

THE BROOKINGS INSTITUTION

THE FALLOUT OF PRESIDENT TRUMP'S JCPOA DECISION

Washington, D.C.

Thursday, May 17, 2018

PARTICIPANTS:

NATAN SACHS, Moderator  
Fellow and Director, Center for Middle East Policy  
The Brookings Institution

ROBERT EINHORN  
Senior Fellow, Arms Control and Non-Proliferation Initiative  
The Brookings Institution

SUZANNE MALONEY  
Senior Fellow and Deputy Director, Foreign Policy  
The Brookings Institution

BRUCE RIEDEL  
Senior Fellow, Center for Middle East Policy  
The Brookings Institution

\* \* \* \* \*

## P R O C E E D I N G S

MR. SACHS: Good morning, everyone. Thank you very much for joining us on a rainy muggy day. We've turned the AC on, so we hope it will get better in this room at least soon. And thank you, everyone, for seeing we have a long train in this room but welcome. We have an otherwise very quiet event free month of May (laughter). And we at the Center for Middle East Policy, we're hosting this event, we've been very busy at that. So I invite you to please check out our website and our newsletter. If you don't get it, please sign up. We have a lot of material and a lot of different events going on.

My name is Natan Sachs; I'm the Director of the Center for Middle East Policy and I'm very honored to be joined by three of my colleagues here at Brookings. I'll start on my left. It's Bob Einhorn. He's a Senior Fellow of the Foreign Policy program, which we are a part of. Bob previously was a Senior Advisor on nonproliferation at the State Department and heavily involved in negotiations over the JCPOA and many other issues of nonproliferation. He was also previously Assistant Secretary of State for nonproliferation and a member of the State Policy Planning staff, and many other very important roles, and a scholar. Please check out his excellent pieces for several years now here at Brookings, many of them foreshadowing what is happening now. I've learned a lot from him. Thank you very much for joining us, Bob.

To my right is my friend and colleague, the Deputy Director of the Foreign Policy program, Suzanne Maloney, who is also a Senior Fellow in our Center for Middle East Policy. Suzanne is our Iran maven and basically everything I know about Iran I learned from her and generally stolen without attribution. (Laughter) Suzanne is also a former member of the State Foreign Policy Planning staff. She is the author of many publications and books on Iran. In particular, the last one was on the political

economy of Iran since the Iranian revolution. And she's working on one that I think will be an excellent one soon about the future of the Islamic Republic of Iran. Check out also on our website an excellent long essay on Rouhani, the President of Iran, when he was elected. There's really no one better in town, including at CFR, who knows more about domestic and foreign policy of Iran. Thank you so much.

SPEAKER: Inside joke.

MR. SACHS: It was an inside joke. I'm sorry. And to my far right is one of our luminaries, Bruce Riedel, who has 30 years of experience in what we politely call the U.S. government. And he served also in four White Houses. He was the presidential daily briefer. He literally wrote the Afghanistan Pakistan Report at the beginning of the Obama Administration at the President's request. Served, as I mentioned, republican and democrat administrations alike and is an expert on many different things, including especially U.S.-Saudi relations. His latest book, "Presidents and Kings" is really the definitive history of the U.S.-Saudi relationship. And from him too I steal frequently and as often as I can.

So what we're going to do is I'm going to talk a little bit about the aftermath -- well, we'll talk only about the aftermath of the JCPOA. We'll talk a little bit about the nonproliferation and JCPOA aspects of it, the Iranian aspects of course and regional, in particular Saudi. If we're really extremely bored I might mention something about Israel.

But why don't I start with you, Bob, and first just basically ask the big question. Can the JCPOA survive? Is it dead? The U.S. has essentially withdrawn, has violated it with sanctions. Can the JCPOA survive without the U.S.?

MR. EINHORN: Thanks, Natan. And thanks to all of you for coming. Thank you all for showing up on this rainy day. Can the JCPOA survive the withdrawal of

the Trump Administration from it? In principle, yes, it can survive without the United States. But in practice I think its days are probably numbered. The Europeans remain strongly committed to the JCPOA. They say they'll do everything within their power to convince the Iranians to remain on board and to continue abiding by their nuclear restrictions under the deal.

They're looking for ways to protect European companies from the effects of U.S. secondary sanctions and they're trying to encourage these companies to remain economically engaged with Iran. Among the measures they're considering is a Euro denominated investment vehicle which would finance new investment projects in Iran. The Iranians say, and they say this at the highest levels, they say that they are prepared to stick with the nuclear deal, but only if they receive the economic benefits to which they believe they are entitled. Foreign Minister Javad Zarif, Iranian Foreign Minister, met in Brussels on Tuesday with his counterparts from the UK, from France, and from Germany. The purpose he said was to seek guarantees from the European governments that they were able and willing to deliver the economic benefits that Iran seeks. Zarif called the meeting a good start, but said it's too early to decide whether the guarantees that the Europeans were prepared to deliver would be sufficient. He said that Iranian authorities would decide in the next several weeks whether to remain in the JCPOA.

The Europeans know that their efforts to convince Iran may prove futile. They recognize that their private sector companies will make their decisions on the basis of their own business considerations, not on the basis of any guidance that they receive from their governments. So small and medium European banks and businesses with no exposure in the United States may not be discouraged by the threat of U.S. sanctions from engaging economically with Iran. But virtually all major European banks and businesses will stay away. For them it's a choice between dealing with the United States

and dealing with Iran. And this is for them no choice at all. An indication of that was an announcement by Total -- it's a French major energy company -- it announced that it's going to withdraw from a major energy project, the South Pars project, in Iran. I'm sure there will be other major enterprises following suit.

The European governments, together with Russia and China, may be able to convince Iran to stick with the deal for a few more months, maybe even more than that, but eventually I think a combination of declining economic benefits and the strong views of Iranian hardliners will eventually bring Iran to make the decision no longer to be bound by the deal. And once they make that decision that will mean the collapse of the JCPOA.

MR. SACHS: Thank you, Bob. Suzanne, following up on what Bob said, is Iran in or out? Is there any chance that they stay in?

MS. MALONEY: I'm relatively skeptical. And, first of all, let me thank you all for coming on this hot, muggy day, as everyone as said, and just encourage anyone who may be standing in the back uncomfortably that there are a few seats up front, and would love to have everyone have a more comfortable spot and be able to participate in the conversation.

MR. SACHS: And one more note, I forgot, if you have to be on Twitter, our hash tag is #IranDeal. (Laughter)

MS. MALONEY: I will get to your question now, which is fundamentally where do the Iranians stand and are they able to sustain cooperation with this agreement given the announcement by the Trump Administration and the moves that are already underway to re-impose sanctions on Iran as well as to add new sanctions as we've seen with the designation of the head of the central bank of Iran earlier this week, as well as the designation of the spiritual leader of Hezbollah, two moves that I think were designed

to up the ante of the original decision and really enforce what the Administration is trying to do here in terms of its finding its way to a strategy on Iran.

That strategy my guess -- or my intuition at this stage is going to be one of trying to apply maximum pressure to Tehran on the presumption that some bigger, better deal might be possible, at least in the imagination of President Trump. That's what he said in his announcement. I think there are others within the Administration -- certainly the National Security Advisor John Bolton, who has spoken and written on this subject at length over the course of his career. Others, like Bolton, who see that in fact maximum pressure may not lead to a better deal but may lead to a better outcome in the sense of precipitating the collapse of the regime or sufficient internal turmoil to disrupt some of the challenges that Iran poses to U.S. allies and interests around the region. Given that strategy, given that that's what underlies the decision on the part of the Administration to disrupt the deal and to walk away from American obligations under the agreement, my expectation is that in fact it will be impossible to sustain the JCPOA for anything longer than a couple of weeks.

My expectation is that the Iranians are playing out exactly what they have to do. They've been relatively I would say restrained in their reaction. We haven't seen the torching of embassies. We did see the torching, of course, of the American flag on the floor of the Iranian Parliament. That was entirely predictable. But we haven't seen the sort of reaction on the streets, either in terms of public panic or in terms of the empowerment of hard line groups and thugs that have sometimes sort of provoked Iran into more strenuous reactions. So clearly the government is exerting considerable influence to ensure that in fact there is a coordinated and strategic response to what is happening.

But, ultimately, my skepticism about the long-term viability of the deal

rests on two points. The first is just logistical. And, as Bob suggested, the application of American sanctions and the difficulty that I suspect the Europeans are going to face despite the very strenuous statements of the EU earlier this week in terms of finding mechanisms that will not just preserve the trade and investment that was initiated after the 2015 deal was announced and after the early 2016 implementation was completed of the deal, but, in fact, the difficulty is going to be creating mechanisms that do what the Iranians have been looking for since 2016, which is an expansion of all these economic ties. They're quite dissatisfied with the level of trade and investment, with the economic returns that they've seen on the deal. And so what the Europeans may be able to do is to create some new channels, to protect a few prize projects, but ultimately they're not going to be able to create sufficient space to facilitate the significant expansion of economic ties between Iran and Europe, certainly not sufficient to compensate for the openings that were provided by the waivers and suspensions of U.S. measures that were required under the Joint Comprehensive Plan of Action.

But my skepticism is sort of reinforced not just by the technical, logistical, administrative elements, regulatory elements of the JCPOA and how they will be impacted by the American withdrawal. The broader problem is really a philosophical and strategic one for the Iranians. This deal was intended to be a kind of opening to the world, but it relied on the participation of the United States. The Iranians and the Europeans negotiated with varying degrees of success over the course of about four and a half years before the Bush Administration opted to join in those negotiations. And it was clear throughout that time that what the Iranians wanted they could only get from Washington. And that was a sort of clear pathway to full resumption of their international standing. That became even more clear over the standoff that occurred after the Bush Administration created this framework for negotiations around what became known as

the P5+1 in 2006 and until 2013 when we really saw something that looked like a productive negotiation get underway. But it was clear that it was Washington that was the address for resolving this crisis. And, in fact, the interim agreement that was negotiated and signed in 2013 was really very much, at least in its initial processes, a bilateral negotiation between American and Iranian negotiators.

Without the American economic, and at least implicitly, security guarantees that underlie its commitment to this deal, I don't believe that it's possible to see the Iranians restrain their nuclear program for an indefinite period of time. Fundamentally, their agreement was based on this understanding with Washington, and without it, and particularly with the escalation of hostility and economic pressure from this Administration, my anticipation is that they're going to look for ways to recoup what they believe they have lost as a result of this deal, which is continued nuclear progress.

MR. SACHS: Thank you. So, Bruce, Suzanne mentioned two different sort of strategic goals going on perhaps in the Administration. One, the President hoping for a bigger, better deal -- and I'll get back to that in a minute -- and perhaps John Bolton, and other hawks, hoping for regime change or a regime collapse I should say.

The other big fans of this withdrawal were in the region. Israel certainly is one of them, Saudi Arabia was the other big cheerleader, together with the Emirates. What were they hoping? What are their goals, what's top of their agenda?

MR. RIEDEL: Thank you. And, again, thank all of you for coming. Violating the JCPOA is not their top priority by any means. Saudi Arabia today finds itself in a situation where its capital and its major cities are under fire, literally, by Iranian supplied missiles procured to the Houthi rebels in Yemen. So far, the American patriot system is proving to be remarkably effective. As someone who worked on the patriot system for many, many years, I'm enamored that it's working as well, but I will warn you



right up front, sooner or later it's going to have a catastrophic failure and one of these Iranian missiles is going to explode at the VIP terminal at Riyadh International Airport or in a school or something like that.

Second priority they have is for Iranian meddling, as they see it, or terrorism in the region, supporting the Houthis, supporting Hezbollah. JCPOA is at the bottom of that list. What the hope out of all of this is that they can pressure, encourage, entice, entrap, and all of the above, the United States into doing much, much more. And you can see that they are doing that already in the various sanctions that have taken place just in the last few days by the Saudis and the Americans against the Hezbollah leadership and against other groups that they call terrorists and proxies of Iran.

They are of course immensely advantaged in all of this because the Iranians are up to no good in many of these places and are taking extremely provocative behavior. Firing missiles at the capital of Saudi Arabia is a very, very provocative thing to be doing and reckless. But the Saudis often find themselves in a very awkward situation and, Natan, you alluded to it earlier when you said that this month is full of important events. On the one hand, the Saudis are very happy that the Americans are pursuing this Iran policy; they after all were the first country in the world to wholeheartedly endorse Donald Trump. Just remember back a year ago, especially to that bizarre picture of Donald Trump, Melania, the King, and the President of Egypt standing around a glowing orb and announcing world domination, or whatever it was that it was supposed to be about. (Laughter) But now they're also endorsing or being accused of collusion in the President's decision to move the American embassy to Jerusalem and to the tragic events that happened in Gaza on the first Monday of this month. This puts them in a very, very awkward position. It's a position of their own making, but nonetheless very, very awkward. If you read the free press of the Islamic world -- and it's not easy to find

the free press of the Islamic world because there is precious little of it -- but in places like Pakistan and Turkey, Saudi Arabia is being pillared this week has having conspired with the Americans to move the embassy to Jerusalem. I think that's a bit unfair, but not without merit, because after all Jared Kushner allegedly sold his Middle East peace plan to the Saudis and the Saudis tried to sell it to the PA. So they're in this awkward position of being in bed with the Trump Administration and therefore having to support things that they find very, very difficult as custodial of the two Holy Mosques to continue on.

My prediction is what they're going to do is double down on the Iran side, push the Americans to go further. What they would like is for the United States to take military action against the Iranians, if not to roll back Iranian gains in the region, but to actually see regime change -- they have no idea what regime they want to put in its place, but that's a detail to be worked out later -- and at the same time try to distance themselves from the Israelis and from what's going on in the Israeli-Palestinian arena. And today, at Saudi request, for example the Arab League is meeting in Cairo and I think that it will probably take strong and firm action against Guatemala and Honduras (laughter), which I'm sure will shake their pants tomorrow.

MR. SACHS: Thank you very much, Bruce. Let's go back, so not from the Bolton side, but perhaps from the Trump side, the bigger, better deal. Of course, in the month of May shockingly not just the Middle East is in the headlines, North Korea is also in the headlines and we may or may not have an important summit coming up a bit later in Singapore. Is a bigger, better deal possible? You certainly know the JCPOA very, very well. Is something else possible? And what does this mean more broadly for nonproliferation negotiations?

MR. EINHORN: I think a bigger, better deal is a pipedream. It's just not going to happen. The stated objective, the stated Trump Administrative objective in

withdrawing from the JCPOA and re-imposing these nuclear sanctions was to generate pressure strong enough to compel Iran to accept such a bigger, better deal. Bigger, better in a sense that it would involve tighter and longer lasting restrictions on Iran's nuclear program and would also constrain Iran's missile program, as well as reign in its destabilizing activities. It's going to be very hard to mount that kind of pressure.

The new sanctions that the Trump Administration is seeking now to impose are not going to be as crippling as the sanctions that were put in place in the 2012-2013 period in the run up to the JCPOA. But then the United States was able to assemble a very strong international sanctions coalition. Coalition members strongly believed that stronger pressure was necessary against Iran to induce Iran to accept meaningful constraints on its nuclear program. Today that broad sanctions coalition cannot be reassembled. Most of the members of the at coalition strongly supported the JCPOA, believed it was working, and strongly opposed the Trump Administration to get out from under the JCPOA. Some countries, including some U.S. allies, will encourage their private sectors to comply with the re-imposed U.S. sanctions, but other countries will defy or ignore those sanctions or seek work arounds. And I think enforcement of the new sanctions is likely to be erratic. The U.S. will have much less leverage than it had earlier and will be asking Iran to do a lot more. And that's not a very good recipe for success.

The Administration soon after the decision to pull out of the JCPOA announced that it was prepared right away to consult with other governments in the hope of building support for a new bigger, better deal. But I think key administration officials are realistic about the prospects. They know its' simply not going to be possible for the foreseeable future to put together negotiation of a new agreement. But the real objective, and Suzanne alluded to this before, the real objective is not really a bigger, better deal. The real objective is to put immense pressure on Iran to weaken the regime, to deny it

the resources that it would need to pursue its regional policies, the resources it will need to enhance its nuclear and missile programs. And, as Suzanne also alluded, the not so hidden objective of certain members of the Administration is regime change. And Suzanne has and probably will continue to comment on the feasibility of a regime change.

MR. SACHS: Thank you. Perfect pivot actually. There is a lot happening in Iran even unrelated to the JCPOA. The currency is devalued dramatically, a lot of tension within the regime, within the establishment there. Can you tell us the state of play and how does this dramatic change of JCPOA, how does that affect the play between different camps?

MS. MALONEY: Yes. You know, this is all happening almost coincidentally at a time where I think Iran is perhaps at one of the most precarious points in the post-revolutionary history of this regime. And that has something to do with the JCPOA, both its initiation and the increasing questions about its durability. But it has as much to do with internal trends in Iran with respect to the politics and the economy of the country than the kind of international diplomatic state of play. But we've seen over the course of the past six months a series of protests that took a lot of international attention over the course of late December and early January and then seemed to fade from the headlines. Those protests have in fact sustained at a lower pace and with less dispersion than we saw in December and January, but still with a considerable degree of anger and frustration. This is not unique or unheard of in Iranian history. Those of you who might have seen on social media last night really bloody and awful photos from Kazerun where there were a number of Iranians killed in protests that erupted over the designation apparently of new county essentially sub provincial boundaries. This looks incredibly dramatic, but of course, you know, I have -- I used to keep a folder that I called

the Iran short fuse folder. And, in fact, this not the first time that changing provincial boundaries has provoked significant and bloody and violent crises. It's happened a number of times in the past over the course of the past 20 years. And there have been innumerable strikes over back pay, over working conditions, over factory closures. All of this is happening now, but there has been a steady pace of this historically within Iran. And, certainly, I think since the late 1990s, when it became less dangerous in fact for Iranians to come together on the streets and voice their displeasure with various elements of the regime. Even if you think back to the ISIS attack on the Iranian Parliament, which gained some attention, one of those killed in that attack was an Iranian woman who was a teacher who was protesting in front of the Parliament over questions of back pay.

So I always try to preface discussions of unrest and disruption in Iran with some sense of context, that this isn't new, it's not unprecedented. But there is something different happening today. And I think we saw it with the way that the protest morphed in late December and early January. And that is two factors. One is how quickly this disburse around the country. In December the protests originally began with one that was orchestrated apparently against President Rouhani by harder line critics within the system itself. It was a protest over the rising price of eggs. Within 48 hours the protest had reached 70 cities around the country, and that was clearly not part of the original plan. So it's moving very quickly, it's dispersing very quickly.

The other element that I think is quite different and new is how virulently anti-regime these protests have become almost immediately. They moved from individual grievances over economic issues and very personal issues to dramatic opposition, almost neolistic sort of sloganeering against the regime, and a considerable degree of violence by those who are protesting, not just against those who are protesting.

And these are factors that we haven't seen before. And if you put all this into a context in which I think what it demonstrates is an increasing level of frustration among young Iranians, many of whom -- Iran's post revolution baby boom is actually inching closer to middle age. If you simply think about the timeline of this system and the extent to which the regime actually got a control of the population boom in the late 1980s. In fact, the largest cohort of the Iranian population is about 30 right now. And so you've got these people, many of whom haven't been able to find good jobs, many of whom had to struggle to find a university place, they can't afford to get married and move out of their parents' home, and, frankly, their economically productive years ahead of them are declining. And if they're not brought into the workforce in a productive way, both they and the country as a whole stand to lose tremendously. They're frustrated. They've heard for 20 years now that we can work within the system, we can make it better, and nothing ever changes. They've also seen inequality grow worse, particularly over the course of the last ten years. And they've seen the average spending power of a middle class family decline significantly, even over the period since President Rouhani was elected in 2013.

So I think there is a much deeper level of economic frustration among Iranians today than ever before, and, in fact, a deeper level of political alienation from the system and even some fragmenting within the system. Does that mean that Iran is on the precipice of a revolution? Absolutely not. We never know, we shouldn't predict. But I don't think what we see yet is the kind of mobilization and structure that existed over the course of '77-'78 and into early '79 that facilitated the removal of the Shah and the coordination of all of these disparate forces that were opposed to the monarchy at that time.

But, frankly, we see the embers of revolutionary unrest within Iran. We

see a system that is having difficulty sort of managing the internal crises, whether it's the earthquake that took place in Kermanshah, or a fire in a historic building in central Tehran a little over a year ago. These are things that Iranians look at their government and say - - in fact, the government is not performing as we have anticipated, even with the sort of standards that we apply to our own system. And so I think that there is a real crisis within the system, compounded by the fact that the Ayatollah Khamenei, the Supreme Leader, is widely anticipated to pass from the scene within the next few years is an increasing jockeying for power, for not just who will replace him, but what may replace him. And that's why the whispers you hear from both outside Iran, and even from those like President Rouhani, who are still kind of scions of the system, of the concept of a referendum, about a referendum, about the role of the Supreme Leader, which is fundamentally a referendum about the nature of the Iranian state. It's an incredibly explosive time and I think we can't actually predict how outside pressures are going to play into this combustible internal situation, particularly if they produce a further and much more significant run on the currency.

MR. SACHS: But is it fair to say that maybe Bolten's approach has a shot? Maybe if his goal is the regime collapses, maybe this is the right time for maximum pressure?

MS. MALONEY: I think he can cause an enormous amount of disruption within Iran internally, but there are two factors that lead me to some degree of pessimism about the prospect that the sort of madman strategy on the part of the Trump Administration is going to succeed in bringing about a better future in Iran. One of those is simply that there will be some rally around the flag. In fact we've already seen it. The Iranians now have an address to blame for their economic dissatisfaction and it's not Tehran in all cases, it's now much more directly Washington. Now, they can obviously

blame two sides, and I think there's still quite a bit of that. You certainly do hear those slogans on the street and conversation on social media that reinforce the primary responsibility of the government for some of these conditions, but frankly, it's just a distraction and there's a nationalist backlash that is almost inevitable within Iran to anything that looks like the diktat of the United States.

The second factor is it's Iran, things will get worse before they get better. And unfortunately, there are people well positioned -- the security forces in particular -- well positioned to take advantage if it appears that the theocratic elements of the system and the republican aspects of the system are beginning to collapse or go to war with one another. I don't predict a sort of Qasem Soleimani presidency the way some do in this town, but I do think there are a number of people who come out of the security bureaucracy who have no real allegiance to the kind of ideological elements or the theocratic elements per se, but really are concerned about the stability of this regime itself, and they will use force if they have to to preserve it.

MR. SACHS: Thank you. Bruce, can I ask you about -- moving forward a little bit, assuming the JCPOA collapses in some form or another and we return to the pre-JPOA days actually of heightened tension, is the prospect -- there were two big worries that the Obama Administration voiced. One was a nuclear Iran, and the second is that a nuclearization of Iran or a move towards threshold status would cause proliferation in the region. The Saudis were one of the names that everyone mentioned, but not just them. Should we now be looking again at nuclearization among U.S. allies, even including Saudi?

MR. RIEDEL: It's a perennial talking point that if Iran gets the bomb somebody else will get the bomb. Usually, of course, we conveniently overlook that there is another Middle East State that has not just one nuclear bomb, but somewhere between



80-100 and the triad of delivery systems, submarines, missiles, and aircraft to delivery. But leaving that inconvenient fact aside, is Saudi Arabia a serious nuclear proliferant? I don't think so. I will defer to Bob on their scientific capabilities, but they don't really have a scientific base. They're in the very preliminary stages of trying to acquire one, building nuclear reactors, the announcement that they're going to pursue nuclear weapons. If the Iranians pursue nuclear weapons it's certainly not going to help their case in getting approval to now buy nuclear power reactors from countries around the world.

So, as it has in the past, this all comes down to where could they find a bomb. And we've all speculated and the issue has been hotly debated for years, whether Pakistan is prepared to provide them with a nuclear weapon. The Saudis and the Pakistanis have for decades played a very clever game of hinting that there is such an arrangement. My favorite high point in all of this was about five years ago when for the first time ever Saudi Arabia displayed its CSS2 intermediate range ballistic missiles which it had acquired from China in the 1980s in public. Until then, for 20 years, the existence of the CSS2s was a closely held "secret" in the Kingdom, although everybody knew they had them. And they displayed them at a military parade and the guest of honor for the military parade was the Pakistani chief of army staff, the ranking Pakistani military leader. And literally my phone rang off the hook that afternoon as Saudis called me up and said did you get the message, please connect the dots. Please, please, could you write about it and connect the dots. So of course I said sure, why not.

But there's many reasons to doubt that this fiction has any real hard fact behind it. Not the least of which is the war in Yemen. At the beginning of the war in Yemen the Saudis were counting on the Pakistanis to provide troops to march on Sana'a, and the Pakistanis refused to do so. Pakistani Prime Minister Nawaz Sharif was summoned repeatedly to Riyadh. They attempted to brow beat him into doing it. He

came up with a very clever formula of, well, I have to take the issue to my parliament, and the Pakistani Parliament voted unanimously against sending troops to Saudi Arabia. When you think about that, Pakistan has been the object of more Saudi foreign aid, public and private, than any other country in the world, and the entire Parliament voted against it. It shows you exactly how much foreign aid buys you gratitude. And it's not just unique to Saudi Arabia and Pakistan, by the way.

It's hard to imagine any Pakistani government agreeing to provide conventional weapons, conventional troops, let alone nuclear troops, which leaves the possibility of a bribe. Which is in a sense to go to the chief of army staff and say I'm not asking Pakistan to provide ten nuclear weapons, I'm asking you to provide ten nuclear weapons and just give me your Geneva Swiss bank account and there will be \$10 billion in there tomorrow morning. Would that work? It's a possibility, it's certainly a possibility. If I were the Pakistani chief of army staff I would want to make sure that the deposit had arrived before the flight took off with the bombs. It's a possibility. I think it's a remote kind of thing.

My bottom line is I don't see Saudi Arabia at this point a serious contender for developing nuclear weapons. And, in fact, I see themselves as having shot themselves in the foot by saying they're going to do that when a much wiser policy would have been to say we hope the international community will ensure that Iran never gets nuclear weapons.

MR. SACHS: Thank you. A lot of questions raised, but I want to make sure we have enough time for questions from the audience. So why don't I open it now to questions. I'd ask please that anyone with a question identify yourself and please ask a short question that ends with a question mark rather than a statement.

Yes, please, the lady here in the front.

QUESTIONER: Thank you so much. I'm Marena Fasel, an African American journalist. Can you tell me how Russia might stand to benefit from this equation? What sort of leverage does this dynamic provide to Russia?

Thank you.

MR. SACHS: Thank you. Bob, you had quite a few dealings with the Russian in the coalition building time, how do you think their position changes now?

MR. EINHORN: I don't think it changes all that much. I think the Russians, who were very good partners with the United States in the run up to the JCPOA, it was really in Russia's interest to keep Iran with a very limited enrichment capability because the Russians wanted to continue to sell reactors and enriched fuel. So they were very cooperative, and I think accounted for much of the success that we had in those negotiations. And, clearly, the Russians have no interest in Iran having nuclear weapons. I think they wanted to see the United States stay within the JCPOA, they want to keep, they want to preserve it. Foreign Minister Zarif went to Moscow before he went to Brussels. I'm sure the Russians will try to convince Iran to stay within the deal. I think ultimately they will fail. But I think Russia now will try to use the U.S. withdrawal, try to exploit the U.S. withdrawal to isolate the United States, to try to ensure that the Europeans will side with Iran and Russia and China in condemning the American action. I understand that there's a meeting of the JCPOA Joint Commission I guess a week from tomorrow in Vienna. And, you know, they will probably take a vote, did the United States violate the JCPOA, and it will be a tough call for the Europeans, whether they're going to vote against the United States there, but Russia will be lobbying them to do that. Russia may seek to benefit economically from the sanctions. Russian oil companies, and they're really not vulnerable because they don't purchase Iranian oil, but there are ways that they can benefit from the situation, including the increase in oil prices which the Russians

want very much.

So, you know, the Russians are not happy with this development, but I think they will try to exploit it to the best of their ability.

MS. SACHS: So, Suzanne, I wanted to just bring you in here. The price of oil crossed -- a barrel of oil crossed \$80 this morning. I don't know where it is since we joined now. What do you think this means for the future on that and on Iranian supply?

MS. MALONEY: I think most of the assessments have suggested that, you know, this crisis was somewhat priced into what has been a rising trend in oil prices. But there is a lot of uncertainty about how much Iranian crude will come out of the market and how quickly because, as Bob suggested, we're re-imposing sanctions that were in place previously, but they were in place at a time when they were reinforced by other measures, UN Security Council, EU, and a number of individual states and, most importantly of course, the EU embargo at that time of imports of Iranian crude, which knocked out quite a considerable amount of Iran's historic exports immediately.

This time around the other uncertainty is simply how the Trump Administration is going to go about implementing these sanctions. The specific measures that apply to crude imports are those that target the central bank. They call for significant reductions in imports of Iranian crude. And there was a formula that was devised during the Obama Administration, applied with a certain degree of flexibility, and through negotiations with individual importing states to determine what was going to be feasible given the technical constraints, given their own economic concerns and demands. This time around we don't know if that same formula will be applied or whether the Trump Administration may, in fact, demand something much more significant. And there will be real questions, I think about whether some of the primary Iranian crude importers, that being China and India in particular, will even make a serious effort to

abide by those sanctions, at least in the short-term, simply because they have ways to insulate their economic transactions from American pressure either through banks that have already been heavily sanctioned and have no exposure in the United States, or by, as the Indians did previously, retaining moving to a rupee based trade that essentially wholly benefits them and leaves the Iranians with much of their oil revenues stuck in Indian banks with little opportunity to spend.

So my guess is that we're not going to see significant or dramatic impacts on the price of oil in the sort-term. We are going to see, I think, real impact on Iran in terms of its revenues and in terms of its ability to conduct transactions around the world.

MR. SACHS: Thank you. I'd say one last thing is just about the Russia connection. I think it's very important to note -- Bruce mentioned part of this earlier -- the regional aspect, a lot of it not having to do with the JCPOA, but certainly in Syria, where Russia is now the main external power calling the shots, and Russia's overtures towards Iran and towards Israel intermittently have been very significant just in the last few weeks.

Why don't I open it up for more questions? Yes, the gentleman here in the front, and we'll turn to the back after this.

QUESTIONER: Thanks. (Inaudible), and I'm currently with Harvard, but I was a guest scholar here a couple of years ago too. So my question would be given that before the possible U.S.-Iran standoff appears there's a EU-U.S. standoff currently appearing, and I fear that the more the Europeans try to save the deal, which they want to do for security reasons, but also what they call the liberal international order, so it's really high stakes. And I feel like the more they're trying to kind of save it, and eventually they will be unable to do, kind of dealing with the fallout of this humiliation that they will surely experience pretty soon, how would you like -- probably drawing on your

government experience -- how would you kind of expect the Trump Administration to kind of deal with this fallout given that it will severely impair what they call the maximum pressure strategy too?

MR. SACHS: And we've seen just now a Tweet by Donald Tusk, the President of the European Commission, very, very strongly speaking about the Trump Administration. Anyone like to jump on that grenade? (Laughter)

MR. RIEDEL: I'll just make a comment having lived through this story once before in 2003. This will do very serious damage to the North Atlantic Treaty Organization. The essence of the NATO agreement is that the European, Canadian, and American partners agree on a common threat assessment. When there is no common threat assessment the organization continues to be a functioning organization with a very, very nice cafeteria, but it doesn't really do anything else. In this situation NATO has already taken a sharp blow from this President. So its ability to recover is going to be even weaker, which means, when you think about in the long-term, American foreign policy will, after the Trump Administration is gone, have left us not safer but rather unsafe.

MS. MALONEY: I'll just add one quick point before Bob chimes in. But, you know, my sense is that this is actually moving toward a transatlantic crisis that almost precedes the U.S.-Iran crisis or the broader regional crisis that we may see if the Iranians choose to step up the tempo in Syria and engage more directly or, once again, with the Israelis there. And that's something that Natan may speak to. But I think the transatlantic dimensions of this crisis can't be overstated at this stage, both in terms of the sort of coordination and management of how we sort out these absolutely polar divergent strategies when it comes to dealing with Iran, but also, you know, more broadly, the strategic relationship between the two sides. I realize there has been significant

polarization between the United States and Europe in the past over issues and it had direct spillover, not simply just for U.S. government, but I happened to be in the private sector at the time, and let me tell you, it had real implications for American businesses in Europe as well.

So this is not something that we should underestimate, it's something that has to be the highest priority for the Trump Administration to at least articulate with some clarity about how they're going to try to deconflict with Europe to the extent possible and what, if anything, can be preserved of a common approach to Iran and/or more broadly the relationship.

MR. SACHS: Okay, Bob?

MR. EINHORN: Just to add briefly, it really is hard to overstate how angry and resentful the Europeans are. Back in January President Trump challenged them to work with the Administration to try to develop a supplemental agreement to fix the fatal flaws of the JCPOA. And the Europeans really tried, they extended themselves quite a bit, they moved very close to the Trump Administration negotiating position. They thought they were practically there at the 11th hour. But then they discovered that what they were working on was essentially irrelevant to the decision by the President to get out of the deal, which the Europeans considered was essentially a vanity decision based on, you know, his desire to reverse a decision, the main foreign policy achievement of President Obama to fulfill campaign promises. And they felt that they'd been jumping through all kinds of hoops to, you know, work with the Administration, to meet the Administration's objectives, and then have been simply ignored. And now there's, you know, great talk of defiance, especially if you listen to the remarks of EU High Representative Mogherini. In my view, almost over the top in terms of defiance and talk about the EU adopting retaliatory measures if the United States follows through in

sanctions, European companies. I think, you know, the defiant talk is likely to recede over time. I think the United States and Europe have too much at stake, too much in common, to let this become an irreparable and long standing rift in the relationship.

You know, some of the European governments -- the French government I think has kind of gone back channel and tried to get especial exemptions for French businesses. They so far haven't succeeded, but this Administration can turn on a dime -- look at the CTE situation with China. But so far, the Bolton line on the sanctions is prevailing and the Bolton line is no exemptions, maximum pressure.

MR. SACHS: Thank you. Questions? Yes, the fellow right there next to you.

MR. LIEBOWTIZ: Thank you. Alex Liebowitz, formerly with the State Department. I'm wondering whether this deal didn't have some kind of fatal flaw from the beginning. I mean Iran was not going to give up its support of Hezbollah and other activities in the region that we don't like. And anyone therefore who didn't like the deal could at some point or other, as happened of course, come in and say well, you know, they didn't do other things and therefore we're going to throw this over. And I'm reminded, of course, that arms control even like with the Soviet Union was very much held hostage at times to think that were wholly extraneous, like the invasion of Afghanistan or -- I remember there was some issue with Cuba that nobody can remember anymore, but put stop to the I think it was SALT II agreement.

So there are sort of examples of this before and I wonder whether people thought of this, and if they did, whether there was anything they could have done about it and what this portends to, you know, future efforts along these line.

Thanks a lot.

MR. EINHORN: You know, I remember I was involved in the early



Obama discussions over the scope of the nuclear deal. Should the deal cover only the nuclear issue or should it be broadened to address young missiles, should it address Iran's regional behavior? And the decision was made to narrow it to the nuclear dimension, and I think that was the right choice. You know, there was a consensus among the key parties, the P5+1 on the importance of preventing Iran from getting nuclear weapons. There wasn't any consensus -- I mean not even on missiles, but certainly not on Iran's regional role. So it would have been impossible, it would have blocked any agreement. And I think the right decision was made to go after the nuclear.

But in going after the nuclear and then explaining the deal to the congress and the American public, the Obama Administration said look, the deal, yes, it doesn't cover the missiles and the regional behavior, but neither does it cover our ability to push back against their missile program and their regional behavior, and we are going to do that. I think the mistake was not doing that. I think if the Obama Administration had a coherent approach to take on, to push back against Iran's regional designs, I think the JCPOA would have been better received and its fate may not have been what we heard on May 8.

MR. SACHS: Thank you. I wonder if others have comments on this, but I want to also broaden it. Bob was just talking about the broader strategy that should have, he said, surrounded the JCPOA. Can you talk a little bit about the broader strategy, besides the Administration, on the regional aspect that surrounds the withdrawal from the JCPOA? What seems to be the regional strategy now for the Trump Administration? But before that, you also had a comment?

MS. MALONEY: Yeah, I will duck that question and hopefully Bruce will explain the Trump Administration's regional strategy with greater coherence than I could.

But I think this kind of original sin of transactionalism around the deal is

something that deserves more thought, attention, and, frankly, honesty on the part of all those of us in Washington. The Obama Administration had an opportunity conceivably to change the nature of the conversation, but it was the Bush Administration that made the decision in 2006 to reverse itself on Iran entirely. Remember, for a period of time between 2003 and 2006 the Bush Administration declined any opportunity to engage diplomatically with Iran. It's the only time in American history since the revolution that we have been the ones who refuse to talk to them. Typically it's been the Iranians who refuse to talk to us. The decision to essentially join what had been an E3 and an EU negotiation with Iran over the nuclear issue, to craft what became known as either the E3+3 or the P5+1, depending on where you sit, was one that was taken with sort of full scope of understanding of what the other threats that Iran posed were. Remember, 2006, there's a lot else happening the region, Cedar Revolution, there were a lot of expectations. And, in fact, priorities for the Bush Administration around pushing back Iran's influence on Lebanon at that time and other parts.

SPEAKER: Iraq.

MS. MALONEY: And, of course, Iraq. And so it wasn't as though the decision that was taken in 2006 was done with this sort of sanguine view of what Iran was up to around the region, it was a recognition -- as Bob said, we didn't have a broader coalition to create, there was no conceivable possibility of creating a broader coalition around these other issues, but also because of the urgency that was becoming attached to Iran's continuing development of its nuclear infrastructure and the recognition that that had to be the priority above all others.

And, so, you know, we can look back more than a decade later and say perhaps that was the wrong decision, perhaps there was a grand bargain to be had. I think, you know, frankly, it's ludicrous. And those both in this town and in the region who

say we should have built everything else into the negotiations are kidding themselves because no one was in fact insisting upon that between 2006 and 2013 when we reached the JPOA.

Let me just make one other point, which is that I think Bob is entirely correct that what happened was what could have been an isolated transaction between the two countries was sold on both sides with much more grandiose expectations attached to it. That President Obama himself was very, very careful, and many of his senior officials were, although not all, in the way that they described the deal as only resolving one element of the problem with Iran. That, in fact, all the other elements remained and that we would of course have tools to deal with them. But there was also a lot of sort of evolutionary thinking attached to it. And certainly the way this was sold to democrats on the Hill and more broadly to Americans, and the way that John Kerry talked about Iran, it was with this thought that we -- you know, if we can resolve this one tough problem, we can deal with all the other problems. That, in fact, by resolving this tough problem we strengthen the moderates, we marginalize the hard liners, we show Iran the benefits of coming to diplomatic resolutions of big problems. But the Iranians didn't see it that way. The Iranians saw it as purely a transaction. And they were very clear about it, even if they oversold it in other ways to their own population.

And so, for them, there was never any conceivable consideration that this would somehow implicate their approach to Syria, Iraq, the Gulf, in any positive fashion. They were happy to talk about all of those things. They always said that they were. Of course, people point to remarks by Khamenei in which he said if this works out maybe we'll talk about other things. But they never had any anticipation of changing their own policies because in their view they're strategy in Syria, their activities around the region, were entirely driven by a rational sets of threats and opportunities assessments.

And, fundamentally, the JCPOA, the opening with Washington in no way altered that.

MR. SACHS: Thank you. Bruce, any comment?

MR. RIEDEL: You asked me to provide order to the Trump Administration, which is a tall request. I'll begin by complimenting my colleagues at the FBI. We now have a Crossfire Hurricane in the Middle East and an American administration which is pouring jet oil on top of it. It's not just violating the JCPOA, it's moving the embassy, and it's a variety of other things.

I don't think there is a lot of order here. My analysis of the Trump Administration is that its first priority is to undo everything that Barack Obama did, and its second priority, which is not surprising, is to get reelected in 2020. In that sense it's a normal administration, but it's pursuing it in a somewhat different way than most administrations do. Most administrations try to broaden their base as they go for reelection. This Administration seems only interested in deepening its existing base and hoping that voter turnout will get them through.

The other thing that's very difficult, of course, is that this Administration has a complex variety of voices. We've talked about John Bolton, John Kelly. The two advisors closest to the President I think are pretty hard line on Iran. I don't think there's any question about that. Others are also hard line on Iran -- Secretary Mattis, for example -- but more cautious about how to implement that, much more aware of the pitfalls of implementing a confrontational approach with Iran.

The bottom line on all of this is I don't think it's very easy to project a simple line of policy pursuit. What I think you're going to see is that the avalanche continues. That having gone down this part of the road, the Iranians will respond, the Administration will respond further, and we could very easily find ourselves, in a military confrontation at some point in the future. Short of that, we're going to find ourselves in an

increasingly difficult situation in many parts of the Middle East where we overlap with the Iranians, the best example being Iraq. Since 2014 or so, the United States and Iran have been partners in stabilizing the situation in Iraq. Neither Washington nor Tehran ever wants to say that, and we certainly don't want any pictures of CENTCOM commanders sitting down with Soleimani Qasem and, you know, debating which function are we going to give arms to, but in practice we've been doing that. It's going to be harder and harder to do that in the future.

Similarly, in Afghanistan, we for the better part of two decades have worked together to solidify the central government in Afghanistan. We've now seen that broken down over the last couple of years. And the attack in Farah Province over the last week is a dramatic example of how we've broken down.

The last thing I would say on all of this is if you step back and look at the rise of the Islamic Republic to being the regional -- I wouldn't say hegemon -- but being this very prominent player in the region, from Lebanon to Syria to Iraq to Yemen, to the famous four capitals of the Sunni Arab world which are now under the control of Iran, which is an exaggeration. But if you look at that rise, it really occurred for two reasons. First, the Israeli invasion of Lebanon in 1982, which brought the Revolutionary Guards to Baalbek and Syria. And, second, the American invasion of Iraq in 2003, which brought the Iranians into Baghdad. It's been self-enforced errors, own goals, that have been the principal mechanism by which Iran has become a regional hegemon.

That's not to say the Iranians haven't played their card very well. They've been very, very clever and they have very, very good cards. As an intelligence and espionage and subversive organization, the Iranians are really in a class of their own. But it wasn't that that got them where they are, it was the openings that we have made for them, which makes the Trump Administration so dangerous to think about.

What openings are we going to give them in the pursuit of what we think is a tough hard line policy toward Iran? The odds of counterproductive behavior are very, very high here. We've already seen it in our relationship with our relationship with our European allies, which we've talked about already. What other things will happen, which in the long run we think are going to stick it to the Iranians and end up sticking it to ourselves?

MR. SACHS: Thank you. We might take two or three questions. One over here.

MR. COHEN: Warren Cohen, Wilson Center. A question for Natan. What can we expect from Israel?

MR. SACHS: A lot. But let me take two or three more questions and I'll think about a clever answer in the meantime. (Laughter)

We have a couple here.

MS. SANDERS-ZAKRE: Hi, I'm Alicia with the Arms Control Association. And my question is about the role of the Europeans going forward if they do not succeed, as you predicted, in keeping Iran in the deal through economic incentives. So, you know, if Plan A was to convince Trump to stay in the deal and Plan B was to convince Iran to stay in the deal, and both fail, what's Plan C to prevent Iran from acquiring a nuclear weapon?

MR. SACHS: Thank you. And if you can just pass the microphone one row forward.

QUESTIONER: My name is Derek Boyd. Given that the nuclear deal seems to be terminally ill, will the Iranians reconstitute their nuclear program? And, if they do, what will the principal actors in the region do in response?

MR. SACHS: Thank you. Suzanne, want to take a stab at that?

MR. EINHORN: The reconstitute.

MR. SACHS: The program, the nuclear program. What will others do in response?

MS. EINHORN: First, what will they do? If the Iranians make a decision over the next weeks or months to leave the deal, what will they do first? I think first they're going to try to shed their monitoring responsibilities under the deal. The JCPOA contains, you know, far reaching, innovative, intrusive measures. And I think the first things the Iranians will do will be to say the enhanced monitoring, the monitoring that goes beyond our basic NPT safeguards agreement. The enhanced monitoring has to go. So IAEA inspectors are no longer welcome at centrifuge production and assembly facilities, they can take down their cameras, and stuff like that. So I think the monitoring will go first. I think they will be more cautious about ramping up their nuclear program, which they would be entitled to do without the JCPOA. But I think there they will go slowly. They don't want to be too provocative. They have a situation now where the United States is alienated, where the Europeans may be defying the United States. They don't want to change that. And they know that if they started introducing advanced centrifuges and increasing the amount of enriched uranium, and so forth, that they have, this could drive the Europeans back toward the United States. And, beyond that, if they started ramping up their program too provocatively, they could put themselves in a situation where Israelis and even American military planners were thinking how to interrupt the buildup in their nuclear capability.

What will be the impact in the region? I think they're not that many in the region other than Israel and Saudi Arabia who feel directly challenged by a buildup of Iran's nuclear program. Bruce has talked about the Saudis. You know, as Bruce said, Iran's nuclear capabilities was low in Iran's list of priorities.

MR. SACHS: Saudi's list, on Saudi's list.

MR. EINHORN: Oh, I'm sorry. I mean to the extent that it was on the Saudi list of priorities, it was really what will happen after 10 and 15 years. Now they have to be concerned about what's going to happen in the next months and years. And I think the Saudis will be driven to pursue its nuclear ambitions much more seriously. But I totally agree with Bruce, that the likelihood in succeeding in achieving a nuclear weapons capability is very, very low.

MR. SACHS: Thank you. Suzanne?

MS. MALONEY: I think, Alicia, you asked an interesting question about what the Plan C is for the Europeans. They haven't been able to succeed in persuading the Trump Administration. And, as Bob suggested, they're probably feeling quite burnt by that experience. They're going to struggle to persuade the Iranians to stay in the deal or to even move more slowly away from the deal than they might otherwise be inclined to. But I don't think we should count the Europeans out in this. I mean they have a greater investment with the negotiations with Iran given that they were the formative interlocutors for the Iranians on this issue. I think that they see a clear threat to their own kind of strategic position as a result of not just the Trump Administration's disrespect -- I think would be maybe the polite way to put it -- in the way that the decision was made, but what I suspect is going to play out over the course of the next weeks and months, where it's clear that in fact the level of control that they can exert in terms of pushing back against the Trump Administration in a meaningful way is relatively minimal because, as Bob said, they have so many other interests at stake but also fundamentally because of the overwhelming position of the U.S. financial system in terms of international trade and investment. I think that's going to become a much more clear longer-term priority for the Europeans to investigate ways that they may be able to create alternatives so that, in fact, their companies are not put under the same degree of pressure from a single actor



in the future.

But none of that is a sort of short-term solution either for managing the threat from Iran or for persuading the Trump Administration of the error of its ways. And so, you know, I think this is going to be an interesting time for European diplomacy and one in which it's going to take more than the tough rhetoric of the officials that we've heard over the course of the past few days to chart an effective course.

MR. SACHS: Thank you. Bruce, anything additional?

MR. RIEDEL: No.

MR. SACHS: Well, the Israel question I think is an interesting one because the Israelis are concerned about both issues very dramatically. Of course, the Iranian nuclear issue is, the often joke -- it's a rather dark joke -- is priority one, two, and three in Israel national security. But priority four is the Iranian influence in Syria in particular. And we're seeing a very robust Israeli action there. For the first time in a long time in this sort of shadow war between these two countries that included bombings reportedly in Tehran and certainly in Buenos Aires against Israeli but also Jewish non Israeli targets, now we've seen Iranians and Israelis actually fighting each other directly over the course of 2018, starting in February especially.

Just a couple of weeks ago we saw an Iranian response to an Israeli response and the Israelis using that opportunity for a very robust attack on more than 30 sites in Syria, kind of looking at their whole bank of targets of Syrian installments, military installations in Syria. This is a big change in the Israeli posture. When the civil war in Syria started the Israelis had a very deliberate decision making process and they decided that they didn't have a horse in the civil war. They had already tried to engineer one Arab country in the 1980s and that was a spectacular failure and they were not going to try with a bigger one in Syria. They had a very clear red line, which was the transfer of

advanced weaponry to Hezbollah and actually also to jihadis. And they acted on that many dozens of times. The Israeli Air Force Commander has already said so publicly, they struck a transfer of especially precision missiles to Hezbollah.

That changed. About a year ago, almost a year ago. The Israeli position is now very different. It's one that sees the Iranian backside of Assad winning that war. And the spoils for the Iranians are entrenchment in Syria connecting Iraq and Iran through Syria to Lebanon and Hezbollah and actual physical installations, Iranian installations in Syria close to the Israeli and Jordanian borders. And now we've heard the Israelis even publicly state that that is now a red line. Not any Iranian in Syria, which is not new, but any permanent installation usually within a Syrian base. And they struck more than 30 of those very robustly. And at the moment the mood in Israel is very high. The Israelis are very happy with the result of that very successful strike without a clear response. But if you speak to Israelis and the security establishment and elsewhere, diplomats too, Israelis, many falsely, do not have the thought of underestimating Iranians. They have a lot of respect for Iranians, and there are many Israelis who expect that there will be a response from the Iranians in one place or another, in one means or another.

In short, my point here is that on the regional aspect, and for Israel regional is mostly Syria and Lebanon, there it's not just that hotheads got the better of things in the beginning of the year, it's a structural conflict with diametrically opposed interests between Iran, important interests for Iran, the spoils of a very bloody war, which is entrenchment in Syria. And, for Israel, keeping their number one foe away from their border. In other words, this is likely to be a long confrontation. It can ebb and flow, it may be quiet for quite a while, but this is not going away, it's not about one person or another and their hot heads. It's structural, it's the way most Israelis and certainly most Iranians think about their interests.

On the nuclear side, I'll be very quick -- because I shouldn't be talking at all -- but on the nuclear side, Israel was against the JCPOA and made no secret of that. The Israeli position, the fallback position was, and I believe remains, a very robust threatening posture -- you call it a madman position -- I exactly think and wrote about that as the Israeli position, which is hold me, I'm about to strike any minute, and that as a permanent position. And for many, they think abroad, they thought for the Obama Administration this was too hard to stomach. They thought the Obama Administration was just too nervous to deal with that. Of course, they were not fans. And the thought the Obama Administration therefore caved and took a bad deal. From the Israeli position, the John Bolton approach, they think hopefully might not reach nuclear and actually -- sorry, military strike, but that the threat of that has to exist and maximum pressure continuously. They think and hope that in the Trump Administration, they have an Administration open to an open-ended to high level intense kind of pressure around it that would keep all of us talking about it for a long time.

MR. EINHORN: I just want to add another Israel point. On April 30 Prime Minister Netanyahu made his very theatrical announcement that Israeli intelligence had gotten its hands on Iran's secret files regarding the development, the effort before 2003, to develop a nuclear explosive device. You know, I look forward to leaks about how this happened. I mean it's kind of amazing to me, incredible intelligence coups. But, in any event, this for me was very significant. I mean before, the U.S. intelligence community had come to the conclusion that Iran had a program, that it had abandoned part of it in 2003, but that it was keeping open the option to return to it in the future. But this was coming from Iran's own files. I mean this was very, you know, detailed, probably lots of locations where these activities took place, the names of scientists and others who are involved in this program. I think, you know, very, very significant, very incriminating,

and it should have put the Iranians on the defensive. And it could have been used as leverage to get a better deal in these negotiations between the Trump Administration and the E3. This could have been used to pursue inspections at military facilities, a different approach on sunsets, missile programs. I mean, you know, before we were relying on a stolen laptop to associate a nuclear weapons program in Iran with their missile program. But the archived documents contained a design of a nuclear payload for the Shahab-3 missile. So this would really have strengthened the hand of the United States and its partners to put pressure on Iran.

But, unfortunately, the Trump decision to withdraw from the JCPOA kind of erased that from our memory, and it's, you know, understandably taken all the headlines. But I hope sooner or later people will return to this. The International Atomic Energy Agency should take a look. I think it has its hands on those documents now. It should look at the new information that it has gotten and pursue its safeguard approach in Iran with these documents in mind.

MR. SACHS: Thank you. I want to take a couple of last questions before we wrap up. People who haven't asked yet. This gentleman here in the center and one behind him.

MR. TAYLOR: Thank to the panel for some invaluable insights. My question -- Terence Taylor from ICLS. My question perhaps is addressed to Suzanne Maloney and to do with the impact on the current Iranian leadership. From your description of the domestic discontent and the reasons for it, he seems to be caught -- President Rouhani seems to be caught in a vice between unrest and expectations not fulfilled, or assuming they did, the arrangement collapses. And, on the other hand, the more conservative elements will say well you led us into a failed deal.

So could you just explore a little bit more the impact on the leadership

and what you think might happen?

Thank you very much.

MR. SACHS: Thank you, sir. And just behind you, if you would pass the microphone behind you. Thank you.

MR. ROME: Thanks. Henry Rome from the Eurasia Group. A quick energy question. What are the medium-term kind of follow on effects on Iranian oil and gas production following the pull out, or the expected pull out of companies like Total and the reversion to their Chinese counterparts?

MR. SACHS: Thank you. Suzanne, it sounds like a lot of you.

MS. MALONEY: Henry, I'd be interested in your views on your own question. In many cases many of our questioners actually have more expertise on the issue they raise than all of us up here. But, you know, I think we can anticipate that Iran is going to have difficulty maintaining current levels of production. They managed to rebound -- after the implementation of the JCPOA they managed to rebound to pre-sanctions levels of production more quickly than at least some of the more pessimistic observers had anticipated, and obviously had plans to continue expanding both oil production, but also move into potentially a number of different projects for gas export, which has been a persistent obstacle or persistent unfulfilled goal on the part of the post-revolutionary government. And, you know, I think that all of those plans are going to be put on ice to some degree and their ability just to maintain current levels of production given the decline rates in their existing fields is going to begin to bite over the course of this crisis, depending on how long it lasts. And, you know, everyone is sort of pointing to the Chinese as the obvious inheritors of South Pars 11 if in as Total is forced to formally remove itself. And that I have no doubt is part of the arrangement, that CNPC can move into the Total position.

But I think I would express a little bit of a caveat around the extent to which Chinese companies will successfully backfill for either existing European investors or those who may have been in early phases of negotiations or planning with respect to investment in Iran's energy sector. And that's just based on what happened the last time around when, in fact, a number of Chinese companies and other companies around the world did seek to move into some of these deals. What we saw on the part of the Chinese at least at that time, there was some reticence to investing beyond the levels of what originally were the ILSA sanctions and now have morphed into CISADA. I think it's quite possible that we'll see similar sets of kind of slow rolling on the part of the Chinese. It's very useful for them to have stakes in projects, it's not necessarily quite as useful for - particularly if these companies that have interests and assets in the United States -- to put themselves in jeopardy with the Treasury Department. That created a lot of frustration on the part of the Iranians.

The key memory of that even, if you're following the press, as I'm sure you are today, about the extent to which they really are comfortable about reverting back to a situation in which the Chinese sort of -- the major or the sole investor in their energy sector.

In terms of the factional balance of power, I'm a bit of an outlier on the dynamics of the regime itself in Washington. I think we have spent a lot of time fighting the last battle on Iran. And the extent of factional polarization at this stage within the system itself is not as great or not as serious to its longevity as it has been at previous points in time. So Rouhani is on the hook for the overture to the United States, but fundamentally it was a consensus decision on the part of the establishment endorsed by the senior members of the security bureaucracy, as well as of course by Ayatollah Khamenei, the Supreme Leader. And in that sense, Rouhani's continuing service as

President I think is going to be even more useful now than it might have been had the deal survived, because he is a convenient distraction, for hard liners and critics of the deal they will vent their spleen against Rouhani and blame him and they'll take advantage in terms of their own position in jockeying. But, fundamentally, I think this is a systemic crisis and not one that is necessarily a sort of hard liners up, moderates down.

And on that same point, I think Javad Zarif's position is quite safe simply because, as you can see, he's incredibly effective at pushing the right buttons. And in some of the statements he made in his public appearances with the European officials, he knows just how to galvanize European outrage to this Trump Administration decision. He's going to be incredibly effective in sort of representing Iran on the world stage and he is also a useful punching bag for more conservative and hard line elements at home.

So I'm less concerned about the factional balance of power and much more attune to what's happening within the country itself.

MR. SACHS: Thank you very much, Suzanne. And with one minute to go we will end on time. So please join me in thanking our panelists, Bruce Riedel, Suzanne Malone, and Bob Einhorn. Thank you all again. See you again soon.

(Applause)

\* \* \* \* \*

#### CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or

counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2020