



Middle East Security and the Changing Trans-Atlantic Partnership

June 28th, 2012

Published by



Inter-University Center for Terrorism Studies,
Potomac Institute for Policy Studies
901 N Stuart Street, Suite 200
Arlington, Virginia, USA 22203
TEL (703) 525-0770; FAX (703) 525-0299

Copyright © 2011 by the Inter-University Center for Terrorism Studies, at the Potomac Institute for Policy Studies. All rights reserved. No part of this report may be reproduced, stored or distributed without prior written consent of the copyright holder.

Middle East Security and the Changing Trans-Atlantic Partnership

The unfolding security challenges in the Middle East, including the Arab Spring uncertainties, the civil war in Syria, and Iran's nuclear ambition, require reconsideration from the trans-Atlantic strategic partnership. These and other related issue in the region will be discussed by a panel of experts, both academics and former government officials. Additionally, a special report on "The Arab Spring: A Year Later and Beyond" will be released at the event. This study is a follow-up to an earlier work titled "Terrorism in North, West, and Central Africa: From 9/11 to the Arab Spring" published in January 2012. The new report, co-edited by Yonah Alexander, and B.Gen David Reist USMC (Ret.), analyses the impact of the Arab Spring on twenty countries, from Algeria to Yemen.

Date:

Thursday, June 28, 2012
2:00 P.M. – 5:00P.M.

Place

National Press Club
529 14th Street NW, 13th Floor, Murrow, White, and Lisagor Rooms
Washington, D.C. 20045
(Metro Center Station, Orange/Blue/Red Line)

Co-Sponsors:

Inter-University Center
for Terrorism Studies

International Center for
Terrorism Studies, at the
Potomac Institute for
Policy Studies

Inter-University Center
for Legal Studies, at the
International Law
Institute

B'nai B'rith
International

Selected Proceedings:

Bruce Weinrod

Former Secretary of Defense Representative for Europe (2007-2009) and former Deputy Assistant Secretary for European and NATO Policy (1989-1993)

Miles Pomper

Senior Research Associate, Monterey Institute of International Studies, James Martin Center for Nonproliferation Studies

Michael Eisenstadt

Director, Military and Security Studies Program, Washington Institute for Near East Policy

Jeremy Sharp

Specialist in Middle Eastern Affairs, Congressional Research Service, Library of Congress

Derrick Busse

CDR USN (Ret.), Research Fellow, Potomac Institute for Policy Studies

Middle East Security

And the

Changing Trans-Atlantic Partnership

Date: Thursday, June 28, 2012 (2:00pm-5:00pm)

Location: National Press Club, Washington, D.C

Official Edited Transcript

Bruce Weinrod: Thank you very much. I will focus on the trans-Atlantic partnership and Middle East security. The primary institutional embodiment of the transatlantic relationship I think still remains NATO, and in that regard I'd like to cover several points. First, is an overview of the evolution of the relationship of NATO to the Middle East, Secondly, key current and potential future issues for NATO in that region. Thirdly, key variables that could affect NATO in the Middle East, and finally that classic question on NATO's future. During the Cold War and the very brief initial period at the end of the Cold War, NATO really had almost no involvement with the Middle East. This was during my first position of the Pentagon from 1989-'93. However, during that period there was in fact one major military action that affected NATO, and that was the first Persian Gulf War. NATO officially was not involved. At the same time, every single NATO member nation participated in various ways in the Gulf War coalition, and NATO's logistics capabilities, which were at that time much more considerable than they are today, were in effect turned over to the coalition, and 80-90% of the logistics capability that was utilized in the Gulf War was really derived directly from NATO capabilities. So, NATO in effect engaged in the Middle East in a major way albeit an indirect way as early as 1991.

After that NATO did in fact begin to start thinking more broadly, at least at the political military level, about various regions in the world, obviously central and eastern Europe which became a major focus in the 90s, but also as Dan mentioned, NATO established the Mediterranean Dialogue in 1994 that consisted of 7 nations--Morocco, Egypt, Jordan, Tunisia, Mauritania, and Israel etc. It has not done everything that some would have hoped but it has served as a framework for these nations connection to NATO and it does offer an opportunity for these nations to to involve themselves in a wide variety of NATO programs. Ten years later, NATO in 2004 at its Istanbul Summit established the Istanbul Cooperation Initiative, which currently has four Persian Gulf members, and again the ICI has been available to these countries to participate in a whole variety of NATO programs to the extent that they choose to do so. This is all to say that NATO in the Middle East is not something that is just popping up in today's headlines. NATO has been involved in the region in various ways for many years. One example is Iraq. After the US incursion/invasion into Iraq, about a year later NATO actually decided that it would follow up in its own way, despite all the political divisions that some of you may recall and established a training mission in Iraq, This NATO training mission, NTMI for short, in fact was operating and active in Iraq from 2004-until the end of 2011 when things wound down, and

thus NATO was very active in the training Iraqi military and paramilitary forces for quite some time. NATO also began to develop at least a modest relationship with the Arab League, with which it has had ongoing interaction in the last several years. Further, Middle Eastern nations have participated in several NATO military operations including in the Balkans, Afghanistan, and Libya. And I will come back to the NATO-Israeli relationship because I do want to talk about that.

So there has been a rather consistent broad, not necessarily deep, relationship between NATO and the Middle East for quite some time, and now we will review a few issues that could potentially affect NATO'S relationships and approach to the Middle East. Let me just lay these out in a brief way. One question is whether the two framework relationships, the Mediterranean Dialogue and the Istanbul Cooperation Initiative, will not only continue but will be enhanced, that is to say become deeper and more systematic. Some countries may choose to increase their involvement and some others may not, but there is a potential there for these to become very important connections for NATO and the West in general to that region. Secondly, with respect to the Istanbul Cooperation Initiative itself, as I mentioned there are four Persian Gulf nations currently members, but one notable exception is Saudi Arabia. If Saudi Arabia were to decide to join— that would be a very significant development for NATO's relationship with the Middle East—it's not clear whether they will but it's clear that they are at least thinking about it because two high ranking officials have traveled to NATO in Brussels in the last year or two, precisely to get the idea of what this is all about and whether they should join. It is worth noting that if Saudi Arabia joined then Oman would not be far behind.

The third area is clearly Turkey and the Middle East and that can involve a whole discussion in and of itself. Turkey in my experience going has always been a little challenging in various ways, but in recent times it has clearly moved away from its relationships with the US, with NATO and Israel as well, but not totally and in my view, at least at the moment Ankara still sees strategic value to certain relationships with NATO, and they have not broken those relationship. At the same time, it is a very challenging situation, so how it develops and evolves and where Turkey goes is going to be very important in general and for NATO's relationship with the Middle East.

Another question is Egypt, which has been mentioned—Egypt is a member of the Mediterranean Dialogue. What will happen now with the elections and the new political leadership in Egypt— will they want to continue the relationship with NATO? Will they want to downgrade it or eliminate it? We don't know but that will be a very interesting litmus test to where Egypt is headed.

We must definitely mention Israel— for some time there was a debate in Israel about whether Israel should become close to NATO or how close, and many said - we want to be on our own, we don't want to have the potential of any organization to perhaps have some impact or limit our options or whatever, but my sense is that in the last period of time there has been more of a growing sentiment that it would be very desirable for Israel to be as close to NATO as is practical. Further NATO does already in fact have an ongoing relationship. For example, the Secretary General of NATO visited Israel recently, and the deputy secretary general, an

American, Sandy Vershbow was just there in January, and a number of Israeli officials have come to Brussels, so there is an ongoing relationship.

A related area of interest is whether NATO would be involved at all in a potential Arab-Israeli peace settlement. Going back as far as 2004-2005, there have been informal conversations at NATO about whether that might work and how that might work. The Secretary General of NATO has said it might be practical while laying out certain pre-conditions about how that might work including obviously the agreement of the parties, etc. That's not fantasy or beyond the realm of possibility that there could be a NATO role. In fact, then NATO Supreme Allied Commander General Jim Jones who was later the US national security advisor also took a look at this and did some thinking about how that might work more recently, so it's not a pipe dream that this might happen in the future.

Another area which has relevance for NATO is Iran. An interesting thing about NATO is that, I can stand corrected, but I am not aware that Iran has been discussed, in terms of a security threat, in an official NATO session and it's odd in a way, but for whatever reasons every NATO member has decided that this is not a subject that they think they want to bring up in the NATO forum at least in any official way. Everyone knows about NATO article 5, which triggers a response if there is an armed attack on a member state, but Article 4 basically provides for the opportunity to discuss any issue that might be a security concern to the members. I think Iran fits that bill. I should note that Iran has been discussed at NATO in an indirect way which is with respect to NATO's missile defense capabilities. NATO has in fact developed a missile defense system and allocated substantial funds to this missile defense capability.

Not a lot of people are aware of it but hundreds of millions of euros have been allocated and the NATO system now has an initial operating capability. The system will be able to protect deployed forces and logistics sites and it has also the potential with expanded capabilities to protect populations and territory as well. One point about this is that one of the reasons that certainly the US raised - as a reason to go ahead is because of Iran and by the way also Syria having potential to launch chemical and biological weapons. But, in addition, the linkages that are there in the in this NATO missile defense capability, specifically the command and communications linkages, are plug and play in effect and a Middle Eastern and Persian Gulf missile defense capability could be plugged into the NATO system as well. Whether that will happen is obviously a political decision and technical issues come up and financial issues as well, but nonetheless it is plausible. So this is another area where NATO could be connected to the Middle East.

So let me get to the next area which is: what I see as some variables that can affect NATO's role in the Middle East. One uncertainty that has arisen recently is a result of the recent election in France. France under Sarkozy made the decision to rejoin the military wing of NATO -- it was a major decision for France and was a huge decision for NATO. It has enhanced NATO in a military sense. Whether the new French president will want to pursue that or pull back will have an impact on NATO but also on what NATO does in the Middle East. France, as we all know, has historical and other interests in the Middle East and certain sub-regions in particular and if France chooses to see NATO as a vehicle for those interests then NATO will probably become more involved. If they balk and don't want to do that, then less so. Germany also could be a

major factor of what NATO can and can't do in the Middle East. And of course the US: what we decide to do or not to do. The European Union is also relevant to NATO's future: I won't go into detail, we don't have time, but obviously the EU has interests in the region as well and there are tensions, rivalries and differences between NATO and the EU about who does what, when and where and what resources are available, and those resources are limited.

And the last variable is with regards to views of NATO in the Middle East region itself: my sense from a great distance is that these views have evolved, so to speak, that some years ago there were experts who argued that NATO shouldn't get involved in the Middle East because there remains a residue of resentment about colonialism and this would result in a really negative reaction to NATO ,military involvement in the region. Well, I don't think that's been the case and I think it's less and less so and I think overall in the Arab world and these countries that we've talked about there's a receptivity to NATO and working with NATO. In fact, a number of Arab nations have actually participated in NATO-led military operations.

So last subject, very briefly about NATO itself and where it's headed and where it's been which reminded me: Yonah, in his opening, said something to the effect regarding NATO's value that, it may be too soon to tell. I think NATO has in fact done quite a bit but it reminds me of when Henry Kissinger was in China talking with Zhou En Lai and to make small talk he asked Zhou Enlai 'Well what do you think about the French Revolution?' and Zhou Enlai responded 'It's too soon to say'. And perhaps the Chinese have a longer history so maybe it's too soon to say.

At any rate, my view is that NATO certainly has the potential to play an important role in Middle East security. NATO has in effect become in a de facto way, and perhaps in a fit of absentmindedness, a global security forum; that means that NATO brings in people and leaders from all over the world: we mentioned the Mediterranean Dialogue and ICI but there's also the Partnership for Peace which has 23 or 24 nations, there's an Asian equivalent of five nations, and plus various bilateral councils and committees and relationships. NATO has in effect already become a global security forum, not a global policeman, and I don't think anybody would sensibly advocate that; it has become a global security network, meaning the relationships NATO has with non-NATO nations including in Europe for example Sweden and Finland, which are not members of NATO but they are they are there at NATO every day and they are very active and they participate in NATO exercises and even military missions. There's a lot going on that people don't realize in terms of NATO capabilities that are not emanating from NATO members and this has been building in recent years. So I think there's a potential there. And the other thing NATO is doing with its global military security network is training for interoperability so there are nations including in the Middle East whose militaries are being upgraded in ways that will allow them to participate in coalitions, whether within NATO or otherwise, but with the US in any event when needed. And in addition NATO can help with civil military relations, democracy building, security sector reform, etcetera, and etcetera. There is a lot that is going on and potential for even more.

At the same time, it could go the other way: NATO could fade away, could become a hollow shell. Political cohesiveness, political will, willingness to devote necessary resources: all in question for sure. Thus, I think NATO has potential but it also could gradually fade away if it's not given the right political and military resources.

Miles Pomper: I'm going to focus on the topic of extended deterrence in the Middle East, or extended nuclear deterrence. For those not familiar with the jargon, that means countries like the US, or the NATO alliance in particular, might extend some sort of nuclear umbrella to the region or parts of the region. There are two reasons I want to talk about: one, there's been considerable discussion in the public sphere about the idea of 'should Iran get a nuclear weapon, would you have to contain Iran?' Is there a way that, as we contained the USSR during the Cold War, would we try to do that with Iran? Is that feasible?

The second is one of the potential roles for NATO in particular and some of its states, such as the US, Britain, France—all of which are nuclear weapon states in the alliance. By talking about this, I don't want to indicate that I'm endorsing an idea that we should let Iran get nuclear weapons, but I think we ought to think out what would happen if Iran got them and how the alliance would respond to that. I also should note that Secretary Clinton in 2009 raised this idea of some sort of deterrence umbrella in the region, while at the same time the president recently said that he does not support the idea of containment, so there are clearly pulls and tensions within the current administration. I think, generally within US policy if you look, certain institutions, like the Pentagon, tend to be more sympathetic to the idea than the State Department, probably because the Pentagon is less inclined to wage a preventative war given the casualties.

Let's begin with what we mean by deterrence, generally, then let's look at extended deterrence. Beginning with deterrence, you convince an enemy that taking some kind of military action does not bring you more benefits than it carries risks and costs—it's not worth the candle]. You can do this by denying this adversary the benefits of military action—[inaudible] that's called deterrence by denial. So if you have a missile defense system that works, shoots down the missiles, then that's a form of deterrence because they don't actually get to hit the targets. You can do this by retaliating; this is the classic Cold War kind of deterrence. If you hit my cities, I'll bomb your cities. Or you can use—which is really probably better called dissuasion—you can persuade the country that by restraining themselves it's in their interest by some sort of incentives to restrain their actions.

In looking at this analysis, let's look at some of the characteristics of Iran. I'm going to make the assumption, and I know that some people might challenge this, that it generally acts as a rational actor in terms that it's open to calculating costs and benefits of its actions, it doesn't do things that are not in its national interest. Now, what are its perceived national interests, this is another matter, but it's calculating the costs and benefits. On the other hand, it's an opaque government—we don't have a lot of sense of who makes the decisions, how they're made in Iran, and it's hard if you get into a deterrence relationship to know where the lines of authority are. When we were dealing with the Soviets during the cold war, they had a clear top down structure; we knew who made the calls, who you had to influence there. It's not so clear in Iran; Ahmedinejad, the supreme leader, others in the revolutionary guards, defense ministry, so on. Iran also has a clear tendency towards brinksmanship—it likes to play things up to the edge, and that can create crises and misunderstandings.

So, what are we really concerned about deterring if Iran were to get nuclear weapons? The clearest thing we'd be concerned about would be if Iran would actually use the weapons, against

our allies in the region or outside the region, against NATO or the US. In some ways this may be the simplest kind of deterrence to plan for in a sense that we know how to do this. This nuclear use could be met with some sort of response from NATO or the US or other countries in the alliance. Other cases might be less clear-cut—Iran might be emboldened by having a nuclear weapon to pursue more terrorism or to support more terrorism or subversion or other kinds of actions. So how do we deter those kinds of actions, and also more conventional attacks? If there is a conventional attack, say the Iranians decide it will use nuclear power to reclaim some islands that are in dispute with the UAE, when does NATO or the US get involved? When do we decide that this is worth external involvement rather than letting local players sort out the issue for themselves? Should we be involved if Iran steps up its support to Hezbollah and other countries, or should we let Israel take care of this as it has in the past? What if Iran transfers nuclear material or a weapon to a third party—Hezbollah, let's say. One option is for US or NATO to hold Iran responsible for an attack by any group, and we wouldn't say that we have to produce the kind of evidence that's held in court. What if they transfer the material, we have evidence or intelligence that they transfer, but there is no attack? Do we retaliate then? How good is our intelligence, when do we intervene, how do we intervene? These are all very difficult questions that tend not to be asked when people say there is a very simple containment solution to this kind of question.

Another question is what are the stages of deterrence you have to deal with? One could argue we are already deterring Iran to some extent. Iran has some nuclear capabilities and we have some forces in the region. What if they moved to what's called the Japanese style nuclear posture? If they had capability to have forces but they didn't actually test weapons, they didn't show it, what if they moved to a capability that's like Israel, should I dare say, that people kind of know that they have nuclear weapons capability but they never publicly test or admit it. How do you deter that? What kind of role do you do there? Then there's if they actually test the weapon, then there's the question if they move beyond one weapon to a number of weapons. Then there's the question of what if they get to the point where they have a missile weapon that's capable of hitting the US? Right now Iran is not at that capability but that obviously puts different calculations in the mind of US policy-makers when the US homeland itself is threatened by these attacks.

Then there's the question of reassurance. During the cold war, one of the main benefits of the deterrence posture was the reassurance it provided US allies that one, we had their back, and two, they didn't have to develop their own nuclear weapons. We would defend them with our nuclear weapons. What would Israel do if Iran, assuming somehow that Iran got to the point where it had nuclear weapons—would Israel be inclined to take out the Iranian weapons before they're deployable, maybe before they got too much of a capability? Israel reported what's called the second strike capability, that it's got nuclear cruise missiles on submarines so that if Israel is attacked, the Israeli homeland would still have the capability to survive to attack Iran, but does that matter in the case of Israel? It's a pretty small country—I think that the supreme leader said at one point, no Rafsanjani, "Israel could be knocked out with one or two weapons." Does second strike capability matter in a country that size? What do we do to prevent Israel from changing its nuclear posture so that it's not an opaque posture, so that Israel doesn't just feel like we have to announce we have nuclear weapons? That would create a lot of problems for the US in the region; Israel might face its own pressure to disarm at one point. Is Iran going to go to the

world and say, “we’ll get rid of our nuclear weapons if Israel does,” how does Israel respond in that situation? What kind of reassurance would Israel want? Does Israel want reassurance from the US or NATO? Would we be willing to retaliate if Israel was attacked? Would Israel see that as undermining its own deterrent?

Then there are the Gulf States. They’d like to see some reassurance but they also don’t want to provoke Iran too much. There’s going to be questions undoubtedly. During the Cold War there was always the question as de Gaulle said, is the US willing to risk Washington for Paris? Are we going to risk New York for Riyadh? There would be reasonable doubts in the region. This would also support putting up a greater US presence in the region, but this would be supporting the narrative of al-Qa’ida and other people opposed to US presence in the region, that we’re propping up corrupt regimes. So what you’re likely to see is the Arab states hedging between different options. Some probably trying to acquire more conventional weapons in the US, some probably trying to get more civil nuclear technology as a way of getting into the nuclear game themselves. They’ll try not to offend Iran.

I think the biggest risk I somewhat alluded to, earlier—what happens to Saudi Arabia. Most of the other countries don’t have a nuclear capability; they don’t have a relationship with a country that has one. But Saudi Arabia is believed to have bankrolled the Pakistani nuclear program, so Pakistan might sell them nuclear components. Pakistan could decide that it’s already put missiles, Pakistan has military folks in Saudi desert, they could move nuclear weapons to Saudi Arabia and provide an extended deterrent. What would that do to India? That might be more popular with the Saudi public because then you’d have Muslims rather than infidels on Saudi territory.

So, if we got into this posture, what kind of reassurance would be needed and with which country would we want formal alliances? Would we want some kind of declaratory policy, that is, would we carry out nuclear retaliation for a nuclear attack or nuclear terrorism? Do we want something on the level of the NATO Article 5 guarantee? Do we want political assurances that are much milder, something like the partnership for peace process? Then there are some general problems—once the US would somehow allow Iran to get nuclear weapons, how would we convince countries, reassure countries in the region, that what we had previously described as unacceptable, that is a nuclear Iran, that we’ve allowed it and that we’ll somehow be credible in the future. And what would the US congress and other countries support this? Would Congress support nuclear guarantees for the Persian Gulf, for instance? Israel, I think, would be another matter, but that would be more of a case of what Israel would want. What would countries in NATO and so on support?

Once again, drawing on the Cold War since this is the most extensive experience we have with this kind of posture—people tend to say what we did in the cold war we can do now, what are some lessons from the cold war? Finding the right level of deterrence is always kind of difficult. I read about the Reagan administration’s problems with the Pershing II deployments – this was the problem we were having—we decided that we had to apply medium range missiles to Europe and this provoked huge protests in the region. We’ve thought this was needed to counter the Soviets. There was a problem of having too much deterrence. Other times countries may be concerned we’re providing too little deterrence, trying to establish the right balance of your

partners' political priorities is difficult. Then we have the nature of the different allies we'll be dealing with. They don't have the large conventional deployments that we have to backup nuclear deterrence. Some countries have deterrence conflicts between themselves—not least of which is the Israeli-Arab conflict. When we were dealing with a Cold War rivalry, we had two pretty evenly matched, responsible chains of command countries, basically believing in a status quo, who knew each other well. The Iran-US relationship has none of these qualities. We're dealing with an opaque and unpredictable political system, a revolutionary power, an asymmetric relationship—we have so much more than the Iranians have—and greater opportunities for misunderstanding and miscalculation given the history of the US-Iran relationship. Then we have the importance of third parties. How may Russia, China, India, and Pakistan, react to US or NATO extended deterrence?

So how would we do it? It's very important in looking at deterrence that there is a visible presence in the area, a local balance of forces. We already have some presence in a number of GCC states, but not in Saudi Arabia, and we'd create political strains if we did it. We're already beefing up conventional forces, particularly air and naval forces—there's a story today that four more mine sweepers are going to the gulf—and other countries are too: the French in the gulf, the British have mine sweepers, the Koreans have conventional troops, and the Germans actually supply the nuclear subs that a second strike deterrent for the Israeli nuclear force. But there are a number of other capabilities that could be added. We also have to deal with Iran's efforts to develop anti access and denial capabilities, so we need to find a way to better communicate with Iran what we're doing, we don't have a red line or any those kind of things.

So, finally, who does the deterrence if we were to do it? Where would NATO fit in, how much should be NATO, how much should be the US, how much should be other countries? I'm trying to think of some useful roles for NATO—there could be some reincarnation of what we did in 1980s when we flagged Kuwaiti tankers, if there was a problem with the straits of Hormuz, something that flew under the NATO flag so that all of the oil vessels from friendly states had some sort of NATO protection, making sure that the straits of Hormuz were open, some kind of cyber warfare from the alliance in addition to what we're already doing to the Iranians, and the missile defense system which is already in place both in Europe and what's being constructed in the region. I think NATO might be most important actually in the early phase of it, if Iran had nuclear weapons because right now Iran is not capable of targeting the US but it is in parts of Europe. So NATO would have a direct stake or a much more direct stake early on than we would. NATO would have to develop some sort of principles of retaliation, when it did and when it didn't. It would have to consider having the capability to target Iranian nuclear missiles before launching. But there's downsides for NATO's alliance in getting involved—NATO has a very rigid structure, not designed for this kind of potential crisis management as we saw in Libya and elsewhere. It doesn't have a lot of capabilities right now that aren't just US capabilities. It's not set up to deal with something with an uncertain duration, it has an uneven level of countries in the alliance to lend political support, and there's a lot of concern by countries, particularly in Eastern Europe, that the alliance is tilted towards out of area operations. And, there's the question about how would we deal with Israeli concerns versus the Arab states. So I would say probably the most likely role would be for the nuclear weapons states in the alliance to have some kind of coordination rather than do it as an alliance policy, as some kind of mini-NATO coalition of the willing in that case, maybe a more formalized kind of stage. Thanks.

Michael Eisenstadt: Thank you Yonah, and thanks for the overly kind introduction. I'll try to be quick—just wanted to make a few prefatory comments—I wanted to focus my comments about the here and now in terms of where we are now with nuclear diplomacy with Iran and the way we head.

The first point I want to say about American policy with regard to Iran is that very often the administration characterizes our policy as being a two-track approach, focusing on diplomacy and economic sanctions. But, in truth, we have a five-track policy. It's much more complex; there is a diplomatic and economic piece, there is an intelligence piece which we've been seeing as a result of media reports recently (incoherent) and display malware that the US, at least with Israel and perhaps with other countries, is involved in with Iran in order to conduct cyber-attacks as well as to gather information and intelligence about what Iran is doing.

I would also put out the possibility that the leaks about this capability- well part of the reason that this came out is because, I think, computer security companies discovered the software, but the leaks confirming it, I think, is in part in order to raise doubts in the minds of Irani decision makers about whether they have the option of, say, a clandestine nuclear breakout, because basically their program is transparent to us. So we're playing the intelligence game.

There's also a military component, and I'm going to talk a little bit more about this in a few minutes, but basically consists of strengthening the military capabilities of our allies in the region, strengthening and filling gaps in terms of our own military capabilities in the region, as well as setting down red lines for the use of US military force against Iran. And then finally, there is information activities which are mainly focused on trying to facilitate the exchange of information among Iranian oppositionists and between Iranians inside and outside the country, and helping the Iranians deal with things like firewalls that are being set up by the government [inaudible].

In addition, the policy where we are right now is a product of a very complex choreography involving many, many actors- not just our Atlantic Alliance partners and the Europeans, but you have the P5+1 engage and negotiations also involves the Chinese and the Russians, now the fact that we are actually negotiating as a unified party is a major accomplishment. For those of you who could remember in the 90's, when even the Europeans were off in- you looked at American policy towards Iran with acrimony. And they've moved a lot closer to us, and in some ways, we've also moved closer to them, in terms of bottom lines of what we're willing to accept in Iran. I mean even the Chinese and the Russians are on board to agree, and they've never been on board in the past. The sanctions that the administration is imposing today, in other sanctions that we've seen, has come about, at least in part, due to congressional pressure, and also in response to Israeli threats of preventive action, which has moved US government and some of our European allies to impose sanctions that they probably would not have imposed otherwise. In our ability to impose some of these sanctions on Iran's oil sales, is also due to the fact that, apparently, the Saudis are increasing oil exports, and using their excess production capabilities.

So you've got many actors influencing things in many different ways to get us to where we are right now, but my fear is that even with the additional sanctions that are being imposed today and in the coming days- and keep in mind that a lot of the impacts of the sanctions has already been

felt in the coming months- that oil buyers have been adjusting their purchases in the months running up to the imposition of these sanctions, so a lot of the impact is already being felt by Iran. I'm not sure this will prove enough to cause Iran to adopt a more flexible position in negotiations.

So I have a few ideas in terms of things we could be doing in the military arena, using the military instrument to further ratchet up pressure on Iran, with the caveat being that even at the end of the day, after doing these, we have to recognize the possibility that this may not be enough, and we may not be able to achieve a diplomatic deal with Iran in regard to its nuclear program. I mentioned that there were several things that we're doing- strengthening partnerships with our allies. We have this Gulf Security Dialogue that the administration has been conducting with our partners, and the planned sales of tens of billions of dollars of arms [inaudible] Saudi Arabia, and the UAE, but to some other countries, involve strike aircraft, attack helicopters, missile defense systems, and the like. The problem, from my point of view, what the administration is trying to accomplish by this, is convincing Iran that continuing with its nuclear program, will diminish, and not enhance its security because we're selling all these arms to the Gulf Allies, and are energized or deeply concerned by Iran's nuclear program.

The problem is, the way that Iran looks at the gulf allies is they see the Arab Spring as being, actually, a manifestation of an Islamic awakening, and I think that if you accept their propaganda [inaudible], and I think there are probably a number of decision makers who actually believe this, that the days of the Gulf monarchies are numbered, and just like the Shah's military was inherited by a revolutionary Islamic republic, all of these arms that we're selling to our Arab Gulf allies will be inherited by revolutionary regimes, and, therefore, they're not really cowed or intimidated by the sales of these arms. Again, they're saying that they believe that eventually these monarchies will be swept aside, I think some of them believe this, and if that's the case, selling arms to our Arab Gulf allies- which I think we should be doing anyhow, for our own interest, are probably not affecting Irani calculations the way that we would like.

Filling capabilities gaps- again, SENTCOM [inaudible] apparently did an internal review in 2011, and discovered a number of gaps in its capabilities, in terms of its ability to deal with Iranian small boats, naval mines, and Iranian submarines. There is a rush effort to fill these capability gaps going on right now. We're sending various types of systems, anti-submarine warfare systems, capabilities to deal with small boats, and the like, but again, these are merely defensive systems, and we're not "plussing" up our defensive capabilities in the Gulf. I'm not sure if this- in terms of the ability to intimidate the regime in Tehran, I'm not sure this will have this kind of affect.

And then drawing red lines- the Obama administration has defined a number of red lines with regard to its nuclear program, saying that if there were indications that Iran was building a bomb, then the United States would all means at its disposal in order to stop it. But I think that gives Tehran a wide margin of maneuver with regard to its nuclear program to do a lot of things that do not break that threshold. And therefore, again, I think while it's desirable that the administration defined a red line, again, I'm not sure this constrains their freedom of action. In terms of what they're planning to do in the near term with their nuclear program, this gives them a wide margin to do our research and development and to continue enriching [inaudible].

And I would raise the possibility that it is possible that Tiran continues on the path that they are at right now for five or ten years. They don't make a break or a rush for the bomb. Everything in Iran happens slowly, and it's quite possible that in five, or ten, or fifteen years, that they have enough [inaudible] for twenty- thirty bombs, and in that case, they're in a situation where they have virtual nuclear deterrence, or deterrence without the bomb.

In other words, if they are in a crisis with the united states and they say "if you cross our red lines" we will then withdraw from the NPT, you will then initiate a crash program and weaponize this stuff and within the year we will have several dozen bombs and even if you bomb it, you'll only get only half of the stuff and will still have enough at the end of the day for a significant arsenal within a year or two. So, I am worried that our current red lines enable Tehran to achieve a situation where they have a deterrence without the bomb in the years to come. So what should we be doing? I think there are some things we could do in order to alter Tehran's threat calculus, first of all- Syria, I think if the United States was to increase support for the opposition there, this might demonstrate our willingness to harm Iran's immediate interests and might, you know, convince Tehran that just as the Obama administration as altered its stance with regard to the regime in Syria and is willing to take on greater risks there, we might be willing to take on greater risks in confronting Tehran in the future. So, that is the first thing, but, it's very important that we do not get immersed or mired in Syria, it is important to increase support for the opposition while keeping our eyes on the main challenge which is Iran. Again, it is a matter of prioritization. Secondly, [inaudible] in the region, I think there are a lot of things to do to demonstrate we are preparing for the possibility of a confrontation, whether it is the result of an Israeli preemptive strike, whether as a result of an Iranian push back in response to increased sanctions, you know Iran was engaged in a terrorist campaign last fall against Israelis. Apparently, according to the Washington Post, against Americans in Azerbaijan. So therefore, we could explain these preparations for the renewal [inaudible]. But this also positions us well in the event that Israel decides to strike or down the road we decide to strike, we are better positioned to deal with Iranian responses by enhancing security around [inaudible] Embassies and military facilities, and taking a variety of other steps that suggest we are preparing for the kind of turmoil that the confrontation with Iran might bring. And there is also surveillance of Iranian intelligence personnel, Serbian embassies and non-official covers that makes it harder for them to plan retaliatory action in the event of a, say, Israeli strike. We should also publicize, for instance, we announced that in Jan/Feb we are developing a new version of the Massive Ordnance Penetrator Bomb which is a 30,000 lbs. bomb. They felt the original version maybe is not effective enough to penetrate the enrichment facility at Fordo. As a result they are rushing production of a new version, so we should publicize the major milestone in development and deployment of that system. And then finally, the last thing that I would mention we should be doing, I was in the gulf a few months ago, on the carrier Abraham Lincoln, one this is very clear when they operate in the Persian gulf, we have two carriers in the region. One in the gulf of Oman supporting operations in Afghanistan, the other in the Persian gulf, when they operate in the Persian gulf they are operating within the range of a very large number of very capable Iranian systems. In a way they are very vulnerable, even though they are a miniature strategic system with tremendous striking power, our carriers are really very capable if the Iranians were to get a first strike out in the event of a confrontation. So, I would argue that actually it is in our interests to get our carrier out of the gulf and into the gulf of Oman. But, presented as a

preparation for military operations in that there is a whole bunch of studies which say that it is better for the U.S to launch an operation in the gulf, from the outside-in in order to restore freedom of navigation in event of a conflict there. If we present moving the carrier to the gulf of Oman, it will deny the Iranians a strategic prize, it will remove from them a confidence they have that they can inflict significant harm on the U.S in the event of a confrontation and it will put it in a position where it is better able to initiate operations in the event of a confrontation. I would make it analogous to kind of cocking the hammer on a pistol. It is kind of again, the last thing you need to do before you launch. And again, hopefully the net effect of all these actions will lead to increase further the psychological pressure on regime in Tehran and hopefully the net effect of both sanctions and increased psychological pressure created by these military moves dissolves the belief that they do not have an option for a break out because of all of these cyber weapons we are using that we would know if they tried to break out secretly and tried to build a bomb secretly. The only option they would have, hopefully, is diplomatic dealing with the P5 plus 1 diplomatically and solving this problem diplomatically. Again, I'm not optimistic but we have to do what we can in order to get the last bit of leverage available in order to ensure that we have done everything we can to deal with this problem peacefully. Thank you very much.

Jeremy Sharp: This is fine thank you; I do not want to break tradition. Um, thank you to the Potomac Institute, thank you to the B'nai B'rith, for organizing this conference this afternoon. Before I get started, I am legally required to say “these views expressed today are my own; they do not represent those of the congressional research service. Of course, given the events in Egypt in the last week, they will be obsolete in 36 hours anyways, so take what I say with a grain of salt.

Wow, we have talked about nuclear deterrence in Iran, naval warfare, terrorism, so I am going to talk about a different type of crisis-cash crisis- in Egypt specifically. It is a security challenge for us, for the transatlantic partnership, and I'd like to look at how this economic challenge is affecting our policy toward Egypt.

Now that the presidential election is behind us in Egypt, I do believe that in the months ahead, one of the major issues will be trying to cope with Egypt's fiscal deficit and economic problems. It will be a serious concern. As we all know, economic grievances such as high youth unemployment, corruption and inequality were major drivers behind the Arab Spring. And yet, in Egypt nearly a year and half later, since the Jan. 2011 revolution, the overall economic situation there still remains critical, if not worse. Overall, growth this year is a paltry 1.8%. The pound is depreciated significantly, foreign reserves are less than half their pre-revolutionary levels, tourist receipts are down. And by the way, the situation on the Sinai and security there is just not a negative for Israeli-Egyptian relations; it also affects tourism when Western backpackers are kidnapped in the Sinai by Bedouin Arabs. FDI is way down and a major trading partner-the EU- is of course in the throes of its own debt crisis. Now, to sort of meet the challenge, the economic challenge, and to prevent instability in the streets will warrant stability in the streets. The government of Egypt has increased public sector salaries on the 6 million Egyptian public sector employees in the country and also increased payments of subsidies. When you increase social spending to the degree that they have, it created a huge fiscal deficit for this current fiscal year—their fiscal year-about 24 billion dollars. Up to now, they have been borrowing domestically from their own banks to meet the fiscal deficit, now I am not an economist, but from what I have

read, the economist's consensus out there seems to be that this is no longer tenable and they are going to have to seek international financing and lending. For those of you who follow the story, there has been an IMF proposed package for many months for 3.2 billion dollars that has been out there but has not been accepted yet.

So if Egypt does require substantial foreign lending, how will the U.S, the EU react within this uncertain political environment. Yes, Morsi won the Presidency, Shafiq was not given the presidency, yet political situation remains quite in flux. You have the military council, the scaff still ensconced. A president who has some authority on paper but we don't know what authority he will exercise, you have a dissolved parliament and military council exercising legislative authority and you have no permanent constitution and the body that's supposed to write the constitution their validity is in question. Under these conditions, will the international community assist the government in Egypt in the short term? Never mind helping to foster a long term approach to economic stability. Will private business invest with confidence? Would Egypt's sort of hybrid military Muslim brotherhood government accept possible conditions on foreign financing? Do they have a choice? Or will other foreign nations like Arab Gulf States, maybe some of the bric countries, step in and provide more generous terms? Now there are many calculations that are going to sort of address this issue of how to assist Egypt in the month's ahead, calculations that US policy-makers, European policy-makers are making, and Egyptian leaders themselves. So lets look at some of these specific calculations in 3 minutes.

Okay, first of all, there's our own domestic politics. Or, as you know, we are in an election season, foreign aid isn't exactly a robust campaign to run on, if you're an aspiring politician, so the idea that there's a lot of US bilateral additional foreign aid out there for Egypt doesn't seem quite plausible. Egypt's existing \$1.55 billion program is already under quite a bit of scrutiny, it has been for several years. There is an Obama administration proposal not specifically for Egypt but for Arab countries in transition. It's a \$770 million request to congress to provide foreign aid projects in Arab countries undergoing transition provided that they undertake certain types of reforms, or benchmarks, in return for the money. It's a \$770 million proposal from the administration. The house has not funded it; to date, the senate has proposed a billion dollars. We're quite a ways off between the two, perhaps they will be in negotiations later on in the year, but nevertheless even this money isn't for Egypt exclusively. There's not a lot happening on the bilateral aid—mostly what Egypt is looking for is lending.

Egypt has it's own domestic political considerations to take into account. During Egypt's various campaign season, foreign lending was a major issue. Salafi parties are making an issue of it, not wanting to go to foreign creditors to finance infrastructure projects. Foreign lending goes into the very heart of Egyptian nationalism and anti colonialism narrative that very powerful in its politics. It's going to be difficult perhaps in addition to lenders may require, for the Muslim Brotherhood to cut social benefits at a time when so many people in Egypt are in dire economic straights.

Then of course there's our perceptions—EU perceptions of Egyptian government behavior on many different fronts. There's the perception of how the political process will move forward from here. Will there be a continued move towards civilian rule? Or will the military obstruct that process and how will that affect calculations of how willing international financial

institutions, foreign governments, are willing to support Egypt. There's of course what are our perceptions of the Muslim Brotherhood, and what they're doing. As you may know, when the Obama administration officials are asked about what should US policy and approach be towards the Muslim Brotherhood, the standard response is that we will judge them by their actions. Well, what will their actions be on critical issues like women's rights or religious minorities rights, and how will that play into foreign perceptions and attitudes.

Finally, and arguably almost as important as these other things, are Egypt's foreign policy. What is the military doing to preserve order in the Sinai within the parameters of the '79 treaty? What is the military and diplomatic community in Egypt doing to foster mediation between Israel and various Palestinian factions? This of course will be critical.

A fourth calculation which inevitably we've gone back to for years the broader question of Egypt geographically—its geostrategic importance in the world, its weight in the Arab world as the largest Arab country and culturally it bears, its importance to our military posture globally in terms of Suez canal passage and over flights. Then there's this concept of Egypt being too big to fail. That, instability in Egypt is going to have huge negative ramifications across the region that we can't simply allow unrest to go to the streets because of a desperate economic situation.

Finally, the last calculation is what are the alternatives for the government in Egypt? Are there realistic alternatives? And I've mentioned before, perhaps going to Gulf countries to help, to support its fiscal deficit, Gulf countries are helping Bahrain, Yemen, Jordan [inaudible] will they help Egypt on more generous terms? It's an open question—Gulf countries themselves may want an international monetary fund plan for Egypt to instill confidence in their own investments to Egypt, so it's not entirely clear if the government in Egypt can avoid dealing with the west and international financial community.

So how events will play out in the months ahead will determine these calculations of course. The end result may either be robust support for Egypt, amenable response, or some sort of middle of road compromise in which the government of Egypt receives moderate sums of funds from many different baskets. Whatever the result, the transatlantic and Egyptian response to Egypt's economic challenge is an opportunity to define the parameters of western relations with a new or perhaps the old Egypt. As always there's the tension between realism and idealism in our policy response. However the guessing game that has characterized Egyptian politics as of late has left an aura of uncertainty that clouds business as usual. Policy-makers on either side of the Atlantic may move gradually and allow Egypt's political drama to continue to play out while probing for opportunities to maximize influence with new and old actors alike. Thank you.

Derrick Busse: Thanks Yonah, thanks for having me here. We've got 8 minutes left, and still need a wrap up, and time for some questions... and I'm batting for the home team. So I'm going to forgo my prepared remarks here and I'll just focus on one thing. I think we've talked about vertical threats and horizontal threats, which was supposed to be the focus of this subpanel. You've heard about Iran, Syria, about this panel and the previous one, we've had some talk about Egypt. But I'd posit that the biggest threat either strategically or horizontally and vertically is NATO members not funding their security sectors. The world is growing increasingly more dangerous, as Professor Wedgwood pointed out in the first panel, it is growing increasingly so.

The rate of technological development means that not funding your security sector will make you fall further behind.

And you're seeing the financial crisis play out in Europe right now, and it's interesting to watch to see if they're going to be able to determine if they can come to collective decisions about what's right for Europe and Europe's ability to define its strategic interests in and fund and resource its abilities to protect the strategic interests. Which in the twenty first century are going to be challenged immensely by some non-traditional actors, many of whom may not be in Europe's back yard, but which are going to directly impact Europe. Europe is a 17-trillion dollar economy, and it's that way because, for fifty years others have basically underwritten their defense and protected the global commons, air and sea and space and cyber space. Their ability to do that going forward, given the investments that the Indias and Chinas and Brazils, and increasingly the Irans and the North Koreas of the world are putting into those domains are going to challenge that. And if they can't find a way to collectively determine that they need to be able to address that and then find a way to resource that, they're going to become irrelevant. And without hard power, there's going to be no one that feels that they need to talk to them, to take their view up. And with that, I'll throw it open to questions. Thank you.