Thank you for that kind introduction, and your warm welcome.

It's wonderful being in this amazing memorial to the National Guard. I've always stood with our armed forces, and I feel the grandeur and solemnity of this hall matches the solemnity of the challenges we face.

I am especially pleased to be here today because of CNP's longstanding work on the issue of nuclear security. As Secretary of Energy and as a presidential envoy to North Korea, I know there are few issues that deserve more attention from Congress than keeping the world's most dangerous weapons out of the hands of the most dangerous people. With the important backing of the MacArthur Foundation, CNP has brought the right kind of bi-partisan attention to this issue, and I thank you.

Two months ago, I returned from a trip to North Korea that represented a bipartisan effort to achieve two major goals -- to bring home the remains of American servicemen missing since the Korean War, and to facilitate international efforts to persuade the North Korean government to roll back its nuclear weapons program.

Let me emphasize two key words here -- bipartisan and international.

In this bipartisan effort involving two senior officials of the current administration -- Anthony Principi and Victor Cha -- our delegation was successful on both counts.

We brought home the remains of six US servicemen who died defending freedom during the Korean War. The sacrifice they made can be now be fully honored by their families, friends, and country.

In North Korea, we also advanced the Six-Party process by which North Korea will dismantle its nuclear weapons program and become more integrated into the international community. This process is far from complete, and could still be derailed. But our discussions with North Korea demonstrated how skillful diplomacy, grounded in bipartisan cooperation and international alliances, can strengthen our national security.

I mention all this because I believe these same components are what are needed to deal successfully with Iran.

First, let me say that I am under no illusions that achieving similar goals with Iran will be easy. But I am convinced that a concerted diplomatic effort, backed up by tough sanctions, undertaken with our international partners and grounded in bipartisan cooperation at home, stands an excellent chance of persuading Iran to forego nuclear weapons and to adopt more responsible policies.

I also believe that we must talk to the Iranians with no preconditions. For too long, the Bush administration lectured the Iranian leadership on what it had to do before we would talk directly with them. This policy was counterproductive, and I am pleased that Secretary Rice is now starting to break this ice. Refusing to engage Iran diplomatically prevented us from making headway on issues vital to our national security, including not only nuclear weapons, but also Iraq, energy security, and Middle East peace.

Let me be clear: talking without preconditions does not mean backing off one inch over fundamental objectives, such as insuring that Iran never acquires nuclear weapons.

But preventing Iran from going nuclear will require strong diplomacy backed up credible power and clarity of purpose. It also will take realism: we must remember that no nation has ever been forced to renounce nukes -- but many have been persuaded to do so with a combination of carrots and sticks.

We need to approach Iran with both fierce determination and with open eyes. The key is to make them see that they will be better off and more secure without nukes than with them. If we unite the world behind the right carrots
and sticks, and provide the Iranians with face-saving ways to step back from the nuclear brink, we will prevail.

As we know from the Cold War, deterrence is above all a matter of clarity and credibility. We need to be absolutely clear that a nuclear Iran is unacceptable, and we need to be absolutely credible when we say what we will do about it if the Iranians continue to disregard the will of the international community. The clear message must be this: develop nukes and you will face devastating global sanctions. Desist from developing nukes and you will receive meaningful rewards, including robust security guarantees and guaranteed supplies of nuclear fuel from abroad.

This sort of engagement, with a stick in one hand and a carrot in the other, is how we got Libya to renounce nukes, and this is how we must approach Iran.

**Centrality of the Iran Problem**

There are at least six major reasons why Iran is strategically significant. These are: (1) its nuclear ambitions; (2) its importance to stability in Iraq; (3) its support for extreme Arab factions -- such as Hezbollah and Hamas -- who themselves are obstacles to stability in Lebanon and to the Palestinian-Israeli peace process; (4) its status as a major oil and gas producer; (5) its importance to the flow of oil through the Straits of Hormuz; and (6) its role as leader of the world's Islamic Shia population.

I will address these issues in a moment, as I outline how I believe a vigorous bipartisan and international diplomatic effort should seek to engage Iran.

First, however, any discussion of US policy must deal with what I call the "Weight of History" that has shackled US-Iranian relations for decades.

The 1979 Iranian Revolution, and the ordeal of the American hostages who spent 444 days in captivity, has poisoned relations between the US and Iran for nearly 30 years. And many Iranians still chafe because of US support for the 1953 coup which toppled their elected government. Inflammatory rhetoric like "The Great Satan" and the "Axis of Evil" for decades has impeded most rational dialogue.

I would be the last to make excuses for extremists in Iran's political establishment. Their hostility towards Israel, their denial of the Holocaust, and their documented support for international terrorism, must always be condemned. And we must have no illusions about President Ahmadinejad- a dangerous man with truly reprehensible views.

But I also believe that peace comes to those who have the courage to learn from their own errors. We should recognize that US support for the Shah's repressive regime, and then for Saddam Hussein during the Iran-Iraq war of the 1980s -- and the US government's silence when Saddam used chemical weapons against Iran -- were wrong. These and other mistakes on our part -- like the many mistakes Iranians have made -- have left wounds that are still deeply felt in both societies. Both we and the Iranians need to acknowledge this difficult shared history, and work to get beyond it.

The road to peace is hard: it is difficult to forgive past injustices and outrages. But for the good of America, and for the good of Iran, and for the sake of peace, both nations must focus not on the past, but on the future.

**What Does Iran Want?**

Iran is a country that is three times larger than France, with a population of 70 million. Its lands are rich in the history and culture of a Persian empire that stretches back 6,000 years. Its people are understandably proud of their heritage and their contributions to art, science, and learning.

Despite our preoccupation with the radical views of many of its rulers, it is also true that Iran has some elements of a modern democracy. Despite the iron grip of its religious establishment, Iranians hold many different views on such fundamental political concepts as the role of religion in society, and the need for democratic freedoms.

What all Iranians share, however, is a deeply felt national pride and a desire that their country be respected and recognized for its history and its accomplishments.

In my dealings with North Korea, and with other hard-line governments around the world, I have learned that a basic level of respect for -- and understanding of -- your adversary is crucial for agreements to be reached. Name-calling and refusal to talk to people get you nowhere. Indeed, they usually backfire on you by strengthening your adversary's most obstructionist and hard-line elements.

I have quoted John F. Kennedy many times before, and his words are just as true regarding Iran: "we should never negotiate out of fear, but we should never fear to negotiate."

As we seek to deal with Iran, we need to recognize that country’s national pride and its own perceptions of threats to its security. We also must understand that the following are Iran's main policy goals:
They want their legitimate right to civilian nuclear technologies as a member of the Nuclear Non-Proliferation Treaty to be respected;
They want stability on their borders, most notably with Iraq and Afghanistan -- and they DON'T want the civil war in Iraq to spin out of control, with millions of Iraqi refugees spilling into Iran and other neighboring countries;
They want to be free of external security threats, either from within the region (Israel) or outside the region (the United States);
They want to be able to develop regional energy and economic partnerships;
They want integration into the global economy, including membership in the World Trade Organization and an end to trade and financial embargoes;

Clearly, Iran's own behavior has been counter-productive to these ends, and Iran must vastly improve its policies before it may expect other nations to accept it as a legitimate major player on the global stage. Above all, Iran must start respecting UN resolutions and stop supporting international terrorists.

And President Ahmadinejad needs to stop threatening Israel and denying the Holocaust.

We have many differences with the Iranians, but we and our allies also have common interests with them. It behooves us all to seek and find that common ground, so that we can encourage the Iranians to come out of the cold, and to build more constructive relationships not just with us, but also with the international community.

As my friend, the great Israeli general and statesman Yitzak Rabin, used to say, "You make peace with your enemies, not your friends." The Iranians' choices ultimately are theirs, but our choices are ours. If our diplomacy is solid and smart, we can help them make better choices than they have in the past.

What Do We Want from Iran?

Iran must not acquire nuclear weapons: virtually the entire international community agrees about this. The P5+1 countries -- the five permanent members of the United Nations Security Council (the US, UK, Russia, China and France) plus Germany -- have been negotiating with Iran, and in June 2006 offered the Iranians a package of incentives to give up their nuclear enrichment efforts.

The P5+1 package represents an excellent starting point for negotiations which, I believe, can result in a diplomatic solution that keeps Iran from developing nuclear weapons and also achieves progress on a range of regional and international economic and security issues. The June 2006 package included the following important elements:

- Acknowledgment of Iran's right to peaceful nuclear energy;
- The creation of a five-year fuel bank/buffer stock of nuclear fuel for Iran;
- An international fuel-cycle center in Russia involving Iran;
- An energy partnership among Iran, the European Union, and others
- Trade and investment incentives;
- A regional security forum involving Iran, other regional states, the US, Russia and China;
- A willingness on the part of the United States to talk directly with Iran.

On this last point, our country has other interests that we must discuss directly with Iran, including:

- Iran's help in forging stable governments in Iraq and Afghanistan;
- The end of threats and inflammatory rhetoric against Israel;
- Concrete and verifiable steps to end military support for Hezbollah, Hamas, and other violent groups.

The achievement of these goals would constitute a fundamental change in Iran's role in the world. Fortunately, there is reason for optimism that Iran might well choose to chart such a new course if presented with the right incentives.

First of all, the Iranian economy is in trouble -- and high unemployment and widespread discontent are a threat to the regime's political future. Despite being one of the world's largest oil producers, Iran has only one refinery, and imports more than $ 4 billion a year of refined oil products. It imports half its gasoline and food. Double-digit inflation, high unemployment, low infrastructure investment, and burdensome government subsidies of $40 billion a year shackle economic growth, and the resulting hardship puts the kind of political pressure on the regime that produced perestroika in the Soviet Union twenty years ago.

The international community can leverage these realities to induce Tehran to reform as well, and to recognize that Iran's future lies with its integration into the global economy and the community of peace-loving nations. Both China and Russia have considerable economic leverage over Iran, and the threat of disinvestment could put great pressure on the regime. It is essential that our diplomacy with these other great powers be strong and skillful.

However, no constructive dialogue with Iran is possible until we break the vicious cycle of suspicion and hostile, incendiary rhetoric. If we want Iran to improve its behavior, we would do well to stop threatening to attack them.
And we should not fund Iranian émigré groups in the delusional expectation that they will somehow be able to topple the regime. The Bush administration foolishly tried this approach with Iraq, and we know what it got us. There is no reason to expect better results with Iran.

We need to stop threatening the Iranians and talking about regime change. Instead, we need to start applying meaningful pressure, while working with them to change their behavior. We also must dialogue with moderate and pragmatic elements in both the Iranian political class and in the broader society, including business people and students who have supported moderate politicians in the past, and may do so again in the future.

**How Do We Get There?**

So, how do we proceed? As you know, US government representatives have met recently with Iranian officials to discuss Iraq, and there have also been US-Iranian meetings to talk about Afghanistan and our shared interest in preventing a return to power by the Taliban. These are all steps in the right direction, but the US needs to go further and propose broad, bilateral, unconditional negotiations with Iran -- with all subjects open for discussion. Support for such talks has come from many figures in the US foreign policy establishment, including Henry Kissinger and Zbigniew Brzezinski.

We need to end the taboo on open-ended talks, so that we can begin serious, continuing, and senior-level negotiations on the full range of nuclear, Middle East security, and economic issues. Only in the context of intensifying dialogue can we start to communicate better with Iran, and to find ways to reconcile our differences.

Our message to Iran must always have two components:

1. We must respect their legitimate right to peaceful nuclear energy, and we must let them know that gestures toward peace and reconciliation will be reciprocated with meaningful economic benefits and security guarantees;
2. We must stand absolutely firm with our international partners in letting the Iranians know that we will never allow them to acquire nuclear weapons, and that they will pay a high price if they continue to support international terrorists.

In short the message to the Iranians must be clear: work with the international community and you will be safe and prosperous. Continue to defy the international community and you will suffer and economically- and politically-damaging international sanctions.

US-Iran bilateral talks will occur within the broader context of on-going discussions with Iran being conducted by the International Atomic Energy Agency, the European Union, and Russia and China. Each of these partners can bring special points of leverage to bear on different matters. The IAEA naturally has the lead on nuclear issues, while the European Union can be helpful on trade and finance issues and helping to integrate Iran into the global economy. Russia and China have been moving toward greater energy cooperation with Iran.

And there are other actors who have important stakes in helping to facilitate more moderate behavior on the part of Iran.

One is the Gulf Cooperation Council, whose members have recently expressed greater interest in civilian nuclear power -- as a direct consequence of Iran's push for mastery of the nuclear fuel cycle. Led by Saudi Arabia, the Sunni-dominated GCC countries are apprehensive about Iranian regional ambitions and support for radical Shia groups.

There are also the other Sunni Arab countries in the Middle East -- Egypt and Jordan especially -- who fear destabilization of the region that would naturally flow from heightened US-Iran tensions and possible conflict.

A crucial point I would like to stress here is the need for a more intelligent and effective American policy towards the entire Middle East that we have seen in recent years. I have said before that there is a civil war within Islam between extremists and moderates. We must open an ideological front in the war against violent Jihadism, which is the single biggest threat our country faces.

To do that, we must do everything we can to isolate the extremists and to strengthen moderates across the Islamic world. And a good place to begin is with Iran -- where pragmatists and moderates are waiting in the wings as hard-line policies fail and as President Amadenejad's popularity continues to slide.

We need urgently to re-engage the Middle East peace process with a high-level permanent envoy tasked with building the bases for a just peace. Continued deadlock in the Israeli-Palestinian peace process will only provide aid and comfort to our enemies in the Islamic world. We must use all our sticks and carrots to strengthen Palestinian moderates and to promote a two-state solution that guarantees Israel's security.

In the Persian Gulf, we need to work constructively with both Sunni Arabs and Shia Iranians on a wide range of security, economic, and energy initiatives that will promote stability in that crucial part of the world.
In the Levant, we need to talk directly to Syria in order to foster political stability in Lebanon and to encourage an Israeli-Syrian agreement on the Golan Heights.

And then there's Iraq. The crisis in Iraq threatens to destabilize the entire region, and to make many other Middle East problems unsolvable. I won't dwell here on Iraq, having done so on other occasions. Suffice it to say that the US military presence in that country is now part of the problem, not the solution. The presence of American troops in Iraq fuels the insurgency and strengthens Al Qaeda. I strongly believe that the complete withdrawal of all US military from Iraq will have a salutary effect on all of our goals in the region, including our efforts to build a better relationship with Iran, and to stop Iran from developing nuclear weapons.

**Summary**

What I have outlined tonight is an ambitious, but achievable, diplomatic agenda. Negotiating directly with Iran will be difficult and may take time to produce results. Much will depend on Iranian leaders recognizing that their current policies -- especially their nuclear policies -- are counterproductive if Iran truly wants better security and economic growth.

Most experts believe that Iran is still several years away from being capable of building nuclear weapons. We should use that time constructively to build peace, rather than rushing toward another catastrophic war.

At the same time as we initiate a new dialogue with Iran, we must redouble our diplomatic efforts across the region, beginning with the Israeli-Palestinian conflict. We must engage and support moderate Arabs and Muslims everywhere in their struggle with Islamist extremists. And we must get our military out of Iraq so that a new diplomatic process -- which inevitably must include Iran -- can begin.

None of these problems exists in isolation from the other. As we know from the experience of the last several years, multiple setbacks across the Middle East have increased the dangers to our security. This is still another reason for having a full-time permanent US diplomatic envoy in the region.

Now is the time for a New Realist vision of how American leadership, in concerted effort with our partners, can turn the situation around. This vision cannot be based on regime change and the misapplication of military power. It must be based upon strong diplomacy backed up by credible military power, solid alliances and partnerships, and economic engagement.

Iran holds the key to many of the crucial security variables of the greater Middle East. That is why a full-court press on engaging Iran -- with no preconditions, and no illusions -- is in the American national security interest.

Thank you.