

**RELEASE IN FULL****CONFIDENTIAL**

June 28, 2009

For: Hillary  
From: Sid  
Re: My role, Germany, Iran, etc.

1. I spoke with Doug Band yesterday, discussed things with him, and we will go from there. It would be helpful if you and I speak soon to define parameters of what projects I should pursue. We should discuss your speech to the Council, among other things.
2. I met with John Kornblum, passing through town, with whom I have had a long relationship of more than 20 years. He continues to live in Berlin, remains very well plugged in, as well as knowledgeable about currents in the State Department. On Germany, he pointed out that in reaction to the two major external shocks of the past decade —the invasion of Iraq and economic downturn—its impulse has been to retreat within its shell. An aspect of that retreat is Germany's tropism toward Russia away from the West. US policy under Obama toward Germany (and Europe), to the extent there is one, has so far been to consider it as a resource for US endeavors and simply demand it follow the US lead, a soft version of Bush's policy. There is no proper German or European policy per se. (I said the opening to Russia is the beginning and he agreed, felt it was the best thing so far.) Kornblum reports that Larry Summers' recent visit to Berlin was catastrophic, that the Merkel government was repulsed by his arrogant tone and personality, and that it sees Summers as the hidden face of the Obama administration. A new and lengthy article appearing in Der Spiegel by its Washington correspondent Gabor Steingart, (whom I know and is well connected at top levels of German government), reflects the profound belief of the Merkel government that the Obama administration is on a disastrous economic path; unstated in the piece is the effect of contempt for Summers. (By the way, I am making no value judgments on this information other than its accuracy or on the merit of policies and substance. I report, you decide.) Kornblum says that the atmospherics and Merkel's underlying attitude can't be really changed until after the German election in the fall. He also says that you are the only who can begin to work on this through your relationship with Merkel and the Germans. Obama and Merkel are like oil and water. Kornblum volunteered without prompting his own views on some personalities and processes. To wit: He does not much trust or like Jim Steinberg and

regards him as wholly tactical and narrowly ambitious. He had more to say... Kornblum also reported from his State sources that you have won broad and deep support and respect within the building. He considers you "a pro," his highest compliment.

3. I spoke with Bill Murray, a long-time CIA operative in Europe, Middle East and Iran, where he was stationed in the mid-1970s before the overthrow of the Shah. He was chief of covert ops involving Iran in 1980s/early 1990s and chief of station in Lebanon and Paris. First, his general observations; then, specifics: During the 1970s, before the Shah's downfall, CIA analysts did reports on the future of Iranian middle class as a potential political factor. While there is such a thing as an Iranian middle class now, and it is at the center of the protests, its most vital part is in the US. Iran, he points out, has never had a true system of government. Corrupting the few managed choices the people were presented with triggered an explosion. But Murray's view is that precisely because of the absence of actual experience with government the people fundamentally don't know what they want or what they want from the US. He says we should not think that because they like Western culture, blue jeans, music, etc., that somehow they are like us or want to become Americans—the common error of the Bush era. He emphasizes, drawing on his experience, that what had the most impact long-term has not been propaganda. Iranians, unlike all but a few Arabs, are passionate readers. Murray says that they ravenously consume books of all kinds, but the most effective, besides works on civil disobedience, political organizing, politics generally, etc., are novels. They want to read the novels people in Europe and the US are reading, and this gives them a different sense of society. Murray says that we should do extensive public opinion surveys in Iran, which he says were done in the past, to determine Iranian attitudes. While we might not be able to engage the Iranians with much success in the short-run, we can achieve an impact through cultural gestures, which are widely appreciated and noticed. Iranians (unlike most Arab countries) believe they represent one of the great cultures of the world and are highly sensitive about it. Acknowledging them culturally is an implicit acknowledgement of their preeminence in western Asia. If there were a major cultural exhibition at a western museum, your attendance (or Obama's) would be an important event for Iranians. Murray also said that his intelligence is that the Iranian diaspora in the US and Europe is now sending extensive funds through whatever channels it can to dissident movements within Iran. (Some of this may violate the Patriot Act.) Murray says direct US funding of these movements is counter-productive with the potential for trouble. He says that during the Bush administration the sleazy neoconservative intriguer Michael Ledeen and other neocons brought in various exiles who Murray claims receive covert funding from DOD, probably siphoned through CIA. Murray disdains the DOD role as always getting Iran wrong and applying methods that are always the wrong approach and if revealed will discredit the movements against the regime. He added on his own that though he thinks Dennis Ross is capable, "nobody in the Middle East trusts Dennis Ross. It's what they believe. They are not going to deal with him."
4. Finally, Paul Krugman had a private lunch with Obama. I'll tell you what Obama said and Krugman's reaction when we speak.