

**CENTER FOR  
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**PRESIDENT'S TRIP TO ISRAEL, SAUDI ARABIA, AND EGYPT**

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ANDREW SCHWARTZ: Welcome to CSIS, the Center for Strategic International Studies for our briefing on the president's upcoming trip to the Middle East. We're fortunate to have Dr. Jon Alterman and Dr. Anthony Cordesman here, both who, as you know, have extensive experience in the Middle East and have agreed to brief us on the president's trip and the nuances of it. Thank you all for coming this morning. And without further ado I will turn it over to Dr. Alterman.

JON ALTERMAN: It's hard to remember a less auspicious time to pursue Arab-Israeli peacemaking than right now. The politics on the ground are absolutely miserable. U.S. power and influence are at low ebb in the region. The Bush administration is beset by challenges – the combination of a faltering economy, persistent difficulties in Iraq, and a growing threat from Iran – all at a time that the president's popularity is at historical low, and his administration is settling more and more into lame duck status.

This trip isn't driven by the rhythm of the region or by developments on the ground. It's driven by the president's desire to celebrate the anniversary of the birth of one party to this conflict. But as the Israeli historian Benny Morris (ph) has written, that moment was also the birth of the Palestinian refugee problem, and of a conflict that's raged for 60 years.

The underlying problem is this. The Bush administration wants to rush to diplomacy, but the politics for successful diplomacy are missing. It's surprising that the president isn't keenly aware of this, as his political sense has won him more plaudits than his diplomatic deftness. But let's take the politics of each side.

Ehud Olmert, quite frankly, is in crisis. He's never recovered from the political hit he took for a disastrous war in Lebanon, and the central pillar of his political party, that unilateral withdrawal can bring peace to Israel, has no adherents. He's perhaps days from being forced from office in a corruption scandal, setting off calculations among the horde of senior ministers, all of whom want to succeed him. His political obituary has been written many times before and it's premature to conclude that he will be forced from office. But it's a fantasy to think that Ehud Olmert can make difficult and far-reaching diplomatic concessions when his political survival is under severe threat. In fact, the incentives are for Olmert to make apparent progress for peace, but not to conclude a peace deal that would alienate vital supporters. I believe that explains his gesture toward Syria, and it also explains his engagement with Mahmoud Abbas. And it also explains why a peace deal will not be concluded while President Bush is in office.

Mahmoud Abbas has a crisis of his own. He can't make a peace deal in the name of all Palestinians if he can't speak for all Palestinians, and the split between Gaza and the West Bank means that he cannot. Abbas' first priority is promoting Palestinian unity under his leadership, and that process seems to be moving ultimately forward. Making major concessions to Israelis now would greatly complicate that effort.

In addition, five months of talk about how Western powers were going to move urgently to shore up Abbas hasn't resulted in much urgency or much change for Palestinians' daily lives on the West Bank. The idea that the West Bank will be turned into some sort of success story for Abbas' strategy of diplomatic negotiations has run aground on donor reluctance, Israeli security concerns, and Palestinian administrative incapacity. For those reasons I think Abbas will hang back rather than force a skeptical population to major concessions.

All of this is very inconvenient for the Bush administration, which is playing against two clocks. The first is its own, which runs out in January. And the second is the leadership clock in the Middle East. It believes it has in Ehud Olmert and Mahmoud Abbas two leaders who have the desire to make peace. It does have that, but right now neither leader has the power to make peace. Their lack of power is due in part to the administration's past confidence that its actions were laying the groundwork for peace, either because the road to Jerusalem ran through Baghdad, or that global resolve would turn Palestinians against Hamas, or any number of other efforts. It now finds itself very late in the game beset by injured players, fatigue, and poor field position.

I don't have much optimism that the administration's efforts will yield much in the near term, and I'm even more pessimistic that whatever success they reach will have any long-term effect.

ANTHONY CORDESMAN: I 'm going to concentrate on the security dimension, but I think in many ways I'm simply reinforcing what Jon has said. In some ways this is the roadshow cast of Waiting for Godot. Basically you're going out there with the president, those of you who are traveling, to basically set a marker while everybody waits for the next president. And one of the key questions, one of the ones that has not really been resolved, is how you handle the transition on these issues, if there is to be one. And given the nature and the differences between the candidates on both sides, there's a reasonable amount of unity on the Arab-Israeli issue, and very clearly not much unity on the others.

On the security dimension, the fact is that I think we still see a war process rather than a peace process. The level of violence is not diminishing. It is not radically accelerating, but what you see is a build-up on the part of Hamas, a continuing question about how Israel will react and how violently it will react. I think if you look at what is happening with the presidential guard and the Palestinian security forces, it's easy to concentrate on the lack of progress in creating forces under Abbas, and that has created very serious problems. But I think from what I have seen, what you also see is probably a significant strengthening of Hamas on the West Bank, and a failure really to come to grips with the security dimension broadly.

It's not clear who in any given city or area at this point believes that there is a peace process, or believes that the tunisians are really any better than they've been in the past. The problem of corruption, the problem of economic welfare on the West Bank, these are key issues. Looking at the maps of what's happening, it reinforces Jon's points,

I think, even more. You do not see a significant reduction in barriers or checkpoints. You don't see a significant opening of the roads.

I remember that the late Zev Shiv (ph), who I thought was perhaps the best Israeli defense journalist, made the point fairly early on in the Oslo process that he was not seeing peace for territory. What he was seeing was terrorism for settlements. The reality is that has not changed, and there is no clear prospect as why it should. We've not seen a radical shift in arms smuggling, but it is clear that there are growing problems with the quality of the rockets, the arms moving into at least Gaza.

One key question for everybody is, are we going to see over the next few months anything like the level of arms which went to the Hezbollah, which would change a lot of the rules on the ground. The answer hopefully will be no, but none of us really know. When we look at the marginal actors here, we talk about peace negotiations between Israel and Syria. It's sort of off book but I think Jon's points about the Israelis and Palestinians are disguising the fact that you do not have a solution to the security issues in Lebanon. You've seen a Syrian reactor destroyed, but there is an aftermath and we don't know what it is yet in terms of Lebanon, Iran, and elsewhere.

The prac (ph), too, is that the residents going out to the Middle East at a point when Iraq is very difficult to read. There are very mixed reports on whether the Sunnis and sons of Iraq are seriously seeing the Malaki government as better than before. From the Baghdad viewpoint, things seem to be more favorable. From the viewpoint of many Sunni areas outside Baghdad, it's not clear that the Sunnis there see that this is benefiting them. And even within Baghdad, at the street level, the security issues are unclear.

I don't think any of us can read what's going to happen with Sadr and the militias. The Iraqi forces remain a work in progress in the case of the military. What I think is important to note in the case of the police is not only are we no longer even hearing about the year of the police, but in the latest reports that have come out in the weekly progress report you see more and more that the police are not trained and equipped. They are locally equipped. And you will also find that here we are, some years after mission accomplished, and there is still no record anywhere in the United States government of how many people are actually in the police, and out of the people in the police, how many of those were trained and equipped. We still have no reporting system on the actual manning of either the army or the police five years after we began this effort. It's not a minor issue in terms of security, and obviously it raises problems with troop levels.

Iran I think presents equally serious problems. The president will go to Israel. It's difficult to believe that Iran won't come up on the table. Since the NIE we have the disclosure of some 6,000 IR2 centrifuges. This is a technical issue, but nobody has yet pointed out that these centrifuges are much easier to put into dispersed, small facilities and don't necessarily have to be placed in large, underground facilities. And the rules of the game as to what would happen in terms of proliferation or any kind of strike on Iran are changing.

I think that we look at this and we see also real questions about what happened. Many of you I know were sort of alerted to a press conference that didn't happen on the nature of the Iranian support of the various militias in Iraq. From what I saw, I think this would probably have been a pretty good briefing. But the fact is that what it has done by not having the briefing and by having the Iraqis negotiate in Iran is create an almost complete mystery in the Gulf as to the credibility of what this is because we didn't provide any data or any details. That's something you're going to find actually in Israel.

What I found a little striking was that people who are very much in favor of dealing with the Iranian nuclear issue have credibility problems about whether we're exaggerating the threat Iran poses in Iraq. That should be an interesting issue for anyone to explore in the course of this particular trip.

And just last, let me note that you're going to be in Israel at a time when I think most people in the southern Gulf lost faith in this peace process months ago, lost faith in the credibility of what the United States is trying to do. Find it harder and harder to know what the U.S. security posture is in the region.

And one other note I would just make on energy is, one of the striking aspects of the last few months is a number of countries which have sort of slowly back-pedaled on the expansion of energy and oil exports, and have more and more taken the stand that as the market is Asian, U.S. influence over OPEC and Gulf oil production is diminished. So this is a security matrix which is, shall we say, more than casual.

MR. SCHWARTZ: I'm going to use the moderator's prerogative – I learned this from Arnaud de Borchgrave – of asking the first question. I'd like to ask Dr. Alterman, against the backdrop of Israel's 60<sup>th</sup> birthday, as you mentioned Ehud Olmert is on the ropes somewhat, if not completely. Who is up among his ministers? Who is the most likely successor? And what does that mean for the remainder of the Bush administration's term in working with whoever that leader may be?

MR. ALTERMAN: I think the first thing to observe is that for all the celebratory hoopla around Israel's 60<sup>th</sup> birthday there's also a real sort of bitterness, not quite bittersweet but a real sense that this isn't what it was supposed to be, that Israel's 60<sup>th</sup> birthday is a story of survival but not a story of triumph. That Israel is facing its 60<sup>th</sup> birthday with much darker prospects than it thought it would have 10 years ago at its 50<sup>th</sup> birthday. And that Israel has its 60<sup>th</sup> birthday with a sense that it may remain in conflict for its entire existence as a state. I think that there is this tone of sobriety which pervades a lot of Israeli discussions of its 60<sup>th</sup> anniversary.

Assuming that Olmert is forced from office, and I don't think that's a foregone conclusion at all, the likely successor in the Kadima Party is Tzipi Livni. The likely candidate on the left in general election is Ehud Barak, which is not what Tzipi Livni wants to have happen. So how this all gets played between Livni maneuvering to try to become the prime minister because that's her ambition, Barak trying to maneuver to become the prime minister because that's his ambition, whether the Labor Party stays in

or splits out of the coalition – I mean, these are all the political calculations that Israelis will be making – it may be that that’s enough to keep Olmert in office because of this great uncertainty, the sense that it would help the right.

So I think the whole thing is going to be dependent very much on back room Israeli politics, not anything that’s easy to tell from the outside, and certainly not where Israeli public opinion is going to be turning.

MR. SCHWARTZ: (Off mike.)

Q: Thanks. I’m tempted to make a joke about a tough woman running against Barak.

MR. SCHWARTZ: She looks great in pants suits, by the way.

Q: It’s about President Bush. You know, you laid out a pretty compelling case that this trip really cannot do any good, but I’m wondering, can his visit there do some harm? Can it set back efforts at peace between Israelis and Palestinians?

MR. ALTERMAN: It could. I think it’s more likely to be a sort of Pyrrhic victory, where they wave a document and claim success and then move on. I was just reading the Palestinian press before I came down, and the Palestinian press was hard pressed on the issue of settlements. I can’t imagine that Ehud Olmert in his current political condition can make a grand gesture on settlements because there’s a sense in Israel that that’s a very important card that you only play carefully. I have a hard time imagining that Mahmoud Abbas can do much without getting a lot on settlements.

And if you look at what’s happened since Annapolis, you’ve had some language about settlements but not anything like the clear signs on the ground of a shift in Israeli policy. So my guess is, rather than sort of forcing the sides apart, we’re more likely to have a sort of thin document which doesn’t really change the game, doesn’t really move things forward, doesn’t say anything that everybody doesn’t already know. But also doesn’t create momentum.

The problem is getting the politics and the diplomacy confused. I think one of the things that Yitzhak Rabin had right was he got the politics right and then he did the diplomacy from his political position. Neither Olmert nor Abbas has managed to get the politics right, and regardless of their intentions, it’s going to be extraordinarily hard to make even incremental progress on the diplomacy.

MR. CORDESMAN: May I just add one point. The other negative here may really be outside because we set a set of deadlines, which probably were impossible from the start. The message in much of the Arab world is going to be that we haven’t begun to sort of create the kind of pressure that many of them, usually unrealistically, expected. So if you have this meeting which celebrates, obviously, the 60<sup>th</sup> anniversary of Israel,

what is the message in the Gulf? And what Jon has described for the message of the Palestinians is just as much a message to the Arab world.

Q: Dr. Cordesman, you passed me on the briefing that didn't happen on Iranian support for militias, and at the risk of digressing from the Israeli visit, could you please help me understand about that? What is that about?

MR. CORDESMAN: Well, in theory the White House announced that there would be a briefing with slide shows and details on the nature of the Iranian arms advisory and other support to the various militias in Iraq, and obviously it was to have been concentrated on the Sadr militia and the jam (ph). It was called, and then about three hours later, and many of you probably were alerted to this, it was called off.

Q: When?

MR. CORDESMAN: This was before the Iraqis went to Iran. So the material sort of exists but it exists in limbo. And you have now had the Chairman of the Joint Chiefs and you've had the secretary of defense and others make the comments in general terms, but there have been no specifics about what is, I think, having been out there, a fairly realistic picture of steady increases in the quality of rockets, mortars, and arms.

The message out in the region, when you don't provide details and you make these charges, is that you have political goals. And one of the things it does is tend to fuel war scares. It doesn't help when you – to just give you another example – have a report on terrorism which describes Iran, again I think with some validity, as one of the leading state sponsors of terrorism, but then is virtually taken by word processor and copied almost exactly from the text that began in 2004 without a single fact or explanation that really justifies the description.

In a region where, and I think any of you who have been out there – I know Jon has had the same experience – you can't really go out to the Gulf any more without having a war scare about the United States attacking Iran. This kind of vagueness and this kind of not being specific and keeping things in context is a serious problem.

Q: You're talking about last month? Which is my recollection of when that would be –

MR. CORDESMAN: That's right. Yes.

Q: (Off mike) – these feelings of concern about the U.S. attack on Iran have to do with –

MR. CORDESMAN: I think very little because – I'd defer to Jon, but I'd been hearing about this now for, what, three years, with monotonous regularity?

MR. ALTERMAN: Can monotones rise? I mean, it's a rising monotony. (Laughter.) Part of – there's, I think, a general belief in the Gulf that our policy is more thought out and rational than what our policy process produces. So there's a real search for the underlying logic of it all. And the underlying logic has been that people think that we are taking steps to wage war against Iran. You can see the Admiral Fallon resignation and a whole range of other things.

In a lot of cases people discard the facts that don't fit the theory, and amplify the facts that do. So the U.S. has actually been trying to do a number of things over the last several years to reassure the Iranians in particular that we're not about to go off the deep end and there's something to work with. But the perception in the Gulf is that Vice President Cheney has a plan, the president has a plan, that it's all – you just have to watch Fox News enough and you'll understand it all.

I actually had a regional president's father-in-law told me at one point, he said, I really understand what's happening in the U.S.. You can come and you can give me all these sort of sweet words and everything else but I really know what's happening. I watch Fox News.

MR. CORDESMAN: And let me just, to give you another example. When I was on a speaking tour for the State Department in China last year, somebody in the Chinese press announced that the United States was going to war with Iran in two weeks. And that wasn't a casual reaction. Everywhere I went in China, this was one of the first issues I had to deal with.

I think it's hard for us to realize how serious this is, and it also cloaks over the fact that the number of encounters, not clashes, but the number of encounters in the Gulf is fairly significant, so there are tensions there. And you are talking not only about what's happening in Iraq but Afghanistan because there have been a number of statements for the record which don't get the same attention about Iranian interference in Afghanistan in the last, I guess, 10 days. There was one yesterday. So we're talking about some pretty serious tensions.

Q: The president keeps saying that he's optimistic or confident about reaching a peace agreement by the end of the year. Can you explain why he's doing that? Is it just the same way as he was saying two years ago that we were – that the United States were winning in Iraq? And what sort of agreement could the president come up with by the end of the year? Is there a possibility for some kind of agreement, low key agreement, or would you rule that out?

MR. ALTERMAN: The president is optimistic because he thinks his job is to be optimistic. Diplomats are often optimistic in public and pessimistic in private. It seems to be embedded in their DNA. And I think this president is just an optimistic person.

What I think he could come out with is something that ends up being a pale imitation of the Beilin-Abu Mazen agreement, you know, of the early '90s. We

understand what the basic agreement is going to look like, and the problem is not can you conceptualize it. The problem is, can you create a political environment where it's achievable. And the president believed for much of the last seven years that he was laying the groundwork for that political environment, that he was going to exterminate extremism from the Middle East, that he was going to unleash forces of freedom, he was going to marginalize the forces of terror. And it was partly because he thought that that's what would create that agreement.

And now he finds himself trying to get that agreement and finds that in fact not only is he in a weaker position but all the people he needs to make that agreement are in a weaker position.

Q: This may build somewhat on Cheryl's question. The way I understand it, the president will not go to Ramallah this time, that he'll meet Abbas in Sharm el-Sheikh, and it's hard to imagine a situation in which he recognizes the Palestinian commemoration, whatever you want to call it, on the 14<sup>th</sup> or 15<sup>th</sup>. Will the net total of everything he does on this trip really have the appearance of a hugely Israeli-weighted event, which is really nothing but a 60<sup>th</sup> anniversary celebration, with the expectation that he never will be back there again before the end of his – and this could be in fact not only his second trip but his last trip?

And does the sum effect of that kind of Israeli-weighted tone of an event which has little promise for producing any material gain, does that really do more harm than good, in terms of the perceptions in the region?

MR. ALTERMAN: I mean that this president feels tremendously more affinity for the Israeli narrative than the Palestinian narrative doesn't come as news to anybody. Most American politicians feel that the Israeli narrative makes sense to them, resonates, and that the Palestinian narrative, while there are certainly aspects of suffering that resonate, and I think they resonate with this president, it's a narrative of violence and struggle against a country with which the United States feels tremendous affinity.

So I think we're at a point where it's not news to anybody. I remember the comment that kept playing over and over and over, the sound bite was when he called Ariel Sharon a man of peace, and I think that looped on al-Jazeera for months. And it in many ways undermined his credibility among most Arabs, that he would be either an honest broker or an effective broker in Arab-Israeli diplomacy. His view has been that continuing to hold the line against Palestinian extremists would empower the moderates. And the moderates aren't in nearly as much – aren't in nearly as strong a position as he'd want at this point. But I don't think his conclusion is, so therefore we're going to take a softer line against excluding Hamas.

So again, I don't think the way he's doing this should come as a surprise. I don't think it changes the game. In fact, it reinforces everybody's understanding of what the game is, and increases the expectation on the Palestinian side that they need to wait for

the next president because whoever that president is, he's going to give them a better deal than this one.

MR. CORDESMAN: Let me just add the broad fact, I think we need to be very careful about talking about peace negotiations when cosmetics, if that's all they are, are only part of the story. Jon touched on this, but you've got a steady economic problem on the West Bank, not necessarily a deterioration, but the gap between people on the West Bank and the freedom to operate economically is certainly not improving, in spite of some measures. The situation in Gaza obviously continues to decline sharply.

The problems in Jerusalem have not been eased, and those are physical, day-to-day problems that ordinary Palestinians face. The number of security barriers that anybody actually confronts, particularly if they have to commute anywhere, haven't been affected at all, and aren't likely to be. You are talking about problems within the Palestinian movement, which in terms of corruption, or simply a lack of any coherence in development, are not being eased with time. You certainly as yet have not seen a movement toward successful development of Palestinian security forces, even on the West Bank, although I think progress is probably being made with the presidential guard.

When you have a situation where everybody on the West Bank knows that the presidential guard had to deploy yesterday for its first new commitment, and promptly ran into problems and did so without the equipment it was supposed to have had several months ago, there's a message.

So the thing I would very much concentrate on if I was looking at this is fundamentals because if I'm a Palestinian sitting in Jerusalem or in Gaza or Ramallah, I want to know what happens to me day to day, and being told there's another peace agreement, even if you reach one, is meaningless. I think this is something that's easy for us to lose sight of.

MR. ALTERMAN: Can I just underline what Tony just said? I think it's easy sitting in Washington to assume that the Palestinian authorities – one government – it's a quasi government and therefore is a kind of counterpart to the Israelis. And when you go to the West Bank, you realize that the institutional capacity of the Palestinian authority is utterly absent. The Palestinian authority doesn't have institutional capacity, whatever institutional capacity it has had has been worn down. And therefore, Palestinians don't have faith in the capacity of their government to make a deal in their name. This is not a small problem. It's not – it's not a marginal problem; it's a fundamental problem, and it's a fundamental problem when the goal of the United States and likeminded countries is to build up Mahmoud Abbas as a success story. And rather than Mahmoud Abbas presiding over a strengthened Palestinian authority, he's presiding over a withering Palestinian authority. That makes this harder, not easier, to do.

MR. SCHWARTZ: Anthony Cordesman touched on the energy issue. I just wanted to maybe get back to that for a bit. The president is also going to Saudi Arabia. Can we assume that it has less to do with a Palestinian-Israeli conflict and more to do

with oil prices in the U.S.? And I suppose the president is going to ask for the OPEC to open the spigots a little bit. What do you anticipate the Saudi response is going to be?

MR. CORDESMAN: It would be very unusual if the Saudis didn't do something simply because it's god manners. But the fact is that is this going to change the agreements being reached in OPEC. Is it going to be a major increase in oil output from Saudi Arabia that somehow will affect world markets? It's very, very difficult to see how, for several reasons. First, it's not clear what the incentive is to Saudi Arabia. We can't deliver on peace. We can't deliver on arms transfers. We can't deliver on the Iraq that Saudi Arabia wants. We are raising problems in terms of Iran.

And the reality is the market isn't being driven by us; it's being driven by China, by India, by rising Asian demand, which guarantees a market into the long-term. It's also a fact that in a number of countries outside the Gulf region – Nigeria, Venezuela, and elsewhere, the Saudis can look around and realize that the pressure on demand and supply is not going to be eased. I think what is striking is that Saudi Arabia was for a long time willing to talk about 14 and 16 million barrels a day. It didn't necessarily mean it, but it kind of went along with the United States politically. In the last couple of weeks, it's backed away from that position. It's for the first time said, essentially, that they may effectively have to slow down the increase in oil production.

Now, the fact is we're at a peak almost in speculative prices on oil. So if the president goes out there and Saudi Arabia does almost anything, you could get a dip in oil prices. But the fact is it isn't going to matter very much. And it's a problem that I think people have not paid close attention to. Kuwait is still suffering from internal political problems, which effectively mean there is no way it can efficiently increase oil production.

The UAE is getting a lot of money, and it isn't using the money efficiently to improve its oil production. Qatar does have a very efficient oil company and gas company, but it isn't at this point an expanding producer. Whatever happens in Iraq is going to take a long time. And there are little vulnerabilities here. For example, all of the oil that comes out of Iraq comes through two basically un-renovated oil platforms out in the Gulf that are themselves very, very vulnerable. As for Iran, obviously the president isn't going out there to announce important increases in Iran's future oil production.

So I think one thing we are often losing sight of is that even if you get a cosmetic agreement, and oil goes down to, say, even \$100 a barrel, it doesn't solve the economic pressures involved, it doesn't affect the long-term market, and it doesn't affect the mid-term market. So the best cosmetic outcome isn't going to have any meaningful impact on the global economy or global energy supply. It just can't work like that.

MR. ALTERMAN: Can I also amplify something I think was implicit in Tony's comments. It's easy to shorthand the trip to Saudi Arabia and say the president wants to get the Saudis to pump more oil. The U.S.-Saudi discussions are going to touch on Iran, Iraq, Arab-Israeli issues, counterterrorism – I mean, all issues, except for

counterterrorism, issues where the Saudis say the U.S. capacity, the U.S. skill, the U.S. trustworthiness in fixing these problems is not something to have a lot of faith in.

U.S. is trying to sell arms but can't really get Congress on board. The Saudis don't have an alternative to keeping the U.S. in its corner, but their reliance on the United States, their confidence in the United States is extremely shaken, and I think that contributes to Tony's sense that they'll be polite, but they're not really going to put themselves out to help this president. In past years, the Saudis have really put themselves out to help American presidents. We saw what they did in Afghanistan. We saw what they did in Nicaragua. There have been any other number of instances where the Saudis said privately we really want to be your ace in the hole.

This relationship has been unalterably changed partly by the events of September 11<sup>th</sup>, partly by what's happened in Iraq, partly by a Saudi sense that the United States isn't nearly as competent as they thought. And while there is no alternative to the United States, there is suddenly a need to hedge against U.S. incompetence. That changes the whole way these meetings go, and it changes what happens when the U.S. president says I really need you to do this.

Contrast this with what happened in the Iraq war in 1991. and if you look at the history of the Middle East – I just did this for a presentation, so it's on my mind. If you look at the history of the Middle East, oil prices spike when you have major conflicts in the U.S. They spiked in the 73 war. They spiked with the Iranian revolution. You look at the war with Iraq in '91 and there is no spike and there is no spike because the Saudis pumped more oil and kept more oil prices steady. Not only that, the U.S. actually made a profit in the '91 war because the Gulf allies contributed the costs of the war.

Contrast that to now. We're not going back to that; we're dealing with a very different reality; our allies in the Gulf really on us but don't have nearly the confidence, and are going to continue to hedge against our incapacity and continue to look, as Tony very rightly said, at the growth markets, which are in South and East Asia, and not in the U.S. where our oil demand is actually diminishing.

MR. SCHWARTZ: Did you have a follow up?

Q: Yeah, I was wondering – (off mike) – something that they can spin – (off mike).

MR. CORDESMAN: Well, I can only remember one time, and it was when then-Vice President Bush made some statement about oil prices two days before he went to Saudi Arabia. And all the Saudis did was not take him too the usual luxury arrangements of a visiting U.S. figure. Saudi Arabia would be sending an incredible signal if it didn't sort of do something. But it is – as John mentioned, it is this presidency. He mentioned the Gulf War in 2003. It's important to note, quite aside from the King – then-Crown Prince's visit to George Bush. Saudi Arabia was still, in spite of its opposition to the invasion of Iraq, willing to provide over flights, willing to provide air command and

control, quietly turned over the town of RR on the border with Saudi Arabia to U.S. Special Forces, something that, when you think of it, is a somewhat unusual arrangement for any state.

All of these things were the characteristic half a decade ago. And a lot of the rules have changed. But more than that, when you look at the energy projects we make, that any of the various international energy organizations make, Saudi Arabia, the Gulf States are looking at a future where Western demand in general and U.S. demand in particular doesn't drive global oil markets.

So even if improvements occur under the next president, it isn't clear why, barring some kind of global recession or depression, the facts on the ground change out there. The fundamental motives for the Gulf, economically are driven by Asia, even if they remain dependent on us, as John said, for a security guarantee. But it's a security guarantee they know we have to give.

We have to, in many ways, be in those bases for Afghanistan, for Iraq, for the global economy. It isn't something where we can threaten to take our forces and go home.

MR. SCHWARTZ: Jackie.

Q: (Off mike.)

MR. ALTERMAN: I think he has had some impact, but he's consistently failed at engaging this president and the kind of active participation, the kind of peacemaking he has tried to do. Now, Tony Blair has been trying to do this for years. You know, he tried to trade it off in exchange for British cooperation on Iraq. He has tried to come back and engage the president on Arab-Israeli peacemaking, and he has a very particular sense of what the U.S. should be doing, which is not what the U.S. is doing. And his persistent inability to move U.S. policy in the direction he wants to move it keeps him ultimately from creating the kinds of negotiations he's trying to create.

Q: (Off mike.)

MR. ALTERMAN: You know, he doesn't know who the next president's going to be. And I spoke to him about a month ago and got the sense that he was full-steam ahead now and will be full-steam ahead with the next president, too.

MR. SCHWARTZ: John?

Q: Do you get a sense of which Israeli – which presidential candidate – (off mike). In particular, I just wondered if Obama's elected and Barak is – (off mike).

MR. ALTERMAN: I mean, I just – there's too many uncertainties about how you get there and what's happening in Palestinian politics at that point. I have a hard time

believing that the next president, whoever he or less likely she is, is going to either be able to avoid this or is going to want to leap into it first thing.

But yeah, the other thing is that you could have real crises with Iran and Iraq, either some time in the next nine months or early in the next president's term, which could overshadow whatever effort somebody has decided to make to engage in Arab-Israeli issues. So I'm going to duck.

Q: (Off mike.)

MR. SCHWARTZ: If you could you use a microphone.

Q: Yes.

MR. ALTERMAN: Do they have preferences?

Q: Yeah, whether they have preferences among the parties on which candidate they'd like to work with.

MR. ALTERMAN: There has been a sustained campaign against Obama in the Jewish community, which I think has at least made Israelis take pause at what an Obama presidency might look like. There's just an article in the Jerusalem Post today, I think, talking about how people perceive to be hostile to Israel also support Barack Obama. I know the people who are doing Middle East stuff for Obama; I don't believe they're hostile to Israel. But I think there's a sense of uncertainty and unease. There's also this sense of optimism, I think, all through the world, in Europe, in the Arab world and Africa and Asia, about what an Obama presidency would mean, having a president who was sort of explicitly international and himself multicultural. Whether that could be an asset for an Obama presidency, I don't know.

I think, ultimately, when you strip the politics out of this, everybody understands you have to deal with the American president, whoever he or she is. You have to use whatever tools you can to get that president to support your position. And they understand that, to their great dismay, they don't get a vote, but they're affected by the U.S. president. And that's the way they look at all of this.

MR. CORDESMAN: If I may give you a caution, too. You know, the next president doesn't formally take office until January. The next president's team probably won't be on board until just about this time next year, at the earliest. By that time, a year will have elapsed in terms of Gaza and the West Bank. All of the Israeli political issues John raised will have changed the facts on the ground. Whatever the new president is, we will have been through an entire presidential campaign season changing the realities in Iraq, in Afghanistan, which impact on this because these are all interrelated. And you'll be at the beginning of another campaign season before the new president actually can put a team in place and begin to take office.

So when you talk about the next president in terms of the values of May of this year, regardless of what people may or may not think, the fact is that almost all of the realities that affect this region in terms of the most serious risks can change radically in ways which make whatever people say today if not irrelevant, at best a preface to the future.

I think we are not, as Americans, particularly good at dealing with time. But time is going to be very real to most of the people in this region. One way or another, Iraq will have played out a lot of the tensions we see today. Afghanistan will have gotten better or worse, I think most people estimate worse. But I find it very difficult to believe, and maybe John has a different view, that we can talk about negotiations with the nominal head of the Palestinian movement in the West Bank and not have Gaza become an absolutely critical issue between now and the time the next president can really be relevant.

Q: Can I just follow up really quickly? The question about Ehud Barak and Barack Obama, what I was getting at was that does the anti-Obama sentiment extend to Ehud Barak and his party in Israel?

MR. ALTERMAN: When somebody's the president of the United States, you deal with the president of the United States. And the Israeli relationship with the president of the United States is a vital strategic relationship for Israel. I think one of the great strategic victories of Ariel Sharon was building a relationship with George Bush. Perhaps an unlikely relationship, but a relationship which, I think, most Israelis consider to have been vital for Israel's security.

I have no doubt that if Obama is the president, that Israeli political leaders will seek to have as constructive and as positive a relationship as they possibly can. And knowing the possibility that he'll be elected, they won't do anything in the lead-up to that election which might handicap that possibility. I mean, Israel feels in a tenuous enough position that they don't take risks with their national security like that, and maintaining a strong relationship with the United States is the underlying basis of every Israeli prime minister's strategic framework toward the world.

MR. SCHWARTZ: Wendell?

Q: I think there's a sense that the war in Iraq and other diplomatic efforts by this administration weaken the president's credibility substantially, and I want to ask you whether you feel there is time in the nine-and-a-half months left in his administration for him to do what many people think he wants to do, which is to engage Iran in military action. Can he get there?

MR. CORDESMAN: Well, first, I have never seen any indication that we have built up forces, prepared the U.S. military, laid the groundwork for a serious strike on Iran. I think there is a very interesting obsession with carriers. Sometime, perhaps the Department of Defense should start issuing GPS coordinates on where the carriers really

are because when they're overlapping and they're 1500 miles apart, it's very difficult for me to see how they're overlapping near the Gulf, but they've been reported on several occasions to be overlapping when they were that distant. And it wouldn't be a carrier-driven force, so the fact is unless somebody has insight and in sort of – if you have a war plan that I know nothing about, and nobody I know in the Pentagon knows anything about, and nobody in the region that I know of knows anything about, it just is not clear that anybody in the administration is preparing for any kind of operation of that level.

Now, the problem we face that is really beyond the president's control and everyone else's is when you go out to talk to the people in Bahrain, at the fleet there, or you talk to people who have to do the surveillance work in places like al Udayd, we find ourselves in an almost constant set of problems trying to monitor what the naval branch of the revolutionary guard is doing day to day. We are constantly caught up in problems because the Iranian operations are so close to the two major Iraqi oil platforms in the Gulf that they can play chicken any time they want and they almost just have to leave port. We watch their exercises, and their exercises are not defensive in a serious sense when it comes to what's happening in the Gulf area. Does that mean that they're planning to attack us? No. Does it mean there's a possibility of a low-level clash? Yes.

For all of the fact that I think we should have been far more explicit about what's happening with Iran and Iraq, we also could have reason to try to deal with some of the training facilities for Iraqi militias in Iran. There may be the kind of clash or pressure which would force us to try to put military pressure on Iran to stop supplying Iraq. I think the case for Afghanistan is much more tenuous. But I go through this because you have to make a very clear distinction between a very low-level clash which probably will damp out almost immediately, but trigger a great deal of over-reaction in political panic, and for that matter, no one ever accused oil traders of showing any patience. And what could be real because I don't think any of the press reports in this country or anywhere else about the United States building up for a serious military clash with Iran are credible.

MR. ALTERMAN: Can I just – I think you have to distinguish between a desire not to take a military option off the table and the likelihood of a strike. And complicating the idea of a strike is, well, what are your objectives; I mean, how do you declare victory at the end of it? And how do you declare victory against a foe which prefers to fight asymmetrically?

It seems to me that all these things suggest continued tension rather than the outbreak of warfare, I mean, as Tony said. But it's easy to look at the efforts at pressure on both sides and confuse them for the winds of war.

MR. SCHWARTZ: I'm going to go to Sarah then back to Cheryl.

Q: Yeah, I just wanted to go back to the Israeli-Palestinian track and ask – I suppose hypothetically – if you were to advise President Bush how to achieve something positive from this trip, is there anything that he could do at this point? Should he stay at home – in terms of having a positive impact at this stage?

MR. ALTERMAN: Well, he's not going to stay at home, and you know, giving advice to presidents that they're not going to take doesn't really help anybody.

Q: (Off mike.)

MR. ALTERMAN: No, I think he could give a talk which really lays out the hard choices forward and the commitment to the United States – a historic commitment to help when we can. And I think that there is some room for the president rhetorically to say some things which could steel – or that can support people in each party who want to continue this effort.

But I'm not sure I'd go much beyond that at this point. It seems to me, again, that the time now is to begin to shift the politics, not to go into the negotiation.

Q: Yeah, the president and his advisers feel, I think, that they inherited a bad hand in the Arab-Israeli conflict from the Clinton administration. So what hand will they turn over to President Bush's successor – sort of are we better off now than we were when he took office or not?

MR. ALTERMAN: Look, I think the first thing to start with is we have no idea who is going to be leading either Israel or the Palestinian Authority at that point. I mean, Mahmoud Abbas – I think his term ends in March. We have no idea what is going to be happening with Israeli politics.

So in many ways you will have a clean slate – a much cleaner slate than this president inherited. I think there will be a sense of anxiety on the Israeli side that perhaps this president won't take Israelis security concerns as seriously as President Bush has; as sense of optimism and probably irrational exuberance on the Palestinian side that now that there is a new U.S. president that suddenly the U.S. is going to put boots on the ground in Tel Aviv or some other way to pressure the Israelis to make concessions. And there will be a feeling of – a period of feeling the sides out.

I think, as Tony and I have suggested, that the likelihood that there will be something else that will demand the urgent attention of the new president is probably greater than the likelihood that the new president will jump feet first into trying to mediate this conflict. But I think the new president will feel that this president spent too little energy through his term and that there is a need for a higher level and more sustained U.S. engagement in bringing this conflict to some sort of resolution.

That's a lot of hypotheticals and that's a lot of uncertainty. But my guess is, as Tony said, we're probably a year away from having a team, but probably the summer of 2009 you're going to see some indication of a greater U.S. effort than you've had in the summer of 2008.

MR. CORDESMAN: You asked, though, a historical question, and I think whatever happened at Camp David or Taba, it wasn't clear that you could not have moved forward.

But a few facts to remember about the president's legacy that have nothing to do with the peace process: there was last year's war in Lebanon, with all of the repercussions, what it did in terms of impressions of the IDF, Israeli security. Israel has attacked the reactor in Syria. The United States, I think, has endorsed it, and I frankly have my sympathy for that.

You have Hamas in charge of Gaza. You have the Palestinian security forces, which were relatively coherent at the end of the last president, virtually destroyed. You have Iran – certainly much more strong and, in many ways, much more testing of us – and you have the impact of the Iraq War. And you have, I think, a fair amount of frustration among the Arab world, having made a peace initiative which wasn't picked up when the initiative was made. Now that's the legacy you can't change. That's going to be the legacy the president will inherit.

If you ask a direct question – which was more of a problem: the failure of Camp David or Taba or the impact of all of those variables – well, some of you have these nice charts that you've put into television or print coverage with scoring values that are derived, I assume, from various interns, and I'll leave it to you to figure out how to weight the variables.

MR. SCHWARTZ: Never underestimate the value of interns.

With that, I'm – we're going to have to wrap up, but I do want to ask one final question. Syria hasn't been mentioned until now, Dr. Cordesman. How does it fit into this equation?

MR. CORDESMAN: John and I could easily spend an hour on that, and indeed, we were both in Syria last year where we were both somewhat ironically told by President Assad that not only did they have no interest in nuclear weapons, but Iran didn't. And he gave us a very sophisticated set of arguments as to why they didn't.

Look, I think the reality is that Syria has now seen yet again that whatever covert or quiet negotiations have taken place, Israel attacked. Israel has seen that Syria was willing to take the chance of what seems to have been building a copy of a North Korean reactor. That has to change the facts on the ground.

The truth is that as a result of the Lebanon War, both sides have changed their conventional posture. There have been repeated major exercises by Israel; a reorganization of the IDF to deal with the risk of a war with Syria in addition to major exercises; changes in the Syrian army posture on the Golan, and these are not issues you can ignore.

Syria and Iran have effectively rearmed the Hezbollah. Now there are a lot of different claims and numbers involved, but the fact is that the U.N. mission hasn't been able to alter the reality on the border with Israel. It has prevented or perhaps controlled the risk of incidents.

There is, I think, enough suspicion in Israel that Syria and Iran have provided aid to Hamas, some of it financial, but some of it possibly technical, some of the rocket launchers inside Gaza are, if not of Iranian supply, which I doubt, but are almost exact copies of systems that Iran and the Hezbollah have used. Those are realities that are rather difficult to change at this point. And what I don't see is, for all of the talk of giving up the Golan, does Syria believe that somebody today in the Israeli political system could give up the Golan? Well, John, already gave a pretty good explanation of the difficulty that would occur there. Is Israel about to give up the Golan without some broader security structure? It's hard to believe. And that's just the summary. If John had the hour to put this in political context – and then we'd have to go on and deal with Lebanon.

MR. ALTERMAN: Well, let me just, you know, for a minute – it seems to me that each side has a keen tactical interest in pursuing this. Ehud Olmert has two reasons. One is to convince the Palestinians the train is leaving the station and Israel may shift its attention from the Palestinian issue to make Syrian peace, to try – and to try to show that Ehud Olmert is a creative and successful diplomat, which can help preserve his political career.

President Assad has an interesting pursuing this because he has always seen a willingness to talk to Israel as a way to relieve pressure on Syria and perhaps a way to drive a little bit of a wedge between Israel and the United States, which he feels is always doubled-teamed against Syria, and here is a way to get Israel to actually work a little bit with the Syrians, that Israel is working with the Syrians, and nobody is going to attack Syria. I think that each side sees a tactical advantage in pursuing this. Strategically, is either side ready to make serious concessions to engage in serious negotiations? I don't think they're anywhere close to that. This is all a sideshow for them. But it's an extremely useful sideshow because it's a sideshow that helps relieve pressure from the real serious strategic problems that each political leader faces.

MR. SCHWARTZ: Great. This has just been a fascinating session. And I want to thank you all for coming. We will have a transcript out later today, which I will mail out to each one of you. And thank you, again, for coming. And if you need any assistance while you're on the trip, please contact me. Thanks so much.

(END)