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PREVIEWING THE G-8 AND NATO SUMMITS:
AN EXAMINATION OF THE SUMMITS' TOP AGENDA ITEMS

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PANEL ONE - PREVIEWING THE G-8 SUMMIT

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Panelists:

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PANEL TWO - SECURITY IN AFGHANISTAN AND THE GREATER MIDDLE EAST

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P R O C E E D I N G S

MR. INDYK: Good morning, ladies and gentlemen. I'm Martin Indyk, the Vice President and Director of Foreign Policy at the Brookings Institution. Welcome to this special event on the G-8 in advance of the G-8 meetings that are going to take place at Camp David over the weekend.

We're especially honored today to host a good friend and a great public servant, Mike Froman, who is going to speak about the upcoming G-8. And then we'll have a chance for a moderated conversation with two of the panelists, and I'll also introduce Bruce Jones and, of course, an opportunity to take your questions.

Our work on the G-8 in the Foreign Policy Program at Brookings is being made possible by the support of the MacArthur Foundation, and we're very grateful for them making this and other work that we do on the G-8 possible.

Mike Froman is the Assistant to the President and Deputy National Security Advisor for International Economic Affairs. In that role, he is the U.S. Sherpa for the G-20 and G-8 summits. And sherpa, an interesting terminology, in this context it means a guide and a porta. I think the actual word that's more appropriate is schlepper. It does connote the kind of burdens that Mike has carried in his role as the principle orchestrator and preparer of the ground for the President and his counterparts in the G-8 before every one of their meetings. Because his other responsibilities include coordinating policy on international trade and financial energy security and climate change, development and democracy issues across the whole of the U.S. government, he, of course, is particularly well suited for this role.

He has a number of other important leadership responsibilities for President Obama. He's the chair of the Major Economies Forum on Energy and Climate, which is a group of the largest industrial and emerging economies focusing on the follow up to the Copenhagen negotiations. And he also is the U.S. government co-chair of the Transatlantic Economic Council, the U.S.-India CEO Forum, and the U.S.-Brazil CEO Forum.

Mike had a distinguished career in the private sector at Citigroup where he was a Managing Partner, Director of Emerging Market Strategy, and Chief of Staff of the Office of the Chairman. Before that he was a Senior Fellow at that other institution; that is, the Council on Foreign Relations. And before that, I had the pleasure of serving with Mike in the Clinton Administration where he was originally the Director of International Economic Affairs at the National Economic Council and then Chief of Staff and Deputy Assistant Secretary for Eurasia and the Middle East at the U.S. Department of the Treasury.

In short, Mike is an accomplished public servant who is very well placed since he's responsible for what's about to unfold to explain to us what we should look forward to. Mike, thank you very much for joining us today.

MR. FROMAN: And it's good to see you and so many other friends in the audience, and I appreciate you explaining the true nature of the sherpa role; that it is much closer to a schlepper than anything else. In fact, it's evolved a bit since you were in government. I now have an assistant whose nickname is the yak, and he has an assistant whose nickname is the stick. So we are going down the food chain of helpers for the summit.

It's great to be here to talk a bit about the upcoming G-8 summit at Camp David this weekend. You know, when we designated at the Pittsburgh Summit the G-20 as the premier forum for international economic cooperation, a number of commentators in think tanks and elsewhere started writing obituaries about the G-8. And let me just say that to paraphrase Mark Twain, the G-8's demise -- rumors of G-8's demise have been greatly exaggerated. In fact, the advent of the G-20 has allowed us to redefine the G-8. And as we prepare for Camp David, we've had two mottos -- back to basics and acting together -- and this summit will allow us to showcase the strengths of the G-8 in both those regards.

One of the strengths of the G-8, of course, is its size. Don't be fooled. Even though it's called the G-8, there are ten leaders who will be present. And, in fact,

there's a bit of a rule of thumb about any G grouping, which is if you take the G -- to give it a mathematical equation, it's GN plus 20 percent. So the G-20 is really about 20 percent larger than that. The G-8 is 20 percent larger than eight. And I'm sure if there's a G-30 or -40 in the future, it, too, will reflect those numbers.

That it comprises a relatively small number of leaders who share so many overlapping interests clearly in the economic area, but also in so many other areas, it creates a real opportunity for them to come together and share their perspectives and work together. And it's that informality, the smallness of the group, the shared perspectives, the like-mindedness of the leaders of the leaders, that when you add to it the informality and intimacy of Camp David, we think it will really have a very positive effect on creating a dynamic there among these leaders.

But in terms of going back to basics, you shouldn't expect a 50-page communiqué coming out of this summit, touching every issue under the sun. Instead we tried to return to the early days of this institution when the G-6 actually convened in Rambouillet and when leaders sat around the fireplace, strategized about the global economy, and the communiqué actually communicated something. And that will be our objective this year as well.

The frank talk among the leaders is important, but equally important or perhaps more important is their ability to take action together. And that is a strong theme that we've emphasized throughout the year. So from energy and climate to food security to Afghanistan to nonproliferation, we will be working to come to agreement about a series of actions that the G-8 can take together.

Traditionally the G-8 has been focused on three buckets of issues: Political and security issues, economic and global issues, and development, and this will be true again this year as well. The summit will open Friday night with an informal dinner that will discuss political and security issues, and we expect the agenda to include Iran, Syria, North Korea, Burma, as well as any other issues that individual leaders want to raise. And there they'll have an opportunity to talk about next steps to end the violence in

Syria, to encourage Iran to seize the opportunity of the upcoming P5+1 talks, to urge North Korea to comply with its international obligations, and to encourage the democratic reforms that President Obama has been working to advance in Burma.

Clearly at the top of the leaders' minds is the global economy, and that will be the first major session on Saturday morning and give the leaders an opportunity to talk about the challenges facing global economic growth and the recovery and particularly the challenges emanating from the eurozone. This will be the first opportunity, actually, for a group of leaders like this to get together since President Hollande became President of France. This will be the first such meeting since the political turmoil has erupted in Greece. It will be the first meeting of the sort that Prime Minister Monti has attended from Italy, and he has great strength and credibility on economic issues around the world. And it's coming at a time when leaders in Europe have been commenting on how the political and social fabric of Europe is very much at risk.

So while detailed discussions of the rebalancing agenda or financial regulation will take place at the G-20 summit next month in Mexico -- and that's where it should take place -- leaders coming to Camp David very much have at the top of their minds what they need to do to foster growth and job creation and ensure that developments in fragile countries are managed appropriately and don't spill over into the broader global economy.

There will be a lot of interest in hearing from the eurozone leaders about their perspective about the events evolving there. Obviously, we're very much tied into what goes on in Europe. Thirteen percent of our exports go to Europe; 20 percent of our service exports go to Europe. And we are each other's largest foreign investors. So what happens in the European Union and its economy is very much part of what happens here, and that's why we have such a strong interest in how they manage their way through these issues.

I don't expect there to be a sterile debate between fiscal responsibility and stimulus. All of the G-8 countries are focused on pursuing fiscal sustainability. Nor

will there be a debate over consolidation versus growth; everyone around the G-8 is searching for growth now. Rather I think the conversation is likely to focus on how to achieve that growth, how to take into account different national needs and evolving economic conditions, and how to strengthen, in the case of Europe, the institutions of integration so as to build confidence and send a positive message to the markets.

European leaders have signaled that they intend to do whatever it takes to reinforce the foundations of the monetary union. And they've taken a number of significant steps, including erecting a firewall, engaging in emergency financing, providing liquidity to their financial sector, and embarking on a path of challenging and politically difficult reforms. But there is a long road ahead of adjustment, reform, and institutional development, and that will be at the center of discussion at Camp David. Serious risks remain, and the markets frankly are skeptical that the measures taken thus far are sufficient to secure the recovery and remove the risk that the crisis will deepen further.

Throughout this crisis President Obama has been very much engaged with his European counterparts, whether it's on the phone, in person, bilaterally, or through summits of this sort. He shared the U.S. experience of requiring our banks to go through serious stress tests and raise capital to strengthen their balance sheets. He's talked about the politically difficult steps of bailing out institutions, and he's discussed our efforts to turnaround the economy, restart job creation, and secure growth. Throughout this he's underscored the importance of acting early and decisively to create confidence and to deal forthrightly with the problems in each of our economies. We are heartened to see that the debate has evolved around the world around the need to focus on global growth and where growth comes from. Now is the time to take action to make that growth a reality.

So on top of these core economic and political and security issues, the President has identified several other areas that the G-8 will focus on: Energy and climate, food security, the transitions in the Middle East and North Africa, and Afghanistan's economic transition. Energy and climate change are have long been

priority issues for the G-8, and this year that is true as well. And we'll be looking at a whole variety of issues from energy security to how to deal with global warming.

On energy security, each of our countries faces its own set of issues and its own choices about the precise energy mix it may choose to pursue. There is no one right energy mix for any country. But we share a perspective that whatever the mix is, we want it to be pursued in an environmentally safe, secure, sustainable, and affordable way. And the G-8 will come together to work on a series of efforts to facilitate that approach across the various energy areas. That's what President Obama means when he talks about an all-of-the-above energy strategy. No single is right. Not any particular choice is right for any particular country. But that it's critical that the G-8 work together to make sure that whatever energy sources each individual country pursues, it's done in the right policy framework with the right set of regulations, applying the best technology whether it be for oil, natural gas, nuclear power, or renewables.

Climate change remains a critical priority for the G-8 countries and consistent with our theme, we expect the leaders not only to express their support for the ongoing U.N. negotiations on climate change, but to take specific action to address the near-term threat of global warming.

You know, three years ago at the G-8 in L'Aquila, the President launched a Global Food Security Initiative. And this weekend he'll lead the G-8 into the next phase of that initiative, taking a series of concrete steps to increase access to capital, to scale up technology and innovation to enhance agricultural productivity, and to create tools to mitigate and manage risk. This is a very exciting initiative in that it builds on the President's reforms of the development policy. It allows us to partner with leading reformers in Africa and with the private sector to change the way we think about food security. And at Camp David the President will actually be convening an unprecedented group of African leaders and private sector participants with the G-8 leaders to talk about what needs to be done to enhance food security and take this initiative forward. But I'll stop there on food security since the President will be speaking on this Friday morning at

a major conference of the Chicago Council here in Washington and will lay out the specifics of the initiative then.

At last year's G-8 Summit in Deauville, the G-8 launched the partnership with the countries in transition in the Middle East and North Africa, the so-called Deauville Partnership. And this year as chair of that partnership, we have tried to take that work forward on three parallel tracks. On stabilization and job creation, we focused on increasing access to capital, redefining the mandate of the EBRD, and providing technical assistance to the countries in transition more effectively.

On participation and governance, we've been working to integrate countries in the region with the Open Government Partnership or to otherwise work with them on their transparency, accountability, and anti-corruption efforts. And very importantly, we have been working internally and with the governments in the region to make it easier and clearer what needs to be done to recover stolen assets that may have ended up in each of our countries.

And finally on integration we pulled together for the first time trade ministries from around the region with the G-8 to talk about what each of us can do to enhance trade and investment in the region and between the region and the major markets in the world. As part of that effort we have launched the Middle East-North Africa Trade and Investment Partnership, also known as MENA TIP, and we see huge potential for enhancing trade and investment in the Middle East. In fact, when you take out oil, countries in the region with over 400 million people traded less with each other than Switzerland with a population of 7.7 million people trades with the rest of the world. So there's a lot of progress to be made through trade facilitation, customs modernization, standards harmonization, and other trade and investment measures. And we believe that these efforts can potentially serve as a foundation for the future engagement of the G-8 with the countries in this region.

At Camp David, beyond talking about the Deauville Partnership, the leaders will have a chance to review developments in the region, political and economic

developments, and share perspectives of how to be supportive more broadly of the emerging leaders in that area. At root we believe that the objectives driving the transitions in this region -- insistence on personal dignity, greater opportunity, a larger role in controlling your future -- these are themes and values that we share, and it positions the G-8 well to be able to be supportive of those. The people who lit the spark that started the Arab Spring are expressing values that are core to who we are in the United States and across the G-8.

At the same time I wouldn't want to underestimate the challenge that we face. In many respects the transitions in this region are far more complex than the transitions that occurred in Central and Eastern Europe two decades ago. For one, in the 1990s the collapse of political regimes and the rejection of state-owned economies were accompanied by the emergence of a strong consensus of support for free market reforms. And potential membership in the European Union was a powerful magnet to keep the countries in the region on the right track. When we look across the Middle East, the future is somewhat less clear as to what path the transitions will take. They may not be purely linear, and there is no EU equivalent of a North Star pulling them inexorably in one direction. Still we must remain engaged and supportive of the things that we can support even through difficult periods because so much is at stake for the people in the region and for our position and relationship with them.

Finally, of course, the G-8 is not the only summit occurring this weekend. I read this morning Peter Bergen called this weekend "diplopaloozaa," in that we have a second summit occurring this weekend in Chicago and that will be the NATO Summit. And there Afghanistan will be a major focus, particularly the commitment of the international community to the ANSF and security forces on a going-forward basis. So given that that will be discussed in Chicago on Sunday and Monday, we decided to use the G-8, who represent about 80 percent of the donor contributions to Afghanistan's civilian assistance, to talk about the future of Afghanistan's economy -- what we can do to mitigate the impact of the troop drawdown, what we can do to align our assistance behind

a sustainable economic strategy for Afghanistan, and how we can mobilize resources over time consistent with their own progress on governance to support a sustainable economic future for the Afghan people.

That's the agenda for the G-8. Let me conclude where I began, which is that this summit allows leaders who like each other, know each other, work well with each other across a broad range of issues, and have grown into the habit of working with each other and getting things done. And that is what the Camp David Summit is all about. This is the first time President Obama has invited any leader to Camp David, and it is the largest gathering of leaders at Camp David in its history. He's very much looking forward to having them to his retreat, and it promises to be a great weekend.

MR. INDYK: Thank you very much, Mike. That was terrific. It set us up very well for the discussion now.

To have that conversation, I want to introduce my two colleagues. Bruce Jones who is the Director of our Managing Global Order Project and a Senior Fellow in the Foreign Policy Program at the Brookings Institution. He also wears another hat, which is Director of the Center on International Cooperation at New York University. Bruce has played a number of roles with international organizations, most recently as Co-Lead and Senior External Advisor for the World Bank's 2011 World Development Report on Conflict Security and Development. And previously in March 2010 he was appointed by the United Nations Secretary-General as a member of the Senior Advisory Group to guide the review of international civilian capacities. He previously served as Senior Advisor in the Offices of the Secretary-General during the U.N. reform effort, playing a leading role in developing the ideas for U.N. reform.

He's co-author with my predecessor, Carlos Pascual and Steve Stedman, of *Power and Responsibility: Building International Order in an Era of Transnational Threats*. And his most recent publication is a policy paper that he did for us called *The Largest Minority Shareholder*, which was about the role of the United

States in shaping the emerging global order, the very issues that we're dealing with today and at the G-8 over the weekend.

With him this morning is Justin Vaisse, a Senior Fellow in the Center for the U.S. and Europe where he's also the Director of Research in our Foreign Policy Program at Brookings. He's an accomplished expert on European affairs and American foreign policy. He has held several positions in the French government. He is most notably the author of a very well-reviewed book last year, *Neoconservatism: The Biography of a Movement*. He's now working on a biography of Zig Brzezinski. And in the meantime, starting in 2010, he initiated and led with Hans Kundnani a project called the European Foreign Policy Scorecard, which is an annual review of how the EU is doing judged by a whole range of various criteria, objective criteria, essentially evaluating Europe's performance on the world stage. There is, of course, an opportunity to evaluate Europe's performance on the world stage this weekend, and that's why I thought it'd be useful to have Justin participate in this panel discussion.

So let me turn first to Bruce, if you would respond to what Mike had to say and then Justin, and then we'll have Mike respond to that.

MR. JONES: Thanks very much, and welcome to all of you on behalf of the Managing Global Order Program at Brookings. And let me join Martin first of all in thanking Mike for coming today. It's customary in these things to say thank you for taking time out of your busy schedule. I think Martin has already illustrated quite well how busy a schedule that is, and I wanted to underscore this. I think it's not necessarily sort of widely appreciated the extent to which Mike and his colleagues are really the front lines of protecting American prosperity in the international economy, and the work that goes into this is extraordinary. So let me thank Mike for that work as well.

I guess I wanted to touch on two themes that Mike covered, one on substance and one on structure. I wanted to spend a little bit of time on energy and food. I suspect that in the coverage of Camp David, a lot of the press attention will go to the eurozone questions and to the geopolitical questions. But it seems to me the energy and

food issues illustrate important things about the way in which the United States uses mechanisms like the G-8 to shape international order. But I'll also use it to illustrate, I think, some limits of the G-8, touching on themes that Mike addressed as well about where the G-8 sits in a changing international order.

Let me start on energy. If I step back from Camp David itself and look at the question of what role energy plays in the international system right now, I think it's pretty clear that we're entering a phase in which it's potentially the case that energy will be a source of pretty dangerous competition among major actors in the international system. And case study number one is the South China Seas, but we're also seeing tensions in Central Asia and the Eastern Mediterranean. We're already amidst a fairly ugly scramble for resources in parts of Africa and Latin America as China and India and Europe and other actors compete to control sources of supply of energy and food resources. And I think the question of whether or not we see a system in which that dangerous competition is entrenched and embedded, or whether we maintain something that resembles an open international system in the trade of energy and the trade of food and the global transmission of energy and food supplies, is a really pivotal question for the international order in the coming era. And I think we have to look at the outcomes in Camp David through that lens. And I think what we're going to see in Camp David is very positive in those terms, in terms of the signals from a subset of countries obviously, but an important subset of countries with vital stakes in both energy and food issues, in terms of putting their political weight and their investment resources behind open international systems here -- free trade on energy and food, a global infrastructure for energy, an open approach and other tools that can foster a sense of energy and food being important global systems and not just a narrow search for supply. And I think that's an important aspect of what Camp David is going to do.

And similarly on food, Mike talked about this and talked about the fact that it is a priority for the administration since the L'Aquila Summit in Rome, and I think we also have to say in the previous administration as well. The two things are closely

related. The single biggest input to the price of food is the price of energy. So as the major economies in the world are consuming ever more energy, there's been a steady and inexorable rise in the price of food with pretty significant deleterious impacts on poverty, food instability, and even political instability in parts of the developing world. I think we saw even in the beginning days of the Arab Spring the way food prices played into setting the stage or sort of amplifying the conditions of instability.

And the G-8 role here has been, I think, extremely productive and important in tackling this issue. And again, I just want to illustrate that it is not through the lens of let's tie up global food stocks for ourselves. It's about protecting global systems for food security, driving better investment in agriculture, approaching this as a problem, not just as I say sort of narrow great power interest in our own food stocks or food supplies, but protecting global systems and agricultural systems which are really foundational for economic development in less developed countries and in many other parts of the world.

So I look at what's coming out of Camp David in energy and in food as very constructive in those terms; I think redolent of a tradition of an American-led international order in which tools like the G-8 are not concerts of the major powers in a narrow sense, but devices for fostering effective international systems for managing these global questions.

Now that being said, I do think that when we touch on energy, food, development, we are then also illustrating or amplifying the question that Mike touched on about the relationship between the G-8 and other bodies in the international system. And Mike did touch on this because these are also issues that are taken up by the G-20, by the U.N., by BRICS, by lots of other actors. And I think we're probably one notch shy of an effective mechanism by which these issues move across those bodies, and maybe Mike could talk to that a little bit. There are some instances where we've seen the G-8 sort of posturing a position and then taken up in broader terms for the G-20, or the G-20 is used to give fuel to a U.N. negotiation or similar. But I think there are as many issues

where we see discontinuities and things falling between the cracks across these mechanisms.

And when you look at the G-8 as a body, Mike talked about the exaggerated reports of the demise of the G-8, and I will confess to have been among those who thought the G-8 had sort of lived past its sell-by date by about 2010. And I think it's still true that it's a fairly odd grouping at this moment in history. You understand its evolution in clear terms. But if we think about the G-8 as a constructive grouping of like-minded actors who can contribute positively to the shaping of global order, well then there are important voices that are not there. I would think about Australia. I'd think about South Korea. I'd think about Turkey. And it's frankly very odd that Russia's there at this moment in geopolitical history. If we think about it as a tool by which the West reaches out to non-Western powers, then it's odd that it's only Russia that's there and not India, Brazil, et cetera. So it is a slightly odd grouping of countries at this moment in history.

My sense of what's happened -- certainly in the punditry community, but I think also some actors inside the administration -- is that where there was a sense of lack of certainty about which direction the G-8 was going by about 2010. The Arab Spring process and the work that the G-8 has done on it in the Deauville process that was referred to really did give the G-8 a kind of new lease on life in the sense that there you have an issue on the front burner of international politics where the United States and the traditional European West do have common purpose and common cause. And when we look at this in geopolitical terms, there are just enough issues -- Iran would be another one -- many aspects of the Arab Spring where the United States and the European West are really the dominant constructive actors. And where it also is the case that Russia is the singular actor among the rest whose interests matter in the region, although even there, for example, when we talk about Arab Spring, we'd have to be thinking about Turkey. And I was struck -- Mike can maybe -- I'm not sure I have the details on this right, but as far as I understand, when the G-8 foreign ministers met in Washington, they

had Turkey participate in the Syria discussions by VTC or by phone. And I think that kind of creative, informal, reaching out to some of the new actors who do have stakes in some of these issues and who are playing constructive roles is a source of harmony.

So I have to say I do think that the G-8 is a body that's a little bit betwixt and between, and its evolution is uncertain. I think there is clearly the case that the European economic issues and the Arab Spring issues give it a central role in the international order right now. How long that will remain remains unseen. And something Mike said -- you talked about Camp David as a mechanism. And I think this kind of backed basics theme that's been important for the administration. But you emphasized this idea of leaders who are in the habit of working together, and I think that's extremely constructive. What worries me about the international system as we have it right now is that we don't have a mechanism where we're getting into the habit of working with the leaders of India, of Brazil, Turkey, South Korea, in that kind of very constructive way. I've argued in the past that a kind of broader elaboration of the G-20 mechanism into some of these more sort of foreign policy and geopolitical issues could be constructive for that reason. I think when we watch the G-20 mechanism as it's actually elaborated, that argument doesn't hold. Mike talked about the G-X plus 20 percent, but certainly the way the G-20 is being articulated, you have to even then add times two because of the way people operate in the room. So when the G-20 meets, there tends to be sort of fifty people in the room. And the dynamics of the G-20, at least from the outside, have looked more like U.N. conferences than they have like Camp David Summits. And the kind of interpersonal mechanisms just aren't getting forged in the G-20 that they have at the best of times in the G-8. And Mike could contradict that, but it seems to look like that from the outside.

So where are we going to go to foster that kind of habit of working together with the constructive leaders of the new powers? And that I think remains an open question. My own instinct on this is that if we take the example of Turkey participating informally on one topic where they are particularly relevant, then a kind of

careful, gradual, limited, creative expansion of who participates in the G-8 might be more constructive over time than broadening the agenda of the G-20. But I'd throw that question to Mike if he's willing to comment on it, about where we are going to go to find this, to build the habit of working with new constructive leaders.

MR. INDYK: Great. We'll turn to Mike in a moment, but let's bring Justin in and have him address the European issues.

MR. VAISSE: Thanks, Martin, and I'd like to add my thanks both to the Managing Global Order Program at Brookings for adding me to the panel, and, of course, to Mike Froman for his very comprehensive presentation of the G-8 meeting.

As Mike said, François Hollande will not be the only new face at the G-8. Mario Monti, as you said, and also Yoshihiko Noda, the Japanese Prime Minister, will be newcomers. But arguably, François Hollande has a bigger challenge than others to overcome. An electoral campaign is never a cake walk, but arguably for François Hollande, getting elected was the easy part. The coming week, and I would say the next two months by contrast, are full of challenges, and I will name four of them. The first one is he will have to avoid lightning on his flight to Washington. More seriously, the first challenge is he must establish his reputation in major international meetings, whether they are bilateral like with Angela Merkel yesterday, with Barack Obama on Friday morning, or multilateral with the G-8 and NATO Summits and also the extraordinary European meeting next Wednesday, a week from now on May 23. The G-8 will also be his first chance to interact with leaders who will be crucial for his international policy -- most of whom I would say have given him a cold shoulder during the campaign, whether Mariano Rajoy from Spain, David Cameron from the UK, or even Mario Monti from Italy. So there's a personal image aspect that he will have to deal with.

The second challenge is, of course, to negotiate the new terms of the political consensus on the measures to rein in the eurozone crisis first with Germany, of course, and then with other European leaders. As you know, François Hollande during the campaign voted to tilt the current balance towards growth and has large support

throughout Europe, but Angela Merkel remains quite cautious to say the least about any relaxation of the efforts towards fiscal consolidation. The other major point on the agenda, of course, in that set of challenges is Greece. Yesterday in their common press conference, Angela Merkel and François Hollande indicated that there might be some flexibilities in the modalities of the plan for Greece although they would not be anything like renegotiation. Angela Merkel said that she would be ready to consider additional growth measures for Greece to sort of soothe the effects of the very strong austerity imposed on Greece.

The third challenge of François Hollande is that he has a two-level game to play, meaning that he needs to win the legislative elections which will happen in France on June 10. And interestingly, June 17 the runoff for the legislative elections is also the date that the Greeks have picked to hold new elections. So we'll have sort of a sense of déjà vu from May 7 when France and Greece voted at the same time. But, of course, the outcome of the Greek elections is much more important for the future than the French elections. However, there always remains a slight chance that François Hollande would not get a majority, then we would be in a situation of divided government which would be a very undesirable outcome to say the least. Fortunately, his chances are rather good.

And the fourth and last challenge is for him through the Jade Summit and other meetings to reassure the markets and rating agencies. So far, the markets have been giving François Hollande the benefit of the doubt. In deed, the French state has borrowed at lower rates than under Sarkozy and at historically low rates, 8 billion just yesterday. But until when, of course, will that last is the question. And what measures will François Hollande announce to meet his goal of having just a 3 percent deficit next year while the European Commission has just estimated a budget deficit closer to 4.2, leaving a gap of about 20 billion euros.

Let me now turn to the dynamics of the G-8 Summit and how the euro crisis might sort of play out. As Mike Froman said, everybody is for fiscal consolidation

and everybody's for growth. The problem is that it's, of course, a very superficial consensus. If being for growth means supporting structural reforms like labor law reforms or liberalizing the service sector, et cetera, that is not the kind of growth that, of course, soothes the austerity measures. And so the problem remains in tact between imposing austerity on the one hand and fostering growth on the other hand. So I slightly differ from Mike in that I do think there will be a debate at this summit between trying to set the right balance between austerity measures of fiscal consolidation on the one hand and growth on the other hand. In the *Washington Post* this morning I read that Hollande would face a skeptical reception at the G-8 if he proposed to boost the economy in the short run with more government debt, particularly from German Chancellor Angela Merkel, a strong advocate of government austerity. I don't think that's an accurate reflection of how things will play out, and the reason is that the European consensus has been thoroughly transformed. In December when François Hollande announced that he intended to renegotiate the Fiscal Compact Treaty, he was met with more than skepticism. He was met with outright hostility. But since then, his position has become largely a consensus position among European leaders. And we pretty much know that there will be an additional pact or some sort of agreement on package of growth measures to rebalance the Fiscal Compact Treaty, which -- and this is a point that is often missed. I think it's not rejected either by the new consensus -- neither by François Hollande nor by Mario Monti nor by Rajoy -- meaning that the fiscal discipline measures contained in the Fiscal Compact Treaty have all been accepted by all the participants, including François Hollande. The question is different. The question is whether to accompany them with growth measures and van Rompuy and Barroso agree on this. And so I think that the dynamic of the G-8, the most likely outcome is to see a debate -- especially with Angela Merkel who runs, I think, a bigger risk of being isolated than others -- especially because the position of the U.S. has been clearly on the side of growth. In deed, just five days ago in Seattle President Obama said that Europe is still in a difficult state because they didn't take some of the decisive steps that we took early on in this

recession, indicating, of course, a preference for more active intervention in the crisis. And so, of course, we are sort of stuck with the dilemma of stimulating growth without deepening the deficits.

And so I guess to finish and conclude, so how to square the circle which is a question that G-8 governments have been struggling with in the past two or three or even four years since the crisis began in 2008. The ideas that have been put forward by François Hollande, but which are some of the them pretty consensual and have been sort of floating around for some time is really to leverage Europe in general rather than deepening any member states' deficits. So there are two measures that are pretty consensual, bumping up the European Investment Bank by at least 10 billion euros, which, of course, then the European Investment Bank can lend with a very strong multiplier effect. And the second one, which is consensual, is to reallocate the European structural funds so that they better serve the objective of growth.

Two other measures are a bit more contentious or even much more contentious. One is to create a financial transaction tax, meaning increasing revenues at the European level or, if impossible, among the member states that will agree with that idea. And the last idea is to issue euro bonds for infrastructure projects. So not to finance more debt, but to have what been called project bonds. And, of course, here I think once again the biggest challenge is not whether Hollande can reach a consensus with Angela Merkel -- in any case they don't have a choice -- both of them have to agree on something and neither of them can afford to be isolated whether in Europe or in the G-8 forum. So we'll most probably see an additional protocol to the Fiscal Compact Treaty if only because Angela Merkel needs the participation of the SPD, of the Socialist of her opposition, in order to ratify the Fiscal Compact Treaty.

Rather I think the true questions are whether the measures that will be agreed upon will be enough to actually stimulate growth in Europe and calm down the discontent of public opinions. And the second question is whether Angela Merkel and François Hollande can agree on the next step of European integration and, of course,

have that decision shared by Italy, Spain, and the others. Just before the election, François Hollande said that our German friends -- I quote him -- "cannot impose a double lock, one on euro bonds and one on the ICB direct financing of sovereign debt." And yesterday night in Berlin, he said that everything must be put on the table in negotiation with Angela Merkel. So even if that is sort of negotiation posturing before the negotiation actually takes place, there is I think a larger question than just the package of growth measures that will be agreed upon, which is the question of what the exact role of the ECB should be and bearing -- if there is no change in that role, whether the euro bonds, in order to help countries out of their sovereign debt crises, should be created. I think this is the real stake of the meetings between Angela Merkel and Hollande -- the one of yesterday, the one that will happen on Saturday, and, of course, next Wednesday. And I think that, of course, resonates among other G-8 members, especially the U.S., given the high stakes for U.S. growth, especially in the run-up to the November elections.

MR. INDYK: Great, thank you. Mike, want to respond to the issues they raised there, particularly on the architecture question and the issue of consensus, growth versus --

MR. FROMAN: Sure. Well, let me start if I can with Justin's presentation, which I think I entirely agree with in terms of the description of what the debate is likely to be. And as he put it, how do you stimulate growth without deepening deficits? Because there is this, appears to be this equal commitment to maintain the deficit targets, not to abandon the Fiscal Pact in any way, but at the same time to take steps to facilitate growth and what the options are for that. The IB and the structural funds are two such options, along with project bonds as you say. And the question as you put it, which I totally agree with, is will it be enough to stimulate growth and deal with the political and social issues that we're now seeing across Europe? And what does it mean for the European project and further integration, further institutionalization of the monetary union? And so that will be certainly at the center of the plate and to be frank, I don't expect that -- President Hollande has been in power for -- he will have been in

power for three days or four days by the time he arrives in Camp David. I don't expect necessarily for this to all get resolved there, but it will be a good discussion that will then feed into the Euro Council meeting on the 23rd and the G-20 next month where these issues, obviously, will still be very much on the table. So it will be an opportunity for the leaders to advance that discussion and together to come around and discuss it.

On Bruce's points, I think with regard to architecture, I think you point out some very important points. And I think it's fair to say that none of these organizations -- the G-8, the G-20 -- are absolutely, perfectly designed in terms of who's in, who's out, or what their agenda is. There is overlap in some respects, although we tried to deconflict it as much as possible. We're not going to talk about the in-depth work of the framework working group at the G-8; that will be for the G-20. But take food security, for example. That's an issue that's very much a focus of the G-8, but it's also a focus of the Mexican presidency of the G-20. And certainly in my conversations with my colleagues in Mexico, our view has been you can't have too much discussion of this. If the G-8 is willing to take certain steps and the G-20 is willing to take certain steps, it's all good. And if you take Brazil, for example, which has developed some terrific technology in agriculture productivity that may be particularly well suited to export to Africa, for implementation in Africa, it's critical that the G-20 provides a mechanism through which not just the G-8 -- so not just the traditional donors, but other countries who are either new to being a donor or who are participating in kind in a sort of way -- can contribute to the solutions to some of these global problems.

You know, I think with regard to leaders being in the habit of working together, the G-8 has had a longer history and certainly those leaders who do work with each other across a broad range of issues on an ongoing basis, not just at summits, but week in and week out, it is particularly easy for them to do so. But we've seen at the G-20 that they certainly came together and worked well together when it came time to managing a crisis. At the London Summit -- the Washington Summit, London Summit, Pittsburgh Summit, I think were all good indications of how crisis management can work

together. As the crisis ebbed a bit, I think the G-20 is working its way through the issues of how to build cooperation on an ongoing basis. And if at some point the G-20 wants to expand into political security, other global issues beyond the economy, it may well be a good institution for dealing with some of these issues when you do have the major emerging economies around the table. But thus far it's been the major emerging economies in particular, I think, who've wanted the G-20 to stay focused on core economic issues and not to go into further areas.

Let me just say one word on resources. I agree that it's a very important issue both in food and in energy. And certainly the perspective of the G-8 is towards freer trade, open markets, open infrastructure, and facilitating the evolution of the production of the resources in a way that works for broad sets of stakeholders. And things like rules on responsible investment and agriculture can play a useful role there. As you point out, it would be good to have some of the other countries around the table who are major investors in agriculture in Africa or elsewhere to also sign onto those rules if they're to have the intended effect, and that may be a role that the G-20 over time can play as well.

MR. INDYK: Let me just ask a follow-up question, Mike, on something you said about how the markets will be watching the G-8 Summit and part of the purpose is to signal to them. But what is it that they're looking for and how is this austerity versus growth issue and the tensions in it going to play out in terms of the need to send a reassuring signal to the markets?

MR. FROMAN: You know, I won't try and guess what the markets actually think or who the markets actually are. And I think they're looking less to the G-8 necessarily than to the countries around the table there and what they are willing to do to promote growth, put themselves on a path towards fiscal sustainability, deal with the institutional obstacles to cooperation, and their commitment to stand behind -- in Europe's case the European project -- and ensure that it's successful. So I think they look for signals about that, whether -- and we'll take the eurozone in particular -- whether

the eurozone countries are fully committed to doing whatever is required to make the effort successful.

MR. INDYK: Okay, great. We've got time for questions. And I would ask you, please, to identify yourself, to wait for the microphone, and to please make sure you're actually asking a question. Yes, please? Microphone up to the front here, please. Is there a microphone? Here it comes.

SPEAKER: I'm a journalist with a French newspaper. I have a question, a double question, to Mike Froman. You have expressed your fears about the euro. What will be your message to the Europeans? What should they do with Greece? Should they be more flexible with Greece to keep Greece in the euro? And can you tell us a little bit about your visit to Paris last week? What was your message to Hollande's people and what kind of reassurance have you gotten from them?

MR. FROMAN: It was a beautiful spring day in Paris, and the visit was all too short. First of all, let me just -- I have to question the premise of the question, which is I didn't express my fears about the euro. I expressed that certainly the issue of the eurozone and its relationship to the global economy will be a key focus, I think, of the leaders when they're at Camp David.

With regard to Greece or to many of these questions around the eurozone, obviously these are questions for Europe itself to answer. And as Justin said, the meeting next week, the extraordinary European Council or eurozone council meeting will be an important step in that process. What we can do from the outside and I think what President Obama has done is share our experience, share ideas, make it clear how important it is to us and to the rest of the global economy that Europe takes the necessary steps to deal with the issues that it has on its plate. But, you know, the European leaders are very much aware of the issues. I think they're seized with the same sense of urgency that the rest of us are. And we have confidence that they will continue to work through the issues as they have over the last year, year and a half, taking the steps that they have taken to deal with the challenges that they face.

MR. INDYK: Let me just ask a follow-up question that's always interested me about the way that the President has dealt with the eurozone crisis, something that you said then that seemed to reflect this, which is basically seems to me to be operating below the radar, not using the bully pulpit in any kind of public way, but trying to keep the onus on the Europeans, but encouraging them quietly to do the right thing. Is that an accurate description?

MR. FROMAN: I hope that's the way it's interpreted on the other side of the Atlantic. I think certainly he feels that to be respectful, it's important not to be out publicly criticizing, but to providing as much support as we can and to maintain a dialogue privately that hopefully is helpful as they work through their issues. By the way, I think the President, Secretary Geithner, and others who engage with the Europeans on this issue, we do so with no great monopoly on wisdom and with a degree of humility that we've gone through the deepest economic and financial crisis in 70 years. And we need to take a lot of very difficult, politically and economically difficult steps to deal with it; that we needed to reform our regulatory system. So this is not a lecturing or hectoring from a position of arrogance or superiority. It's frankly sharing our experience and saying we know exactly what you're going through because we've had to deal with our banking system, putting it through stress tests, requiring it to raise capital, and requiring it to clean up its balance sheet. The bailout programs that we pursued were not popular politically, and the President has certainly been taking hits for that over time, but they were important to do and to try and empathize and be supportive as the Europeans wrestle with many of the same questions.

MR. INDYK: Down in the back there, behind the cameras.

SPEAKER: Hello, Brian Beary, Washington correspondent for *Europolitics*. I just wanted to ask the panelists their take on Russia at the G-8 and the fact that we'll have Medvedev there instead of Putin. And just looking more in the long term, how do they think the change in the switching of positions between Medvedev and

Putin is going to play out in terms of Russia's role on the global stage and in situations like Iran or missile defense, for example?

MR. FROMAN: I'm no Russia expert. I would simply say that we have had very good contact with and ongoing dialogue with the Russians, both President Putin and Prime Minister Medvedev. And we are very much on the same track of continuing down the path of reset that the President started a couple of years ago, the WTO on the economic side. I could mention the completion of their 17-year effort to join the WTO that we played a significant role in helping with and something that we're building on. We want to build a stronger and closer trade and investment relationship with Russia. And the G-8, I think, serves as a very important forum for Russia as well as the other countries to wrestle through some of these issues as Bruce noted. You have issues like Iran or Syria or last year Libya was a major issue of discussion where the relationship between perhaps NATO countries on one side and Russia on the other is critical to building a global consensus about how to move forward. And the G-8 is a forum through which that consensus can be build, and it's been very effective in doing so.

MR. INDYK: I would just comment first of all that we will be dealing with Iran and the other Middle East transition issues that Mike has brought up in the next panel discussion with some of our Middle East experts from the Saban Center at Brookings. But the fact that Putin is not going to be at this summit could, might -- and I think this is something to look for -- indicate that when the subject of Iran comes up as well as some of the other things that Mike mentioned, that there could be a shift in Russian policy. And that could have a direct impact -- if it turns out to be the case -- a direct impact on the negotiations that are going on with Iran because the reset, I think, has been a notable success in terms of Obama bringing Medvedev when he was President around with Putin's backing to support robust sanctions, including the military embargo that led to the Russians dropping significant arms sales to Iran, missile sales. And Russia has been critically important in that regard. And the question mark over that with Putin's non-attendance extends to the new French President's attendance and his

position on Iran because Sarkozy was out there leading the charge against Iran's nuclear program. And it made a huge difference to the U.S. and British effort with Sarkozy in the saddle in terms of the architecture of P5+1. Having three -- the United States, France, and Britain -- leading the charge and Putin through Medvedev backing it up has made a dramatic difference in the effort to press Iran to accept curbs on its nuclear program. And there are question marks that I think is something worth watching what happens at the G-8 Summit in that regard. I don't know whether you want to comment on that.

MR. FROMAN: I think I'll leave that one to Justin, but I don't -- at least at this point -- I don't see any indication that there is any daylight between us and President Hollande on Iran.

MR. VAISSE: I would agree. François Hollande has pledged continuity on the Iranian issue. There might be a difference of degrees or nuance, but if anything that would get him closer to the Obama Administration.

MR. INDYK: Okay, other questions? Yes, please.

SPEAKER: Fred Vossman from NDN. As far as the transition government to know that -- Mike, you mentioned the Deauville Partnership, the MENA TIP framework, which were all great -- it's probably somewhere around a five I'd say on a scale of one to ten. So I mean when we look at -- and there hasn't been a big push for reaching a free trade agreement -- I mean, the IMF Fund was conspicuously absent from the latest House mark ops. So kind of what's the White House's long-term and short-term strategy for regional sustained economic engagement?

MR. FROMAN: Well, I think as I mentioned, we've got really three tracks of work. One is on the stabilization and job creation front and the urgent need that these countries have for putting people to work, supporting particularly small- and medium-size enterprises, to allow entrepreneurs and others to begin to engage in additional economic activity, and to create an environment where investment can happen, domestic investment as well as foreign investment. And I think all of the countries in the region are deeply focused on that.

The second pillar is on governance and participation, and I think they have been really quite proactive, if not joining the open government partnership, then pursuing a number of the same issues of accountability, transparency, anticorruption, et cetera. And I think those are very important domestically as well for them.

And then finally on trade and integration, I think each country is in a slightly different position. Some we have a free trade agreement with like Jordan and Morocco. Others we don't, but we have the more basic trade agreements that we can build on. I think our focus -- and this has been according to our strategy -- has been let's get done what we can get done now and quickly. And this can build to something bigger and broader over time, but what's important if you look -- I cited that figure about the trade amongst the region compared to Switzerland's trade with the world -- that's not because there's a lack of a free trade agreement. They actually have the Agadir Agreement. They have the GAFTA I think it's called. So they have trade agreements, but there are still obstacles to trade. And if we can take steps, particularly in the short run, that reduce those obstacles -- facilitate trade, allow easier passage at customs and at borders, create standards, recognition -- so that products produced in one country can be sold in another as well as sold in the EU and the United States, these are all steps that we can try and take that have a more immediate benefit. And those are the sort of things that we've been in dialogue with them, even as we lay the groundwork for bigger or broader initiatives.

MR. JONES: Let me just add, if I could -- I mean, I think that this point, this last point you made, is really critical. In the early days of the Arab Spring, a number of European countries talked about the possibility of moving towards sort of more open, more market access to the EU for countries going through the transition. I think one of the real challenges that we confront now is because we're at this state of the Arab Spring, precisely when we're at this stage of the eurozone crisis, it's going to be very hard for the European countries to move in that direction, though there are potentially some win-wins. I mean, there is potentially a dimension of a growth agenda for Europe

that's about sort of opening to broader markets and having broader market access and broader trade. So I think that finding that right pathway can be a very productive place for these agendas to interact.

MR. INDYK: Yes, please.

SPEAKER: Thank you. Paula Stern. Thank you for your presentation. I want to pick up on the point about energy and the costs of energy related to food and related to the Arab Spring and try and connect that to the G-8 and potentially the G-20 because I may not be here when you brief us on the G-20. Climate change, energy, cost of food, oil is not freely traded. Oil, even though I know you said it was free trade, there is a cartel. And the membership at the G-8 only includes, I would say, Russia and maybe the U.S. in terms of major -- the point is that Saudi Arabia is at the G-20 and not at the G-8. My question is to what extent will our leadership start to tackle the issue of the oil cartel as it tries to tackle both food security and food costs and climate change, et cetera? It's an exception to the WTO, but we never talk about it. And yet all of our discussions have something to do with that. I was just wondering, does that ever come up?

MR. FROMAN: Well, I think what comes up is the importance of, as I mentioned, what the President calls the all-of-the-above strategy of ensuring maximum production safely of all sorts of different types of energy. I mean, one of the remarkable things -- and there was an article in the paper today. North Dakota has exceeded Alaska as a producer of oil. This is all shale oil because of advances in technology. There is a -- pardon the pun -- the tectonic shift going on at the moment in the production of global energy as new sources of energy are found or are made possible because of advances in technology. We have to make sure we get the regulation right, that it can be done in an environmentally safe way, but it has the potential to really change the dynamic. You know, for the first time in a long time we are importing less than half the oil we use. We have the potential in the area of natural gas to be one of the major global producers. And that can really change -- and by the way, it's not just us and you're sitting in front of one

of my former colleagues from Canada -- Canada, obviously, a major producer of oil and gas. And when you find shale resources in Poland and in India and in China, obviously in Australia very big, so this is a -- I don't think any of us really have a full understanding of what the implications are, again provided that we can get the environmentally safe -- the regulatory environment correct around this. And that will be a focus, I think, of the discussion about how we pursue all of these sources of energy safely.

We have had good dialogue with major producers of energy throughout this period. And it's been important as we looked at both the global economy and the recovery, as well as the work that we're doing to try and put pressure on Iran, that we've had a very good dialogue with major producers around the world to ensure, for example in the case of Europe going to an oil embargo at the end of June, that there are other sources of energy available for them to shift to as they make that transition.

So I think we are keenly focused on the importance of getting the energy mix right, making sure it can be produced environmentally safely, and reducing our dependence on foreign sources of oil. And the fact that we've discovered these sources here or discovered ways of making them commercially available, I think really holds out great prospect.

MR. INDYK: Other questions, please? Yes, please, go ahead.

SPEAKER: (Name inaudible), correspondent. Does the absence of Putin indicate that Russia is also --

MR. FROMAN: I'm sorry, the last part you said? Does the absence of Putin indicate --

MR. INDYK: Pivoting towards --

MR. FROMAN: Pivoting towards Asia? I think you'd have to ask President Putin that. I wouldn't over-interpret President Putin's decision to stay in Moscow and put in place the government and work through a series of domestic issues so close to his inauguration. We are in very close touch. Our National Security Adviser, Tom Donilon, was recently there and spent an extended period of time with President

Putin and had a very good dialogue about continuing the reset. And so I wouldn't over-interpret that. And my sense is that he and Prime Minister Medvedev obviously coordinate well before either one goes to one of these international meetings.

MR. INDYK: Up in the front here, and then we'll go to the back.

SPEAKER: Witney Schneidman, Africa Growth Initiative at Brookings. I just want to pick up on the food security aspect. As it was in 2009 at L'Aquila when President Obama, I think, really asserted leadership and got the other G-8 partners to commit to \$20 billion to invest in this. How does the administration see the last three years? Are you pleased with the progress, and how do you measure that progress?

MR. FROMAN: That's a very good question. One thing that you'll see coming out at the G-8 Summit this weekend is an accountability report. It was actually -- I think this was launched by Canada a couple of years ago in Muskoka, and we've continued this tradition of looking at what commitments the G-8 has made. In this case in the area of food security and how have the G-8 countries done against those commitments. And some of it is about money and about how much money has been committed and disbursed. Some of it is about policy because part of L'Aquila was also signing onto a series of principles about aligning programs behind country-led and country-approved programs of investment in Africa through something called the CAADP program that you're familiar with.

And so in our case I think we've done particularly well in realigning our programs. And Raj Shah, the Administrator of USAID, and the State Department have worked very hard to look at our food security programs and the Feed the Future Program and realign them behind country plans.

Other countries have taken a different approach. Some have been faster to disburse; some have been slower to disburse. I think what's important about what's going to happen on Friday when the President lays out the next phase of our food security initiative and on Saturday when the leaders talk about this with quite a remarkable group of African leaders from the public and the private sector, is that we're

talking about a new phase of this that goes to not just how much foreign assistance there is which is important, but how do you use government tools to leverage private sector investment?

What role do the foreign governments play in adopting policy reforms and governance reforms that create the environment necessary to succeed in terms of agricultural productivity increases? How do we use technology? I'll give you one example. We among the G-8 have a tremendous amount of data -- data on soil, weather, on trends. Making that data available so that a small horde of farmers, especially women in Africa, can make a decision about what to plant, what fertilizer to use, and what insurance product to buy to protect them against severe weather events, is something we can do. Now it doesn't cost all that much money. It's something the G-8 is uniquely positioned to provide. It is smart. And it's about what governments can do to really step up the commitment and the ability to deliver on agricultural productivity and improve nutrition. So it's that sort of thing that we're working on that, again, the President will lay out in greater detail.

MR. INDYK: Down in the back, I promised. Yes, right in front of the cameras, yes. And then we'll come to you.

SPEAKER: My name is Patrick (inaudible) with the German newspaper in Frankfurt. I would like to come back to the euro question and to the U.S. position concerning the eurozone problem.

MR. INDYK: Can you hold your microphone closer?

SPEAKER: Okay, sorry. My name is Patrick (inaudible) of the Frankfurt (inaudible), and I would like to come back to the euro problems. What are the effects on the United States' economy you would expect if Greece would leave the eurozone? And the second question I have is you talked about necessary steps Europe would have to take and that it would be the European responsibility to do it, but what do you see from the United States with respect to what are the necessary steps Europe should have to take?

MR. FROMAN: Well -- and I may turn to Justin to go into more detail. I think in terms of the impact, I think I would just say the following. We have a great stake in Europe's success. We want a strong Europe. We want a Europe that is growing and that is capable to acting effectively around the world, and that is a core interest of the United States. And so all the steps necessary to avoid this crisis spilling over from one country to another -- to avoiding contagion, to getting on the path of growth, to maintaining political and social coherence -- these are the things that are very much in our interests. And I guess to put it in the negative, I think if Europe is unable to manage this, it would have a significant effect on our interests, with our narrow economic interests in terms of trade, investment, the relationship between our financial systems, but more broadly our ability as the great industrialized nations to play a role as Bruce said in protecting and developing and supporting global systems of cooperation. So there's a great deal at stake in how Europe manages through this.

In terms of the precise steps, I think those are precisely the sort of things that are probably better left for private discussions than for public lecturing. I think simply to say there is now a consensus of the importance of growth, as Justin said. And the question is how best to grow, how to deal with countries who are having difficulty meeting their fiscal targets, and how to ensure that as Europe makes the decisions that only it can make about the future of the European project, that it's doing everything it can to support that overall effort.

MR. INDYK: Justin?

MR. VAISSE: You know, I guess the top economists, the best minds of the international community, are right now thinking of what scenario of Greek exit would look like and what implication it would have. So I would not presume to give my own very uninformed opinion, all the more so that I'm not an economist. However, what I can say is three days ago, Jean-Claude Juncker, the President of the Eurogroup, said that a scenario of exit of Greece was quite unlikely. It was actually out of the question, he said. And yesterday night, Angela Merkel and François Hollande repeated that they wanted to

see Greece in the euro, and as I mentioned during my opening remarks, were ready to take measures to stimulate growth in Greece in order to accompany the austerity measures taken.

So I still do think that the most likely scenario is Greece staying in the eurozone. That's my, once again, uninformed opinion. I think the chances of Greece exiting are still below 50 percent; however, there is a possibility that Greece would exit. And so in this case, in this unlikely hypothesis, I'm going to try to answer your question, which is what steps could the U.S. take in that situation?

Well, I guess the past could give us some clues. Obviously, one measure could be the swap lines that the fed has opened with the ECB to great effect even though unheralded and not very much publicized. Second step would be simply to, as the Obama Administration has done in the recent years, ensure confidence in the way European leaders conduct the process of solving the eurozone crisis and in this more precise case of ensuring an orderly exit of Greece from the eurozone. And then the last step is probably through an intervention by the IMF if that is necessary, for example, to shore up countries that might be targeted by speculation from the markets. We know who the probable targets would be -- Ireland and Portugal in particular -- however, I repeat that these are just speculation and I personally think that once again the chances of exit are lower than 50 percent.

MR. INDYK: Okay. Yes, please. The woman down the back there.

Thank you.

SPEAKER: Hi. Patty Culhane, Al Jazeera English. On that accountability report, last year it showed that less than half of the food security assistance had been provided. So how much progress has been made? Also on that, it was Egypt and Tunisia that were promised, I think, \$20 billion? How much has been delivered in the last year?

MR. FROMAN: I think you'll see -- I think we'll release this probably on Saturday. It will go through every country's number so you'll be able to see it country by

country. I don't have the number here in front of me. I would underscore what I said before, which is one of the issues is money being disbursed, and the other issues also go to how the money is disbursed and the policy reforms that go along with it. And one thing we're trying to do among the G-8 is to not commit to things that countries aren't willing to actually implement.

I think in terms of -- you refer to Egypt and Tunisia -- there was a discussion in Deauville of the Deauville Partnership and the potential of financing that could be made available to countries in transition, which included their capacity to borrow from the IMF, from the World Bank, from other regional financial institutions, as well as by bilateral assistance. And some of that assistance has been disbursed. None of the countries so far has borrowed from the IMF. And so I think the issue around the Deauville Partnership as it worked through these political and economic transitions is ensuring that the conditions are in place so that more money can flow.

MR. INDYK: I think that there's a kind of perception problem here that in the Middle East they heard \$20 billion and expected that \$20 billion was going to be flowing. And that's not what you meant at all.

MR. FROMAN: Usually I hear the figure \$38 billion, so you've got half of it. No, that's exactly right. I think there is a perception issue, which is unfortunate. But I think working with the countries in the region as they pursue economic and political reforms and put in place the policies that can lead to -- whether it's IMF, World Bank, ultimately EBRD, Islamic Development Bank Lending, as well as lending and support from countries in the region, the Gulf countries as well as the G-8 countries -- that's the path forward.

MR. INDYK: Just a question about the Gulf countries, the GCC countries, are they going to be participating in any way in the Middle East transition discussion?

MR. FROMAN: At this summit of the G-8, we are not having a broader group of countries from the Middle East, neither the Deauville Partnership countries, the

five countries going through transition, nor the regional partners. We have had finance ministers' meetings, foreign ministers, processes, trade ministers' meetings that have included all of them, including the Gulf countries, and we're likely to have more such meetings over the course of our presidency this year.

MR. INDYK: Okay. We're only going to have time for one last question, so I'll take the gentleman at the front here.

SPEAKER: My name is Kyo Fuji, Nikkei newspaper. Mr. Froman, how do you explain the situation of U.S. debt situation to the G-8 colleagues? There's a lot of talk about fiscal issues in December and a lot of partisan politics in U.S.

And also another question is about Japan. Japan also has a huge debt issue and as you know, Prime Minister Noda is talking fiscal reform, including consumption tax hike. Is this the right balance of gross austerity or do you think --

MR. FROMAN: I think I'll leave Japan's decisions to Japan and to the Prime Minister. But I think you make a broader point, which is many of the issues that are being debated around the eurozone are also of importance and interest to Japan, to Canada, to Russia, all of whom are working through their own sets of economic issues, and obviously to the United States and that goes to your question about our debt situation. The President has made clear -- and he's been very clear about what our strategy is and what it has been, which is to spur growth that helps create a virtuous circle and to achieve fiscal sustainability over the medium term. And obviously come the end of this year, there are a number of important issues that are coming to a head together, and he is committed to working through them.

MR. INDYK: Thank you. I'm going to ask Justin and Bruce to make just some short closing comments. And Mike, then, you will have the opportunity, too, if you want it.

MR. VAISSE: Just in one word, I guess when the G-8 or at the time the G-7 or even less was created in the mid-70s amidst upheavals in the international systems, whether the old crisis or the economic crisis, in deed, and coordination was

necessary, it was envisaged as that sort of informal forum of coordination. And obviously today the G-20 is a much better answer for many of the questions that the international community has to face; however, I guess the two good reasons to keep the G-8 right now are the Arab Spring where obviously the facts that Europeans dominate in the G-8 make it an especially good tool for dealing with their own neighborhood with the help of Russia, Canada, and the U.S., as well as Japan.

And the second reason, of course, is the eurozone crisis, and I do think a discussion on the eurozone crisis in a larger context than just the EU or even the eurozone is even conducive to finding solutions that are -- I would say that other countries and the rest of the international community can support.

MR. INDYK: Bruce?

MR. JONES: I just wanted to come back quickly on the question of energy and the question about global systems versus cartels, et cetera. I mean, yes, there has been a cartel on oil price, although, of course, there are new actors on oil that Mike talked about and new sources of energy. This is a rapidly changing domain, and I would come back to the point that I think whether we see this as a domain, which is a competitive domain and increasingly a dangerously competitive domain, or whether it's a domain that remains in some degree a stable international system is going to be really pivotal for relations among the great powers and the overall geoeconomics and geopolitics.

This connects to security policy as well. Yes, there are subsets of actors that supply oil, but it's a global price and it flows globally, and the global flow of oil is also protected by the U.S. Navy. I mean, that's one of the dominant functions the United States plays in international order, and there are new challenges to that function. Actors that want to challenge the U.S. role per se, another actor that would want to come into the system and protect their own interests -- something like India who is rapidly expanding its naval capacity. Some of those are security issues, but energy plays a very substantial role in pushing these new actors into the global arena. And I think it's still

going to be the United States that plays the critical role in shaping whether these become as I said dangerously competitive or whether we can maintain some kind of stable global systems with new actors participating with changing ways. And I would anticipate this being a growing topic of international discussions, including with G-8 and G-20 and others in coming years. We have an interesting cast of characters coming up. The UK will have the G-8 next; Australia in 2014; Turkey in 2015 I gather; and the Russians in between on the G-8 and the G-20. I mean, so critical actors are going to be engaging on these issues, but I suspect we'll still see -- I hope we'll still see -- the United States really playing a dominant role in steering those negotiations and steering that discussion over the coming period.

MR. INDYK: Mike?

MR. FROMAN: We'll do our best.

MR. INDYK: I really think we've been treated to an excellent precursor for the G-8 Summit, and we wish you the best of luck in that, and we're very grateful to you for sharing your time and thoughts with us.

Ladies and gentlemen, we are going to take a break now and actually we're going to feed you. There's lunch outside, but that is just the incentive to come back for our 1:00 panel on the Middle East transitions issues that the G-8 and NATO will be dealing with. Thank you.

(Recess)

MR. BYMAN: Good afternoon, and welcome back. My name is Daniel Byman. I am the research director of the Saban Center at Brookings. And our topic for this session is looking at the Middle East and the implications of events and developments there for the G8.

I think it's no secret -- it's specially based on discussion and some of the initial questions this morning that what's going on in the Middle East, broadly defined, is going to be an important part of the agenda and discussions of the G8. However, the countries involved have different interests in the region and different priorities, but I think

it's safe to say that the region's economy is and will remain incredibly important for all of them.

I am delighted that today we have two excellent speakers from Brookings to talk on the subject. To my left is Bruce Riedel. I've asked him to begin some initial remarks on Afghanistan and Pakistan. Bruce is a 30-year veteran of the intelligence community. He's also held senior positions in the White House and in the Department of Defense and while at Brookings has authored several books on al Qaeda and Pakistan and the implications of crises there.

To my right is Suzanne Maloney. She has served in a senior position on Iran with the Department of State. She is one of a top handful of Iran experts that has been guiding -- or I should say trying to guide -- policy to make it more coherent as someone who is widely regarded as one of the informed voices on Iran.

I've asked them to prepare some initial remarks before I open it up for your questions, so without further ado, let me turn things over to Bruce.

Please.

MR. RIEDEL: Thank you, Dan. Thank you for the very kind invitation.

I'm going to merge the G8 and the NATO summits together, because I think that for Afghanistan in particular you can't talk without talking without NATO. Afghanistan is, this time, I think actually pretty much a good news story for these summits. That is not to say that we are not on the edge of nirvana nor even Valhallas, as Bob Gates once said we were going to emerge from in Afghanistan. But I think we can, and the leaders will be able to point to substantial progress over two, three, or even four years ago in Afghanistan.

I think first, of course, is progress in terms of the war against al Qaeda. Al Qaeda corps, al Qaeda senior leadership, whatever you want to call it -- I prefer to call it Mother al Qaeda or al Qaeda al Umm in Arabic -- is a severely damaged organization. The combination of the Seal rate that killed Osama Bin Laden and the drones that have decimated its senior leadership -- this is a much diminished organization. And that would

not be possible without Afghanistan as a base for operations. We could not have succeeded in getting Osama Bin Laden a year ago May if we hadn't been able to fly out of Jalalabad. If those Seals had flown off of a carrier in the Arabian Peninsula, the mission would have been a catastrophic failure when the first helicopter crashed on a hard landing.

Secondly, I think the leaders will be able to note that NATO's surge in troops over the course of the last three years has succeeded in halting the Taliban's momentum. The Taliban for the better part of five years was steadily getting stronger, steadily improving ability to carry out attacks through more and more of Afghanistan. That, I think, is no longer the case. The 43 allies that have troops on the ground in Afghanistan, which is the largest military alliance in history, has finally succeeded in stemming the Taliban's advance.

Third, I think they can point to the success in building up an Afghan security force, now roughly 350,000 strong, more than double what it was three years ago. This force is now big enough and, I think by all measures, good enough to be able to contain the Taliban threat without significant numbers of foreign combat forces after 2014. That's a substantial success as well.

There are many, many problems in Afghanistan that will not be resolved between now and 2014: corruption, drugs, you name it. Anyone who thought they could be resolved by 2014 was living in a fantasy world. But what is necessary and essential for the alliance that went in there will be accomplished by 2014. And we have now a viable exit plan to get out as long as we do it cautiously and carefully. If that exit plan is implemented with care, we will be able to turn over in Afghanistan in 2014, which meets the alliance's minimum needs. We need to be very careful to avoid a rush to the exit, and I think that the new French president can expect to be ganged up on by everyone else at NATO to urge him not to rush to the exit. He'll find out in any case that it's very difficult to rush to the exit in Afghanistan, because if the Pakistanis won't let you out, you have to leave your kit behind. Since their kit is the best they've got in the entire French military,

they'll be pretty reluctant to do that.

The post-2014 Afghanistan, as I said, is not going to look like nirvana nor Valhalla. Civil war will almost certainly continue between the government and the Taliban. But the government will be able to maintain its control of Kabul and other major cities and will be able to enforce its writ, when it wants to, in substantial parts of the north and center of the country.

We will also have an Afghanistan which will have somewhere between 8 and 10 million children going to school, half of them girls. That is a substantial change from the Afghanistan that we went into in 2001.

The Afghan National Security Forces will need to be funded by the outside roughly \$4 billion a year. That's roughly the equivalent of what the United States has provided Israel and Egypt for the last 35 years, so it is something that we are currently capable of doing. I think a lot of conversation in Chicago will be about trying to make people pledge future contributions to this. I suspect that there will be a lot of promises, but I don't think there will be very many checks in the mail so far.

The vital outcome of the exit plan has already been previewed in President Obama's trip to Kabul last month, and the deal has been basically reached for a long-term U.S. strategic relationship with Afghanistan that allows us to continue to retain access to bases in Afghanistan to carry out counterterrorist missions both in Afghanistan and, of course, next door in Pakistan as well.

All of this could become substantially better if the government of Pakistan cooperates with the mission in ways that it has failed to do so far. Pakistan has been critical to the revival of the Taliban. Without Pakistan sanctuaries, safe havens, and fundraising, the Taliban would never have been able to recover from the blows inflicted on it in 2001 and 2002. Without Pakistani sanctuaries and safe havens today, the Taliban would be a much diminished force. The Pakistanis have full control physically over the senior leadership of the Taliban and their families, a tremendous capacity to influence what they want to do. I think there is much truth to the argument that NATO is

in many ways fighting a proxy war already with Pakistan and has been for the last five or six years.

Pakistan is, of course, also today home to three of the five most wanted on *America's Most Wanted* terrorism list. Only one of those three -- Ayman al-Zawahiri, Bin Laden's successor -- is actually hiding in Pakistan. The other two aren't hiding at all. Mullah Omar, the head of the Taliban, resides in Karachi. The government of Pakistan meets with him on a regular basis. And Hafiz Saeed, the leader of Lashkar-e Tayyiba, the group that attacked Mumbai three years ago, doesn't hide at all. He appears on Pakistani television almost every night and hangs out at large rallies in Pakistani cities usually sponsored by the Pakistani intelligence services.

That's a bleak picture, but I think there is a few rays of hope in Pakistan today, things that we haven't seen in the last several months. There is evidence of some re-thinking on the part of the government of Pakistan about its policies. The first and most traumatic piece of evidence of that was President Zardari's trip to India just over a month ago now. President Zardari has long been a supporter of trying to find a rapprochement between India and Pakistan. His efforts in that regard were of course sabotaged by the attack on Mumbai in November 2008, but he now seems determined to try to restart them. His thinking on this is driven largely by economics. Pakistan realizes that if it's going to have a brighter economic future, it has to tie its cart to the Indian economy, and the good news is that the Indians are quite eager to have Pakistan do that as long as it starts to take some moves against terrorists like Hafiz Saeed.

This could easily be derailed if Lashkar-e Tayyiba carries out another large-scale spectacular mass casualty attack in India, but hopefully the ISI will now be taking steps to ensure that that, at least, doesn't happen even if they don't bring Mr. Saeed to justice. This, I would stress, is the biggest game changer in the subcontinent. Rapprochement between India and Pakistan has the potential to really bring the subcontinent to nirvana or Valhalla or wherever you want to take it.

The second major step is underway now. President Zardari has agreed

to come to Chicago to represent Pakistan at the NATO summit. This is a fundamental change from the government of Pakistan's policy. They avoided the last major summit in Bohn and found themselves isolated.

Pakistanis I think also realized that their boycott closure of the ground transportation links for NATO logistics into Afghanistan has proven to be a failure. They did not bring the NATO alliance to its knees. They did put a pretty big hole in the NATO alliance's pocketbook since everything that comes in through route costs at least 3 and in some cases 6 times as much as if it comes in through Karachi. But the Pakistanis were also big losers since they made a lot of money on providing logistic support through their ports and through their tanker traffic.

There's a pretty good chance that Pakistan will reopen the border sometime in the next 24 to 48 hours.

If Pakistan were prepared to go one step further and use its influence with the Afghan Taliban to push them back into a political process to get them back into talks in Doha, first with us and then also with the Afghan government directly. That could change the outlook in Afghanistan considerably for the better. A political process between the Taliban leadership and the Karzai government is the most likely way to find a positive outcome in Afghanistan that brings the civil war finally to an end. It remains to be seen whether the government in Pakistan is willing to go that far. President Zardari probably is. It's not clear whether he can get the army and the ISI to come along with him.

In all of this, the NATO allies and the G8 in particular could play a very significant and important role. The degree to which the G8 can encourage Pakistan to play a more responsible role in Afghanistan and in the subcontinent in particular could be very, very important. China and Saudi Arabia, of course, could bring a lot more influence on the Pakistanis than anyone else, but there is room here for indirect diplomacy for the allies to try to see if they can find a way to encourage China and Saudi Arabia, to encourage Pakistan to do the right things and to move forward.

So, I think, on Afghanistan, the summit in Chicago will be generally a good news story. I don't expect it to make a lot of headlines. On Pakistan there's a reason for hope after a long winter in which there wasn't much reason for hope.

Thank you.

MR. BYMAN: I'm actually rather stunned that it ended on an optimistic note, given the topic, but you held true.

Suzanne, I hope you continue the optimism in your remarks on Iran.

MS. MALONEY: Thank you, Dan, and thank you to Bruce and the Managing Global Order project for inviting us here today to bring a Middle East dimension to East discussion of the G8 and NATO. I think Bruce actually left me with a very nice segue, which is to say that, you know, for the moment at least there appears to be at least a small amount of hope with respect to Iran after a very long winter in which almost every conversation seems to begin or end with a projection of when the Israeli and/or the Americans might feel compelled to strike the Iranian nuclear program. Rather than a good news story, though, for the meetings this week, I think Iran is very much a wait-and-see story, because we are obviously on the eve of the next round of formal talks between the P5+1 and Iranian representatives, which are scheduled to take place a week from today in Baghdad. Those talks and the technical discussions that are occurring between Iranians and representatives of the E.U. this week and over the course of weeks since the initial meeting last month between the P5+1 and Iran are the subject of obviously a great deal of uncertainty, but at least some degree of expectation on all sides. The last round of dialogue ended almost shockingly amidst very warm comments from both sides -- the Iranians not simply in the remarks of the nuclear negotiator Saeed Jalili in the press conferences that he gave in the aftermath of those talks in Istanbul but also in the continuing press dialogue, which is one of the few ways we have of monitoring at least a lead opinion and dialogue and discourse on the nuclear program from a distance here in Washington. There has been an almost diffusive reaction to what happened in Istanbul, a sense that, at least perspective, that they are heavily invested in

this process, that they see a means of spinning whatever outcome may come of it in a way that supports their own narrative of having preserved their rights and having pushed back efforts by Washington in particular and other American allies to strip Iran of its nuclear program and, in particular, its right to enrichment.

And so you have heard, surprisingly, a similarly positive although obviously a different substance to the narrative here in Washington as well as from others who participated in that process, and we have not seen what is typical in these sorts of discussions, a sort of rewriting of the narrative as the distance between the negotiating table and the press conference increases.

In fact, there's been a fairly consistent message coming out of the State Department, coming out of the administration, echoed I think by E.U. negotiators and at least not contradicted so far by those speaking from the Russian and Chinese perspectives that suggests that there is an expectation that it is going to be possible to obtain some early concrete evidence of progress on the Iranian nuclear issue. This would, of course, be the first evidence thereof since the outside of the Obama administration.

The expectation is this progress will revolve around the issue of Iran's continuing enrichment of higher levels, up to 20 percent enrichment or nearly 20 percent enrichment, as a means of providing fuel for a research reactor that produces medical isotopes for treatment of cancer patients in Iran. It is, of course, a reactor that was initially funded and supplied by the United States during the pre-revolutionary era, and it is a reactor that has been the subject of persistent efforts first by the P5+1, belatedly a year later by the Brazilians and the Turks to create a kind of confidence-building measure opportunity here, something that would not, in fact, resolve the root issue of concern about nuclear activities but would at least be a starting point for cooperation and potentially for trust building among both sides.

Once again, we are back to this issue of the research reactor, and there is an expectation, because the Iranians have been signaling in the most direct fashion

possible for at least six or eight months that they are, in fact, possibly prepared to deal on this issue, possibly prepared to halt their higher-level enrichment, possibly even ship out their stockpile of higher-enriched uranium in a way that would at least support some sort of an ongoing process of mutual concessions.

The difficulty, of course, is in this atmosphere of optimism before I leave you with any sense that, in fact, Iran is at this stage, very conclusively a good news story. There is a great deal that can throw this process off.

First and foremost, politics goes on in Tehran; it goes on here. And it goes on, of course, as you all know, in Europe and in Russia and in China. Much has happened even in the span of weeks since those initial meetings in Istanbul, and much has changed. And at every stage, there is the potential that one side or the other will get cold feet. Even the reports yesterday that the State Department may be considering delisting the Mujahedin-e Khalq as a foreign terrorist organization, which is a process that is entirely distinct from the nuclear negotiations and has no direct connections, will be perceived on the Iranian part as potentially an aggressive move and cause for reprisals and potentially a loss of whatever trust is beginning to be built up.

The second issue is that, you know, these new political actors, the shifts and the politics of Russia, of France, and of other players are inevitably going to alter the decision-making dynamics within P5+1. We have yet to see how President Hollande will differ on Iran in his decision-making and in his diplomacy from President Sarkozy, who was obviously an extremely active and assertive component of the diplomacy on Iran for the past several years. That is going to be an important factor if not for these upcoming talks certainly for the decisions about where to proceed from here.

We have a third issue, which is we are on the verge of implementing fully two sets of very severe sanctions, potentially the most severe sanctions Iran has ever faced and on par with the most severe sanctions that any country around the world has faced. These are the measures that target Iran Central Bank signed by President Obama late last year, set to be fully implemented, because of a six-month waiting period, for

state businesses or state financial institutions that did business with the Central Bank as of July 1st and the same approximate implementation date for an E.U. embargo, which would not simply affect the European importation of Iranian crude but would also have a very drastic and catastrophic impact on Iran's ability to export crude anywhere around the world because of the implications for ensuring tankers that would dock in any port of call.

These, of course, are playing out in a situation of tremendous fragility of the European economy, real questions about the political directions of Greece, and these sanctions for the first time have begun to expose some rifts in strategy and in preferences among the P5+1. Obviously, this has never been a fully unified coalition, but it has been remarkably effective and coordinated over the course of the past three years, even at particular points of stress whether it was the Iranian election upheaval, whether it was the failed process of confidence building in October and November of 2009, and since then we have seen a remarkable degree of coherence, particularly between Russia, China, and the United States.

These new sanctions have the potential to really rip that wide open, because the Russians and Chinese have been very explicit in their opposition to the new measures, the reach and the breadth of these measures, and for that reason I think we're entering potentially a new period of diplomacy even within the P5+1 on Iran.

Finally, just to fully cast doubt on the process that will take place next week, I think it's important to remember that there really are no guarantees that a successful confidence-building measure, even if we're able to get to that point next week, even if we are able to get some sort of initial gesture on the part of the Iranians, there is simply no guarantees that it is going to create an ongoing process of trust building and an ongoing process of dialogue that can conclusively deal with the root issue of the concern about Iran's nuclear program. Ultimately, Iran is very clear about its unwillingness to give up its enrichment capabilities, and to date at least the coalition and in particular some of America's allies have been very clear on the issue that enrichment must be stopped. And of course we are in a particular year here in Washington, a year in which the

Congress is actively trying to intervene and effectively new red lines for American diplomacy, including new red lines that might restrict the Obama administration's diplomatic flexibility.

Let me just say if we do pass the hurdle of next week, if we do in fact see something come out of these discussions on Iran in terms of an initial gesture either next week or in the weeks to come -- because I think the administration has tried to be clear that in fact that they don't see Baghdad as sort of the beginning or end of anything -- there are some outstanding questions that I think really need to be dealt with by the international community about how to deal with Iran.

First and foremost is this whole issue of approach. You know, there are a couple of drastic alternatives. One is incrementalism, which is what we've been trying to do and what I think you see in this discussion of confidence-building measures. The difficulty with that is that ultimately no Iranian leadership will ever trust Washington. It is simply not part of their ideological world view, and their paranoia and suspicions are probably well justified. And so our ability to create a durable process of trust is probably quite limited, and as a result incrementalism is going to be very difficult to sustain. But the other alternative, a grand bargain, is, I think, equally quixotic if not more so. And so what is it that we can create in between this, I think, destabilizing and difficult process of incrementalism and one that might, in fact -- and the offer of a grand bargain, which is purely illusory -- that might create some prospect for progress?

The second big issue is red lines, and of course this gets to the questions of enrichment; it gets to the debate within the U.S. political sphere, as well as the differences among potentially Washington and its allies and Washington and the rest of the P5+1. How is it that we can articulate and, more importantly, enforce very clear red lines to constrain Iran's nuclear progress? And how is it that we can get the rest of the P5+1 to buy into whatever red lines are ultimately essential from the American point of view?

Third issue, I think, is deterrence. I mean, there have been a lot of

threats exchanged on all sides over the past six months. But, in effect, it's not terribly clear to me that the prospect or the possibility of an Israeli strike motivates Iran to negotiate in a more serious fashion. It's arguable, I think, that it actually empowers hardliners, that it, in fact, provokes the Iranian regime in a way that is not terribly useful to negotiations. How is it that we can effectively deter Iran?

Fourth issue is the efficacy of sanctions. We have persistently overstated expectations of sanctions. We have heard time and again about Iran's Achilles heel. First it was refined petroleum, now it is the Central Bank sanctions. It's not clear to me that there are low-cost, high-impact solutions to the Iranian nuclear program in an environment of robust energy demand, of growing economies. It is going to be very difficult to see much or all of Iran's two or two and a quarter million barrels a day knocked off the market. The market has absorbed the loss of about 300,000 barrels a day over the course of the past few months. But we're talking about a much bigger magnitude, potentially, after July.

Fifth is how do we move beyond the nuclear issue. And I am reminded of the fact the last Brookings did an event on Iran here at Carnegie, in cooperation with Carnegie and Woodrow Wilson, was focused on human rights and democracy. But, in fact, these are at least as essential to our differences with Iran as the nuclear program. How can the international community -- given the differences on democracy and all of these issues, even among the P5+1 much less among the NATO and the G8, how can we, in effect, put issues beyond the nuclear issue on the table with Iran?

Finally, I think, the international community, the G8, need to think very hard about this question of multilateralism. Iran could be this incredible success case for multilateralism. If the negotiations succeed -- and by that I mean if we are able to prevent either nuclear Iran or a strike against Iran's nuclear program -- I think we would have, you know, sort of this new model of how the international community can come together, not just through the P5+1, not just through this negotiating mechanism, but through the kind of coordination and cooperation that we've seen among the international community

much more widely, on the implementation of sanctions.

It's notable that the first time that Washington tried to implement kind of third-party, extraterritorial sanctions on Iran in the 1990s when Bruce was in the White House, there was an incredible amount of pushback even from our closest allies in Europe.

Over the course of the past decade, we have found ways to bring the entire international community onboard with measures that penalize individual Iranian financial entities, as well as individual institutions and officials in Iran in a very, very effective way, and this has worked incredibly well, and if and when we come to a diplomatic resolution of the Iranian nuclear program, that kind of coordination, the reach of measures that were determined in the past here in Washington but actively participated in by the international community will deserve a lot of the credit.

How can we replicate this? Is this is a model beyond Iran that can be used? However, I think the converse is true. If the Iranian negotiations fail, then we have failed -- the international community has failed this kind of test case for coming together and solving, pressing national security and economic issues. And the outcome, not just for regional security, not just for American interests in the Middle East, not just for the global economy, which was, of course, the precipitating conditions for the initial convening of the G8 30 years, will be in tremendous, tremendous concern, but also I think this whole question of the issue of the major powers working together cooperatively becomes much, much more difficult for the future.

With that, I'll turn it back to Dan.

MR. BYMAN: Thank you very much, Suzanne.

Before I open it up, I want both of you to comment briefly on a huge issue that I think is very relevant to our panel, which is the dramatic transformation within the Arab world.

As everyone here knows, for the last, really, year and a half we've seen many of the traditional issues facing the Arab world turned on their head with dramatic

regime changes, instability, civil war; and, really, I mean, people believe that we're seeing the birth of a new order in the region, and this, of course, has profound implications not only for the peoples there and their governments but also for outside powers -- the United States, G8 countries, Europe more broadly. And, again, these interests are not always the same and not always of the same priority level but still very important, and I would welcome both of you to comment on what this means for the region, for other countries, from your perspectives.

Bruce, if I can ask you to begin.

MR. RIEDEL: Sure.

Keeping with my relentlessly optimistic posture today, let's look at the good news. I think there is significant good news, and it starts in Egypt. Egypt is on the verge of doing something it has never done in 5,000 years. I mean, a democratically elected government. That is a big, big step for the largest Arab state. It's already successfully elected a parliament, and I think there's every reason to believe it will soon elect a president.

It's also, I think, reasonable to assume that the Egyptian-Israeli peace treaty is going to remain in tact. Fears that that treaty was going to be lost in the Egyptian revolution, I think, have proven to be exaggerated. It's not say that the new Egyptian government probably or possibly led by Amr Moussa is going to like Israel. I think Mr. Moussa's made it clear over the years that's not in the cards. But I think it is a government that is going to be determined to continue to maintain a vestige of peace between Israel and Egypt, and that is, of course, the cornerstone of all of our hopes for an Arab-Israeli peace agreement.

I think that the G8 has a unique opportunity in the next months ahead to help this Egyptian experiment, to encourage the Egyptian army, now having successfully carried out its duty to go back to the barracks and get out of the political process. This is a delicate process, but we have means to help encourage the Egyptian army to do that. U.S. assistance in particular has already proven to be a very effect leverage in moving

the Egyptian army in the right direction.

What Egypt needs is, of course, money, economic assistance. That's not in the pipeline. I don't see any of the G8 countries in a position to provide significant economic assistance to Egypt in the foreseeable future, but they can certainly try to encourage a return to robust tourism to Egypt, which is critical to the survival of the Egyptian economy.

The other piece of good news I think for Egypt and for the entire Arab Spring is that there is a clear role model for how to proceed, and that's the Turkish role model, which has demonstrated that an Islamist government can provide not only more accountability and the rule of law in government -- not perfect but a lot more than in the past -- but it can also provide for robust economic growth.

Less good news, obviously, in Yemen in Libya, but both of those countries, after a very, very difficult transition period, seem to be moving toward some kind of revived central government. They've both got a long, long way to go. Yemen, in particular, has essentially lost control of both its southern provinces and the gap. The whole is being filled in the south, at least, by al Qaeda. Something like that may be starting to happen in Eastern Libya now, too, as well. But compared to where they were three or four months ago, both Yemen and Libya are at least moving on the right trajectory.

Then we get to the no-good-news story, and I think there are two no-good-news stories, the first in Syria. Syria is descending into what is going to be a truly awful sectarian civil war. I think we've barely begun to see how bad this is going to get. There's very little room for compromise between the Alawis and Sunnis. The notion of some kind of political compromise between the Assad government and the opposition I think is very, very, very hard to imagine.

In this Syrian situation we're also seeing al Qaeda moving into the disorder and the chaos, and I think we probably, unfortunately, are going to see more of that.

The other bad news about the Syrian situation is spillover. We're already starting to see it in Lebanon, and I think there's a good chance it's going to get worse in Lebanon. Lebanon's second city, Tripoli, is already showing signs of fracturing on sectarian grounds, and we all should remember that Lebanon, once it falls into civil war, is likely to stick in civil war for at least a decade or two. At least, that's Lebanon's past practice.

The other place where there's no good news is Bahrain. The Saudi intervention in Bahrain has frozen another very ugly sectarian situation, which is radicalizing as well, and the Saudi talk in the last couple of weeks about forming a more closer political union between Saudi Arabia and the other states of the GCC appears to be little more than a cover for finding a way to perpetuate the Saudi occupation of Bahrain for the indefinite future. That's an outcome that is not a step forward; that's a big step backward.

So, it's a mixed picture. I'm sure that the G8 will spend more time talking about the hard problems of Syria than they will about some of the others. But I think that the place where we can probably make the biggest difference is actually in Egypt in trying to ensure that the transition there is one that moves in the end to democracy and to some degree of prosperity. If we can get Egypt right, that would be a huge change in the Middle East in a positive direction.

MR. BYMAN: Thank you.

Did you want to comment?

MS. MALONEY: I'll only comment briefly, because I think Bruce has given a fantastic tour of the horizon, and I agree with everything he had to say.

I just want to echo sort of two broad points. One is this issue of sectarianism, which you heard him reference with respect to the Syrian civil war and how it spills over into Lebanon and elsewhere, as well as with respect to the Gulf, and I think this is an enormously important issue that needs to be dealt with on an international basis. We are facing, you know, a new cold war emerging in an area of the world that is

vital to the global economy, and it is one that is too easy to ignore or too easy to sort of compartmentalize into specific state crises. But even if and as we come to some sort of resolution of each of these individual problems, this broader division between Sunni and Shia, this broader sense of crisis and conflict that I think is beginning to infect the entire region in a way that is only on par with the height of the Iraqi civil war and perhaps even, I would argue, more dramatic and of much broader today than it was then. It's something that we have to grapple with, and we have to begin to find a way to undercut rather than to exacerbate by virtue of our own actions.

The second issue is energy. Of course, prices -- gasoline prices -- have dipped a bit. Everybody is a bit calmer today than they perhaps were in January or February when the initial run -- or most recent run-up occurred. But I think we're in a period of tremendous flux for global energy markets, and again, harkening back to the sort of inceptions of the G8, this whole issue of the global supply-and-demand balance, how the changing picture of energy is going to play into the changing security dimensions is something that really needs to be dealt with.

In all of this, we have some specific questions and decisions, you know, and NATO inevitably has to be thinking about what role it's going to play in a gulf that may be threatened by a nuclear Iran and how to play that role in a way that doesn't exacerbate either our energy security concerns or the problem of sectarianism and needs to be thought through very carefully.

MR. BYMAN: I'd like to open it up for questions. If I can ask you to wait for the microphone before you give your question and also please to state your name and affiliation.

SPEAKER: (Inaudible), Johns Hopkins Center for Transatlantic Relations.

My question is many people, after the fall of Gaddafi said, you see, the West attacked Gaddafi because he gave up nuclear bacteriological, and the question is why do the Iranians, which, by the way, also on the opposition, don't have any difference

inside in saying we will go on in some way. Why they should give up the nuclear, in your opinion?

MR. BYMAN: Suzanne.

MS. MALONEY: Certainly the specter of Libya doesn't assist us with trying to persuade Iran that there is a prospect of denuclearizing without seeing a violent end of the regime in the midst of international intervention. But of course there are equally compelling examples of countries like South Africa and Brazil that have, in fact, made different decisions or made the same decision but came to much more successful end. So, I don't think the president of Libya is tremendously influential in terms of shaping Iran's perspective. If anything, Iran's security priorities have been dictated by, you know, three decades of antagonism with all of its neighbors, as well as with the world's major power and the global economy's major power. And so for that reason, you know, this is endemic to the way that they see the world and their perception that they need a nuclear deterrent I think is one that is very deep seated and is going to be very, very difficult to wean them away from. And this makes all of these interim measures, whatever sort of steps we can find to constrain the program, that much more important as unoptimistic -- I don't know -- I don't want to say pessimistic and I think realistic as I am about the prospect of coming to a firm resolution -- I think measures -- interim measures that have some value in knocking back Iran's program and turning back the clock a little bit or at least preventing them from advancing any further -- have real value even if ultimately it doesn't solve the problem for us. If we could have sustained the E.U.3's embargo or the E.U.3's suspension that was in place for two years in the early part of this decade, I think there would have been -- that, obviously, would have been a much more preferential outcome. So, we have to be careful not to let the perfect be the enemy of the good, not to presume that there's no progress that can be made even if an and as the Iranians are probably unreceptive to any permanent resolution.

SPEAKER: Thank you.

MR. BYMAN: Yes, sir.

MR. KRICKUS: My name is Dick Krickus, Mary Washington University.

My question for both speakers is framed against the backdrop that many people would argue that if we're going to have the final solution to Afghanistan, it has to include all the stakeholders. You mentioned, Bruce, Pakistan, absolutely the most critical one, but we also have Russia, China, India, Saudi Arabia, et cetera, but we also have Iran. And, first of all, what I want to ask to Bruce is would you agree that no final solution is possible beyond 2014 without participation, active participation, of all of these stakeholders?

And then for Suzanne, the question if we could make some progress with Iran on the nuclear issue in spite of the problem that you point out -- and that's very difficult -- could we also find Iran being helpful in resolving the Afghanistan question as a major stakeholder in that crisis?

MR. RIEDEL: There are two likely outcomes in Afghanistan after 2014. There's the one that I call the de minimis outcome, which is there is no political process and the civil war continues. That's the one that looks most likely right now. The Taliban has suspended participation in negotiations and seem to be killing Afghan negotiations while than looking to talk to them.

What I tried to suggest in my opening remarks is, well, we can probably live without outcome with what we've done in the course of the last three years in building up the Afghan army.

There is of course a much better solution, which is the one you're hinting at, which is a political process. And you're absolutely right. For the political process to work, the regional stakeholders have to be active participants in that. Pakistan is the most important. You mentioned the other ones who count as well.

The good news so far in this war -- and it now predates 2001; it actually goes back to the late 1990s -- is that the government of Iran has generally been a positive and benign player in the Afghan civil war. They support the Karzai government. They have connections with the Taliban, carefully built connections with the Taliban as a

hedge against the future. But, by and large, Iran has been a positive player.

The most economically prosperous part of Afghanistan today is the area around the city of Arat in Western Afghanistan, which is linked to the Iranian electrical power grid and where Iran provides an awful of the economic activity that makes Arat probably the safest city in all of Afghanistan to live in.

There's also a very interesting connection between the Iranians and the Indians. India has built a major new highway that links Afghanistan's Ring Road to the Iranian highway system, which means for the first time in its history Afghanistan has an alternative outlet to the sea other than Karachi, and it is now in the business of building a railroad. That will go along the same geographic corridor as the highway, and that trillion dollars in stuff that's underneath the mountains of Afghanistan is going to get to the world through an Indian highway and an Indian railroad that goes through Iran. For the Indians, this is of course a doubleheader. It's not only good economic policy, good economic support for Afghanistan; it also drives the Pakistanis absolutely berserk. (Laughter) And in India anything that does two things like that at the same time has got to be all good. (Laughter)

SPEAKER: I work for the French newspaper
Libération.

A question on Syria. How do you see the U.S. administration evolving on Syria, and what can the U.S. do, and what should they do?

MR. BYMAN: I think I will shamelessly field that one myself.

What's interesting to see is if you look at U.S. policy on a day-to-day basis, you see a reluctance to escalate. You see a tremendous concern that the situation in Syria is going to overwhelm other U.S. initiatives in the region and overwhelm broad U.S. policy concerns. If you step back, though, and look at U.S. policy -- and I would say, more broadly, Western policy -- in three-month increments, if you will, you actually see a steady escalation. There was initially I think a strong effort to avoid this issue. Then there was rhetorical pressure. Then there was significant rhetorical and economic pressure. Then there was more reach-out to the opposition to the opposition. There is

humanitarian aid to the opposition, and now there is -- I would not say -- "cooperation" may be too strong a word, but certainly tacit cooperation with allies that are providing quite significant arms to the Syrian opposition.

So, we're seeing steady escalation at the same time as -- I think there's a desire to avoid having the American hand be forced in this issue. I would say until, really, fairly recently -- I would say until about five, six months ago, the assumption was that Bashar al-Assad was going to fall. So, in a way, this problem would be taken care of.

From a policy point of view, however, it's become in some ways the standoff, which is the worst of all worlds, that the government is too weak to win and the opposition is too weak to overthrow the government. So, it's a lingering crisis. But, as Bruce pointed out in, I think, his accurate but very scary remarks, it's one that threatens to really engulf the region. And as Suzanne said, it's one that, with the sectarian overtones, really could almost hijack much of what's going on positively in the region in the last year, and it really reshaped the dynamic.

So, I think there's concern about that, but there's no desire in the American government, in the American bureaucracies, especially the Department of Defense, for a very aggressive American effort. I would say in the European power, Libya was their last effort. What's happening on a daily basis in Greece is going to overwhelm any thought in European capitals about getting involved aggressively in the Middle East.

And Turkey has been reluctant to be pushing very hard against Syria and has been looking for strong support from the United States a more aggressive policy, and that is not forthcoming. So, I think it's very much a backing into a more escalatory approach, but I think there will be a strong effort to try to limit the degree of U.S. exposure in this.

Sir.

MR. YATES: Thanks. I'm Ken Yates of Jefferson Waterman

International.

Bruce, the area of Afghanistan you left out in your description was the southwest where the major problem is it's the homeland of the Taliban. If that region of the country is to prosper, the only thing it's going to be is agricultural. But it also can't get out of the country -- it hasn't traditionally been able to get out of the country with its produce. To the Gulf, their route would naturally go through Qatar and through what is now Balochistan, but the Baloch are a problem for the Paks. It's a very complicated situation down there, but if that region becomes prosperous, how do you see the problem for Pakistan evolving with Balochistan? What happens to that part of that country? It's a major portion of the country?

MR. RIEDEL: Absolutely. Balochistan is where Pakistan's future probably is, where the natural resources exist that could make prosperous Pakistan. The government of Pakistan today regards Balochistan as being simply occupied territory. It's not new. The Zardari government is not the first Pakistani government to look at Balochistan that way. This is a long, well-established process.

The only hope that I would offer you in that direction is that the Zardari government, with all of its fault, looks to be likely to be the first Pakistani government to actually fill out its term in office without a military coup or a assassination of the leader or extra constitutional moves. That may not sound like a big accomplishment, but in Pakistani terms, that's a pretty big accomplishment.

President Zardari, who gets a lot of bad press and deserves a fair amount of it, should also get some credit for the fact that he has moved the political process in Pakistan in the right direction. I think there is a reasonable chance that his government will elect it if there are free and fair elections in 2013, and I would hope that a second term Zardari government would be to rethink the Baloch problem and try to move away from a solution as repression to a political process that tries to bring in a more representative Baloch outcome. You know, that's my hope. I don't have any firm evidence to point in that direction other than the fact that President Zardari is

fundamentally interested in one thing: making money. And he knows that the way to make money is not through war but through peace and economic expansion. That's why he wants to do it with India, and I would hope that in time the civilian side of the Pakistani government, as it gets strength, will try to bring about Pakistani both foreign and domestic policies, which are oriented in the long-term direction of a prosperous future for Pakistanis rather than the direction that the Pakistani governments of the past have seemed to be preoccupied with, which is building the fastest-growing nuclear arsenal in the world.

MR. BYMAN: Thank you.

Bruce.

MR. JONES: Thanks. Bruce Jones from the Managing Global Order Project at Brookings.

One of the things we discussed with Mike Froman on the first panel was the tension, in a sense, between the positive aspect of the G-8 as a small club of like-minded Western states -- exception, Russia -- working together and deepening the habit of working together to solve problems. And on the other hand that there are major actors out there who have significant stakes and a range of these, including the ones that you've been discussing. So, I just wonder if you could comment a little bit about the interaction between the G8 and what NATO -- the Western players on the one hand and some of the others. And you touched on India and Afghanistan. But it would be interesting to hear more on India, Turkey -- I would say on both sets of issues -- and China on all the issues -- these actors who have major stakes and their own forms of influence, so I'd be interested to know more about the interaction between the West and those actors.

MS. MALONEY: I will at least start by saying I think China's the most important actor on Iran today. There is no solution to the Iranian nuclear program that does not involved effective coordination from China. India is still a major purchaser of Iranian crude and in many ways has tied itself more directly to the continuation of the Iranian state, because it is now paying for that crude in rupees, and therefore, you know,

sort of Iran now engaged in wide-ranging barter trade with both India and China.

But, you know, and thus far I think it's been relatively successful. This has been -- you know, these have been delicately negotiations, you saw secretary Clinton in India last week talking about this issue of crude purchases and bringing the Indians on board more cooperatively with the new sanctions. But ultimately there are also different interests. There are divergences in the perspectives on how effective sanctions can be in changing something as significant as an investment to their nuclear program. And, of course, the historical experience of the Chinese with sanctions not even all that long ago makes them very acutely sensitive to their of the international community of sanctions to bring Iran along on the nuclear program.

So, you know, I think that's why we're at this kind of key turning point. If, in fact, we see the sanctions implemented in a way that is not terribly destructive to either the global economy or to the relatively strong cooperation that we've had so far on a very multilateral basis in Iran, then I think -- you know, that will be quite positive. It will also mean that we will not have implemented the sanctions in the most robust fashion as possible. Iran may have been preserved from the most drastic impacts of the sanctions, but ultimately I think the greater good will be this international approach, because the Iranians have begun to entirely formulate their approach to the world by looking East. They are fully convinced -- and I think this extends far beyond either the ideologues in the regime at this stage that their future lies to the East, that trade and investment from Asia and India is going to be essential for their future growth, and they're fully prepared to lose a relationship with Europe, which has been central to Iran's history. You know, the sort of missing player in all of this is Russia. Russia has had this traditionally very strong relationship at both an economic and an elite political level with the Iranians, and I think they still do cast a large shadow. But really it's of miniscule importance compared to the amount of trade and investment that is conducted between the Iranians and the Chinese and the Indians.

MR. RIEDEL: I would just comment on one part, which is you talked

about Turkey, and thinking about this part of the world, the importance of Turkey cannot be underestimated. For the better part of a century, the Turks did not play anymore. Post-Ottoman Turkish foreign policy precluded any real involvement in the affairs of the broader Middle East. That has changed, and I think it's a change for the better -- a significant change for the better. Not only is Turkey a tremendous role model, with its imperfections -- I'm not here to boost Turkish tourism -- but as a role model, it really is an impressive example.

And then more than that, it's the key to the Syrian question. It is inconceivable that there's going to be significant international involvement in trying to find a solution to the Syrian problem without Turkish support. Turkey has to be the base from which any kind of significant peacekeeping, humanitarian, boots-on-the-ground -- you name it, it's all going to come out of Turkey.

And here I think the Turks are probably, you know, really thinking long and hard about how much more they want to get involved in what could be an open-ended, long-term process. They provided the base for a very effective humanitarian operation in Iraq in the 1990s -- Operation Provide Comfort. And what did Turkey get out of that? A de facto Kurdish mini-state on its border, which is the nightmare of every Turkish diplomat and general. I don't think it wants to see something that happen on the Syrian side.

Does it have to be like that, though? There are other conceivable outcomes, and I think that the G8 would be wise to be thinking about an even higher integration with Turkey, and I think the NATO allies really need to be making the Turks feel very welcome, very much at home, and very much part of the inner core of decision-making of the NATO alliance from now on.

MR. BYMAN: Yes, in the back.

AMID: My name is Ahmed. I'm a student.

My question was this weekend's NATO summit -- Israel is going to be conspicuously absent from the summit as opposed to other members of the

Mediterranean dialogue, like Jordan and other countries -- Pakistan is going to be there. Is there -- what should we make of Israel's absence, and do you believe what the commentators are suggesting, that Turkey played a role in keeping Israel out of it because of the flotilla incident in 2010?

MR. RIEDEL: I don't know the inside scoop, so I can't help you there. I'll say this. I suspect there will be a lot of conversation not on the agenda but on the margins both at NATO and even more at the G8 about Israel and about getting the Israel-Palestinian political process moving in 2013. I can't think of anything that would do more to make the outcome of the Arab Spring a positive outcome than to get the Israel-Palestinian peace process moving forward in a robust and traumatic way. We've been told for the last several years that there is no political party, no political partner on the Israeli side. Prime Minister Netanyahu has now given us a partner. He is ready. He's got the political base. Now is the time, Mr. Prime Minister, to get serious about negotiations with the Palestinians. I'm not going to hold my breath. (Laughter) But I think that the G8 can come next January, should be prepared to come down like a load of bricks on the Israelis and the Palestinians to move forward.

MR. BYMAN: Yes.

SPEAKER: I just wonder -- do I understand correctly all of these major Middle East issues -- Iran, Syria, and Afghanistan -- will be on the agenda in both summits? First of all -- I wasn't really clear -- will be talked about.

And then in concrete terms, I mean, what I got out of your talk, Mr. Riedel, is that there will be a request for commitments to economic aid for Afghanistan. There will be pressure on President Zardari to be more cooperative. There will be pressure Francois Hollande not to try to pull out next year, like he -- oh, this year I think he promised. Are there any other sort of concrete things that could come out of it. And also is Syria -- I mean, you seem to be saying, Mr. Byman, that basically nobody wants to get involved. But there must be some kind of options. I mean, what.

And, finally, with Iran, I just want to understand the thing about the

research reactor. Is this basic a confidence-building measure, that the P5+1 would allow them to keep that reactor and the Iranians could use it as sort of propaganda and say we're, you know, continuing enrichment? I mean, I don't really understand the mechanism. And that wouldn't in any forestall the sanctions taking effect on the first of July, would it?

Thank you.

MR. RIEDEL: There's a lot there. I will say briefly, to limit my colleagues a bit, we were asked to present kind of issues in the region of relevance to the G8. I don't think any of us are claiming kind of an in-depth knowledge of especially the internal agenda as beyond the kind of press releases and so on of one actually will be the priorities, and, as you know, this is often determined relatively at the last minute in terms of what sucks up the most attention just given crises, appearance, so on. But the issues we've discussed where I think we're fairly confident will be discussed in some form and some way by, if you look at NATO and you look at the G8 efforts.

I'll talk very briefly on Syria before passing on to my colleagues.

Certainly Syria options are on the table. Events in Syria are forcing options to be on the table. The big question right now concerns the Syrian opposition. The Annan plan, I think, everyone, including Annan, agrees it's failed. So, that was seen by many people who are skeptical as basically it can't hurt to give diplomacy a chance; the cost is low. Diplomacy had its chance, so the question is what do you do next? Do you ignore it? Do you contain it? Or do you try to escalate in various ways to push outside out? And all those different options are being discussed, and are being discussed, however, in the sense of how can change be effected but the cost and the exposure be kept limited?

Steeped in the region, I'll say powers are very concerned about being sucked into an interminable effort that may not produce positive results. But, at the same time, there's a reluctance to simply abandon the Syrian people and the Syrian opposition to the depredations of the regime.

MS. MALONEY: On Iran, let me just be clear on the possibility of a confidence-building measure. I think and the administration has effectively said that they are putting a wide range of different possibilities on the table. They are looking for something that will be the Iranians into what would ideally be a long-term process of dialogue that would involve specific concessions. They want to see concrete progress I think is the phrase that they keep using *ad nauseum*.

The 20 percent enrichment issue is one that has sort of captivated attention, because the Iranians have been signaling fairly traumatically in -- there are some who would argue, in fact, that they really only proceeded to enrich to 20 percent or 19.75 percent as a means of putting something out there that they could then bargain away that would be effective low cost for them.

They wouldn't -- the reactor has always been in existence. They're not talking about in any way pulling the reactor offline. They are talking about something that would curtail Iran's continuing enrichment at this higher level, which is of much greater concern with respect to its potential to create fissile material.

But it may not be what comes out of Baghdad. It may be that we see something that is effectively tangential to the core concern about the industrial scale enrichment that is going on ostensibly for a civilian power generation but, quite clearly, with a different purpose in mind.

The issue of the sanctions is a tremendous uncertainty. The Iranians have said very clearly that they expect some sort of sanctions relief in exchange for any concessions that they might put forward. The administration and perhaps slightly strenuously the P5+1 writ large have suggested that these sanctions are their trump card and they're in no mood to suggest any sort of leniency, that these sanctions will go into effect on June 28th and July 3rd as anticipated, and there is no possibility -- we'll wait and see.

I think you're seeing a game of chicken on both sides, because in effect this is such a potentially valuable card. You know, if the Iranians are willing to put something

quite substantial on the table, then perhaps that position might change on the part of the administration.

We also have to factor in the situation in Europe, the concerns about the potential impact on fragile economies if and as we see Iran's important fully pulled from the European market. So, I think, you know, this is going to be an issue of tremendous significance, but I am quite skeptical, certainly in this environment in Washington, that the U.S. measures will be in any way relaxed or rescinded except in exchange for very dramatic gestures on the part of the Iranians.

MR. RIEDEL: Having served almost four years at NATO, I've had the misfortune of going to a lot NATO summits and ministerials. The formal agendas are almost always arcane, esoteric, and incredibly boring. They spend a lot of time talking about transformation and things like this, which you need -- you almost need a linguist to help you understand what they're talking about.

The good news is, though, that when the actual heads of state get together, they don't spend a lot of time worrying about the formal agenda, and they talk about the issues that are on their minds, and the Secretary General will encourage them to do that. So, I would expect that there will be pretty broad ranging conversations at these summits that cover probably all of these issues and maybe some that we haven't even touched on here.

The practical outcome with regard to future pledges of financial support for the Afghan National Security Forces after 2014 can be dealt with relatively easily in Chicago. They can promise that they will do it. Since, like the United States, our fellow democracies cannot actually appropriate years in advance. That requires their parliaments to support it. It's a good thing to do; it's a nice gesture. But you're not going to earn any interest on that check since it's actually not going to be in the mail for at least two years.

MR. BYMAN: We are at the 2:15 time cutoff, and before we go, I'd like to thank you all very much for coming out this afternoon and also thank the Managing

Global Order Project for hosting us. But before everyone departs, also please join me in thanking both our speakers for excellent presentations.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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