

**THE WASHINGTON INSTITUTE
FOR NEAR EAST POLICY**

2009 SOREF SYMPOSIUM LUNCHEON AND KEYNOTE ADDRESS

**"THE MIDDLE EAST SECURITY AGENDA:
AN ISRAELI ASSESSMENT"**

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THURSDAY, MAY 7, 2009

*Transcript by
Federal News Service
Washington, D.C.*

Good afternoon, ladies and gentlemen—I'm very happy to be here. It is a great pleasure to be speaking to this distinguished audience. On a personal note I must say I spent two wonderful years at the Institute. I have high esteem for the work done at the Institute. This is, I think, a fountain of knowledge, a powerhouse of policy ideas. The Institute, I think, has an impact and makes a difference.

Now, an old Chinese curse says that may we live in interesting times. In the Middle East, I must say, we always have interesting times—never a dull moment—but these are especially interesting times, I think. Everything in the Middle East is on the move now. We have a new government in Israel, now doing a very extensive policy review. We have upcoming elections in Lebanon and Iran next month. We may have elections in the Palestinian Authority by the beginning of 2010, and we may see a new and different leadership, post–Abu Mazen and Fayyad, to cite what President Bush said at the time about the new, different leadership in the Palestinian Authority.

And we have a new American administration with, clearly, [a] different policy on the Middle East—less unilateralism, more multilateralism, less emphasis on democratization, more emphasis on engagement—and all of this in the shadow of a global economic crisis, an unprecedented one, which is also felt in the Middle East; in the shadow of Iran nearing nuclear capabilities; the U.S. about to leave Iraq in about two years or so; and growing concern over Pakistan.

So the sand dunes in the Middle East are moving. The Middle East is in transition. And the question in the region posed to ourselves and to our friends is, in transition to what? Where exactly are we headed? What is the direction of things? I think where we could impact the direction, and we should impact the direction—and I'll focus my words about this.

I recently had the opportunity to meet, away from the public eye, with a very prominent figure in one of the Gulf states, a very eminent figure, and this guy started our discussion by saying to me the following: "Look, he said, "the reason I had an interest in meeting you could be summed up in one four-letter word—I-R-A-N, Iran. We are on the same side. We feel threatened by the Iranian nuclear projects, by their political ambitions, by their subversion and so on. And frankly," he said, "we are skeptical of whether Iran could be stopped. We don't know if the U.S. administration will be assertive enough, and if Iran goes nuclear it's going to be hell for all of us."

Now, I think this anecdote, in a way, encapsulates the general feeling today in the Middle East. When you talk to—when we talk to our neighbors in Egypt, in Jordan, in the Gulf states, in North Africa, the number-one topic that comes up is Iran. They are scared by the Iranian projects and ambitions. They are willing to do a lot in order to stop it. They don't know exactly what. They are skeptical—some of them—of whether Iran could be stopped.

And most of all, I think, these people are yearning for American leadership. They look for leadership. They hope that the U.S. will be assertive enough in stopping the Iranian project, and they fear that if the U.S. will not be assertive enough they will be left alone and sold out. I think that given the current feelings in the region about Iran and given the world economic crisis and oil prices and so on, this also affords an opportunity, which I hope will be taken. Indeed, the general discourse in our region is about the confrontation between the radical axis led by Iran with its nuclear program, its terrorist activities, its political ambitions, its subversive activities, and what's usually termed as a moderate Arab axis.

And everything in our region is weighed, is judged by this standard, in this wider regional context. That's the way I think; you could see the signs in 2006 when we were fighting Hezbollah in Lebanon. You could see it, I think, more clearly when we were fighting Hamas in Gaza more recently. That's the way regional actors judged developments and acted upon them. The fact that there is this 800-kilo gorilla in the room, I think, impacts everybody—impacts the behavior of everybody. People in our region become nervous.

Some of them I think are moving away—exerting more efforts in order to stop the Iranians and be more assertive. Others, who fear that Iran can't be stopped, are aligning themselves with the Iranians. And the fault lines in Lebanon, in the Palestinian Authority, in Iraq, are heating up because of this. In the Palestinian Authority, you have basically two political entities: one in Gaza and one in the West Bank. In Lebanon, you have another failed political entity. With upcoming elections, we shall see what the results will be. And also, in Iraq things have not calmed down yet.

So look how this perception of the original picture of this confrontation between the radical and the moderate axis impacts the behavior of some of the regional actors, and you see things that you have not seen in the past. Look at Egypt, for example. Look at the way Egypt behaved while we were operating in Gaza. They basically, without saying so, gave us a free hand and wished that we would crush Hamas. By the way, many of our neighbors privately used to tell us, why don't you destroy Hamas, while, of course, publicly condemning us.

But that's the way people [reacted]—because Egypt thinks that Iran is the biggest problem, because they regard Hamas as a threat to Egyptian national interests, that's the way they acted. Look at the way they reacted to what Hezbollah was doing on Egyptian soil. I think that what you hear from them publicly is, again, unprecedented—the way they speak about Nasrallah, about Hezbollah, about Hezbollah as an Iranian arm.

In the past I think the diplomatic discourse in our region was much more subdued and nuanced, and today these people come out publicly and say what they feel. Look at Saudi Arabia. How much money are they pouring into Lebanon in order to have an impact on the results of the elections? Look at Lebanon—the Iranians and the Saudis each pouring [in] huge sums of money in order to have an effect on the results of the elections.

Saudis are very nervous. Saudis are willing to talk to the Chinese about energy issues, given the crisis with Iran. Again, this is not something that we've seen that way in the past. Look at Morocco severing diplomatic relations with Iran. Look at Bahrain, nervous about an Iranian prominent figure declaring that Bahrain is the fourteenth province of Iran. It reminds me of something.

On the other hand, you have Qatar basically practically joining with or aligning itself with a radical axis because they think that Iran couldn't be stopped and Iran is their neighbor. We once were told by a Qatar leader, he said, "Look, Iran is like a few dozen meters from our shore. I have to take that into consideration. That's why I behave the way I behave." So you have American forces on the soil at the same time they allow Jazeera to do what it does. But recently, I think it's quite clear that they have aligned themselves with the radical axis.

Syria, on the other hand, is keeping all their options open, and they are an active member of the radical axis. At the same time, they keep saying—reaching out and saying that they want an active peace process. They are willing to go for a peace process with us. And they're doing also something else, which I think is very interesting, in the face of this moderate Arab-Sunni axis, including Egypt, Jordan, and Saudi Arabia. They are trying to align themselves now with Iraq and Turkey, their neighbors, and not necessarily—when you talk about getting Syria back to the Arab fold—not necessarily with Egypt or Saudi Arabia.

So if you look at the whole picture I just described, the sands in the Middle East are moving. As far as we in Israel are concerned, what we see facing us, in concrete, tangible terms, is a radical axis whose head is in Tehran, whose body is in Damascus, and whose front arms are in Lebanon with Hezbollah and in Gaza, with Hamas trying to kind of strangle us.

We have had armed conflict with these two arms—with Hezbollah in 2006 and with Hamas more recently. They are drawing the lessons from their conflict with us, trying to strengthen themselves, [to] rearm themselves both militarily and politically. In Lebanon, you have Hezbollah with three times more rockets than they used to have during the crisis in 2006—over 40,000 rockets. They have capabilities of their military: long-range rockets, UAVs, drones, artillery, and other capabilities that only militaries possess.

And in the Palestinian scene, you have Hamas controlling Gaza, trying to reassert themselves, but also their ambitions of course go beyond Gaza, and if political elections were held, I think they would try and of course reassert themselves in the West Bank as well. And beyond that, what we see is a growing coordination between the members of this axis. You clearly see very active military coordination between Iran, Syria, and Hezbollah. I think what you see today in Hezbollah, the way they are arming themselves, if in the future there will be war with Syria—God forbid, I hope not—then Hezbollah could pose as another front for the Syrians.

In Hamas, you see a growing dependence on Iran. In the past, Hamas kept kind of at arm's distance from Iran. That's not the case anymore. They get money from them, they get weapons, there was extensive smuggling efforts done by the Iranians following the war in Gaza, and they're trying to build Hamas the way they built Hezbollah toward the armed conflict we had with Hezbollah in 2006.

Let me now say a few words about each and every one of these members of the axis. Let me begin with Iran and with its nuclear project. I don't have to say much about the nature of the Iranian threat—their ideology, the merger between their ideology, the nuclear project, terrorist activities, political subversion, and so on. Everybody in our region feels it. We have no doubt that Iran is striving to reach nuclear military power, not just nuclear peaceful power but nuclear military power.

I know that some people around the globe are saying to us they want nuclear energy but not necessarily military. I think we have clear evidence that what the Iranians are after is nuclear military power. Now, in order to gain nuclear military power, you need three elements. You need enough fissile material, you need delivery systems, and you need weaponization, and let me say a few words about each of them. And I would begin with weaponization.

According to the last U.S. NIE, the National Intelligence Estimate, it said that Iran stopped weaponization in 2003 and that there was no evidence that this was resumed. Well, on this we beg to differ. We think that the Iranians have continuously dealt with weaponization, but in any case I don't think this is the key issue. It's not a bottleneck. If they have enough material and if they have the delivery system, this is not going to be the bottleneck.

The delivery system they already have. They have missiles and they are extending their range to 2,000 kilometers and they are buying and producing other types of missiles, long-range missiles. But the key issue is, of course, enrichment of fissile material, and they are proceeding to—(inaudible)—plutonium and uranium, and I will speak about the more immediate one, short-term one, namely the enrichment of uranium.

In order to have one nuclear device, you need 1,500 kilos of low-enriched uranium, which you then turn into high-enriched uranium—90 percent and more—and together with weaponization, you have a nuclear bomb. The Iranians, up until now, according to our information and IAEA reports, stockpiled over a ton, over 1,000, perhaps 1,100, kilos of low-enriched uranium, and if they continue at the same pace unabated, they will have enough low-enriched uranium for one device by the end of this year or the beginning of next year.

And that could be a problem once they reach this breakout capacity. Now, it means that while we still have time to deal with the problem, we don't have very much time to deal with it because once they have this breakout capacity, and if, under a certain scenario, they decide to enrich to a higher degree of enrichment and weaponize them, they can have a first device by the end of 2010, perhaps the beginning of 2011, and that's not very far away.

What will the Iranians do once they reach this breakout capacity? In theory there are four scenarios. The first is they could break the rule, withdraw from the NPT, kick out inspectors, take hold of the stockpile they have, and turn it into high-enriched uranium. I'm not sure this is their first priority, because if they do so they of course defy the whole international community, and I don't think they want that.

But on the other hand, some people reason that they might do so because if they do so and they declare to the whole world that they have become a nuclear power, then maybe in their minds they insulate themselves from international response. What can they do to us? We are already nuclear. And the North Koreans have done so, and if the Iranians look at the North Korean example, they could draw some encouragement from it. What happened to the North Koreans? So, while I don't think this is the first Iranian choice, I can't rule out that this is what they will do, which means that once they reach this breakout capacity, we are in a real danger zone.

Second option for the Iranians would be to stop at this threshold once they have enough stockpiled and continue with low-enriched uranium and stockpile material for a second device, third device, fourth device—I don't know—until they find the right moment to break ahead if they feel that the international community is not strong enough, not pressurizing them enough and they have an opportunity, then they might break ahead.

The third opportunity is to stay with the existing inspected material they have. They could do so, but I think it would slow them down considerably. In theory, it could be done under—based on what IAEA tells us, they could divert or steal up to, I think, 15 percent of the stockpile without this being noticed.

And, fourthly, there is always the scenario for what experts call a bomb in a cellar, namely that they will have—or maybe already have and we don't [know] about it—a fully clandestine project, line of production, and while continuing with the known sites, the inspected sites, they will go on [with] this clandestine project and reach nuclear capabilities. It's not something that we know about. We suspect that they will want to have some sites unknown to us, but, again, you don't know what you don't know. I can't rule out this possibility.

In any case, to sum up these scenarios, I think once the Iranians reach a breakout capacity in terms of sufficient stockpile of low-enriched uranium, we are in a danger zone. There are several policy options vis-à-vis Iran. The American administration opted for engagement, and while I think this is a legitimate policy course, some questions must be asked about it, and when Israel asks a lot of questions, then I think everybody in our region asks the same questions about engagement. And basically there are four questions.

The first question is, what is the exact goal of engagement? How do you define it? How do you measure success or failure of engagement? Now, it's not enough in our view to give a general description, say we want to stop the Iranians from going nuclear and so on. I think you need to define it in concrete—clear, concrete terms as far as we are concerned.

We don't see the Iranians enriching uranium on their own soil. There could be enrichment somewhere else where it's monitored and it's properly inspected, but if it's in Iran, there is no way you can properly inspect it. And we don't want to see them reach that breakout capacity I earlier described. And we do hope that this goal will—that's a goal that will be set by the administration here.

The second question is about the time frame. How long are you going to allow for talks with Iran? We think, given the timeline I described earlier, the time frame should be a short one, perhaps measured in months. I don't set the specific time frame, but it should be a short one. The Iranians should not be given the opportunity to use the talks in order to buy time. This leads me to the third question, about benchmarks. What should be the benchmarks for engagement? And here I want to focus on one point, and that is that the Iranians are continuing enrichment while talking to the U.S. and the international community.

While I realize that the U.S. and its allies decided not to set a precondition, mainly not to say to the Iranians, stop enriching before we sit down to the table with you, but this demand should be on the table while they are talking, and if Iran complies, then fine, but if Iran does not comply I think it makes sense that the Iranians will see in front of their eyes increasing sanctions. While you talk, okay, you enrich, we apply additional sanctions.

The fourth question is what happens if it fails? And I think we might find ourselves in the situation down the road where there will be a debate over what is failure, has it failed? I expect that some people will say, give it more time, try additional avenues and so on, but if it fails, Secretary Clinton said that Iran will face crippling sanctions.

We mapped out those areas of Iranian vulnerability. There are plenty of them, I think. The Iranians are highly vulnerable. I think a lot of pressure could be applied in terms of their dependence on refined products. As you probably all know, about 40 percent imports—the Iranians have to import about 40 percent of their needs.

In terms of trade insurance, in terms of Iranian international transportation, the shipping company, which was mentioned in the UN Council Security [sic] resolution, their air transportation company and others, investment in the energy market in Iran. The oilfields are dilapidated and they need a lot of money and know-how in order to upgrade them.

Of course, also another area where I think Europeans could do much more is deny credit guarantees to companies doing deals with Iran. I think the fact that we have an unprecedented global economic crisis with low oil prices today, and the Iranians really feel the heat and the Iranian economy is in shambles, affords an opportunity to the international community to pressurize Iran much more effectively than in the past.

And I would hope that if we come down to that point, that the Russians, Chinese, Indians and others will be involved. I think there is a chance of getting there if you carry the right dialogue with them. As far as Israel is concerned, I would just make the following points: When we say that a nuclear Iran is unacceptable, we mean it. When we say that all options are on the table, we mean it.

We're serious about it. And we recommend others to regard it in the same way. I think that if you really want diplomatic and economic pressures on Iran to work, you must maintain all options on the table because if they think that all options are not on the table, I think it will encourage them to defy those sanctions and pressures.

Let me now say a few words about Gaza. I am often asked by people, why did you stop the operations in Gaza? Why didn't you go the whole way and crush Hamas? And I want to say that policy is about choosing between options, and while—when we got to the point where we decided it was unbearable, the firing of rockets, and we have to take actions, we were faced with two basic policy options.

One was to topple the Hamas regime in Gaza and the other one was to beat Hamas in such a way so as to create sufficient deterrence so that they would stop firing for a long time, and to find a proper solution for the smuggling of weapons from Egypt to Gaza. Now, we ultimately opted for the second option, the latter, and not for the first or, if I could borrow a phrase from Tom Friedman, he asked, "What's the Israeli aim? Is it to educate Hamas or is it to eradicate Hamas?"

So it was to educate Hamas, the reason for that being that in order to topple the Hamas regime, we believe that we should have employed major forces, divisions to occupy the whole of Gaza, to stay there for a very long time, to assume responsibility for 1.5 million civilians in Gaza, and with a questionable exit strategy. I mean, I don't think the PA would assume responsibility over Gaza on Israeli bayonets and I don't think anybody in the national community would guarantee us that they would replace us.

And beyond all of this, having said all of this, Gaza is not the number-one challenge that we face. I mean, it's a pressing issue but it's not—we have Iran, we have Hezbollah, we have other issues. So we decided what we should do is create enough deterrence and stop when we stop and not go the full way. I think, in retrospect, Hamas was badly beaten. I don't think they've ever been beaten in such a way before. I think we have created a sufficient deterrence, for the time being at least.

The situation is quiet—hardly any firing of rockets. If there is, Hamas is trying to enforce the ceasefire on other factions. They won't say it publicly but that's what they are trying to do. They have an interest in a quiet situation. And as regards smuggling, I think the Egyptians are doing, today, much more than they have ever done. It doesn't mean that they meet our full expectations. There is much more that could be done. But I think smugglers feel the heat of the Egyptian pressure today.

How do I know? Because the prices of weapons in Gaza skyrocketed. That's how I know. That's the best proof, I think. So I'm not saying that they are not smuggling, but the situation is much better than it used to be, and the alternative for what the Egyptians are doing would be for the Israelis to conquer that corridor of Rafah and stay there for a long time. And, again, I don't know who would replace us.

And this is part of our lessons from Lebanon. In Lebanon 2006, we beat Hezbollah, we created sufficient deterrence so they are quiet, but at the very same time the border between Syria and Lebanon is porous. And, as I said, they tripled the stockpile of rockets. So in the future, if there is an armed conflict with Hezbollah, it will be much more difficult for us than the previous one.

If we manage to have a ceasefire in place for a year or two years, for as long as it takes, I don't know, I think beginning [in] 2010 we will already have the initial antirocket system that we are developing, and it's one of our strategic lessons in past years that the Israel is exposed to rockets and all sorts of projectiles. And I think we are building a multilayer system, antirocket system. We will have initial capabilities by probably mid-2010, and I think the time that we buy by such a ceasefire is also important for this one.

Now, the fact that Gaza is still controlled by Hamas of course is a problem—a political problem for any political process between us and the Palestinian Authority. It's hard to think about a comprehensive deal with the Palestinian Authority when Abu Mazen doesn't control about 40 percent of his own population. It's also a huge challenge for Abu Mazen himself. If he goes for elections and Hamas does not allow for elections in Gaza, will he go for elections only in the West Bank? I don't know. And if he doesn't, what will happen? In the Palestinian Authority, those are open, valid questions.

As far as the political negotiations with the Palestinian Authority are concerned, as I said, our government is now doing its policy review, so I don't know what will be the final outcome. Prime Minister Netanyahu will come with it here when it [sic] meets President Obama. Two guidelines I want to make: One is we think that there should be a parallel process of bottom-up and top-

down. Bottom-up means that you need to engage in the capacity of institution building to lay the foundation for a future Palestinian state.

It means emboldening the efforts of General Dayton. He's doing a great job. I know you're going to hear him. We are working with him closely. We're very happy with what he's doing. I think for the first time, those three battalions that have already finished their training and deployed in the West Bank are doing a good job. It's not that they can assume full security responsibility in the West Bank, but we are on the right way. And for the first time, I see some sense of professional pride there that we've never seen in these forces.

Secondly, bottom-up means also economic efforts, and we are working with the quartet's envoy Tony Blair on economic projects, infrastructure projects. We have that pilot in Jenin. I think the economic indicators in the West Bank, given the economic crisis, are quite good. I think there was a growth in 2008 of about 4 percent, better than Israel and the U.S., I think.

Now as far as political negotiations are concerned, the top-down process—as I said, I still don't know what would be the outcome of a policy review in Israel, but there is a question in the minds of many Israelis, given our past experience, is there—can we really bridge the gap and reach a catchall agreement between Israel and the Palestinian Authority covering all the core issues—refugees, Jews, borders, and so on? There is a lot of skepticism in Israel.

Now some people came up with the idea—and it's an idea that's floating in Israel; I know that people here are considering it—why don't we widen the context? Instead of focusing on the narrow context of the Israeli-Palestinian talks, why don't we build a regional architecture which allows for separate political tracks between Israel and the Palestinians, Syrians, Lebanese, a multilateral track? And in this way the Arabs could contribute, unlike 2000 in Camp David, lending political support for the process, economic support, and also by assuming certain CBMs, confidence-building measures, vis-à-vis Israel, which could, I think, make it easier for the Israeli public to support certain political concessions.

A few words about the northern front—Syria, Lebanon—before I conclude. I think when it comes to Syria, I said that the Syrians are maintaining all options. With Syria, all options are open and things could go—things could either escalate or improve, and that is because they are maintaining all options open. That is because at the very same time they say they want a peace process and they help Hezbollah, Hamas, and the others.

Lebanon, I think, is a sticking point here because when it comes to Hezbollah, as I said, they are deterred, but at the very same time, we know for sure that they are seeking revenge for what they regard as Israeli assassination of archterrorist Imad Mugniyah. They are trying to get some—what we call tiebreaker weapons systems—from Syria to Lebanon, and if they do so, I think things could escalate and get out of hand.

And, politically, my concern is that they will win the elections. And if they do so, it's a new ballgame. I think it will also impact our attitude toward Lebanon. Many in Israel believe that we should explore a political track with the Syrians, and I think there is a lot of strategic substance to it. If you can drive a wedge between Syria and Iran, I think that the Syrian and Iranian interests do not necessarily converge, certainly not in Iraq and elsewhere.

There are some opportunities but there are also some difficulties we should be aware of. First of all, the Syrians want to know before we start direct talks, what would be the endgame in terms of territory, namely that Israel is willing to get back to the '67 lines, but when we say, "Look, we have some strategic concerns and we want to know about the endgame in terms of your

relationship with Iran, with Hezbollah and so on," all they are saying is that they are willing to discuss it with us. They are not saying anything substantive.

But I think, again, a big sticking point is Lebanon. In the past, we used to assume that if we shall have a breakthrough with Syria, Lebanon would follow. Given the political developments in Lebanon, the strengthening of Hezbollah politically, I'm not sure that this is the case. It's an open question mark that we should address. To sum up this very optimistic picture, I hope people will not be discouraged. (Laughter.) I think there is a lot of—there is a lot that we could do. The result could be done. I think there are also opportunities in these bleak pictures, and it calls for some cooperative efforts in our region. As I said, many of our neighbors are willing to cooperate on the condition that they think they are not left alone and we are moving in the right direction.

I want to end by just one story from the Second World War. There was a big problem when German submarines used to sink Allied ships, and they were looking for a solution. So this politician one day said, "Look, I have a solution." "What's the solution?" He said, "Why don't we dry out the ocean?" (Laughter.) So they said, "How to you propose to do that?" He said, "Well, technicalities I leave to the engineers." (Laughter.) So I hope that in this case we will come with some practical solution. I think we can. Thank you.