

U.S.-Iran Relations: Challenges, Opportunities and Prospects

Delivered by:

David J. Firestein, Perot Fellow and Vice President for the Strategic Trust-Building Initiative and Track 2 Diplomacy, EastWest Institute

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Dr. Chandor, thanks so much for the very gracious introduction, I really appreciate it. And thanks to all of you for being here this afternoon and sharing your time – I really appreciate that. This is not my first visit to MSU, as I think many of you know. One of the first things that I want to say is that I'm very sorry that Michigan State is not playing tonight. I had you all in the Final Four. I have to acknowledge in the spirit of intellectual honesty that I did not anticipate MSU winning the tournament; but, I had you playing on Saturday, and I'm sorry that didn't happen. It's always a pleasure to come back to MSU. It's a tremendous campus and I have imminent respect for all the things that you do, and I always enjoy coming back and regard it as a privilege. I want to thank the Asian Studies Center and Professor Chandor and, in particular, the Center for European, Russian, and Eurasian Studies and also the Muslim Studies Program for co-sponsoring this event.

In some way, this is kind of seminal moment for me here, at least a first, let's say. It actually is my first public presentation on the topic of U.S.-Iran relations. This is an issue that I do work on – I'll talk a little bit more about that – I've given many, many talks around the country and around the world, although on different topics, mostly Russia or China related, also U.S. politics and a couple of other things. But, as Professor Chandor mentioned, I recently found that my portfolio has expanded a little to include U.S.-Iran relations and I've been working on it for a while now. But I have the honor of giving my first public talk on this topic here at MSU and I'm really honored and grateful, frankly, to have the opportunity to do that. Given the size and complexity of the topic, I think we have a relatively limited time today. I want to end not long after five o'clock. I know we'll have a reception – I think right across the hall. Afterwards, I will certainly be there and very much look forward to continuing our discussion and interaction. I hope all of you, or most of you, will be able to make it to that as well. And I think we can certainly continue the discussion that I think we'll start here in a more informal setting right across the hall.

So with that maybe let me just jump into a couple of points: first I wanted to say a few words about what I do at EWI and how it relates to Iran and what EWI or the EastWest Institute, my think tank, is doing on the issue of U.S.-Iran and then to jump right into the topic proper.

So, the EastWest Institute is a foreign policy think tank based in New York City. We have offices in Washington but also in Brussels and Moscow. As you can imagine, the Moscow office is particularly busy right now. Russia, of course, has been in the news in a major way and we're very much involved in looking at that issue as well. Iran has become something that's a very important piece of the work that we're doing at EWI, probably dating back about four years. We at EWI, and I personally but not exclusively, have had significant contact with the Iranian government over a four year period. I have had the opportunity to meet President Ahmadinejad [and] President Rouhani. We, as an organization, and I to a degree, have had the opportunity to meet with the last two foreign ministers, including the current Foreign Minister of Iran, and we interact fairly intensively and regularly with the current Iranian Ambassador to the United Nations, Ambassador Khazaee. So, we actually have a very sustained and protracted engagement with the Government of the Islamic Republic of Iran, and I think we have a relationship of, I would say, mutual respect. And I think there's a sense on the part of the Iranian Government that in the EastWest Institute, they have a partner that is operating in good faith and that is working to try to build a constructive vision for U.S.-Iran relations. So it's on the strength of that experience and I think a pretty intensive set of interactions that I and we, as an Institute, have had with significant officials from the Iranian government that we are now moving into this area. Let me say at the outset that I don't regard myself as an Iran expert in the way that I do regard myself as a China expert or Russia expert. I want to be very clear about that. But I will say that through some significant and extensive interaction over a period of time now, with key players that we built up a kind of very strong sense of the nuts and bolts of the relationship and what can perhaps be done in U.S.-Iran relations as we go forward. And hence the topic today - looking at U.S.-Iran relations from the standpoint of Opportunities, Challenges and Prospects.

With that, let me lay out what I want to talk about this afternoon, and from time to time, I will put my glasses on so I can actually see the notes that I prepared earlier. Of course, the second challenge is actually reading the notes because a lot of it is not legible, but that's part of the fun when I do talks.

So the first thing I want to do is sort of ask the question: "why this particular topic of U.S.-Iran relations and why now?" And then after that I'd like to talk about what I see is some of the opportunities in U.S.-Iran relations going forward from where we are now and recognizing that where we are now is different from where we were six months ago. And third, I'd like to look at the challenges associated with building or developing U.S.-Iran ties as we go forward. And then finally I'll conclude by looking at the prospects for U.S.-Iran relations, again as the title of the talk foreshadowed. And then also, I'll offer a few principles that I think can be helpful as both the United States and Iran seek to perhaps develop a warmer, at least in relative terms, relationship than what we've had for most of the past several decades. Of course, most importantly, I look forward to your questions and comments, in agreement or disagreement with what I have to say. I know that this could be a very controversial topic in some ways. There's a lot of passion around the topic, a lot of different points of views, even here in the United States,

to say nothing of Iran. So, I welcome that, and frankly, almost in a selfish sense, I actually view the interaction at the end of the presentation as perhaps the most valuable part of what I can do here, because one of the things I'm starting to do now, in my capacity as vice president at the EastWest Institute responsible for our U.S.-Iran work, is to take some of these ideas to important centers of learning, across the country, starting here with Michigan State, and to above all get feedback on some of the ideas that I'm talking about. Since we're a cross-section of folks that are interested in these issues and that are expert in these issues happen to be on some of the ideas that I'm putting forward. So that feedback dimension is something that I think is very important, and I'll be very interested in everything you have to say.

With that said, let me jump into the topic at hand and start with that first question that I posed, which is why this topic, U.S.-Iran, and why now? So, certainly, it's self-evident that the issue of Iran, in broad terms, is a very important topic in international relations; it's a critical security challenge, not just in the region, but in some ways to the world. It has sparked United Nations sanctions and resolutions on repeated occasions, which means it's on the agenda literally of the globe as a whole. All the five permanent members of the UN Security Council and many others have been involved in those discussions. So it's an issue that matters, it's an issue of import that potentially has very far-reaching implications, which is to say, Iran's development nuclear program and its engagement with the West and with the World. These are things that have potentially far-reaching implications. The fact is that it's an issue of potential conflagration around some core issues, most notably the issue of Iran's nuclear program which is in the news, if not every day then certainly every week and definitely every month. You rarely go more than a few days where you don't see articles on this, so it's a topic that is in the news and very timely.

At the same time, I think what we're seeing now among some of the key players is an increasing realization that no one has an interest in this issue conflagrating – neither the U.S. nor Iran, nor for that matter Israel, which is obviously a significant factor in the mix, nor other regional powers. Now to be sure, there are very widely ranging and disparate views on the issues of substance associated with the progress in the nuclear program in Iran that has been at the center of the Iran issue for a long time, or other specific issues associated with Iran. But I think there's a sense that if you allow the issue to conflagrate and come to blows in a military sense, that really no one really benefits from it. Now, not everyone would agree with that statement but my perception is that that there's an increased sense that it is so. So, to comment on that, I think that there is an increasing sense that – and again we're talking about moving a needle, a needle that is moving gradually and perceptibly to a degree but that I think it's moving – in a direction of a sense that improved relations between the U.S. and Iran can actually serve the interests of all parties. And if you think about that, at one level, it may sound like kind of an axiomatic statement that is almost self-evident, but it's actually not been the conventional wisdom for a long time. But I think there is an increasing sense, particularly within the Obama administration and to a degree, I think, within the Iranian regime, that improved relations actually could be the way to advance the interests of all sides. And I think the history of the relationship has often

been just the opposite: a sense that a more adversarial approach serves my or your interests better. But I think we're starting to see a paradigm shift around that. And we'll talk more about that as we discuss the topic.

I also think that we're in the right moment, here in early 2014, particularly because of some of the significant changes that occurred last year in particular, with for example the election of President Rouhani to the presidency of Iran, which was somewhat of a surprise even within the context of Iran's special system of elections and governance. At the same time, when we talk about the right moment, we also have a second-term U.S. president, President Obama, who's now well into his second term, and to make a point that he made in the context of an open-mic in a different context, speaking to then-President Medvedev of Russia, in a remark that was not intended to be for public consumption but it was caught by a microphone and became public; he said "look, in a second term I'll have more flexibility to make some tough decisions." I'm paraphrasing, but he used the term "I'll have more flexibility." And that is also true, I think, vis-à-vis Iran, in a second-term Obama administration relative to a first. So that's part of the moment that we're in. And of course, we've had some very historic contacts now between the governments of Iran and that of the United States in the persons of foreign ministers, including a Secretaries of States meeting last fall on the margin of the UN General Assembly, which itself was pretty historic. And we had of course a more historical event, the first contact, a phone call, between President Rouhani and President Obama, which ended about 34 years of non-contact between the respective presidents. And so those are significant overtures that I think have generated some momentum in the relationship as a whole and also more specifically on the most immediate issue, which is the issue of the nuclear talks that are (literally) ongoing even as we sit here. Just over the last couple of days there was a round of technical talks. Today and tomorrow, there is a round of political talks, and they may still literally be going on as they may go on into the night in Europe. So, those talks are unfolding and there is a sense that there may be some, I would say modest level of positive momentum in the right direction. Of course, the nuclear deal that is being discussed in these talks, which began formally on January 20th, and which were agreed to last November, is, to put it simply and to take a complex situation and to distill it down, basically the idea of a quid pro quo, whereby Iran basically halts any further development of its nuclear program in exchange for some measured relief from sanctions that would total about 6 or 7 billion USD worth of opened up or freed up economic activity, assuming that everything goes according to plan. So it's a basic quid pro quo where Iran does certain things and the United States and the West do other things. And that's what is going on as we speak.

There's another point that I think makes this an interesting moment, and I think it merits more research. Let me at least put one data point into the ether. I get the sense, right now kind of anecdotally, that public opinion around the Iranian issue in the United States is starting to change a little. For a long, long time, Iran has truly been the bad guy in this country; all of us know that, whether right or wrong, whether that it's a fair or unfair assessment. That has been the reality of American public opinion in broad terms about the Iranian state. Now, I do think that the

American people have historically drawn, to some degree, a distinction between the Iranian regime on one hand and the Iranian people on the other. Now, obviously there are many Iranian students and others in the United States, and who have had many years studying and living and working and raising families and so on. But nevertheless, there has been a real negativity towards the Iranian state. Now I think there's a bit of movement on that issue in U.S. public opinion. I saw a piece of data that you could read two different ways from one of the authoritative U.S. public opinion polling firms that stated that when asked – a general American public audience – who do you regard as the number one enemy of the United States, Iran was not the top choice. It was number two – it was actually tied for number two with the North Korea. But it wasn't number one. By the way, China was number one in that particular poll. China came in with 20% of the respondents saying China. 16% of the respondents responded Iran. One could look at that and say “well, here's the narrative for Iran being the bad guy.” We've seen this for a long time in the media narrative and in government discourse, Congressional discourse and so on. But, you could also look at it a different way. One of the things we try to do at the EastWest Institute, we try to reframe issues, so let me reframe that data and say that, well, 84% of the people don't regard Iran as the number one enemy of the United States. While it almost sounds comical to put it that way, in light of the reputation Iran has had in this country for decades, particularly since the hostage-taking episode from 1979 to 1981, that's not actually an inconsequential point. There's a slight degree of openness and nuance in the American people looking at Iran differently. By the same token, in broad brushstroke terms, I think, generally, there's a well of goodwill towards the United States, at some human level in Iran, not necessarily on the part of the regime per se, on a day-to-day basis, but I think generally many Americans who have traveled to Iran have consistently come back - and there's polling data that supports this - saying they feel there is a positive bond between our peoples. The will, in terms of public sentiment and the sentiment that's required to support significant government overtures, is there on both sides to some degree, and that's part of this moment that we're in as well.

I do think we have kind of a narrow window of opportunity. In a case like U.S.-Iran, there's never really going to be a perfect moment in the relationship. There's never a perfect moment in any relationship, whether it's U.S.-China relations, U.S.-Russia relation, U.S.-Iran relations. By the way, how I ended up with the job in which I'm responsible for all three of those topics I'll never know, but I must have done something in a former life to deserve that. But it is an honor but also a remarkable place that I find myself in life to have the privilege and the challenge of working on those three bilateral relationships at the same time. I will say: my job title is vice president for Strategic Trust-Building, and on a serious note, my mandate is to work to build trust in the U.S. bilateral relationships that lack it the most. And by any definition, I think the United States and Iran relationship will be in that category, unfortunately, at least at the moment. It wasn't always that way, but it is now. And of course, U.S.-Russia is absolutely in that category as we read daily about what's happening in that part of the world and, of course, U.S.-China. So that's the common thread by the way that brings all these things together. But I think we do have that we have a narrow window and I think that it's in that context that I give my remarks today.

Now, let me turn to the second topic, which is that of opportunities. That is to say: opportunities for developing U.S.-Iran relations and moving forward in this bilateral relationship for the first time in several decades.

One of the benefits of having a very, very low base line, or foundation, in this relationship is that there's a lot of room to grow. So the fact is: we have a very low baseline of real interaction between our countries today, in broad terms and certainly relative to many other bilateral pairings of nations you can consider, even in countries where the United States doesn't really agree with a lot of things the other country stands for in terms of foreign policy. Even in those cases, we have in many cases enormous and substantial ties in a whole range of areas that we don't yet have with Iran. So there's a very low baseline and that means that if you look at it or reframe it, if you will, in a positive sense, there's a lot of room to grow and develop. When I say low baseline, what do I mean? We have basically no formal diplomatic relations at this time, although there's an increasing level of interaction. We don't have an embassy there and they don't have one here. Iran has an interest section in the Pakistani embassy in Washington; we have an interest section in the Swiss embassy in Tehran. But again, no formal diplomatic relations, relatively little official contact, although that is certainly begin to change, in particular in the fall of last year. At the same time, there are very serious sanctions in place, and to some degree, concomitantly, an exceptionally low level of trade between our two countries. I looked up the data and U.S.-Iran two-way trade in the year 2013, according to U.S. government official data, was about 330 million USD, and anyone who follows trade knows that is literally a speck of dust that is almost utterly inconsequential as far as the amount of trade the United States undertakes. It's also worth mentioning, and I'll come back to this a little bit later, Iran is not a small economy – it is about a trillion dollar economy – ranked by purchasing power parity, it's about the 19th biggest economy in the world. It's basically a top 20 economy out of nearly 200 nations, top 10% – that's dean's list, I think, at a lot of universities. So, that's not an inconsequential economy – and that's with sanctions beating down on a number of sectors in the Iranian economy! Imagine what the number 19 economy could do if integrated into the global economy or, for that matter, if it could have a really serious and robust relationship with the U.S. But I'll come back to that.

But it's all diplomatic with regards to the low base line that we're talking about and the fact that there are opportunities that exist for improving the relationship. Let me say a few words now about what I think those opportunities are, and I'll try to be brief as I am cognizant of the time and I want to make sure I leave plenty of time for Q&A, but I want to run through what I think the contours of what a U.S.-Iran relationship could look like as we to start, in a sense, put meat on the bones for a relationship that has begun, finally, to develop in a positive direction.

So, first of all, to make the point that I think is self-evident, the United States and Iran – and others, the other P5 members plus one, Germany – are in the midst of major nuclear negotiations as we noted a little earlier. That's ongoing: those negotiations in that initial framework of time was for six months, beginning January 20th and, therefore, going into July. There's a quid pro

quo of, again, Iran hopefully essentially halting any further substantive development of its nuclear program and actually, in some cases, rolling back some elements of it in exchange for a relaxation of sanctions on certain areas, not all sanctions, but certain areas that will result in the freeing up of 6 to 7 billion USD worth of economic activity. By the way, just to state the obvious for those that have followed this issue, the sanctions have actually taken a very serious toll on the Iranian economy. President Rouhani himself has stated that; President Ahmadinejad, I think, toward the end of his presidency, made a similar point. Nobody in Iran is happy about it, but I think there is recognition that the fact is these have, in a sense, the desired effect of depressing the Iranian economy and activity. Under the sanctions regime that's in place, about 2/3 of Iran's oil exports to the world have stopped. That's 2/3 reduction basically in revenue generated associated with oil exports. And by the same token, the currency has actually devalued by about 2/3 as well. And there's inflation and other very serious economic problems that, frankly, the Iranian authorities have noted that to their chagrin, but nevertheless recognizing that you can't mask what has happened in the Iranian economy. So, dealing with this nuclear issue is really issue number one in a de facto sense and I think for the United States it is a critical issue because, unlike the other issues that I'll talk about, which I think are important, this is one that has a kind of existential quality to it. The notion that Iran might obtain, or seeks, or wishes to obtain a nuclear weapon and the ability to deploy it, or to utilize it, is one that is viewed by the United States, and certainly by Israel – our close ally in the region – and many others, in Europe and across the region, including Arab nations in the Middle East, as existential and unacceptable. And different leaders have said that in different ways: President Obama himself has said that we will not allow this to happen and Prime Minister Netanyahu, for his part, has made similar points, and frankly many others have as well. So, dealing with the nuclear issue really is issue number one. That said, there's actually been some modestly encouraging movement forward on a very difficult issue even as we sit here and talk. And because that is so, my sense is that we could be looking at an opportunity for additional movement forward in the relationship. So, nuclear negotiation is one element of what a more robust U.S.-Iran relationship, and, for that matter, what a more robust Iranian engagement with the world is going to look like.

But, at this point, let me talk more of bilateral issues specifically between the United States and Iran, and the opportunities for the development of a better relationship around those issues. Again, the nuclear negotiation issue is not really a bilateral issue per se; it's a multilateral issue that involves a number of other countries, and frankly the international community and even the United Nations. But the other issues that I want to talk about are more truly U.S.-Iran. And there are opportunities, I think, for growth, and for change, and for movement in the right direction in a way that benefits both countries.

Let me start with the issue of trade. I touched on it earlier, but let me just put another couple of points on the table. Again, two-way trade between the United States and Iran today is at about \$320 or \$330 million per year. At this moment in time, that's almost exclusively U.S. exports to Iran and almost not at all Iranian exports to the United States. So, in that sense, it's a trade

surplus for the U.S., but again, relative to U.S. exports broadly or the U.S. economy it's just a tiny decimal point several places to the right of zero in terms of the overall level of trade. But, nevertheless, that's the point. There is room to really do a lot more in this area. Now, at first blush, one might say, "well, you know, what about sanctions? How can you really trade with Iran when you've got a very substantial sanctions regime both internationally, under the UN and other international contexts, and bilateral sanctions imposed by the US and others? How do you do that?" And the fact is there are a lot of sectors that are not affected by those sanctions regions, so it is possible to have U.S.-Iran trade. We do have some of it today, particularly in the agricultural sector: corn, soybeans, and, frankly, cigarettes – that's one of the big U.S. exports to Iran. And, depending on how this particular round of nuclear negotiations go, you can actually see some relaxation of some hard-hitting sanctions on the issue of automobiles and spare parts for airplanes and other higher-tech significant pieces of the economy. My back of the envelope – and it is a back of the envelope – intuitive sense is, it wouldn't take, under the right conditions and with the right movement forward on other issues, it wouldn't take a lot to have a ten-fold increase in U.S.-Iran trade in one year or a year and a half or two years. It wouldn't take a lot to have a twenty or twenty-five fold increase in a few years. So you could actually get from hundred of millions well into the billions. I think with political will on both sides and still in compliance with existing sanctions regimes, and also if one is rooting for success of negotiations, perhaps we can see somewhat fewer sanctions than what we have in place today in exchange for progress on Iran's nuclear program, as part of that agreed upon quid pro quo. But the fact is the trade relationship is part of the relationship that gets very little attention. And, I think, one of the things that's important to note in this context is that when you have – and this is kind of the lesson that I've gleaned in the work that I've done on U.S.-China and U.S.-Russia and some other international relations issues, and I used to work on trade issues for part of my career, during my career with the State Department – one thing I found is when you have a trading relationship measured in the millions rather than in the billions (i.e. 300 million, let's say and sometimes even less, there have been times when it's almost been infinitesimally small), you have no ballast in the relationship to stabilize the relationship through difficult political problems that may arise at one point or the other. In contrast, when you're trading at the level of two-way trade of half a trillion dollars a year (500 billion a year, like the U.S. and China are doing, roughly), then, frankly, you have an enormous amount of ballast in the ship of diplomacy. And when the rough waters come and the difficult winds and the challenges of bilateral relations that can be very complex and daunting arise, you have a relationship that's very stable and Professor Chandor and I were talking about this level of interdependence and what that means for international relations. You can weather a storm a lot better when you're doing half a trillion in trade than when you're doing half a billion. That's a thousand to one difference. So, building up a relationship with Iran, that is from the U.S. perspective or Iranian perspective – a trade relationship with the United States – that starts to be measured in the billions rather than in the millions can have a positive impact, and I think will have a positive impact, on the overall tenor of the relationship. And because for reasons I'll note in a little bit, it becomes much harder to

dehumanize and demonize someone when you're actually engaging with them and trading with them. So, that isolation economically in the trade and investment sense that we have right now is part of the problem. So, I think trade is going to be an important piece of what a more robust U.S.-Iran relationship can look like going forward.

Let me mention another issue that you may not have focused on, and it's an issue that we work on pretty closely and intensively at the EastWest Institute is, specifically within the programs that I'm responsible of as vice president, and that is the issue, and it may sounds strange, but hear me out: it's the issue of Afghan narcotics trafficking. Basically the production and the illegal outflow of Afghan-based opiates into markets in Central Asia, Russia, Iran, Europe, and, in some cases, the United States. But this is an issue that has been very much at the center of many policymaker's focus on Afghanistan for a long time. It's frankly been an issue that has proven thus far largely intractable for a variety of reasons that one could go into. We actually at EastWest Institute have a project that brings U.S. and Russian experts together to work on these issues and come up with, first, a joint assessment of what the nature of the problem is, associated with the production and the illegal trafficking of illegal drugs from Afghanistan; and then, secondly, it proposes specific ideas as to what to do with this problem. The interesting thing that I want to point to, and the reason I mention this in a U.S.-Iran talk, is that Iran is one the countries that gets hit hardest by the outflow and the trafficking of Afghan drugs, particularly heroin. It has one of the highest addiction rates in the world, and there has been a devastating impact on human life in Iran, notwithstanding a very serious and laudable effort on the part of the government of the Islamic Republic of Iran to interdict these drugs and to stop or curtail or mitigate the flow of drugs from Afghanistan into Iran. Interestingly enough, according to our data, most of the flow does not even come across directly through the border into Iran; it actually goes through Turkmenistan and then down into Iran through a less secure border. But the fact is, this is an issue that hits Iran close to home and causes literally thousands of deaths per year.

When President Rouhani came to the United States in September of last year, I had the privilege of being invited, along with many others, to his talk at the Asia Society, which was his main public event in New York on the margins of his participation in the UN General Assembly. And I went, and we had the opportunity to pose questions, but because there were so many people, not everyone was going to have the chance to ask a question, so we put our question into a box and the moderator, who was the president of the Asia Society, looked at various questions and selected the question I posed to the president, which was: **what do you, Mr. President, think about the opportunity for working with the United States on the issue of Afghan narcotics trafficking?** And his answer, which is on the public record on YouTube, was very encouraging. He said, well, this is an issue that hits very close to home. We lose hundreds of border guards every year, dead, in their heroic efforts to try to stop these drugs from coming in and harming Iranians. And, it's an issue that is vital to us and takes a real toll on Iran. And we certainly look forward to working with anyone who has – and I'm paraphrasing here – a genuine

interest and a sincere interest in working with them to stop the flow of drugs, because that's certainly an Iranian interest as well. And that was the nature of the thrust of what he said.

Now, juxtapose that with a very interesting comment that was later made by a significant U.S. politician, Senator Dianne Feinstein of California, who you may or may not know, among other hats, she's the chair of the Senate Intelligence committee; you may know that. But she's also the chair of the Senate caucus on international narcotics control, which is basically the U.S. Congress' only real body that specifically deals with international narcotics control issues. I'm not even sure the House has a similar or analogous caucus. During testimony at a hearing that was held on January 15th, the Senator issued a statement that said two things – things that we at EWI in fact agreed with and were similar points that we made to her office and to others in Washington.

1. The United States and Russia need to work together in partnership on this issue. And as a quick side bar, let me just say that it's unfortunate that one of the casualties of US-Russian relations owing to recent developments in Ukraine and Russia is that official government to government cooperation around the issue of narcotics, counter narcotics, under the bilateral presidential commission of the U.S. and Russia has now come to an end. So that's one of the areas we were working very well together in a very collaborative spirit and now that's gone because of what's happened.
2. The second point, however, that the Senator made was significant. She said: by the way, I also think that this is the opportunity to work with Iran. This is probably the one thing that we can really agree on and actually work together side by side and help each other lift this problem of Afghan narcotics because we both suffer from it and we both have an interest in dealing with it. So, she signaled that this was an issue, in her words, and I'm paraphrasing here, "this is the one issue where we can work together." So, we have a positive response from President Rouhani upon direct questioning on this issue and, similarly, you have the Congressional leader of this work actually saying similar and even more forward and mentioning Iran in a sense, in a positive sense, in one of the rarer times I can remember anyone in Congress referencing Iran in a positive sense. So, the issue of Afghan narco trafficking, I think, could be a real rallying point for a possible serious, pragmatic cooperation effort around an issue where there is truly a real, mutual interest. And it's actually good for the U.S. and good for Iran, and that's something that I'll put on the table. Not a lot of people are talking about that, but we're pushing that idea.

Another opportunity and I'll go through these a little more quickly, is in broad terms, science and technology cooperation, education, domestic policy cooperation and the arts more generally – but increasing exchanges between the United States and Iran and all these areas. For example, there's been fruitful HIV/AIDS related work conducted by U.S. scholars and Iranian scholars in the spirit of respect and common cause, including conferences in Tehran. By the same token, and I had not been aware of this until I did some reading on it, but in Mississippi, there's actually been an effort to reach out to Iranian public health professionals and officials to garner some of

their successful experiences and learn frankly some of best practices on the issue of delivery of public health in rural areas, which is actually an area in which Iran has had some success and where the U.S. has not always had success – certain states more so than others. And there was an effort to bring specialists in and talk about the issue in the sense of social service and public health in rural areas. In this case, as it was noted by observers, this was not a case where U.S. was going to Iran and lecturing; this was a case where U.S. state officials were saying “can y’all come over and help us with some ideas?” And it created a very interesting dynamic that, I think, sets a positive example of the kind of thing that we can, and should, do more of. At the same time, exchanges of scientists, of students and artists – all of these are things that, I think, we’re in the right time and the right moment to do more of. I noted, by the way, a positive signal with respect to a U.S. Department of Treasury decision made a couple of weeks ago, which basically implements sanctions that sort of governs issues for the U.S., noted that either a change in policy or a clarification of policy – and I think it’s a change – said that now Iranian students can take part in massive and open online courses (MOOCs), and that that was a significant development in creating opportunities for American students and academics to interact with and Iranian students and academics that I think we’ll see more of as we move forward.

Let me mention another idea, and it’s probably one of the more difficult ones, but at the same time it’s not that hard to deal with if you have the political will to do it, and that is inter-parliamentary exchange. Now, the U.S. and Iranian political systems are, needless to say, non-identical – we have our Congress and Iran has its parliament. But where our Congress and parliament fit within our respective systems is rather different because of the other councils and groups of experts and so on that Iran has that also play a significant role in policymaking (bodies that we generally don’t have in the US). That said, the fact is Congress is enormously important on the issue of Iran; in our policymaking context, that goes without saying and in fact drives and legislates a lot of the sanctions and other responses against Iran. Meanwhile, parliament is not inconsequential in Iran’s system, even though it doesn’t have the same place in their system as our Congress does in ours – it’s a significant body. And the fact that you often have some of the most conservative and strident of voices with sort of negative messages about the other country emanating from our two legislatures suggests that there would be some value in bringing these two legislatures together in way that has never occurred in history, or at least probably in the lifetime of at least 99% or 96% of the members of, let’s say, the United States Congress and probably most members of the unicameral *Majilis* in Iran. And so, inter-parliamentary exchange and getting some congressional representatives and legislators, rather, from both countries together is worth looking into, not because you’re going to solve every problem that needs to be solved, but because I think, again as I’ll emphasize in the conclusion, it’s a lot harder to demonize somebody when they’re not just an abstraction. When they’re actually a human being that you’ve met, and while you may adamantly disagree with this, that, or the other position, the fact is they’re a human being, you’ve seen a picture of their wife and children – it’s not the same at that point. So, some level of exchange between our parliaments, I think, would be very welcome.

The last point that I would to make before briefly turning to the challenges and then concluding, is what I would call the low-hanging process steps that I think are out there, that can make a difference in the tonality of the relationship. Let me give you a couple of examples: it's not easy, it's doable, but it's not easy, I think, for most Americans to get a visa to Iran. I don't think there are huge lines of Americans yet, for various reasons, trying to do that because I think of lingering concerns about what happened in 1979 and negative impressions and a sense that that's the place where they're always calling us the great Satan and a lot of things like that. It doesn't do wonders for tourism, at least U.S. tourism, when you do things like that. Nevertheless, it is very hard, generally speaking, to get a visa; it's a complex and somewhat Byzantine system. Why not open up the systems to tourists and travelers, leaving aside sensitive government officials, to open up the systems and make them more customer friendly on both sides? I think the U.S. does a better job of it than Iran does but that's because we have a lot more Iranians here than they have Americans there (and there are different dynamics and reasons for that). But, that being said, that's a low-lying process area where you can make progress at a low cost. Another example: we just had the opportunity to visit with the Iranian ambassador to the United Nations, Ambassador Khazaei, who came to our office in New York – I was there amongst others – and we talked in some length about some of the frustrations that he had, let me give you one example, and, again, it's a low-lying process issue. He had been invited to Philadelphia to give a talk – a major talk – at the World Affairs Council in Philadelphia, which is a significant foreign policy venue. And they were going to have a major get-together, probably on the order of a couple hundred people, to hear from the Iran's permanent representative to the UN. And, as you may know, Iranian diplomats who are credited with the United Nations are not allowed to travel freely in the US. In fact, they're only allowed to travel within a 10-mile radius, basically, of the UN building, which literally doesn't even get you all the way out of New York City. It might get you a couple of miles into New Jersey, but it doesn't get you very far. So, the ambassador applied through official channels for an exception – and it is possible to do exceptions – whereby he could get the permission necessary from the U.S. Department of State to go to Philadelphia and give this talk. And the bottom line was, as he mentioned to us, and as was reported in the media, the State Department evidently declined to act on the request. They didn't say it's a no or it's a yes, but by not acting, it was a no. That's the net result. And as a result, the ambassador couldn't go to Philadelphia to accept the invitation that he'd been given in good faith to speak to a group of folks and share his views and also, no doubt, hear from a distinguished group of American folks. Now, in my personal estimation – and let me also say that everything I'm saying is on my own behalf, I'm not seeking to represent the EWI or anyone else; everything I've said up to now and will say is my own view, and thus I can speak candidly and tell you what I think without worrying that I'm representing others; I'm not representing anyone else – in my personal view, I think the State Department made the wrong decision. In the context of what's happening in U.S.-Iran relations and the warming, at least to a certain degree that is current relative to very cool or cold place we were several months ago, I don't think it made a lot of sense not to approve that request. Does that mean I agree with everything the ambassador would have said in Philadelphia?

No. But, that's a core value of the US: let the individual, in this case, the distinguished Iranian diplomat say what he wants to say, and if you disagree with it, disagree with it and get into a nice robust, respectful discussion over Q&A. But to simply sit on the request and not allow him to go, I think was a mistake and I would say that, and I am saying that, probably, and I think it's the kind of thing where it's low-lying fruit - we, the U.S., could have made a different decision and it would've generated a different tonality. But, frankly, the word of that, and again this is all publicly reported, got back to Iran and created a sense of "they say we're warming things up now and everything's getting better, but, look, they won't let our distinguished diplomat even go down the road to Philadelphia." And, frankly, I can understand that criticism and frustration. So, this is an example where the United States, I think, generated a self-inflicted wound and got a minor decision wrong. By the way, sometimes Iran generates self-inflicted wounds. Let me just take a moment here because I think it's worth mentioning, I was once asked by an Iranian colleague, counterpart, what did I think about President Ahmadinejad's 2010 speech at the United Nations General Assembly. And it was a speech in which, among other things, he stood on that famous UN lectern – the green marble, beautiful lectern – and pondered whether the 9/11 attacks were a self-inflicted inside job. Now, I said to my Iranian friend: you can think whatever you want, but if you stand on the island of Manhattan and you question whether the United States perpetrated 9/11 on itself, and if you do that standing literally on the island of Manhattan, it's not something that goes over well with the American people. And so I said: if you like the way Iran is treated by most of the rest of the world, if you like how Iran is perceived by most of the rest of the world, if you think that Iran's relative isolation is a good thing that you'd like to see continue, keep making statements like that. If you don't like any of those things then you might try doing something different, because if you keep doing the same thing you shouldn't be surprised if you keep getting the same result. Now, that's a self-inflicted wound and here's another one: Iran just nominated to be its next Ambassador and Permanent Representative to the United Nations a gentleman who had some involvement in the hostage-taking of 1979. Not the mastermind, but someone who in some way was involved in some of those activities, and that's not in dispute. If you want to make friends with the United States and with the international community, that's not necessarily, my personal opinion, a great signal to send. But again there are self-inflicted wounds on both sides, both the United States and Iran.

Now, just very briefly, perhaps we can think about the establishment of a liaison office in both countries. We currently have interest sections. It's not inconceivable that in a short period of time, I'm not saying it's definite, I'm saying it's not inconceivable, that in a short period of time you could conceivably have interest sections, rather liaison offices below the level of Ambassador-at some low to mid-level, and which represents at least an upgrade from where we are now but not necessarily fully normalized diplomatic relationships. It can be done, even when you strongly disagree with another country, case-in-point, our liaison office in China prior to the normalizations of relations with China in 1979. By the way, George H. W. Bush was the director of our Liaison Office at one point; one of his many jobs in the service of the United States. So, you can have a Liaison Office even when you strongly disagree, that may be something to look

at. And then, the other point I would make is: toning down rhetoric on both sides. And I'll come back to this as I conclude, but trying to tone things down and actually speak in a way that is less incendiary on both sides, and that is less emotional and appeals more to reason and less towards base politics and base emotions. Let me start to wrap up by just saying this; I'll just briefly touch on the challenges. I won't delve into them, but the challenges on the way forward to a US-Iran relationship are numerous: there's a profound level of mistrust that goes back to 1953 with the U.S. involvement in the coup d'état in Iran, that's on the Iranian side in terms of its mistrust of the U.S.. There is obviously a profound level of mistrust associated with Iran's actions in 1979 and its taking of hostages for 444 days - that's a profound issue. There's politics: the U.S. politics of Iran are pretty clear-cut; basically there are very few issues in the United States Congress or in the U.S. political world that generate pretty close to unanimity, in our highly charged and highly partisan and often gridlocked political system. One of the few issues that generates unanimity is Iran, in a negative sense. By the same token, the politics of the United States in the Iranian political context are also pretty unforgiving. There are a lot of tough voices and sharp elbows in Iran that don't necessarily want to see movement forward, so politics is a big problem. Geopolitics: there are countries in the region, including friends and foes alike that may not necessarily want to see warming of U.S.-Iran ties. Israel has its own take, it's a very close friend and ally of the United States and it's enormously supportive of the United States and vice-versa but it doesn't necessarily view Iran the same way that the Obama administration views Iran. Similarly, neither does Saudi Arabia. And so there are regional players that may have different takes on these things. And then, the other point that I would mention, at the conceptual level is that both the United States and Iran both regard themselves as exceptional nations. It's clear that the United States does, that's never been in dispute. But let's be honest; so does Iran. Iran believes that it's special and that the rules don't apply to it just like we in the United States believe that the rules don't apply to us. Let's be honest about that. And my theory is – I should write a book about this so I can finally get that coveted position on the MSU faculty working for Professor Chandor and others – any time you have two exceptional nations dealing with each other, it's a problem. And by the way, that's my life: U.S.-China, U.S.-Russia, U.S.-Iran, these are nations that are all self-defining as exceptional. So that complicates things. And then of course the last point that needs to be made is that, of course, there are real differences on very serious issues and we can't whitewash that. Whether it's the nuclear program, at least up to now, the issue of nuclear nonproliferation, whether it's the issue of Israel, whether it's the issue of support as the U.S. would state of terrorism including Hezbollah. Iran wouldn't agree with that characterization but that's how we see it, to say nothing of the issues of democracy and human rights and some of the kind of comments that have been made by important Iranian officials about the Holocaust or other things like that. These are things that are real and serious difference that also drive wedges between our countries.

So, it's a very challenging environment and a way forward is not a given, it's not easy but it's possible. Let me conclude: we're at a critical period. We have a chance to do, I think, something different with U.S.-Iran relations than we've seen basically in the generations or lifetimes of

most of the people in this room. There is a chance for progress, but there are daunting challenges ahead. There are some positive signs that things are moving in the right direction: the nuclear talks are not collapsing, which is remarkable in itself because most talks over the past ten years have not gone where people have wanted them to go, unless they have wanted them to collapse which means they have gone where they have wanted them to go. They are actually going reasonably well. There have been some positive signals that are being made including the Department of Treasury's decision on MOOCs; while it's a small issue it's a signal of kind of good will. And we could see some modest or incremental improvements in the U.S.-Iran relationship in 2014, largely depending on how well the nuclear talks, which are ongoing, go. I think both the United States and Iran seem to realize that some level of warming can serve the interests of the United States and Iran, and other stakeholders. I do not advocate that either nation do something that it regards as not being in its own interest. I believe that taking the relationship to a higher level, slightly higher level at least initially, that that actually serves the interest of all the parties. That's the premise on which I'm putting forward my ideas.

Let me conclude by suggesting a few principles that I think ought to guide our movement forward. These are general principles that I think, if adhered to, can help move this relationship in the right direction for the first time in two generations. And I won't dwell on it for time's sake but you'll get the idea:

1. Don't demonize the other side; you can disagree, you can disagree adamantly. Quite candidly, I once had a long talk with an Iranian counterpart in my office about the Holocaust. I'm Jewish and these issues matter a lot to me. And I didn't like the things he was saying, to be very blunt, but we had what I think was a good and genuine exchange and we ended up coming out of that discussion seeing eye-to-eye on some things. But you had to push through some of the uncomfortable comments that were made at the offset. So, if you demonize and say this is a holocaust denier and this is a country that's the devil or this is the Great Satan or whatever terminology you want to use then you don't get to that next level. So we need to stop demonizing each other: the U.S. needs to stop demonizing Iran and Iran needs to stop demonizing and "satanizing" the United States, if I can coin a phrase. We need to be more business-like and responsible in our language and we need to dial down the rhetoric on both sides.
2. The second principle is that we ought to respect each other. You don't have to agree, you can adamantly disagree with a lot of things. But I think we need to respect each other's nations because the truth is we both see ourselves as exceptional nations. And Iran will simply not accept, and I know this and I feel it very acutely, any scenario in which the United States disses or disrespects Iran. Its sense of face and its sense of importance as a nation and as a civilization is very powerful. And we understand it because we're the same way. So I think mutual respect, even where there is real and adamant disagreement

should govern our interactions.

3. I think we should go for incremental changes. We're not going to hit a home-run out of the park on this swing. But a few bunts, a few walks, you get to first base, you get to second base and you make progress on an incremental basis by picking and plucking on some of the low-hanging fruits of the type that I mentioned earlier.
4. Let's enhance people-to-people contact where possible toward the end of actually humanizing the other side. Too many in Iran look at the United States and don't see past the labels; imperialist, Great Satan, so on and so forth. Too many in the United States look at Iran as that member of the Axis of Evil, and we don't get to the next level of discussion so we need to be able to humanize the other side so we're not a mere abstraction.
5. Let's focus on interests, not politics. It's hard to do, particularly in a democracy where you have electoral pressures that are legitimate because of the nature of our system. But if we keep our eyes on the prize and look at our interests as a country, and if Iran keeps its eyes on the prize and looks at its interests rather than just rhetoric, you end up in a different place rather than if you're just looking at politics. I think interests should guide this relationship forward.
6. Finally, maintain the big picture vision of what this relationship can become. It's not there yet. But just a couple of years before Egypt and Israel were literally shaking hands at Camp David with President Carter and making a peace that has lasted for decades, they were killing each other in a hot war – one of five or six that they fought in a short period of time. So you can get from a hot war, which we're not in with Iran – and God forbid that we should be, on either side, you can get from hot war to peace in a matter of a few years, it is possible, and this is the point I'm making, it is possible to envision a better future for U.S.-Iran relations because it doesn't have to be the way it is right now for eternity and most relationships in the world; whether Egypt-Israel or United States-China, the 1970s are an example of what could happen if you actually have a vision.

I'm hopeful that we're not only in a moment but that leaders on both sides recognize that we are in a special moment. And I hope and expect that the EastWest Institute will continue to work toward improved trust and relations between these two countries because it's in the interest of all. Hopefully we'll see the fruit of that work in 2014, and with that; thanks so much again to the departments that have sponsored me, to Chuck Gliozzo, my very dear friend who graciously made it possible for me to come to MSU and who I'm indebted to, and to all of you for spending this time with me. I look forward to your questions, your comments, and to interacting with you. Thank you.

Question & Answer Session

Question 1: President Obama and Secretary Kerry both cited a reported fatwa released by the Supreme Leader of Iran, which was a statement against nuclear proliferation. There seems to be confusion about this issue in the media and in the departments themselves. Can you speak a little bit about the way that these different cultural and religious ideas and practices are reacted to and interacted with differently on both the Iranian and American sides?

Firestein: You raise this question of the fatwa which states that, at the highest level of Iranian society and governance which is the Supreme Leader, that it has been deemed that the possession of nuclear weapons is unacceptable from the standpoint of Iranian ideology and the Islamic faith. And therefore, there shouldn't be any question or any doubt as to whether Iran is pursuing a nuclear program, which it has consistently stated it is not. Iran has consistently taken the position that it is not pursuing weaponization of its nuclear capability. It has stated that it is taking a peaceful nuclear capability, it would say in compliance with its commitments under the Nuclear Non-Proliferation Treaty. If taken at face value, and recognizing that the Supreme Leader of Iran is indeed the Supreme Leader, and that that's no joke, and if you take that fatwa as its word, and it's been alluded to by senior Iranian officials, I believe including President Rouhani himself and former presidents of Iran and others, then that should be the end of discussion, take it at face value, and that's it. There is no need for further negotiations and statements on the record. If it's accurate, which it is said to be, then that's it. The problem is three-fold:

Number one, there is a profound level of mistrust on the part of the U.S. toward Iran for a number of reasons but not least because of the hostage taking in 1979-81 and subsequent issues that the United States has had with Iran and to varying degrees but not least evidence that has been brought to the table that suggest that despite whatever pronouncements have been made as a matter of policy, the fact is that there have been certain, let's say, suspicious activities that have occurred that would be hard to explain if in fact that fatwa were genuine. And so there's a trust but verify mindset and maybe in this case, mistrust but verify. And the fact is that U.S. and European and other negotiators place more of an emphasis on facts on the ground, including facts put on the table by the IAEA and other international bodies, not just US figures, that have said: "hey there are real downsides to what's happening and there are problems and there are holes in the story and there are things that don't match up, incongruities, things that aren't explained," whether its relating to centrifuges or centrifuge technology, either heavy water or reactors. You can go into a lot of depths saying "hey there are a lot of facts that don't seem to add up." And because you have a level of mistrust at the foundation then people go to the evidence and the evidence presents a more of a mixed picture of what's happening.

So those are two factors. And I think the third factor goes to your latter point which is I think that the U.S. generally, although I think there is a good number of Iran experts in the US government, there are a lot of people that really do understand this country – although bear in mind, we haven't had diplomatic personnel there since 1979 or 1989 if you count the end of the hostage-

taking. But the fact is that the relationship has been off since it was terminated formally in April of 1980. So, that said, there is some expertise on Iran but the fact is, overall, as a government, I don't think the United States deeply understands, at the levels of Members of Congress, perhaps at the level of the President himself at the big-picture 50,000 feet level, what a fatwa is, what the Supreme Leader's role versus the President, so forth and so on. The experts get it, they understand it, they're able to get the nuances, but I also think there's a lack of basic understanding of this regime, which is not the most open of regimes in any case. So for that combination of reasons, I think there is a sense of controversy or a sense of a question mark as to whether that in fact is the stated policy. And very clearly, it's not taken at face value because all the negotiations and the intrusive UN inspection process of the IAEA that is now unfolding and being perhaps implemented is based on the notion that we need to be able to verify and not take anything at face value. Meanwhile, that suggests a mistrust to the Iranians which causes some level of offense, and so you get into this cyclical thing where it's very difficult to break down and establish trust. So I think you point to a very key issue and I think it's part of the problem and the dynamic that you see mistrust between the United States and Iran.

Question 2: Thanks for the important information that you provided. I think you were less optimistic in the beginning when you talked about a narrow window but more optimistic when you talked about the general principles regarding the relationship. As you know, in Iran, the president is not the only person who makes foreign policy in Iran; there is also what we call the Revolutionary Guard, the General Guard, and other parties who are in existence for 35 years in Iran and who still exist in the current time. On the other side, here is a relationship between Iran and other countries that are not welcome by the U.S. such as with Syria and Bashar al-Assad, and other parties like Hamas. And inside the U.S., if we talk about the American Congress, there are 50% of American members who are drafting a law in support of sanctions against Iran. So when you talk about putting politics aside, it's a great method, but how can we achieve it? With which tools and methodology?

Firestein: Well, that's a very good question and the reality is, as I noted, politics is one of the major challenges and Iran is a very political topic. It's one of the few topics that actually generates consensus to a very substantial degree in the United States Congress, although there are exceptions to that. But, for the most part, the narrative is that Iran is the bad guy. It's easy to beat up on Iran and politically you can score points doing that. And there are legitimate differences in policy. The vision that I put forward is for principle of: if you focus on your interests as a country in a dispassionate way, you probably end up in a better place, and you probably end up more secure than if you just try to politick the issue and score points. I recognize that in a democracy it's actually valid to politick an issue and to score points – that is a legitimate activity for our politicians because of the nature of our system. I don't see that as some kind of: "well unfortunately that's there but if we can only get rid of that then it's a different picture." That's actually the very nature of our system and to a limited degree because Iran is not as fully democratic as the United States in terms of its institutions, i.e. candidates have to be

vetted by the Guardian Council and so forth and so on. Nevertheless, there is an element of popular will that is exerted so it's an issue on both sides. To answer your question, I think the way around it is two-fold:

Number one, it requires presidential leadership. And it requires leadership, period. You actually have to be willing to come out and take a position that may seem unpopular, but you actually know it serves the interests of your people and your country. You also have to be willing to expend some political capital and take some serious political hits. And I believe that Obama, and I'm not saying this in a partisan sense, I believe that President Obama is demonstrating that leadership on this issue. I don't think his performance in office has been flawless but on this issue, I think he is demonstrating leadership. Part of it is also because he's a second term President that will never have to run for office again so he has an ability to make some decisions that he wouldn't have made 2 or 3 years ago. So, leadership is a part of it.

And then, I take the other critical piece is actually generating real results. And if you can generate from the negotiations real results that show that the U.S. and the West are in a better position in some way as the result of the deal making, discussion, and quid pro quo, the talks that are ongoing, then, I think, you can actually take that case to Congress and to the people in general and say here's what we have to show for what we've done. So, it's leadership coupled with delivery of results. If you don't have those two things, I don't think you ever escape the politics and that's why we've been stuck for 34 years. That's a big part of it. But I sense that there's a moment with this leader, at this time with the process, that's playing out and could actually result in a slight movement forward in the right direction. My hope is that the parallel process can play itself out in Iran as well where there are a lot of politics associated with the United States. One of the problems in Iran, from a political standpoint, is that the very notion of the nation of the Islamic Republic of Iran is predicated, to a substantial degree, on the notion of anti-imperialism and anti-United States, and "the United States did this to us 'x' number of years ago in history." And it's woven into the fabric of the mindset of how many Iranian officials and political figures look at the United States. It becomes very difficult to extricate and surgically remove that from the national ideology of Iran. So there's a big political problem on the Iranian side. I would not say that I'm overly optimistic, but I would say I see a path forward. I would say I'm cautiously hopeful and willing to do something as a scholar and think tank executive to do what I can, what little I can, to help move this in the right direction. Because I think it's worth fighting for and I think it's something that both of our nations, United States and Iran, can benefit from.

And with that, thanks so much. I really appreciate it.