



Eighth Annual National Security Conference

Energy, Iran and the Future of Gulf Security

MODERATOR:

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PANELISTS:

The Honorable Stephen J. Hadley

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Ambassador Dennis Ross

**William Davidson Distinguished Fellow and Counselor,
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COLIN KAHL: All right, everybody. If you could come on in and take your seat. Well, welcome to the last panel, also known as the speed bump before your free cocktails. I appreciate the patience

and stamina for those of you who have been with us all day; for those of you just coming in for the fun right before the real fun at the cocktail party, welcome.

My name is Colin Kahl. I am a professor at Georgetown University, a senior fellow at CNAS. I also direct the Middle East Security program at CNAS.

This panel is on energy, Iran and Gulf security. And I'm going to give you a little bit of a sense for where we're going with it and introduce our panelists in a second.

But before I do that, I want to give a quick plug. For those of you who were here during the award of the Bacevich Fellowship, you heard that one of the core missions of CNAS in addition to providing principled, pragmatic advice on national security question is to really groom the next generation of national security professionals. We do that in lots of different ways.

But one of the innovative ways that we're experimenting with in a couple of days is we brought in the two collegiate debate programs that were in the finals of the national debate tournament this year to have a debate on what we should do vis-à-vis Iran in the event that diplomacy with Iran fails. So we're having that public debate here at the Willard at 9:00 a.m. on Friday, for those of you who are interested. And the two teams are dear to my heart because one is the University of Michigan, where I went to college and the other is Georgetown University that pays me today. So, anyway, it should be a lot of fun. It's a great event. It's a real opportunity to see some of the smartest college students on Planet Earth debate some of the most important issues so we're excited about that. So I encourage you to come out on Friday.

In his U.N. General Assembly speech last fall, President Obama outlined four core national security interests in the Middle East. He said, one, defending regional allies and partners against external attack and aggression; two, maintain the free flow of energy resources for the global economy; three, disrupting international terrorist organizations that directly threaten the U.S., U.S. citizens and American allies; and four, preventing the acquisition or use of weapons of mass destruction.

I think it's fair to say that these interests transcend this particular administration. They're bipartisan and longstanding. And I think they also provide the bedrock for the U.S. security guarantee to Gulf States, which dates back to the Nixon and Carter doctrines, and, of course, has really accelerated since the 1991 Gulf war with Iraq.

But some believe the two emerging developments, the possibility of a diplomatic breakthrough with Iran on the nuclear issue and talk of so-called U.S. energy independence as a consequence of the shale oil and gas boom could fundamentally alter the foundation of U.S. security commitments to Gulf States in the years ahead. After all, if the United States no longer fears a nuclear armed Iran and believes that a military contingency with Iran is much less likely in the Gulf, would it lessen America's defense ties and incentives to have close relationships with the Gulf monarchies? And if the United States' economy is shielded from regional volatility as a result of the North American energy boom, will Washington be less inclined to stick with its friends in the Gulf when the going gets rough?

To address these and other related questions, we have a stellar panel today. I think you know them well already and their bios are in your pamphlet, but let me just briefly introduce who we have up here.

To my immediate right, of course, is Steve Hadley, who is currently the chairman of the board at the United States Institute of Peace, and he's, of course, the former National Security Adviser from 2005 to 2009, and immediately prior to that was the deputy national security adviser.

To his right is – and your left, I guess – is Liz Rosenberg, who's a senior fellow and director of our Energy, Environment and Security Program at CNAS. She's also formerly a senior adviser to the assistant secretary for Terrorist Financing and Financial Crimes at the Treasury Department and an expert on both energy and sanctions policy.

And then, at the end of the row here is, of course, Ambassador Dennis Ross, who is currently the William Davidson distinguished fellow and counselor at the Washington Institute for Near East Policy. He's held numerous positions on Middle East policy over the last three administrations. Most recently, he was the special assistant to President Obama for what was called the central region, which was basically all of North Africa, the Middle East and South Asia, so, as I like to say, just the easy countries.

So I'm going to start actually with Liz and ask a few questions about some of the implications of the shale oil and gas boom for the Gulf States. And I really – Liz, I'm curious to hear your thoughts about whether you think the U.S. shale boom will fundamentally alter the foundation of U.S. security ties with Gulf States, and, in particular, whether you think the shale boom reduces in some meaningful way U.S. dependence on Gulf energy supplies, and even if it does, whether that matters, and whether it might – whether the shale oil and gas boom somehow insulates the U.S. economy from market volatility that could emerge from the Middle East.

ELIZABETH ROSENBERG: Sure. Thank you. So, as Colin just mentioned, the United States has been in the midst of this massive increase of U.S. shale oil, so this is oil extracted from shale rock using hydraulic fracturing and other sophisticated extraction technologies, and it's increased U.S. production by around 60 percent since 2008, this massive amount. It's also decreased U.S. imports quite significantly.

So, interestingly, from the Middle East, imports have fallen off almost to a trickle from North Africa, from Algeria in particular. However, imports of crude oil from the Persian Gulf have not decreased. As we've had this massive increase in U.S. production, they have increased our imports over the last five years.

And there's a couple of reasons for this, and one of the most important ones is that the crude that comes from there is of a heavier quality. U.S. refineries are well suited to that heavier quality. That heavier quality crude comes from places like Canada, Mexico, Venezuela, and the Middle East Gulf. And so, as, for example, production in Venezuela falls off somewhat, production of that heavier

crude and the import of that heavier crude from the Persian Gulf may become more important for the United States.

So Persian Gulf crude production and the importation of that crude is very significant for the United States now and it will be even more so in the future. This shale boom that we're seeing now is set to increase a bit towards the end of the decade, increase quite a lot, actually. Then it will plateau for a number of years in the next decade and then begin a decline.

The only producing region that will be able to step forward and increase its supply for global consumers, including the United States, is the Middle East. So that region will become even more significant for the United States as a crude trading partner in the middle term, and not just right now but in the future. It's a very key crude trading partner. And, beyond that, the nature of the global crude market is such that every consumer globally is affected by a supply disruption or a price spike anywhere else in the market.

So whether the U.S. is importing a lot or a little will still be affected by a supply disruption and price spike anywhere else in the market. And so this gives a great incentive for the United States to care quite a lot about stability in the Middle East and the oil that they're able to put out into the global community, not just for the United States as a consumer but to other consumers such as those in Asia, some of our most important trading partners.

DR. KAHL: Well, so let me ask you about that question about stability, because, of course, I think one of the perverse consequences that people worry about is – all right. So the oil and gas boom doesn't insulate us from volatility in the Middle East but will it actually increase volatility in the Middle East if it puts fiscal pressures on countries like Saudi Arabia? What do you think – could you talk about that a little bit in terms of some of the demographic and economic pressures that these states are facing and how the energy boom might negatively affect their stability?

MS. ROSENBERG: Right. So, right now, the oil market is pretty tight. OPEC met today – maybe you saw the news – and they're keeping production level. That means that that's one indication of how tight the markets are. And, in fact, some analysts are looking out at the market and saying these disruptions that have kept crude offline in Libya and in Iraq and Iran, of course, they're going to stick with us for a while, and it may mean that we need for Saudi Arabia, as the biggest producer, the swing producer with spare capacity, they'll need to produce even more up to as much as 11 million barrels per day. That's a tremendous amount. That's higher than they were last year during a period where they had 10 million barrels a day pushing the market.

So if all of that oil offline – so Libya, Iran, Iraq – were to come back on to the market at the same time in addition to the United States in the next several years, as it is continuing to increase its oil production, it would, of course, cause a diminishment of global crude prices. We'll sort of have flooded the market with supply. And what that will mean for producers, particular those in the Gulf, which are heavily dependent on their crude oil revenues for their budgets, is that they will face some difficulty meeting the commitments of their public spending programs domestically and also their financial commitment to regional proxies and allies.



So in this region, they spend a tremendous amount of money on energy subsidies, which doesn't help out and they're experiencing – it's about two hundred billion, which is equivalent in the Middle East to about a quarter of the revenue that they earn from their oil sales. That will only become more difficult for them economically as population grows. And out to 2035, energy demand growth in the Middle East will increase by 75 percent. So they'll be in a difficult position, quite a difficult fiscal position if energy prices are to lower and stay low for a while. And that can be quite an important consideration for them in terms of political instability and the drivers towards instability that that kind of revenue crunch could create.

DR. KAHL: So, Dennis, let me turn to you. Obviously, you know, talk of energy independence and whether that has affect on the foundations of our relationship with the Gulf States is kind of a medium-term challenge and it's more complicated, as Liz suggests. But, in the near term, the things that's got them spooked the most, I think, is the prospect of a fundamental U.S. realignment in the region driven by ongoing diplomacy with Iran.

So I wonder if you could talk a little bit about where you see the fundamental anxieties emanating from. Should we take – you know, should we take them seriously? I mean, are they justified? And what should we be doing to reassure our Gulf partners in the context of pretty significant nuclear talks with Iran?

DENNIS ROSS: You ask me to start by saying are they justified, it reminds me Henry Kissinger's old line, just because you're paranoid doesn't mean they're not coming after you. (Laughter.)

You know, from their standpoint, how do they see the world? Well, they've heard a lot about the Asian pivot. Now, it's a pivot from what? Oh, that would be the Middle East. They hear a lot about energy independence and that implies, gee, much less of a commitment potentially to them and we've been the kind of ultimate guarantor of their security.

They look at Iran, and, in the case of the Saudis, the Saudis view the Iranians as, in a sense, a competitor almost at an existential level because they compete religiously. They compete regionally. This is a regional balance of power that is now at stake from the Saudis' standpoint. And they see the Iranians determined to acquire regional hegemony. They've always counted on us to be the guarantor of their security and they look at this negotiation on the nuclear issue. And, for them, the nuclear issue is not the existential question. It's different, by the way, for Israel. Israel looks at the Iranian nuclear program as an existential threat. They see Iran's threats and challenges as being problematic but manageable. But the nuclear issue for them is not. It's existential.

For the Saudis, what do they see in terms of Iran today? Will they see them active fairly or not in Bahrain, very active in Iraq, determined to – and they've so far succeeded in changing the balance of power on the ground in Syria, in Lebanon, and in Yemen, not to mention they also see them very active in their eastern province, where the level of the security problems they're facing are becoming much more prominent than most people have noted.

So, from their standpoint, they're facing an existential struggle that the Iranians are driving and they read our negotiation with the Iranians fairly or not. And I would say probably not fairly but they read too much into it and say, they're going to do a deal with Iran. In the meantime, when they negotiate with them, they're turning a blind eye to everything else that the Iranians are doing in the region. And we face the struggle and there's a balance of power that's shifting against us, shifting against all of America's friends, and America's acquiescing in it.

And all this comes together and feeds in Henry Kissinger's best sense of the word, a degree of high anxiety and paranoia, which I think does require us to address because it's not as if they can't engage in certain behaviors that could be problematic from our standpoint.

DR. KAHL: So, Steve, maybe picking up on that then, is there – are there things that we could be doing now and in the event that there is actually a deal or potentially even the breakdown of diplomacy, you know, which could also create its own anxieties and regional turbulence. So, I mean, reassurance in a sense starts today and goes to the point where diplomacy either succeeds or fails. So what – you know, put some meat on the bones a little bit, to the line that Dennis started walking down.

STEPHEN HADLEY: Let me get to it in this way. Putting aside the energy issues, there are all kinds of reasons why we are going to have to be engaged in the Middle East for some time to come.

What is happening in terms of the al Qaeda threat that is emerging now has been for some time in Syria, has reemerged in Iraq. ISIL has now toppled the government in Mosul and control Nineveh province. Ultimately, ISIL is going to be in competition with what we called al Qaeda core for the leadership of the al Qaeda related extremist movement. And the best way to win that competition is to show that you can hit the United States.

So we are going to have a terrorist problem in the Middle East for decades to come that is going to require us to be there. And when you add proliferation concerns in the region and to link that to terrorism, we have interests that are going to keep us there for some time.

The irony is whether we get an agreement with Iran or whether the negotiations break down, and we don't get an agreement, we're going to need to reassure our friends and allies in the region. In the first instance, that we are not – having solved the nuclear issue, we're done, it's over to them, and, in the second instance, if the – and we are going to be present in order to prevent an Iran, which will then suddenly have an infusion of oil revenues from being able to fund even more extensively its disruptive activities. And, similarly, if an agreement breaks down, we are going to have to be similarly present to contain what may be an Iran that would be looking towards a nuclear weapon.

Those kinds of things are our own deployments in the region, our own defense cooperation with key European key Middle Eastern allies, providing them defense equipment, encourage them to enhance their own cooperation, and doing things like getting more active policy in terms of Syria as a way to check Iranian influence. We've now got a problem about what to do in Iraq. I think we need to take another look at Afghanistan; good that we're leaving 10,000 troops after 2014; bad that we said that



in 2016 they're coming home come what may, because come what may be a problem. Afghanistan may be fine but Pakistan is about to declare war on its version of the Taliban and that will have an impact on Afghanistan.

So we have lots of reasons to be there. We have lots of reasons to reassure. The sooner we do it, the better, because it actually may help us get an agreement on the nuclear issue from Iran.

DR. KAHL: Well, let me get a little dialogue, Dennis, between you and Steve on this question because I think there's potentially some tension here.

So, on the one hand, you want to signal to the Iranians and to the Saudis and others that just because we're trying for an agreement on the nuclear, which doesn't mean we're going to look the other way on your support for militancy as a version of terrorism, et cetera. So that argues for kind of pushing back assertively against Iranian irregular challenges in places.

On the other hand, if you get a nuclear deal with Iran that empowers some of the moderates inside Iran, there's the possibility, not the inevitability, the possibility of pivoting off of that to maybe reach some accommodations with Iran in places like Iraq or Syria or Afghanistan where there may actually be some complementarity of U.S. and Iranian interests at some level. But, of course, that cuts across purposes with the Gulf reassurance strategies, in fact, would feed their anxieties, right, because it would seem like we're ratifying Iran's position.

How do you – is there an opportunity in an Iran deal that we should be ready to seize but can we seize it if we're worried about the anxieties of our Gulf partners?

AMB. ROSS: First, now I know why you scheduled this panel right before the cocktail hour, since –

DR. KAHL: Because we're going to need a drink based on –

AMB. ROSS: If you're going to listen to us, you're going to feel you need something. I think there's a way to square the circle here. And what I mean by that, it's a sequence question.

I mean, to pick up on the last thing that Steve said, if we want to reach an agreement with the Iranians, the Iranians have got to become convinced that the cost of diplomacy failing are too high for them. They have to see from us that we want diplomacy to succeed, but we have less to fear from its failure than they do.

And that leads directly to competing in the region. We should raise the cost to them of what they're doing in Syria. That sends a message about, look, we stand by our friends. We mean what we say. We will do what you're doing. Today, the Iranians are negotiating with us and they're very active throughout the rest of the region trying to subvert all of our interests. Well, we can compete with them if they do that. If they want to talk nuclear and at the same time compete, so will we. And that, ironically, increases their potential to see the value in terms of doing a deal.



And the second point, which reinforces this, is if you want – getting to the heart of your question, the heart of your question is there's a pragmatic constituency in Iran, pragmatic measured in terms that they will do what is in their interest to end Iran's isolation internationally, do what they feel they need to do in order to end sanctions, which cost them so much economically. And they're not the ones who run the rest of Iran's regional policies.

Rouhani and Zarif are the ones who are responsible for what happens on the ground in Iraq or in Syria or in Lebanon or in Yemen. I mean, if we want to empower people like Rouhani and Zarif, what we have to show is their policies may pay off but it's very clear whose policies don't. You raise the cost of Soleimani. You raise the cost of what the Revolutionary Guard or Quds brigades are doing and make it clear, you want to improve your situation in Iraq, don't let Soleimani be the one who guides what you're doing. The price is going to be too high.

That's the best way to ensure that those who we hope might take a different posture towards the rest of the world, that's, by the way, still hypothesis, not proven. I mean, Yousef – that's what these negotiations are testing. But if you want to improve their position, you don't improve their position by showing somehow we reduce our own willingness to compete or by in any way demonstrating that what Soleimani does doesn't cost Iran.

DR. KAHL: So I want to open it up to the audience. But, as I do so, Liz, I want you get the parting shot for this phase, which is, you know, one premise of kind of a nuclear deal unleashing Iran in the region or enabling its hegemonic ambitions is the notion that the second there's a deal, there's going to be windfall for Iran. You're going to sell a lot and oil investment is going to flood back. Do you think that that's likely? Even – even in a world where – I mean, obviously, the devil's in the details depending on how and under what timing sanctions are lifted. But what do you think the implications are in terms of Iran bouncing back pretty quickly in the oil market if there's a deal?

MS. ROSENBERG: Right. So the devil is definitely in those details. However, if the restrictions that have been on Iran under sanctions, that have pulled them back from where they were in about 2011, so before the toughest, most recent sanctions in the last several years, they could go from about 1.25 million barrel of exports right now, where they are now in – and that's through I think the first four months of this year average, to where they were in 2011, so exporting about 2.3, 2.5 million barrels per day. So if they were to bounce back up to that level, which I think is from an engineering and technological perspective reasonable to do in a relatively short period of time, that earns them about \$5 billion more a month.

That's a lot of money. That's a quite significant windfall. And all, of course, of this comes at the expense of other producers in the Gulf – Saudi Arabia, the UAE, for example, who will earn less regardless. Whether they cut their production in order to defend the price of oil or whether they keep producing to maintain their market share, which will lower the price of oil, they earn less as the Saudi Arabia and UAE and other Gulf producers; Iran earns more, relatively.

DR. KAHL: Great. Well, on that note, why don't we open it up to you all and we'll start with this gentleman back here, hand up over here. And please introduce yourself and make it's a question and try to keep it brief.

Q: Hi. Bob Levinson, Bloomberg Government. You know, under the Bush administration, we talked a lot about the freedom agenda for the Middle East and promoting freedom and all this. And sort of everything I hear you talking about here, we're sort of back to a very realpolitik kind of world. I mean, the Saudis are our allies but their values, in almost every stretch of the imagination, are anathema to everything we say we believe in. We've got a regime in Egypt that we're giving aid to, that, you know, went over 1,000 the number of people they want to execute.

So I'm wondering, if the freedom agenda now, is that sort of passé and we're back to a very realpolitik sort of power-play kind of politics in the Middle East?

DR. KAHL: Steve, maybe I'd ask you to answer that because there is somewhat of a dilemma between kind of doubling down on the security commitments to the Gulf States when they are arguably the least democratic states in the region. I wonder what – do you see a tension between promoting our values in that part of the world and strengthening our partnerships with some of these states?

MR. HADLEY: Yes and no. You know, there's always a tendency to try to force things into either/or choices, you're either freedom agenda or you're a realist. The truth is, you know, you're a mix and always a mix. And I also think that it is true, particularly after 9/11, that advancing freedom and the cause of freedom was a very realistic policy, because one of the things we had to deal with, al Qaeda, was both the operational challenge in terms of taking the fight to al Qaeda but also the ideological challenge about offering alternative vision to theirs for what the world could be, a more affirmative vision. So, in some sense, if there was tension before, I think a lot of that tension was reduced after the 9/11 event. I think that's still the case.

Now, yes, we still have decided to provide some equipment to the Egyptian military. But the current policy, as I understand it, is also to encourage the Egyptian military to get Egypt back on a path of moving towards a more Democratic future. Why? Because I think the judgment is that the path that the Egyptian military is currently on, this kind of across-the-board crackdown not just on the Muslim Brotherhood in a way that, you know, since Nasr, Egyptian presidents have never done, not just the crackdown on the Muslim Brotherhood, but also crackdown on more Democratic elements in the end of the day won't work. It will not produce stability. It will not produce a more prosperous Egypt.

So, in the end of the day, we're being pragmatic in terms of not cutting all our ties with the Army so that we can use our influence to try to get them to move onto a Democratic path, because, in the end of the day, the belief is that only that route over time will really offer a stable, prosperous future in Egypt. That's the kind of nuance policy I think we have to pursue in the Middle East today.

DR. KAHL: All right. Ma'am, over here.

Q: Hi. Christine Vargas, Avascent, but I also just came back from Egypt as an elections monitor for Democratic International. So having just been on the ground and picking up on the realpolitik theme, can you comment on the diplomacy that will be necessary with players like Egypt, Iran, and Saudi to pick the elements out of the regime, those present and up and coming, who will play ball in ways that are both conducive to helping their populations and in ways that, you know, America agrees with because that seems to be one of the most delicate games we've had to play for a very long time. And I'd like to hear your commentary on that. Thank you very much.

DR. KAHL: Can you be a little clearer? Which regime are you – you said, the regime. Which regime are you referring to?

Q: Commenting on diplomatic outreach to Rouhani, to Sisi, to – you know, pick your favorite Saudi prince, people who we feel we have to work with or can work with. And what levers do we have in our diplomatic tool bag to really shape their forward movement and to perhaps reach out to their upcoming successors?

DR. KAHL: Great. Thank you for that. Dennis, do you want to take a shot at that?

AMB. ROSS: You know, Colin, I don't know why, but it seems to remind me of extensive conversations we had back in the year 2000. Actually, about five months before Mohammed Bouazizi set himself on fire and set the region on fire, we began in the Obama administration a government-wide review of what it is we could try to do to produce exactly what you're talking about because, at the time, we had a premise and the president agreed and signed out this directive, that the kind of stability we saw – and it really gets to the point you were making, Steve, what is sustainable?

And we hoped to try to come up with an approach where we could begin to deal with those governments that were friendly with us and with whom we had a security relationship. And we were trying to focus on what can we do to move them in a direction where they will become more inclusive, where they will become more participatory, where they will realize that the economy has to be transformed in a way that is also more distributive in terms of having more people feel that there's a benefit for them. And, when the awakening took over, you know, we were dealt with the kind of deluge that we had to contend with.

Now, I give you the backdrop, because our ability to influence someone like Sisi today is mixed to say the least. The image of the United States in Egypt today I think is fair to say is not real positive. And we have to think about, all right, what is it that we can do? Who is it that we can deal with?

By the way, working with the Gulf States who don't want to be Egypt's ATM forever, they have an interest in also having Egypt adopt policies on the economy that create some potential for greater growth and stability over time, but can you really greater growth and stability over time if there isn't security, if there isn't a sense that, in fact, this is not going to be a country besieged by a kind of insurgency?

So I think we have to look at where there are potential points of influence, on the one hand. We have to have a very serious I think strategic dialogue with Egyptian leadership, including Sisi now, a quiet one, not one that you expose in public, that says, the last thing we want to see is Egypt become a failed state. We want to work with you. We're not going to agree on anything. Let's focus on the kind of things that we can do to try to move Egypt in a more favorable direction, and let's realize that from your standpoint and his – you know, in his speech, in his inaugural speech, he talked about inclusiveness. In his follow-up interviews, he defined it somewhat in a more restrictive way.

He and the military view the struggle with the Muslim Brotherhood today as existential. They see no prospect that the Muslim Brotherhood as prepared to concede anything. And, by the way, I don't either. They see the Muslim Brotherhood, if they bring them back in determined basically to extinguish Sisi as soon as they can.

So there has to be a way to sort of deal with the broader society. You can't be imprisoning the leaders of the April 6th movement, who are entirely secular. You can't be imprisoning journalists. You know, you have to find a way to create greater openness. And, you know, I can't – I don't expect this dialogue that we're going to produce is going to turn things around over night, but we have to begin what is a serious discussion with them, where we point out where they think – where we see problems for them that we're not naïve. They have a view of us that somehow we're naïve, we support the Muslim Brotherhood. We're not naïve. My own view is the Muslim Brotherhood is basically a cult. So we have to be prepared to talk about that but we also have to be prepared to talk about, over time, ultimately what Egypt is going to need if it's going to become successful.

DR. KAHL: Over here in the corner just to get some side equity here. Thanks.

Q: Thank you. Fred Axelgard with the Wheatley Institute, Brigham Young University. Dennis, good to see you. Just a question. The UAE always seems to be an afterthought in discussions like this and I think maybe you could say that about this conversation so far. They really are one of the most cooperative allies we've got out there and have had for years, dating back to sending F-16s into Kosovo, and they do a lot for us.

Could we just stop and talk for a second about – and they I think are probably a factor of four or five more intensely concerned about Iran than the Saudis are? Could you just talk about their place, their role in our strategy, the importance of trying to reassure them and maybe what – again, long-term role they might have in helping us achieve some sustainable goals. Thank you.

DR. KAHL: I do think there's a tendency to lump the UAE into the Saudi camp. You know, the GCC is often described along this continuum of hawks and doves, with kind of Qatar and Oman being on one side and UAE and Saudi and Bahrain being on the other side, and Kuwait kind of toggling in the middle. And we kind of lump them together. I don't know whether that's fair or not because then we kind of then just talk about the Saudis and don't talk about the Emirates. Do you have – Steve, you have a view on this?

MR. HADLEY: Yeah. I don't love them either. And I think, you know, they're interesting because their country that is trying to reform and build a better future and to try to have a process that is more inclusive and it's very much in our interest that we should encourage that.

But, look, we have an enormous regional challenge now of what's happening in Syria, what's starting to happen in Iraq and the significance for the region. And I think one of the places I would go if I were a national security adviser to spend the day and really sort of talk strategically about what are the challenges in the region and what kind of policy we ought to have, are the folks at the UAE.

So I think they are actually intellectually a real strategic partner for us to try to figure out what's going on in this region, particularly given the fact that Saudis are very much into a succession crisis, which has its own internal focus. You know, there are not a lot of places you can go, fairly stable places that can be partners for us in trying to figure out what our strategy for the region ought to be. I think UAE is one of them.

DR. KAHL: Yeah. I'll catch both of you actually. Go ahead.

AMB. ROSS: I agree with Steve. And we spend a lot of time dealing with them. But I want to just cite for you, Fred, one interesting example about who they are, which I think you know.

When I was still in the administration, they asked if I would receive a group of 30 younger imams who were teaching tolerance, the role of Islam in terms of promoting tolerance, respect for minority rights, and a very different way to think about faith. And they were sending them, they wanted to – they wanted explicitly for us to see this is what they were trying to promote in the region. At the time actually, they were sending them to Afghanistan, but the purpose was not just to limit it there. They wanted this to be a basic approach towards the region, a combination of that emphasis that they have, on the one hand, and education on the other, which is another hallmark of UAE's leadership.

I think it's very important to recognize – it's not to say they're democrats. They're not democrats right now. And, you know, their reaction towards the Muslim Brotherhood is every bit as tough as anyone else's. But they do have a recognition of basic problems – and I'm going to provide a perfect segue, Liz, for you – because, you know, they pushed the Masdar Initiative. They have been in the forefront of thinking about environmental concerns and conservation on energy issues.

MS. ROSENBERG: In part because they're in such a dire position when it comes to electric power generation. They're, despite being a country of such resource abundance, they have an insufficiency of natural gas and difficulty in meeting, therefore, their electric power needs so they're reliant on imported gas by pipeline and potentially LNG in the future, possibly from the United States, although that seems unlikely, but there was a comment to that effect several months back.

I want to just make two quick points related to the U.S.-UAE relationship that's unique by comparison to the U.S. and Saudi. So everything that I said about the position that the UAE and Saudi may be in, if Iran brings more oil into the market, that's true for both of them. Of course, they

produce different – they produce and sell different amounts of oil so their revenue picture is slightly different one versus the other.

But when it comes to a scenario where sanctions could potentially be – on Iran could potentially be unwound in a positive deal scenario, the UAE, because of its strong commercial ties to Iran and because of its role as sort of trans-shipment hub for a lot of Iranian crude, exiting Iran and moving out to the global market, particularly to Asia, they're in a very unique position. And this is one of the reasons why the UAE is so significant from a sanctions enforcement or a compliance perspective.

And one of the reasons why you've seen so many UAE entities sanctioned is because of this close financial relationship between the UAE and Iran, and the potential for Shell companies, for masking potential transactions, illicit transactions that may violate sanctions and move through the UAE's financial system in that jurisdiction.

So from a perspective of trying to keep a very close lid on sanctions evasion or cheating in a scenario where Iran is allowed to sell more oil and reengage somewhat with international community, the relationship between the U.S. and the UAE will be absolutely key, and from that sanctions enforcement perspective, much more significant than the relationship with Saudi Arabia. And that I see as an absolutely fundamental difference and one that we should highlight at every turn when we're thinking about a potential deal, Iran nuclear deal.

DR. KAHL: And it's also worth noting – you know, the UAE is not just one entity, right? I mean, there's an Abu Dhabi/Dubai scenario here and we tend to focus in the national security space so much on Abu Dhabi's perspective and Dubai's angle as it relates to a lot of this it's almost as important.

We have one last question. And then we'll wrap things up. So sure. Jeff, right here.

Q: Jeff Stacey (sp), formerly of State, consulting for DOD at present. The word "pivot" has become a little toxic it seems these days. Nobody really seems to like it much anymore on the right or on the left, in the administration or outside. Yet several of you just used it in this panel in the last number of minutes and throughout the day.

If we set that to the side and we think about the big regions, and the big challenges, and the difficulties we have in terms of resources at present, if we think about Asia, Europe, which, all of a sudden, maybe are we pivoting back to Europe, the Middle East, the focus of this panel, don't we need to simultaneously the U.S. be committed seriously to the challenges in each, and therefore, simultaneously pivot to all of them? (Laughter.) But that seems impossible.

DR. KAHL: I mean, it's an interesting question, honestly, of – because, Steve, you'd made the point that our interests are likely to endure for a long time. Liz, you made the point that we're going to remain vulnerable to volatility in this part of the world and this part of the world might become even

more volatile over time. And, you know, even after an Iran deal, things are going to – things are going to get messy.

So it's going to be hard – can we ever – A, can we ever leave, and, B, should we ever leave? Where do you rack and stack the Middle East on the regional priority least?

MR. HADLEY: I would say the problem with a pivot is it suggests that the world is divided up into regions that are somewhat separable and so we can pivot to Asia.

The truth is the success of our policy in Asia right now is going to depend a lot more on how credible we are in dealing with the challenges in the Middle East and the challenge that Putin is posing in Europe to Ukraine. People forget that Asia was very much involved with us, South Korea and Japan and other countries in Afghanistan and in Iraq. Asia has real interests in Middle Eastern oil.

The world is interconnected to the point where you need to have a credible policy of advancing our interests and being credible globally if we're going to be credible in any of these particular regions.

I say to people, the, quote, "pivot to Asia" will depend a lot more on how we handle Putin over Ukraine than it will how many basing agreements we get with the Philippines and other countries because a lot of it is about credibility and staying power.

DR. KAHL: Any final shots on this, because I know we're basically out of time? I know you agree on the interconnectivity piece.

MS. ROSENBERG: Yeah, absolutely. Yeah. You don't undo that economic globalization, and so for this reason, regarding energy in particular, you can't disengage from any of these regions, and doing so will hurt us somewhere else or our trading partners somewhere else.

I will just say, actually, that coming down to – in a pivot, there's a question of the resources that are available and where you may want to put them more rather than less. I think when it comes to – so, for example, managing oil sector volatility and energy concerns, we shouldn't just think about those traditional conventional military or maritime security assets that we have to – that we have applied to in the case of energy, the free and secure flow of energy out from the region. There's abundant opportunity to think creatively about how to stay engaged in the Middle East and try and support stable, secure flows of energy.

You could think about critical infrastructure protection, better coordination on strategic reserves management globally, so we can – the idea that there is this pivot is not inconsistent with the idea that we may think creatively and with less money adopt new tools of economic statecraft or other in order to try and continue our presence and our support for other objectives in the Middle East, including the secure flow of oil out of that region.



DR. KAHL: So that's probably the happiest note we can end on given the topic. Thank you all again for your endurance and patience. We have a final word from our sponsor before you get to the libations. Richard. Thank the panel.

(Applause)

(END)