the Senate hearing, on February the 5th this year, where he said, "in retrospect, I would do some things differently." And so – but even if this underestimating report – this national intelligence underestimate, I would say – is right, even this was a reason for us for more concern because it says that till 2003 they had a military program. And the reason for our sanctions was always and still is that the lack of transparency and the lack of cooperation violates international law. So from our point of view, for our sanctions, there was no need for a nuclear program. The lack of transparency and cooperation was still enough and is violating international law.

The fourth point I would say, we also talk about – in Europe now about a plan B and the missile defense program and the necessity for that. And there also within NATO, within the European partners in NATO, we agree that there is a concern by Iranians' activity, not only regarding enrichment and a possible warhead program, but especially on their missile program. And there we got in the last weeks also concerning information that they are farther than we thought some weeks or months ago.

And the last point, regarding sanctions, on the one hand we know that European leaders were meeting this month to discuss whether to apply additional sanctions to Iran beyond the UN measures. And on the other hand, I think we have a growing discussion which members of these – permanent members of the Security Council try to bypass the sanctions. These are the Chinese, of course, the Russians, but also we have always some rumors about Emirate companies who make their deals via the Emirates, or sell their goods to companies in other countries, which then sell their goods to Iran. So I think it is very important to make clear that these rumors are not correct or to avoid or hinder such activities if they happen.

MR. PERTHES: Thank you, Eckart. I guess we come back very soon to the question of where do we go from here, and you already mentioned the question of further sanctions, and of course in the last UN Security Council resolution, we also have talk about a fresh offer or a more convincing offer to Iran. And maybe we will speak about what that could include.

But before we speak about the chances of sanctions and offers, I think we should try to have one short round here on the panel in assessing, trying to find out how we assess what the Iranians want because if we think about a new offer or if we think about incentives and disincentives to make someone change a policy, we would have to find out what they actually are up to. So there are a couple of questions here, starting of course with the most important one, whether we think that in Iran a strategic decision about the ultimate goal or the ultimate aim of their program has already been taken. Of course, there is a certain logic to saying that in 2003, given the geopolitical changes at that time, as the European starting to say, "we are going to talk to you," and then the Americans occupying Iraq, and Iraq's the old enemy no longer being doubt that actually strategic decisions had been taken exactly at that year. But now, of course, a couple of years have passed since, so the question is, have they taken a strategic decision.

Now, do they definitely intend to go to a military nuclear capability, or are we assuming that in the end they would stop short of the threshold, and would it make a difference?

So in short, the easy question to all the Iran experts here at the panel is, what does the Iranian elite want? Maybe, George, you want – you talked to Rafsanjani at some point, didn't you?

MR. PERKOVICH: Yes, and more to Rowhani. But I think that's the key, or a key question obviously, and my sense is that there might have been kind of two key points of decision recently, one in 2003, as we're alluding to which was – and Rowhani became the chief negotiator and he gave some interviews in 2005 which were very illuminating, and I think they indicated that what happened in around 2003 when they got exposed, it was extremely uncomfortable. It was a national embarrassment, there was tremendous nervousness. At the same time, U.S. forces were marching through Iraq easily. They were clearly nervous.

And you can kind of see at the time and then look retrospectively that there was a decision of let's figure out what we've done, because for the negotiators, I don't think they knew what had been going on, and so there was a time where they had to find out what their own people were doing. By the way, this happens in other countries in many instances where the political leadership doesn't actually know what technologists were doing or what some of the boys were doing on their own, and so you have to kind of get a control over the facts. And this happens in legal cases too, big lawsuits where you hire 1,000 lawyers who get paid millions of dollars to go figure out what actually happened. And so there was a period I think where in 2003, let's stop doing stuff that will get us in

trouble. Let's figure out what we did and come up with a theory of our case, what are we going to argue, what are we going to do. And that took some time.

But I think since 2005, in any case, there is a strategic decision, and this is very important, and that is that they will not give up enrichment, and that given how much the Iranian elite distrust each other, how competitive it is, it's very, very difficult to come up with a consensus decision. No one trusts each other. Everybody is at each other's throat, the leaders balancing power. But once you do come with a decision that everybody accepts, it's very, very hard to change it. And I think you can see around 2005, they've looked, the U.S. is now in trouble, they have an idea of what IAEA knows, they have an idea what their case is, and I think they decide, we're not going to give up the right to enrich so we're not going to agree to an indefinite suspension, and in fact, we're going to go ahead and enrich, and we'll keep doing that until it looks like the costs are way too high, and maybe they won't be and we'll keep going. But arguing that case very firmly that it's their legal right, and that given that it's their legal right and they're not violating existing obligations by enriching, there was a strong consensus on that.

Now the problem is that when it gets into the Security Council, it does start violating international law, not their nuclear agreement, but international law. But I think that's one where there's consensus. But that doesn't then lead to the conclusion that there's a consensus, we have to build a nuclear weapon. And there I would argue – again, I have no access to classified information, so I always tell people who do, please kick me if I'm absolutely wrong. But my sense is that they get – and Rafsanjani said this in 2005. He said, look, we don't need to build a nuclear weapon. We don't want to build a nuclear weapon. As long as we can do enrichment and have a mastery of atomic energy, all our neighbors will draw the proper conclusions. They'll know that we're the greatest power in the region, they'll know we're the most scientifically advanced, the most brilliant, and they'll draw the proper conclusion. If we were to do more than that, it's both unnecessary and counterproductive. And so I think for the moment, that's where they are. They – continue enriching, gives you a basic capability, but you don't have to go further.

One last point on that, which is – again, this is just my analysis or speculation. Given how divided the Iranian elite is, if you actually make a nuclear weapon, you have to decide who controls it. Somebody has to have possession of it. And these guys, actually, I think many of them don't want others to have control of it, so the issue of if you make it, who gets it, is a very, very hard decision with Iran, and you can avoid that decision if you don't actually make a weapon. And I think that's something also the leader might want to avoid is having to make that kind of decision, but that's speculation on my part.

MR. PERTHES: That question of who has the control of course would probably come up a little bit earlier even, who has the control about the enrichment program, who has the control about the fuel cycle or –

MR. PERKOVICH: It does, but it's not nearly as dramatic or potentially as problematic as having a weapon. India, by the way, wrestled with this, and still does. India has very strict civilian control. They keep the fissile material cores of their weapons separate from the explosives that detonate it, which are then kept separate from the missiles in the (plane ?). And part of that reflects kind of the political elite's – it's not really distrust of the military, but – and so they still try to avoid resolving that, so it's possible in Iran too.

MR. PERTHES: Thank you. Eckart, from your point of view, I don't know when you were in Iran last, but what do you think the Iranians are up to? What do they want?

MR. VON KLAEDEN: I think first of all, it's really a difficult and a little paradoxical debate what they really want, because we have to avoid to over defend Iran in a way, because if you look with rational reasons – and I agree with you what you've quoted, that they're rational – if you look for rational reasons, why they want to become a nuclear armed power, then of course, we would over defend them because they say we don't want to have military use of nuclear power. I think if they would have proved warheads, this would decline their strategic options and interests in the region. Their interest is to strengthen their role as a regional power and to become the region hegemony. So I think their interest is to become a virtual nuclear power, so that they can switch the button, and could become in a few months nuclear, but I think they will stop, as you said, at the threshold and would not cross this line, but try to become as close to a nuclear weapon as Japan or even Germany are now. Of course, with different political intentions, but I think this is their goal. And this is also the reason why they continue their enrichment and their missile program. Even the enrichment program does not make sense, as we all know, without a military option.

MR. PERTHES: There's one point you alluded to which actually is a real difficulty for at least us as academics when we discuss with our Iranian counterparts, that things like the ones that George mentioned, sort of the practical questions, what actually happens once you have a nuclear bomb, which we would find interesting to discuss with Iranian partners, you cannot really discuss, because they would say, well, if we start discussing that with you, you would turn it as an argument against us and say, look, you have admitted that you are going for a nuclear bomb.

Pierre, how much does this kind of problematic actually affect the work of an agency like the IAEA, if they talk to the Iranians?

MR. GOLDSCHMIDT: I don't think it does interfere with the work of the agency. No. I think the agency is really doing mostly technical work, and I don't think these considerations do interfere. But to answer your question very shortly, and I can only agree with what was said before, the Iranians have been clear that what they want is to be in the same position as Japan. It is as simple as that, and then you have to understand what that means. Everyone knows that Japan, if they were to withdraw from the NPT, within the three months withdrawing period could build a number of nuclear

devices. Iran wants to be treated like Japan, full stop. But, of course, they don't behave like Japan.

Now, since my answer was short, I want to say one thing which is related. It's about the role of the Security Council and the agency. First of all, if Iran was a non-nuclear weapon state in good standing with its safeguards agreement, not only could they produce low-enriched uranium, but they could even produce high-enriched uranium. People don't realize that. And when we hear suggestions that Iran would have to limit the number of centrifuges or limit the enrichment level, this is all arbitrary. . If they decide tomorrow that they want to have high-enriched uranium, they can have it except that it would be contrary to UN Security resolutions. Now, by the way, low-enriched uranium is already two-thirds of the work that you need to produce high-enriched uranium. We have to keep that in mind. So again, it makes a lot of sense for them in that respect to build a stockpile of low-enriched uranium in the first stage.

What I think is important and is overlooked, and I am personally frustrated about that, is that Iran has repeatedly said, and stated, and written at the highest level, that referring Iran to the Security Council was illegal and that they have not been found in noncompliance. They are stating that. Even recently, their ambassador to the UN said again that there has been no diversion of nuclear material, that they have been complying, that they have been declaring everything to the agency within the agreed time limits, which is before they introduce nuclear material in a facility, and that referring them to the Security Council was illegal. And all this is wrong. All this is factually wrong, and no one, no one officially disputes their declarations. And I'm convinced that they are using those arguments when they discuss with members of the nonaligned movement. I suppose they are going to say, look, our ambassador at the IAEA said it and wrote it, and we said it to the UN and we wrote it to Kofi Annan, or now to Ban Ki-moon and no one reacts because what we say is right.

It would be useful, and for me, it is for the IAEA legal office once and for all to explain why Iran has been in noncompliance, and there are many reasons, and why it was in full conformity with the IAEA statute to report Iran to the Security Council.

What is also important to realize is that the Board of Governors when it takes a decision, when it asks Iran to suspend enrichment activities, this is not legally binding. The Board of Governors does not have the authority to ask Iran to suspend enrichment. They can ask for it as a transparency measure. But only the UN Security Council can make it legally binding under a Chapter Seven Resolution as it did.

By the way, the UN Security Council also said to the agency that they were provided with the additional authority that had been requested by the director general. Now, this has not been fully implemented by the IAEA because Iran just ignores the UN Security Council resolutions. And this is very important. When we think about sanctions, it is not only sanctioning the fact that they had an undeclared program, but that they are not complying with legally-binding resolution of the UN Security Council. If you give up sanctions, if you say, okay, this is the third resolution, and it was difficult

enough to achieve consensus, and there will be no further resolution sanctioning them, I think you are not only jeopardizing the nonproliferation treaty; you are jeopardizing the credibility of the UN Security Council, and this is very, very serious.

MR. PERTHES: Pierre, that brings us to the third issue we should briefly touch upon here before we give the chance to some of you to probably ask questions. My reading of the state of the international community is that actually 1803 was the last resolution at least for some time to come, given the difficulties we had in bringing together that coalition, also the difficulties of a similar or follow-up resolution in the Board of Governors of IAEA after that. I don't see the Russians or the Chinese and the nonaligned sort of to walk with the Western countries, if they wanted to proceed here with another resolution. So it seems to me, and I'm putting that as a question to you, to the three of you, that we may continue being stuck with a situation where we have sanctions – somewhat light or mild sanctions on the one hand and inability or lack of preparedness to talk from the other side, so things simply move on. One deputy Iranian foreign minister – former deputy Iranian foreign minister put it very nicely to me, and said, well, Security Council slaps one sanction after the other on us and we are building one centrifuge after the other. So that could continue for quite some time.

Where are we going from here? And maybe, Pierre, since you already delved into this issue, you want to give us some advice for the discussion. What should the international community do? Should we try to seek some form of arrangement with the Iranians over a new offer? What could be in the offer? Should we take it out of the Security Council? You basically answered that question, said no, leave it there. Should we try to get new resolutions? Should we walk on two paths in parallel? What would be your advice?

MR. GOLDSCHMIDT: Yes. I think we should do many things in parallel, clearly. Concerning sanctions, I think there is one type of sanction that would be important. There are a lot of discussions about whether sanctions work or don't work. Clearly, usually, it doesn't work quickly. On this we all agree. But UN Security Council sanctions are the most relevant – other sanctions can work too – but especially UN Security Council sanctions. I think the most effective sanction which would not affect in any way the life of the Iranian people, but could influence the leadership, is a full arms embargo to Iran.

Think about it. If the objective is in two or three years' time only to have the capacity, the capability to build possibly nuclear weapons, if and when circumstances are such that they would need that, and in the meantime they are not getting any sophisticated, conventional weapons from Russia and China in particular, while the Arab countries around them continue to receive the most sophisticated weapons from everywhere, they might think twice. And this, from a public relation point of view, is acceptable to everyone, because we know it doesn't hurt – an arms embargo doesn't hurt the people, the poor people who are just asking for peace and security.

So now, obviously today, you can't have it. Why? Well, because Russia and China would not play the game. There is a sentence already in one of the resolutions, 1747, calling upon all states to exercise restraint – okay. But this is not a full embargo. You need the Russians first of all, the Russians on board. For that, you need first of all, I think secret diplomacy, not public diplomacy, not diplomacy through the media, but behind-the-scene diplomacy, and you must be prepared to give the Russians something in exchange. For them, first of all, it's big business, it's good politically, it's embarrassing for some of their less friendly partners, and so you will have to pay a high price. I don't mean money, because now they are rich with the price of oil. You have to give them something serious in exchange, and you can think about what it could be. This can only be done behind the scene.

Once you have Russia on board, then you go to China and you start the same thing with China. And if there is a P5 agreement on an arms embargo and then you can sell it to the nonaligned countries, I really think that could make a big change, but you need to make sacrifices and ought to give and take. If that's very important to us, we have to take into account what is really important, or what the Russians claim is very important to them. Think about the missile defense for instance. Is it that urgent or can we do something about it? Can we show a little flexibility and use the fact that the Russians seem, whether it's true or not, to consider that this is really something they dislike tremendously. So that is one aspect. Okay.

MR. PERTHES: Thank you, Pierre. Eckart, the Europeans have been leading the diplomatic process as we said. You're even praising the German foreign minister for his latest effort to get the six together, so where should the foreign minister and where should the Europeans continue with any initiatives? And I think they still think that they are at the steering wheel and they shouldn't simply leave the steering wheel because Mr. Ahmadinejad says he doesn't want to talk to them.

MR. VON KLAEDEN: Yes. First of all, regarding Russia and China, this is not the most important point, but we've talked about these countries. I think we have to make clear to them that their behavior on the Iranian issue, because it is hurting our own security, the Iranian program is a threat for us, that we assume their relations to us also on their behavior in the Iranian issue. And so I wouldn't take it for granted that if they say, this is the last resolution. So I think we have to – we can go further also with them, and we have to tell them that if they are not constructive, that this will change our assumption on their behavior.

And I think there's an interest of Russia and of China to have good relations to Europe for several reasons, and it is also in our interest. And if we have a shared interest in good, mutual relations, then of course, they have to behave in a way that does not hurt our security interest, and I would say also not Russia's. And the problem of Russia regarding the Iranian issue is in my assumption that they have not found a way to bring their strategic and their tactical interests in an order. Their strategic interest of course is to avoid a nuclear armed Iran, and the tactical interest is to diminish the influence of the United States in the region.

And this leads to contradictory reactions of the Russians. For instance, around the third resolution, we heard that they will sell 100 airplanes to Iran. This is of course the wrong signal on the invitation of Ahmadinejad to Moscow or something like that. And I think this is the problem they have to bring their strategic and their tactical interests in the region in order. And I have some, not huge, but some hope that we can see some progress with Medvedev, because my assumption is that there are also some personal reasons for Putin's behavior.

Another point of course is I think we need more initiatives to multilateralize the enrichment process. I think this could be also a good and helpful thing if it can work. I know that this is a little bit – it's not very likely now, but I think more initiatives on that can be helpful. After the experience of the Iranians that they were not able to drive a wedge between the Europeans and the United States, I think the next experience they really have to make is that their program is also a real concern for their neighbors. So to regionalize the process in a way also with sanctions and incentives maybe with the conference that could on the one hand offer them direct talks, on the other hand show them that their neighbors also share our concerns, could be maybe also a way.

Then I think another point is to go on with our ideas about missile defense. I think this is the plan B option if we have to take in account that there's a certain ability that they become nuclear and that they get nuclear missiles, and if we want to avoid a military strike against them, of course we have to think about how we can deal with a nuclear armed Iran, and then a missile defense program is one part of such a strategy. And then I think of course, we have to go on with our path, or on this double track of sanctions on the one hand and incentives on the other, because even if you are not able to avoid Iran to go further, we have to think that the behavior of Iran and how the international community deals with Iran will be a role model for others.

And so if we just give up and say, oh, we were not successful, as you said, we would not only hurt the authority of the United Nations Security Council and the international law, et al., we would also encourage others to follow Iran's way, and then we will have that what we have to avoid, a nuclear arms race in the region, and maybe beyond.

MR. PERTHES: We may want to explore that further, but from a U.S. perspective first, there's quite some hope in Iran actually, and also in other places that a dialogue with the U.S. to move us out of – (inaudible) – and there's also talk about what some people have called a grand bargain between the U.S. and Iran. Of course, Europeans will probably be at the steering wheel, but the motor seems to be in Washington, George.

MR. PERKOVICH: Yes. Thanks. First of all, I want to endorse everything that Eckart said. I thought that was a really good agenda and itinerary, and so I just want to applaud that, and would add a couple of things in coming to your question, Volker. One is I think it's also important to keep pressing the weaponization issue that got presented at

the IAEA, and that's kind of a new focus, as Pierre illustrated in the reports. And to keep encouraging the director general and others to keep focusing on that issue and requiring that transparency, which is again legally binding, because A, it's vital, and B, there's less of a story Iran has on that, and it's one they have to come to terms with.

Related to that, and this needs to be done in private, is I don't think the international community has come up with a message to Iran, but if you do come clean, and if we reverse the process so it's not just every time we present evidence, then you kind of give a weird explanation for it but until you're presented with the evidence, you pretend that nothing happened. But if you reverse that and say, okay, here's what happened, then what happens to Iran? And we haven't told that story and I think that's important and difficult, so I would add that.

But coming to your point, I think first of all, we need to recognize – I believe Iran hasn't been negotiating with the EU for the last couple of years, so there hasn't been a negotiation even with Europe. So then the proposition that Iran is prepared to negotiate with the United States it's not evident to me – and I'd love to hear more about your recent trip too – it's not evident to me that Iran actually is willing to negotiate with the U.S. either on the nuclear issue or a grand bargain. They're willing to accept surrender. That's clear. That if the U.S. basically says –

MR. PERTHES (?): Who is –

MR. PERKOVICH: No, that's what I mean, but they kind of put it in – (unintelligible) – well, if you apologize for everything you've done, and you give up the issue of suspension, and you let us go forward, we'll accept your apology, and that's a negotiation. But they haven't been negotiating, and what's been happening is people like – I'll absolve you guys, but people like me in the NGO community, we kind of keep chasing ourselves inventing more things to offer the Iranians without having any interaction with the Iranians to suggest they're willing to engage. And so some of the multilateral approaches, that's us folks trying to figure out what's another thing we could offer them. And their answer is pretty clear. We're interested in doing any kind of enrichment you guys want, but we're also going to do our national program on Iranian territory, and so we'll eat cake for desert, but if you want to bring ice-cream, we'll eat that too and anything else.

So before kind of assuming that the problem is whether the U.S. is willing to negotiate with Iran, I think look you at it the other way, because I think the reality is the Bush administration is desperate to negotiate with Iran, and they've hinted at it in various ways, and I think if there were signs from Iran that it would actually be a negotiation as opposed to meeting to accept surrender, Washington would be interested. Now, here comes a problem. It seems clear that the leaders doesn't want to deal with this administration, and there are very understandable reasons why that could be true, and you can look back to what happened during the hostage crisis in '79, '80 where they hated Jimmy Carter, and so they waited until the hour that Carter left the White House and Ronald Reagan was sworn in and then they put the hostages on a plane.

I don't imagine that the leader wants to deal with this administration. He wants to wait for the next one, but you have fresher information than that. If that's the case, I think it's a mistake, because as I said, the Bush administration is semi-desperate. They made a big foreign policy blunder in Iraq. They're trying to patch it up. The next administration will have to make its big foreign policy blunder somewhere because in recent history, U.S. administrations always make a big foreign policy blunder early in their term. And in Washington there's basically an allergy to trying to deal with Iran, because there's flashing red lights, this will be your first foreign policy blunder. And so whoever the next secretary of state is or whatever, and somebody said, well, go off and negotiate with the Iranians, and they say, yeah, right. What's the indication that we're going to get something, and I don't think that's the way the Iranians negotiate. They don't kind of give you a sense of what you're going to get.

So I think despite even Obama's saying that we should negotiate with our – all of that's true, that's not then imagining that the first month or two he's going to say, okay, let's go off and do this. They're going to want to see signs from Iran, but Iran, based on past history is going to be looking at it and saying, okay, these guys are going to be nicer and everything else, so let's look for the signs from them that they're prepared to make concessions, and it ain't going to happen from Democrats because they're going to be looking at the Republicans in the Senate and they're going to say, if I make this move now, my administration may be ruined for the next four years because we'll be pounded for having been soft, et cetera. So I don't think miracles are coming on this.

MR. PERTHES: Well, I guess a couple of people are very eager to ask some questions here, but let me make one remark since you asked me about what is being discussed in Iran now in regard to possible discussions with the U.S. My impression is slightly different from yours. I think they are at least as eager to speak to the Bush administration as you say the Bush administration is to negotiate with them. Of course, both want the other side to surrender. I think you're quite right here. There is something for the Iranians which I know they can never get from the Europeans which is security, and this is security guarantees, call it whatever you may, but that is something they could get from the U.S. and they cannot get from us. They can get from us a trade and cooperation agreement, they can get prestige and status, they can get that from their neighbors, they're being invited to the Arab League Summit or whatever, but they cannot get security guarantees from their neighbors. And they know they can get it – if at all, they can get it from the U.S. And therefore, I think they are so eager to speak to them.

And what people say in Iran from very different political factions is that Ahmadinejad, probably more than the leader wants to speak to this administration, because he has elections next year, he has presidential elections, and if there would be one thing that would make Ahmadinejad popular domestically, it would be to open up roads to the United States because that is –and we have some polls in Iran – that is something which probably 80 percent of the population in Iran would actually want their leadership to do, break up that isolation from the U.S. We want good relations with the U.S. It is not that they are all, as Americans like to think, that they are all pro-American

in the sense that they would like American Middle East policy, but they want good relations to the United States, and if Ahmadinejad could deliver that, he would be a hero.

I also found quite interesting, but that is more on the funny side of it, or probably not, that people from very different camps in Iran told me, well, why don't Bush and Ahmadinejad do it together. They are so much like each other. They are both conservatives, they are both to-do types, they are both deeply religious and they both like to wipe other regimes off the map. (Laughter.) So they could very much cooperate and find a common agreement.

But I think we have time for three, four short questions from the audience which I will collect and then I will ask the three speakers here to answer them together. Hanus Adomite (ph), and I would like everybody to also say, unless I know who he is, who he is – (inaudible).

Q: Yes, Hanus Adomite, for a long time SWP, now College of Europe. A technical question, and it is in addition to enrichment of uranium, the problem of the hot water – of not hot water, but heavy water, the production – (unintelligible). In what way has that issue figured in the IAEA report and the NIE report? And the second question is relating it to the statement by Eckart von Klaeden that the military option is now off the map. I was surprised to hear that many countries have been mentioned China, Russia, et cetera, but Israel was not mentioned. Is there a general assumption on the panel that this would be acceptable to Israel, such a prospect, namely, that as you all say, that Iran may be going to the very brink of developing or being capable of developing a nuclear weapon, but it will stop short of that. How much could Israel rely on this being the end of the game and that Iran would not go beyond that, and would that not be the first issue of maybe a Republican president that Israel would knock at the door and say, all right, we had enough. This program has to be stopped. So is the military option really off the table completely or only for the current administration?

MR. PERTHES: Okay. Do we have anybody else who would like to comment or ask a question? Yes, please. Imala Luther (ph).

Q: Thank you. A couple of the speakers alluded to the problem – obviously, we've been talking about transatlantic solutions. A couple of speakers alluded to the G77, and I wonder where do we look on the multinational front? We have mixed messages coming from this U.S. administration, we have – how should we understand the context of the U.S.-India nuclear deal with regards to this issue. Mr. Von Klaeden had spoken about sending bad messages to other potential proliferators. And I wonder, what does the NPT have to offer us? It cannot offer any kind of a solution to this problem? And what are the prospects that another U.S. administration, perhaps a Democratic one, would take a different approach to nonproliferation?

MR. PERTHES: Mr. Hausvidel (ph).

Q: Yes. This would be a question to Mr. Perkovich, and I'm just following up on the other question. I see from the bio sheet they gave us that you are also in charge of the India project or South Asia project at the foundation and have written about the Indian nuclear weapon. So I must say, in the foreign office, we always felt that the American-Indian nuclear deal undermined the very case the United States was making against Iran, was undercutting, it and it made it much more difficult than to go for the argumentation for a very strict anti-Iranian course. So I wonder whether the Carnegie Foundation at that particular time when the administration took that decision and negotiated the deal, whether internally at least you advised against it and went for the principles of nonproliferation or the great strategic bargain decisions were uppermost in your minds and finally won out in the National Security Council and in the State Department.

MR. PERTHES: Thank you. If there is one more person, we could take him or her, otherwise I will give the floor back to all three speakers. We want to have answers about the heavy water reactor in Iraq, about whether the military option is really off the table, about multilateral solutions and multilateral problems and the U.S.-India deal and what kind of solutions or, well, probably ideas for the future could be in the NPT, and I would take also in a reform of the NPT. Eckart von Klaeden, would you like to start us off?

MR. VON KLAEDEN: Yes. I would like to leave the technical questions –

MR. PERTHES: You pick the questions – yes. Sure.

MR. VON KLAEDEN: – to the others. First of all, the military option – of course, I meant the military option is off the table for this administration. It is not off the table forever and not for Israel. But it was always – we always had the argument that sanctions are just the prelude for a military strike, and I think this argument was wrong, but a lot of people, especially in Europe, especially in Germany say, this is the experience we made before the Iraq war. And I don't want to judge this argument. I just have to take it as a fact. And the NIE report and the Annapolis process, as I said, is the broader picture where the military strike does not fit, and so for this administration and because of the rumors we always heard in the last months that maybe this summer at the end of this administration, Bush would attack Iran, so it was in that context.

The second point, U.S.-India nuclear deal, I don't share in this point of view of our foreign office, because we have to see the fact that India is a nuclear power, full stop, and then we have to think about how to deal with it. And having a treaty, a deal that brings India closer to the NPT regime, this would be a good deal and ElBaradei also said that the advantages of such a deal would be higher than the disadvantages, so it is also from his point of view in the sense of the NPT to have such an agreement with India, and if you see the arguments of the opposition in India against this deal, these arguments are confirming that the deal is I think – goes in the right direction. So if Germany would have to decide in the Nuclear Supplier Groups whether they agree with or not, I would say –

MR. PERTHES (?): It has to.

MR. VON KLAEDEN: Yes.

MR. PERTHES (?): It has to.

MR. VON KLAEDEN: Yes. If it comes to this deal, so then we – of course, we will have to, and following the prerequisites I've given, now, I think we should agree to this NPT. And I would make – and I think also India, if I may say this, I was in India last year three times, and the Indians always told me that they are interested to come closer to the NPT and they would be also interested to become a member of the NPT, but of course, this is not possible, because the number of nuclear powers is limited within the NPT and as a non-nuclear power, of course, they cannot become members. So everything what brings them closer to NPT is good, and the argument that the Pakistanis especially don't like is that India can be a role model for others to come closer to an international regime. And I really cannot imagine that India becomes a member of the Security Council, a permanent member with veto right and not being closer to the NPT, and so I think this also fits in the broader picture, how to make India a more responsible stakeholder than they still are.

And I would like to make a third remark about the issue of security and regime change, because I think in the German discussion there's a mix-up of the words. I'm strongly for a regime change in Iran, but not by military means. And if the Iranians ask for security, of course the United States can deliver them the security, but then they have to do I would say more than just giving up their nuclear program, then they have to stop supporting terror groups like Hamas, Hezbollah and Islamic Jihad. And as long as they don't do this, I think they will not get, and I think it would be also not good to give them a full security guarantee from the United States side.

MR. PERTHES: Thank you. I guess you should also say something to the U.S.-India deal. You have been asked directly.

MR. PERKOVICH: I would say I think what you're likely to get – and this is partly an answer – what you're likely to get on the U.S.-India deal from whomever wins the next U.S. election will be that the argument that Eckart made. I don't agree with it but it's likely to be. And the reason I don't is it's very complicated, and this whole issue is complicated. I won't try to rehearse it, but I don't think there's clearly enough nonproliferation benefit in the deal to warrant the kind of what's being given away in terms of kind of the value of being a non-nuclear state in the NPT. But we could talk more about that.

On the question about the Carnegie Endowment, you might have been being mischievous because at the Carnegie Endowment, I'm there, and actually Tellis is a dear friend and colleague who actually negotiated the U.S.-India nuclear deal. We lent him to the administration, and is its biggest champion, and so my boss sometimes has both of us

in front of our board to have a debate in front of our board. I think I usually win, but Ashley has the ear of the president of the United States and the secretary of state and so –

MR. PERTHES (?): He wins.

MR. PERKOVICH: And so he wins. And then we all lose in the end. I keep telling him, history is going to judge you very badly. So we were mixed. But having said that, you have a very good point, you both made it about Iran. There are categorically – German philosophy – they're different categories, Iran and India and so I know politically it's very hard to distinguish them, but the issue of Iran is Iran violated its obligations under the NPT and is under legally-binding Security Council resolutions. You can do a long list of other things – they support what are designated terrorist organizations, et cetera, et cetera.

India, it never signed the NPT, it hasn't violated – from categorical and legal points of view, they're very different. Politically – and this goes to your question about would a new administration have a different approach to nonproliferation – politically what happens I think, and it's not a proper argument, but it's political, which is that this administration did have an approach to nonproliferation that wasn't based on rules. It was realpolitik, it was nonproliferation rules, arms control treaties are bad. It's like gun control in the United States. It's the problem isn't guns, the problem is bad guys with guns, and so what you should do is let people have guns, but then lock up the criminals. And on nonproliferation, their view was nuclear weapons aren't bad. It's bad regimes with nuclear weapons are bad, so get rid of the bad regimes, and then the good regimes get to keep the nuclear weapons. And so that way, Israel and India, they're not in the NPT, they have nuclear weapons. That's fine. They're good guys. The problem is Iran's a bad guy, North Korea is a bad guy, Iraq was a bad guy and that was their strategy.

Now, the India deal really affirms that basic sense that the whole U.S. leadership and perhaps the nonproliferation regime is corrupt, because it's about favoritism and who you know and who likes you and not about a close application of the rules. But the answer to that is not to avoid applying the rules to Iran. The answer to that is to come back to tighten the rules as we've talked about here, and to enforce them across the board. And that will require a correction of administration, a change of administration. And I'm pretty sure that either of the Democrats will do that. They'll come back to the view that international rules and arms control and regimes matter and we need to invest in them and move forward, and that I think can be corrective, and is the underlying kind of problem with the India deal.

But I have to say, Germany gets then implicated in this, because Germany, like any member of the Nuclear Suppliers Group could stop the India deal tomorrow, just say no. And it would be done. Now, his is another argument that I have with Ashley and it's a corruption because you have – I've talked to maybe 15 representatives of Nuclear Supplier Group. They all hate this deal. And I say to each of them, why don't you stop it? And they say, well, we can't, because our government doesn't want to get the Bush administration mad at us or we want investment in India and we don't want the Indians

mad at us. And so what's happened is it's a kind of corruption that's moral. You say, well, nonproliferation is very important, except if there's some money to be made or a – and then we look the other way. And each party's doing that and it makes you feel a little rotten, and you also you might do it the next time because it's business.

And so how do you have a rule-based regime when everybody's kind of like, yes, we care about it but not that much. And by the way, the U.S. Congress does that same thing. A lot of them don't like this deal, but they're getting a lot of money from the Indian-American community, perfectly legally, and so they say, well, we love India. They're the ones that are the democracy, right? China's the communist, right? And China's allowed this nuclear cooperation, but India is not, but they're the democrats. So it's kind of this insidious corruption that everyone is going along with. And that will have to be restored as we've heard, and that will take some time. I know I went too long. I'm trying –

MR. PERTHES: (Unintelligible.)

MR. PERKOVICH: No. I think I tried to address the –

MR. PERTHES: We leave the rest to Pierre. We'll have to ask the heavy water – hot water and heavy water question. (Laughter.) And also, I guess probably, if you could end with a perspective about what has to be done in terms of multinational regimes and multilateral regimes and the NPT.

MR. GOLDSCHMIDT: Okay. Good. Thank you. Rapidly. Well, the heavy water reactor is being built in Iran. They are continuing. They are apparently facing some problems, so they are not progressing as quickly as they did initially, but they are going along with the project, although as for enrichment, the UN Security Council resolution is requesting the suspension, if not cancellation of the heavy water reactor. The EU-3 plus three, is offering to replace any research reactor existing or under construction with a light water research reactor that they would provide to Iran, but they are just ignoring that like they are ignoring the rest.

Military option off the table? I can say only one thing, that some people in Russia and maybe some in Gulf States would be delighted if either the U.S. or Israel would bomb Iranians' nuclear sites. Some have told us that. For them, of course, the price of oil would be \$200 a barrel. Israel and the U.S. would be blamed and so on. So they see a lot of merit in that, but okay. I think that's all I have to say.

On G77, yes. I think we haven't paid enough attention to the G77. It's an extremely powerful group. You have major countries there. The big powers need to talk more to them, and I think about Brazil, for instance, and South Africa, and of course India is part of the group. So, yes. There is a lot of effort – diplomatic effort needs to be done. Iran is very good at talking to the G77, extremely efficient, and I explained why. They are misinforming them and it's very difficult for many of those states to see that.

Of course, the ones I mentioned are very well aware of very subtle nuance, but others are not.

U.S.-India deal, again, as George said, we can't speak for Carnegie. Carnegie has no policy. We are all there as experts and individuals and we have to speak in our own name. That's very important. And I'll be very blunt; I think the U.S.-Indian deal is a catastrophe. It's an absolute catastrophe. It's negating the whole purpose of the NPT. Why? Well, it's very simple. It provides to India cooperation, nuclear cooperation that goes beyond anything that has been given to any non-nuclear weapon state under the NPT. The fuel supply guarantee, for instance, is unique. There is no other country which has ever got those terms. It gives something that only EURATOM and Japan got from the US, that is a generic consent on reprocessing. In the Agreement there is no objection to transferring technology for enrichment and reprocessing. So India is getting more than any non-nuclear weapon states and they are not committing to any of the even vague commitment of nuclear weapon states under Article Six of the NPT. So it's completely unbalanced, it's jeopardizing the NPT and it's going to have terrible consequences if it gets through.

Now, of course, I understand the reason and the merit to provide to India nuclear power plants for electricity production which is safe, the best technology, and which does not produce CO₂, greenhouse gas. There's a lot of good reasons to do that. If you are ready to compromise, I think you can find criteria, objective criteria that could make such a deal possible. It will be rejected by India today, because they would reject any more constraints than what is already the case today. But I don't see, how you can justify the special case of India. What special case of India? Nowhere does one explain what is so special about India, except that they have more than one billion inhabitants and it's big business. So you are selling, for the short term, you are selling the longer term interest of world security.

MR. PERTHES (?): The record, how they dealt with their program – (inaudible).

MR. GOLDSCHMIDT: In Israel? Why did they – India tested the bombs twice in '74 and '98. Israel didn't. So what's the difference with Israel?

MR. PERTHES (?): Israel is not a special case I would say. Israel is not a special case.

MR. GOLDSCHMIDT: Israel – the difference with India is that one country has more than one billion inhabitants and the other less than 10 million. That's true. We could go on and on, but we cannot. We can't continue in all the –

(Cross talk.)

MR. GOLDSCHMIDT: But so, I've made a proposal in one of my latest papers, about objective criteria that would apply to any non-NPT states that would allow precisely that. I think they should commit to more than nuclear weapon states do in

relation to Article VI of the NPT and they should receive a little less than non-nuclear weapon states. That would make sense, because then you could argue that you are achieving an acceptable compromise. I don't see why non-NPT states should get any help for their nuclear fuel cycle, for instance. I don't understand how one can say that to safeguard a new nuclear power plant, a light water reactor here when you know that one mile away they are building bombs, improves the nonproliferation and safeguards regime.

Now, on the future, to close. I think we need to draw the lessons from both the case of North Korea and Iran and, so far, we didn't. Think about North Korea. They were found in noncompliance in 1993 by the IAEA. They were referred to the Security Council. Every year since then, they were declared in noncompliance with their Safeguards Agreement. Nothing happened until they withdrew in January 2003 from the NPT. . Nothing happened. The Security Council didn't even meet to discuss the North Korean issue and it's only after they exploded a weapon – tested a weapon or device, whatever you call it, in October, 2006, that suddenly then the Security Council adopted a resolution sanctioning them. We have to draw the lessons. Iran has threatened officially on many occasions and written to Kofi Annan, threatening that if there were sanctions, if there was an attempt to force them to suspend their enrichment programs, that they would withdraw from the NPT. And this has to be taken seriously. And this is not intention, it's a real threat, a written threat.

So what should we do? When you are faced with a state-specific cases then political issues are coming into play, because you have always someone who is your ally, and one of the five nuclear weapon states – permanent members I should say of the Security Council- can veto a resolution. If you have to adopt a generic –not state-specific-resolution, I think it is easier. I think there should be at least two generic resolutions from the UN Security Council, one saying that if a state – and be careful with the words – if a state that has been found in noncompliance by the IAEA with the Safeguards Agreement, after that, withdraws from the NPT, this is by definition a threat to international peace and security. And therefore, there would be a number of consequences. The first is that the withdrawing state would not be legally authorized to use the equipment and the material that they received because and while they were a party to the NPT, and I would suggest that there would be an arms embargo as I mentioned already as long as the withdrawing state doesn't join again the NPT. So that would be one resolution.

The other resolution which would be one step before that, would say that when a state has been found in noncompliance with its Safeguards Agreement, then, until the agency has been able to confirm that there is no undeclared nuclear material and activity in the state and that its declarations are correct and complete, until then, the state has to suspend all fuel cycle – sensitive fuel cycle activities, subject of course to fuel supply guarantees that would be implemented. So I think this would be acceptable, if it's not linked to a specific case, and that would deter states or they would have to think twice in the future.

. These generic resolutions would not be retroactive to the cases of North Korea and Iran, but let's make sure that we are drawing the lessons for the future. There are things we know we can do to improve the non-proliferation regime. . Thank you.

MR. PERTHES: Thank you very much, Pierre. Thank you very much, George. Thank you very much, Eckart. And thank you very much for your discipline, because that wasn't too funny a session, so you will have I hope a drink outside for those who want to continue the discussion and want some lighter stuff than the nuclear issue. Thank you very much, and have a good evening.

(END)