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VISIONS OF EUROPE IN AN ELECTION YEAR

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PANEL 2: DIFFERING AMERICAN VISIONS OF EUROPE

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PROCEEDINGS

MR. LAURENCE: I'd like to welcome you all to the second and final panel of the annual conference put on by the Center on the U.S. and Europe. My name is Jonathan Laurence. I'm a Nonresident Senior Fellow here at Brookings and an Associate Professor of Political Science at Boston College. I'd like to provide a very brief introduction to this panel and introduce our distinguished guests.

We've gathered here several foreign policy experts from different perspectives to talk through the role of foreign policy issues in the U.S. elections this year, viewed, of course, through the prism of transatlantic relations.

Now, President Obama took office just over three years ago with unprecedented personal popularity in Western Europe, something that Assistant Secretary Gordon mentioned this afternoon. This led many I think to expect a new beginning, where America would reap benefits from the popularity of the President.

Early encouragement, of course, came in the form of a Peace Prize. And yet here we are several years later and Republicans and Democrats seem to disagree on two fundamental dimensions vis-à-vis our current relationship with Europe:

First, how do you help solve the debt crisis and emerge from recession; and second, how to spur Europeans to increase contributions to common military defense.

On the first point, the economic crisis, the administration can legitimately claim to have encouraged growth and job creation measures, at least verbally in Europe, over austerity budgets since 2009 in Pittsburgh, advice which, until recently, perhaps fell on largely deaf ears.

Now, the term "growth measures" is often translated in the American context as "more government and higher taxes." So that is one area where we might expect a Republican administration to take the opposite and perhaps encourage austerity programs in Europe in line with current German policy, which we just discussed, on the principle that what's good for the goose is good for the gander.

Bill Kristol recently dubbed the administration's preference for economic stimulus as the "Hollande-Obama alternative." Well, will this stick? Would the Romney Administration be willing to endorse the German model?

On defense issues, the Obama Administration can point to its success in shepherding

NATO partners closer to missile defense cooperation. The national security advisor wrote recently that the administration has a different qualitative relationship than the coalitions of the willing, and we heard Secretary Gordon make a case for that. But while the recent NATO Summit in Chicago had its share of successes, European partners did not yet agree to new financial commitments to Afghan security forces, although Secretary Gordon did mention a political commitment. And, of course, NATO did not press forward on enlargement, although Secretary Clinton did meet with the four aspiring applicants and endorsed an open door policy.

Now, on the face of it, this does not reflect enormous progress compared to December 2009, when Europeans denounced only a modest increase of forces to match the last American surge in Afghanistan. The European contribution to NATO spending is down from a half to a third in the last decade.

What lessons can this panel draw from the President's difficulty in extracting more resources from European partners? Is there a structural reticence because everyone's hands are tied by the economic crisis? Or is this because Europe has been put on a back burner, as Heather argued in a recent op-ed? Or if we accept that NATO is "running out of gas," as Kurt has written this week, what can we conclude about why Europe is less willing to take political or security risks for the United States?

Now, Candidate Romney gave an answer in a recent op-ed column in the *Chicago Tribune*, he blamed the President's hollowing out of the American military, which has discouraged Europeans from contributing more. Now, Romney was, of course, referring to the hundreds of billions in defense cuts which are politically rather risky to defend. This may explain why Republicans were joined by House Democrats in passing the National Defense Authorization Act rejecting cuts to the Pentagon, but it also may be the colonel of one of the few genuine partisan disagreements.

Ultimately, of course, a focus on foreign policy in the election campaign is not especially rewarding. The President noted that it can lead to summit-itis or worse. According to a recent ABC-*Washington Post* poll, however, voters are more concerned about the economy by the factor of 50 to 1. So we are going to brave those odds with this panel.

And we are very fortunate to have three distinguished speakers whom I'd ask to speak for 10 minutes each. The first is Ambassador Kurt Volker, who served as the U.S. permanent

representative to NATO from July 2008 to May 2009. Prior to that, he was deputy assistant secretary of state for European and Eurasian Affairs for four years.

Second to speak will be Heather Conley, who is a senior fellow and director of the Europe Program at the Center for Strategic and International Studies. Prior to joining CSIS, Ms. Conley was a senior advisor to the Center for European Policy Analysis. From 2005 to 2008, she was the executive director of the Office of the chairman of the board at the Red Cross, and earlier served also as deputy assistant secretary of state in the Bureau for European and Eurasian Affairs.

And the third panelist to speak will be Ellen Tauscher, who, in addition to serving as the vice chair of the Scowcroft Center, is a special envoy for strategic stability and missile defense with the State Department since February. And from June 2009 until February 2012, she served as under secretary of state for Arms Control and International Security Affairs. She was a member of the House from January of '97 to June of 2009.

So thank you all for being here, and I turn now to Ambassador Volker to kick us off.

MR. VOLKER: Okay. Well, thanks very much. I think I have to start off by debating just a little bit the whole characterization of the discussion, because I don't think that the big debate in foreign policy and national security right now is really between Republicans and Democrats, I think it's really between those who would favor a robust U.S. international leadership role in the world across the board and those who are more concerned that we can't afford that anymore and we need to pull back in order to fix our economy, get out of wars that republics are tired of, and focus more domestically. I think that's really the debate. I wouldn't go so far as to call the latter one isolationism, but there's certainly some of that emotional element of why are we spending so much and doing so much abroad when we have so many problems here at home that we need to fix.

So that I think is the real division there. And I think to talk about where we are and where we go, whether it's President Obama in the second term or whether it's President Romney, it's going to be the same set of problems, and it's going to be a challenge to deliver in foreign policy and national security no matter who's the President given the world that we're in.

The world is very difficult whether it's our European allies' ability to contribute to common operations, defense spending that our European allies are able to do, the nature of some of the tough

regimes that we're dealing with, whether it's Iran and the nuclear issue, whether it's a Putin-free Russia or whether it's China, and so on. So I think that's just the nature of it.

So if I were to then look at, well, what would I like to see, so if I want to project ahead to where we are in January and what would I hope to find in a U.S. Government foreign policy, one of the things I'd like to see is a renewed commitment to supporting freedom, democracy, human rights, rule of law, market economy, all the core values that we believe in as Americans, all the core values that underline our own society and that really are the aspirations of people around the world. I think that this is tough because this is a very ambitious commitment to say we're going to support these things in the world, and yet I think it's important that for those who are struggling for these, whether it's in Syria or in Libya or in Russia or in China, they know that we're on their side. How we manifest that, that's the second thing that I think we need to look at.

We need to be creative and smart about how we use U.S. power. I think it is not the case to say that the U.S. is in decline, that we can't afford to be engaged in the world, that we can't afford to launch military operations if it's the right thing to do, that we can't afford to use foreign assistance to leverage outcomes, we can. We can do all of that. We can't do it every time, everywhere, open-ended, massive, long-term commitments, but we are still, by far, the most powerful country in the world, the wealthiest country in the world, the one that has the most projective capability in the world to influence events, so we can still do a lot. And so I think we need to work hard at using our imagination at what we can do as opposed to finding the reasons for things that we can't do.

The third thing I would say I'd like to see in looking ahead to foreign policy is some toughness in dealing with some tough characters. Take, for example, Putin in Russia, although that's not the only one. I think that, for right or wrong, I think that the Russians have tended to view the U.S. now as not willing to stand up for some things. And I think they have behaved more assertively and aggressively as a result of that, and that's just increased the scale of the difficulties that we have to face.

I would say the same thing about Iran, for example. With all the efforts going into negotiating with Iran, I think Iran still feels as though it has a steam valve that it can use. And whenever we get together for a negotiation, such as we've having right now in Istanbul, if they make some kind of small statement or concession, such as they just did with the IAEA saying, well, we're going to have some

new agreement on inspectors coming up, just wait, that lets the steam out of the international build-up of pressure for a while, and then we have to work very hard to build that back up again.

So I think a little bit more of dealing with basically non-democracies that are willing to exercise power for a very clearly defined national purpose, we do need to be willing to push back on that a little bit. So that relates to the point about knowing our own strength and knowing our own capacities and then trying to use that as best we can.

And then the fourth one of these that I would mention, and it underwrites quite literally all of this, is, we've got to get our own finances in order. None of this is possible if we are in a budget meltdown, which is very well where we could be in January if we don't get a handle on it. So I think that it means responsible and very difficult decisions at the top on the overall structure of the budget, and within that, doing enough to preserve defense capabilities and U.S. foreign engagement capabilities as part of a budget, because no matter what we do with our own budget, the world is not going to go away, the challenges to our interest and to our values are not going to go away, so we've got to make sure that we preserve our capability to engage as literally no one else in the world can.

And since you said to look at this through the prism of transatlantic relations, I'll just add one final point to all of this on the transatlantic agenda. I think that we're going through a very bad time, a very difficult time, and as you pulled out of my op-ed that I wrote, in some ways NATO is running out of gas.

Our European allies are not contributing budgetarily, finding it very hard to sustain the military operations that we're in, public support is not there, any further NATO enlargement is not on the table right now, so all the things that NATO has done to transform since 1989, take on military operations, enlarge, build partnerships, transform capabilities, of these four, three of them are on the rocks right now. Capabilities are under deep stress, the enlargement agenda is off the table, we're shutting down operations. Partnership has turned out to be quite a success, but it's a bitter success because partners are making up for what some of our other allies won't do, and that I think doesn't speak well of the alliance as a whole.

So it's a very difficult time for the alliance, largely driven by budgets and public support and imagination of what we can achieve. So I think, against that backdrop, we have a little bit of work to

do looking ahead. How do we define again what the interests and values of a transatlantic community really are in the world? What are the common challenges that we feel we need to address? And how do we work together to do that so that we do it in a credible, reliable, and effective way?

I think NATO does suffer a little bit from a credibility gap right now, and I think one of the principal things on a transatlantic agenda should be to try to restore that credibility.

MR. LAURENCE: Thank you very much, Ambassador Volker. I now turn to you, Ms. Heather Conley.

MS. CONLEY: Jonathan, thank you so much, and thank you to Justin and Brookings. It's a great privilege to be here. Grabbing the 4:30 to 6:00 slot is an extra challenge. I hope everyone's had that coffee after a wonderful afternoon of conversation. What I thought I'd do, spend a few moments in a bit reflecting on the last three and a half years of transatlantic relations, but very much, to Kurt's point, looking towards the future. And again, I couldn't agree with you more, Kurt. Really what we're talking about is the nature of American leadership moving forward.

And before coming here, I got a question from a reporter. Secretary Clinton and Secretary Panetta and Chairman Dempsey were on the Hill today testifying about the Law of the Sea Treaty, and quite a tough hearing, very skeptical. And the reporter asked me, what is this all about or what do we need to care about? And I said, you know what, it's not about the United Nations, although there are many that will say this is about the loss of American sovereignty to the United Nations, this is about American leadership in the 21st century. And are we going to lead and step forward or are we going to step back and stay out of that and not ratify that treaty? And that's what the future is about, so I want to reflect on that in a transatlantic context in just a moment.

You know, I think looking back at 2009, for the administration, there was truly not a problem to solve in Europe. Europe is about helping us solve some very challenging global problems. The President and I believe -- and I'm sorry for not being here earlier today. I understand that some -- we're reflecting on the fact that President Obama, extremely popular in Europe, more popular than many European leaders, so there was that room and that flexibility for the President and the administration to do many things. But I think initially, at least in the first year, I think the administration was willing to move forward to solve problems without Europe, and I think that was represented at the Copenhagen Climate

Change Conference.

Throughout 2009, I saw a stream of European leaders, Angela Merkel and many others, go straight to Congress, talk about climate change. This is a national security imperative for Europe and a dynamism that was required. And then at Copenhagen, you know, to Europe's great surprise, to be left out of the room of the select leaders that were really part of solving some of the challenges related to climate change, and I think that was just -- adds a great jolt to Europe. What do you mean we're not in this table? We put money to this, we put leadership to this, this is actually very important to us not to be at the table.

And I think it tells us that, you know, we're in this fluid moment of international relations, and there's a fluidity, some call it the geometry, whether that's G-2, G-8, G-20. What combination do we need to solve the problems and where does the transatlantic relationship fit into this moving pattern?

I think it was a very critical challenge. And where does alliance and partnership fit into that? And I think in some ways that was an answer for quite some time. And I think, you know, fatally, this was a challenge of managing unrealistic expectations on both sides of the Atlantic when President Obama was first inaugurated.

Europe had very unrealistic expectations of what the President could and could not do certainly within a domestic context here. I think the administration, to Kurt's point, was very eager to see Europe make a, you know, huge contributions that it wasn't making, and that didn't turn out exactly to be the case, and so it was managing, managing through these unrealistic expectations.

For a moment, to be a little critical, and I say this having served at the State Department, knowing how incredibly difficult this job is, I think, in some ways there were some self-inflicted wounds that the administration committed and, in part, focusing on two.

The U.S.-Russia reset, the reset itself, in creating a positive U.S.-Russian relationship, was critical to helping Europe, and particularly our Central European friends, create a positive environment. I look at Polish-Russian reconciliation, this was an important thing. But in some way that reset was a little oversold, and it caused anxiety with our Baltic friends, our Central European friends, because at the moment we're resetting, we need to be redoubling our consultation and our transparency for those states that have the most direct knowledge and most direct impact on our policy changes. And,

you know, clearly -- and Secretary Tauscher, I welcome your thoughts on this, as well.

You know, again, the rollout of the phased adaptive approach are really important and strong policy, but how it was communicated on the day it was communicated, it just left a huge challenge for the region. And I think the administration has worked extremely hard to overcome that initial challenge, and I think we're seeing a stronger U.S.-Central European relationship, but I think we can do more. But again, it's a self-inflicted problem.

I think another example would be the pivot to Asia. I think in some ways the selection of the word is a loaded word. What is the physical manifestation of pivot? Well, you turn your back. Who did we turn our back to if we're moving to Asia without Europe? Did that cause concern to our European friends? And how do we message that to Europe?

The interesting part is, Europe is pivoting to Asia. They're pivoting in trade, investment, their economic relationship. So how are we managing this together? Right now it feels as if we're managing it separately, but I think we need to do more.

So again, sometimes it is that word use. It is sometimes communicating such a new policy direction so that it actually causes some confusion or some uncertainty about what that all means. But moving forward, I think -- and I'm going to steal something that Kurt Volker told me a couple of months ago that I thought was really important. When President Obama made his nine-day tour through Asia, he gave a very important speech in Australia, and it really encapsulated our strategy towards the Asia-Pacific region.

And Kurt said, you know what, if you just took out the word "Asia" in that strategy and put Europe in that strategy, that would be a really forward-looking strategy for the transatlantic relationship. It had a security component, an economic component, a cultural, social, you know, a futuristic look. I would argue it's time for us to create a 21st century transatlantic European strategy.

We're a bit trapped in some very old talking points that no longer match the reality on the ground. It's different now. In fact, in a bipartisan way, we're guilty of this. We need to reflect the new and challenging circumstances that are facing Europe.

But ultimately, even if we have the most perfect strategy, we have to make the decision whether this relationship, this alliance is worth the time and the energy and the enthusiasm it takes to

sustain it.

I look at my other colleagues at CSIS, I'll use our Asia program for example, our Japan chair. I look at that, you have one country. I'm so envious, you concentrate on one country, I concentrate on 30 countries plus institutions, it's -- I do it poorly. It's a daunting task. It takes an enormous amount of energy and a commitment that you're going to spend the time to invest in leaders, to get to know those leaders and the bureaucracies and everything, and listen to them and understand them.

We have to see if that's worth it. And I've never heard the term "summit-itis," but yes, that is part of Europe, that is part of how we communicate with Europe, through the USEU, through NATO dialogue, and yes, that can be very tiresome on a very busy schedule. But number one, we have to agree that it's worth the investment, and then we have to see it through, and I think that's a decision, again, about American leadership. We have to make that decision, whether that investment is worth it.

Finally, I'll end on what I think are some future challenges, and many of these you've discussed this afternoon. When I look at Europe for the next 20 to 25 years, and my apologies for people who have heard me say this before, I see three fundamental challenges.

Number one, it's the profound transformation that Europe is undergoing due to the debt crisis. It is a political transformation that we're seeing, certainly an economic transformation, and a cultural and social transformation that will have a generational impact. When you see the numbers of youth and unemployment in Spain, in Greece, the immigration of youth going outside of Europe, what are they taking from this crisis? In 20 years, when they become the future leaders of Europe, how will they internalize this crisis? This is what we have to understand and get into the challenges of the political dimension of the crisis.

The second fundamental challenge to Europe, to the transatlantic relationship, is managing the rise of Turkey of a regional power whose reach and stretch goes to the Western Balkans, the Caucasus of Central Asia, North Africa, the Middle East, and recognizing that the Turkish EU process has fundamentally stalled for the last 18 months, no new chapters have been opened.

For the first time in my memory, Secretary Clinton said publicly that it's understandable that we put this on the back burner. We've got a lot of issues on our plate right now in the region. When America doesn't push for Turkey's accession or continue to push for Turkey's European orientation, that's

a fundamental challenge to the transatlantic relationship.

The third area is managing Russia's -- I call it its evolution, its democratic evolution, its economic evolution. That is going to be a fundamental challenge that, quite frankly, will span the next generation, decade. How are we going to work on those issues? We have a decision to make about American leadership in Europe. I personally believe that America is a critical European power, and we have to be involved and engaged sometimes in the very messiness that is institution building and policy building.

But we tend to have two approaches to American leadership in Europe: we tend to get right in there and direct traffic or we say you've got it, we're busy, we have some other things to do. We have to find that middle path that allows Europe to lead, but with strong American engagement and action. That's that middle road. That's the new American leadership that I think we have to bring to the transatlantic relationship, and not just commit or recommit to our values, but operationalize those values, particularly in the enlargement agenda, whether that's the Western Balkans, in the Eastern partnership countries, or beyond. That's our fundamental challenge. It is a bipartisan purpose.

And I want to underscore, because if you highlighted the differences perhaps of Democrat and Republican, our policy is best when it's bipartisan. And enlargement, the NATO enlargement point has been successful because it's been bipartisan. Relationship is so important, it has to be bipartisan. So with that, thank you so much.

MR. LAURENCE: Thank you, Ms. Conley. Secretary Tauscher, the floor is yours.

MS. TAUSCHER: Well, let me just say I'm not here as a member of Congress for seven terms, nor am I here as the former Under Secretary of State, nor am I here as the Special Envoy for Strategic Stability and Missile Defense. I am here, I suppose, as the Vice Chair of the Scowcroft Center at the Atlantic Council. So I'm not speaking for the administration in any way.

Kurt and I have known each other for a very long time, and Heather, I've read many of your pieces and very much appreciate a lot that you've said. Since I think I may be the only person in the room that has practiced the dark arts of politics and actually been elected, let me just tell you from my perspective.

When the Obama administration came into office, we found ourselves with a number of

significant situations that immediately caused a pause to prioritize and decide where to go first. Every administration has to do a number of reviews, there are about 11, and the administration was set off to do that. And in this case, many of them were done for the first time with both the State Department and the Defense Department, including the Nuclear Posture Review and the BMD Review, with the State Department as part of the team, not just reviewing it after it was done hoping to get something changed, and that was clearly a decision that President Obama, Secretary Gates, and Secretary Clinton had made. And I think that those products reflected a sense of hard and soft power for the first time, and I think that those were very good.

We found ourselves with two situations vis-à-vis Europe. Number one, that we had not a lot of work done by the previous administration to deal with the fact that we had a START Treaty that was going to expire on December 5th of 2009. And secondly, we had a missile defense proposal by the Bush administration, hated by the Russians and almost hated by the Europeans, because they, I think, understood that it was not meant to protect them, it was meant to, because it was called the Third Site, protect the United States from Europe, and that they were basically and conveniently in the wrong place at the wrong time and subject to threats from Russia if we did, the United States, make that deployment.

Subsequently, during these reviews, immediately the secretary put together a team to look at beginning to negotiate a new START Treaty. The decision was to not extend the START Treaty, but to give a new START Treaty. And at the same time, a decision was made with the White House to use the negotiation of a new START Treaty to reset the relationship, a relationship characterized by mutually assured destruction, which is no longer the posture that we have between ourselves and the former Soviet Union, Russia, toward a more different, more cooperative relationship that we call mutually assured stability. That success of getting that new START Treaty and deescalating a lot of tensions was very, very important. It also got us a relationship with Russia that enables us to work very closely on things like Iran, more successfully clearly than with on Syria and on Libya. But certainly on the Iran and North Korea situation, we have a much more I think respectful and successful relationship in getting things done.

We also were able to announce in September the Ballistic Missile Defense Review which included, because the President was very insistent, that we were changing the characteristic of what

exactly was going to happen with the Third Site. And that review, as many of you know, culminated in the announcement of the European faced adopted approach which was based on a different system, a much more tested system called the SM-3 Rocket currently on Aegis ships that we were going to move it ashore, calling it "Aegis ashore," that we were going to deploy much faster, actually last year in 2011, to protect Europe.

And we were going to go to NATO and get a change in the mission so that it was not just point defense, which was to protect troops in a certain area, the difference between having an umbrella for one person and a canopy for the whole room. So our decision was another commitment, a much more 21st century commitment, to Article V by having U.S. assets deploy immediately into the Mediterranean, first Monterey, and then the Sullivans, and then other ships following on, to get four agreements done in one year with Poland, Romania, Turkey for a radar, and with Spain to take four more Aegis ships, and to deploy the radar by the end of 2011.

That is an enormous set of circumstances, to get NATO to change its mission at the Lisbon Summit in 2010, to deploy a system that can actually protect Europe now against current threats coming out of the Middle East, and to work with the Russians on missile defense cooperation.

You know, in our own spare time, we got a couple other things done. But I would say on the political side, you know, I spend a lot of my time both in Russia and with my European colleagues, and I think that the turbulence in the channel of the relationship has very little to do, I think, with, in my opinion, with questions as to whether we're still in love and whether we still want to stay together or not.

I think the real issue is, how do we manage together in a time of shrinking resources, in a time of other distractions, real problems, both to security and economic security, real security and economic security? And how do we do it in a way that is reflective of the fact that there's been an imbalance in the relationship for a very, very long time?

President Obama isn't the first President to face the fact that our European and NATO allies are not contributing at the 2 percent that we hope. I think every president since perhaps Kennedy has been dealing with that. So this is nothing new. And no president has been successful in getting anybody to change the way they're doing things, which is to decline their defense budget.

In our case, I would say the biggest problem we have isn't the question of whether we're

going to decrease the defense budget, I want to know why the heck we're decreasing the State Department budget. That's the biggest threat to us right now. We're going to have decreases in the Defense Department budget; of course we are, for lots of reasons, including the fact that we've been operating two wars on a credit card for the last 10 years. But why are we decreasing the budget of the State Department, and why aren't people levitating about that? That's the problem.

The problem is that we, you know, whether you call it smart power, soft power, hard power, I don't really care what you call it, you still have to pay for it. And we have a decreasing ability in the Congress to understand that a sign of patriotism isn't to have a ribbon on the back of your car, begin every speech by talking about how much you praise our fabulous military, we all do, and that's not a default position, but that should be sincere, but that we have to have a balanced foreign policy that includes a real stick, but also a real megaphone. And so we had a crisis last year, and we are going to have a crisis again in the State Department budget. And I don't know of many people that have written about it in a way that compels people to understand that we're taking people off the field.

We're taking prize diplomats, we're taking the ability for us to find counsel, we're taking the ability for us to do anything but sit behind big wire fences further out of town because we're so interested in protecting ourselves. I find that to be a crisis of a relationship when we, you know, we can't even be in the middle of town where people can actually get to us and where we can't send -- having the best Americans that can project American soft power in those places because we've decided that fewer is better when it comes to diplomacy. That's not a sustainable situation for us.

I appreciate very much that Heather said the word bipartisan four or five times. I believe that foreign policy should be nonpartisan, and that is a crisis of our situation, too. We've got too many people on both sides of the aisle, but in the political campaign, clearly, that will use any cudgel they can find to rock anything, and all it does is turn everybody off.

So you don't have anybody that really is paying attention enough to pay attention. You know, I told even my former constituents, I'm blessed to think that -- I've been told that my constituents in California would still elect me. The nice news is that nobody can afford me. But in many places in this country, I don't know who would want to work for the American people. Talk about an absentee landlord.

I was lucky in my congressional district in California, I have two national nuclear labs, and

I had, you know, 70, 80 percent of the votes. I have colleagues that come to the Congress with 30, 35 percent of their voters showing up. They get the same vote I get. I don't know if that's very good. And the American people would rather watch Entertainment Tonight by and large than watch the NewsHour, you know. You don't have to take a test to vote, but you should be able to informed, and you should want to hold people accountable.

And so for too many years and for too long we've had partisanship slinking into foreign policy and national security affairs to the detriment of everyone. Now, Kurt and I have known each other for a very long time, we were kind of concerned that we were going to be on a panel today and it was going to be very boring, because most of the time we say, yeah, I agree with her, yeah, I agree with him, I find now that I absolutely agree with Heather, too. So you may have to take your NoDoz any moment now.

But the truth of the matter is that it should be non-partisan foreign policy, national security. We should be increasing the State Department budget, not cutting it. We have to have a balanced approach to how we work with our friends, but we also have to work with our friends about things that are relevant. And while we may have looked like we were busy during 2009 and early 2010, we negotiated a state-of-the-art treaty with the Russians on one of the most important issues in the new START Treaty.

We are actually taking weapons down to keep our NPT commitments. We are actually working on many different things. We used that to reset the relationship to get their help on Iran and North Korea, maybe not on Syria, maybe not on Libya, but it's a much better relationship.

We believe that we need to move from mutually assured destruction to mutually assured stability. We are never going to agree 100 percent of the time, we can't, we're human. But we are going to identify a sweet spot on a number of issues where we have a common view, where we have a common assessment on the threat, where we have common platforms where we can cooperate, and where we can find a way to deescalate what has been attention ridden, honest control ways characterized relationship, where a 10-foot fence caused me to build an 11-foot ladder, and, frankly, we can't afford to do that anymore.

So it's an enormously complicated situation, but I think, on balance, that our European

friends and allies believe that the United States is at the table and working hard, we're taking down two wars, we're trying to figure out how to deal with increasing problems on the financial side of things, we're trying to work together to get economies balanced and to get people back to work in a very big world where the Europeans are our number one trading partners, and we are inextricably intertwined.

But domestically here at home, I would say as a recovering politician, people better start paying attention, because this is a democracy that is not a sideline game. It is a representative democracy, which means people have to suit up, show up, and vote. And we're losing that battle, and we're losing that battle, unfortunately, I think, because there's more cynicism because it appears to be sheik than there is really an imperative for people to show up.

But part of it is, you know, the sense of partisanship. So I think that if we can get to where Heather wants to be, which is bipartisan, national security, and foreign policy, that would be great. My vote is for nonpartisan and getting ourselves to a place where we -- because we do agree so very often unless we don't take our medication on time, we are really capable of doing that. If we started to project that face and that voice to the rest of the world, they would take a huge sigh of relief, and I think then we would actually be doing everything we can to preserve our democracy.

MR. LAURENCE: Thank you very much.

MS. TAUSCHER: You're welcome.

MR. LAURENCE: So does your message then mean that there are not genuine differences that are being put forth to the American voters who will, after all, have to enter a booth and choose one of the parties, right? I mean, there are budgets being proposed and counter budgets. Ambassador Volker said that the choice is quite stark between either a robust international role or a quasi-isolationist position. I don't think he was -- had no one in mind when he said that.

MS. TAUSCHER: Well, I won't speak for Kurt, my friend, but I will tell you that, you know, the American voter is not voting on foreign policy or national security in November unless something really cataclysmic happens. They are oblivious to it and they are going to vote, you know, it's the economy all over again, it's going to be about jobs, it's going to be about their sense of their own wellbeing.

There is going to be a piece of it that is going to be about appealing to people's sense of

aspiration. There is going to -- people that are upset and are going to be turned off by different parts of the rhetorical battle that we're going to be hearing will stay home. The enthusiasm gap is my biggest concern for what we have coming forward in November. And, you know, I think that, you know, in many ways, there is a laziness about the facts. For the same people that my former colleague said have pitched a fit about the debt ceiling and created a big problem with that that got us degraded in the financial markets just a few months ago, they're preaching from a bar stool. They didn't care at all for the entire eight years of the Bush Administration, while we were going to war on two credit cards, running up debt, you know, playing deficit games all day long.

So, you know, but nobody has called them on it. And that's what the test of a good politician is, can you do it and get away with it, and apparently the answer is yes.

MR. VOLKER: Let me just chime in, because I agree, I don't think foreign policy will push a single vote in the election. No one is going to vote on that. And while you may see people make an effort to use foreign policy as a cudgel in the election, I --

MS. TAUSCHER: Too weak.

MR. VOLKER: Yeah, you may see that, it's not serious. I mean, it's trying to just calculate where can I, you know, get a little bit of political advantage by saying something this way or that way? It's not really serious.

I'd also say that, you know, in the difference that I drew between those who are working to have a strong American role in the world, resourced appropriately across the full spectrum of things, there are denizens of both parties who want to see that. And when I talked about those who feel that we can't afford that anymore, we've got to cut -- we've got to pull back, we've got to fix things at home. There are denizens of both parties who believe that. And I think that's really -- and I'm not disparaging the second view, even though I don't share it. That's a legitimate point of view, by the way, too, that people are really worried about where we are and how to pull back. I just think that we can't afford to do that because of the costs that will then follow for our country abroad.

But that's really the intellectual debate that's out there, and it really isn't a partisan debate in that respect. And I would just say -- so I didn't see anything in terms of individuals that way.

When you do think about foreign policy and the election, the thing that I would really

expect both parties or both candidates to lay out during the course of the campaign is kind of the strategic framework for the way they're looking at the world.

What do we see out there? How do we see ourselves? How do we want to engage in that? And that may offer a hair's breadth of a choice between the candidates on that. There might be some difference in tone and style about that. But I think you're going to see in both cases a fairly traditional engaged, robust American foreign policy articulated from both sides.

MR. LAURENCE: Now, Heather Conley, there may be more difference than just tone and style, right? I mean, if Governor Romney proposes restarting START, resetting the reset, does this have any consequence? Is this really the subject of nonpartisan or bipartisan consensus? If the budget cuts are going to be walked back, if we're talking about capacity and missile defense and the limitations on American's ability to project power, is this really just about style and tone?

MS. CONLEY: Well, I think in part it will be. I agree that foreign policy during the campaign will be opportunistic and it will headline-driven. I think the fine issues that impact the economy, and this is where the sovereign debt crisis will, I believe -- you know, and we pray not, but a worst-case scenario, that, my friend, will have a direct impact on the election, and that is Europe.

In fact, I was briefing a parliamentarian group and we were talking about the debt crisis and one parliamentarian said, wouldn't it be ironic if Europe is the reason that President Obama doesn't get reelected? If the economic situation becomes difficult and that is what drives that, wouldn't that be just, you know, ironic? And I said, well, but it speaks to how closely interconnected we are, that how Europe goes is how we go. How we go, we saw in 2008, very much how Europe goes. So we do not have the luxury of saying, well, that's Europe's problem, Europe fixes it, or America, that's your problem, you fix it. We are so in this together that we have to find those common solutions.

Iran is another example, whether the price of oil and stability in the Middle East will have a direct impact potentially on the American economy. So where foreign policy intersects with economic issues I think will have real applications.

Clearly, Russia has become a touch point in the election with Governor Romney noting that Russia was the greatest geopolitical fall. And I think even people saw Secretary Powell's interview, you know, lots of head scratching on that one.

I think it speaks to, again, that this is a difference of opinion from the Bush Administration to the Obama Administration on missile defense, on the approach to Russia, on arms control in many ways. But, you know, again, I think you'll hear from the Romney campaign a very strong focus on strengthening our relationship with Central Europe, making sure that that's a strong part moving forward, and making sure that we're together understanding the changes and the developments that we're seeing in Russia.

This is an issue that transatlantically we're going to have to stay absolutely in lockstep, it's that important on messaging, and particularly messaging to the post Soviet space. It's going to be critical. We have to get in great alignment. There will be some differences on this issue, full stop. But again, I think the larger strategy moving forward is making sure that we are closely tied with Europe on that approach.

MR. LAURENCE: If I could just say turn that period into a colon.

MS. CONLEY: Okay.

MR. LAURENCE: What does the Republican administration do differently with regard to the euro zone crisis? Are we talking about different kinds of intervention? If President Obama is being depicted now as sort of hectoring ineffectually the Europeans about building a greater firewall instead of focusing on the strategic goal. What is the strategic goal here and how is it pursued differently?

MS. CONLEY: Well, I think we both -- well, everyone, every American wants Europe to resolve this crisis quickly. We want Europe to get back and be strong and be a productive economy. We want the global economy to grow and Europe is such a critical part of that. Nonpartisan, bipartisan, we all are in great unison.

The problem with I think the debt crisis is that it is a dim reflection of ourselves here in the United States, and that's why we have an awfully hard time looking at the mirror, and that's why politically, there's something here for everybody. If you are a deficit or a debt hawk, you look at Greece and you say, see, that's how we're going. If we don't get this debt under control, we will lose our ability to control our destiny and the market is determinate for us.

On the other side, you say, see, Greece, what happens when you just cut, cut, cut, and you don't grow, and you don't -- we're going to be just like Greece. There's something there for the entire

spectrum, from Mr. Krugman to, you know, everybody, there's something in there.

But what it speaks to me is that we together need to support Europe. And this is where I -- in having some conversations with White House officials, I've been frustrated that we haven't made a contribution to the IMF. And I know how politically awful that would be for the administration to go to Congress and say, boy, how about a bail out for Europe, I mean the screaming and the hair pulling and the nastiness.

But I'd like us to be involved, even if it's token, even if it's small, because it says we are investing in Europe as they have invested in us and our foreign policy objectives. For the last 10 years, Europe has been in Afghanistan, not necessarily because of the national security threat that they solve, but because they were there for American solidarity.

Europe is in deep trouble right now. I don't care if it's tokenism. The United States needs to make a contribution to Europe. That's how we give back to one another. But for understandable political reasons we can't do that, we're offering our advice, our counsel, sometimes it's well received, sometimes it's not well received. The Federal Reserve is doing lots of important coordination with ECB and other central banks.

But I do know one thing about my history. When we don't engage with Europe and we say, look, Europe's got this, they're a large economy, they can take care of it, if we're not part of it, we'll return back, but a greater cost for not being there at the beginning, and I don't want that to happen. I want us to be involved intellectually, physically in this profound crisis and that's exactly what it is. Whether Europe tends to think that it really is our crisis, you know, our issue, I don't want this to be a race to the bottom for our economy. I want us to be a race to the top. And we can't blame each other, we've got to find a solution.

MR. VOLKER: Jonathan, can I just comment on that, too? Because I think Heather made a very good point. We suffer from the same problem that Europe suffers from, which is, we are failing to make decisions. Our budget is stuck now until January and then we'll see what we do. Europe is also failing to make decisions on its debt crisis, and the longer it tries to shave it and push it off, the bigger the problems mount.

And I just want to tweak what Heather said about our being willing to contribute. I don't

think it's sensible even, let alone politically salable to offer to contribute to Europe because, in the present circumstance, it's just -- it's, what's the word, it's enabling them to just continue to postpone decisions.

So if it were possible to flip it around, that in exchange for Europe making really decisive decisions about putting up a wall against the further deterioration of debt crisis, which would be very painful and difficult and involve who's in the euro zone and who's not, euro bonds and what happens to -- who's holding European debt, what happens to the further issuance of European debt, then I think if you had those kind of decisions, it would be in our own interest to say we're going to support this, as well. And whatever way the markets require us in order to hold that line so that that stabilizes the goal with financial economy, much, frankly, as Europe did with the United States in 2008 and 2009, that would be sensible.

But until we're at a stage where Europe is making those kinds of choices, I don't think we can even consider putting any money behind it. And, of course, as we all said, it also requires the U.S. to get serious about our own deficit and debt issues as we look ahead.

MR. LAURENCE: Thank you. I'd like to open the discussion to the audience. We have just under a half an hour. I would ask you just to please wait for the microphone to state your name and affiliation before asking your question. We have one up here first.

MR. BEARY: I'm Brian Beary, Washington correspondent for *Europolitics*. I have a question on counterterrorism policy. I know it didn't really come up much in your interventions, but a couple of weeks ago there was an important speech from President Obama's counterterrorism advisor, Mr. Brennan, basically admitting that the U.S. uses drones and is going to continue to justify that.

And, of course, you also have continuing Guantanamo Bay which is not being closed. And you have President Obama clearly saying that he believes in detention without, you know, having to bring a charge for counterterrorism, for security reasons.

I'm wondering if you think those issues will, first of all, be issues in the U.S. presidential campaign, if it's going to come up or if you think it just won't be an issue, and if it will become an issue for transatlantic relations, as well. Because it's interesting to me that back in the Bush years, like these were front and center issues, and now it seems like they're not so important anymore.

MS. LAURENCE: Can I begin with you, Secretary Tauscher?

MS. TAUSCHER: I don't think that'll be part of the election. I think that -- I don't think that there's a tolerance that's developed since everybody has been concerned about the treatment of people that are picked up, but at the same time, I think that the President has been and John Brennan has been very clear about the detainment policy.

This administration clearly has stopped a lot of things that the previous administration was doing. So I think that there's a general recognition that a lot of the activities that cause people to be very, very upset, including here domestically and our international allies and partners, are no longer going on.

But at the same time, that there has to be a way to manage when you pick up some of these terrorists, that part of the most important piece of detaining them is to extract information about current operations, people that they're associating with, how they have morphed their financial opportunities, how are they dealing with each other through -- what does their network look like, what does their cell look like.

Now, there is a sell-by date on all of that, because at some period of time, these different cells, if you want to put -- is that the term on it, they basically deteriorate and go away, and there's such a firewall around them that nobody knows the next guy, who the next guy is. So for some period of time, that information is fresh and important, and it's important to extract that because it is going to save real lives, both here, as we know, and with our friends around the world. It will not be part of the debate, but you will see in the debate -- the political debate about foreign policy and national security can be characterized very simply as I'm the toughest guy in the world and the other guy is a weak fool, and any way that they can do that, they will do it.

And, you know, whatever hits the headline that day will be what it is, and they will be, you know, manipulated around, and, you know, I'm the tough guy. And then the only other characterization is who loves Israel the most and who is spending more money on Israel than the other guy.

MR. VOLKER: Right.

MS. TAUSCHER: And that's how the love is proportioned, and that's the characterization that you see when you get into the silly season of politics. And, you know, what's important is -- and I just want to pick up on something that Kurt said, because, you know, you have the sterility of, you know, who

wants to be in isolation as to who doesn't. Well, I mean, who thinks it's a good idea to be cutting the State Department budget? Most people don't consider themselves to be isolationists. Really? You can't project American power in a peaceful way, our best face forward? That's really -- that's just destroying seed corn.

So I think that, you know, we have a crazy situation right now where people have gotten ahead of themselves and they can't really justify in the political system what they're doing. But I don't believe that any of these things that you've mentioned, counterterrorism, unless there's an event, you know, somebody secretes something in their underwear again, or their shoes or something, and then there's this idea that -- then all of a sudden who's ever running the government, the TSA is stupid, and we don't have this and we don't have that. But that will be true for anybody and that, unfortunately, takes everybody's eye off the ball.

MR. LAURENCE: Well, if I could just ask you, though, to speak about this in light of Europeans' own evolution on their attitude towards terrorism, and especially their attempts to coordinate amongst themselves?

MS. CONLEY: It was a great question, and I asked the exact same question. I was speaking to a student group in March in The Hague, and I asked the question, I said, you know what, it's interesting, you know, drone policies certainly, Guantanamo remaining open, detaining policy, I don't hear much public reaction in Europe about that. You know, has something changed? Is there an acceptance of the policy? Or, you know, I would have thought Europe would have been much more vocal about these issues because they certainly -- the Bush Administration were very, very concerned about them.

But one gentleman raised his hand and he said, we like President Obama more. And I said, okay, well, that's an explanation, but that's an inconsistency obviously in approach. And if you're concerned about it and this is a value based issue, I have to say, as an American, I have some concerns about, you know, some of this, we should be able to talk about it, but let's not be hypocritical about it either.

So, I mean, we should embrace the debate because it's an important debate to have, but, you know, my sense is, again, this sort of gets to, you know, we're at a different place and time.

On counterterrorism, you know, I see continued strong cooperation certainly at the USEU

level. We held a few weeks back a cybersecurity conference, a lot of really good coordination. We had deputy secretary of Homeland Security and EU Commissioner Malmström there. Those two were literally finishing each other's sentences. There was a real focus there. And I think that's, you know, that is a very encouraging sign.

We have differences, my goodness, on privacy, we have a lot of other differences, but we know this is so important; we've got to get it right. And that's, you know, to my point of, you have to dedicate the energy, the enthusiasm, the time, it's not an easy conversation, but it's the right thing to do and it's important. And so I'm actually very encouraged that we're at a better place on the U.S.-European dialogue and across the board on those issues.

MR. LAURENCE: And Ambassador Volker, when you look at the evolution of European capitals or even the European Union on terrorist threats, on piracy threats, do you see a different set of partners now than you did under the previous American administration? When you see the EU raiding a pirate lair, does this just make you smile?

MR. VOLKER: Yes. A couple of thoughts on this, and then this ties into the question, as well, too, from the security. But first, no, I don't see a different Europe. What I do see is what I would describe is a glass house as Europe. There isn't a whole lot else to do.

They're not happy that we're reducing from four brigades to two brigades in Europe, but they're cutting even more, so what are they going to say? We should keep forces in Europe because they're not? Or they don't really want us to pull out of Afghanistan and the risk that Afghanistan is going to be a mess, but they certainly don't want to stay in Afghanistan, so they're not going to say anything about that.

MR. LAURENCE: But there is a free rider problem. I mean, what can you say to the theory that, you know, by keeping troops there, you're actually discouraging more investment in defense budgets?

MR. VOLKER: Well, as Ellen said, you know, this has been going on for decades, and --

MS. TAUSCHER: We're keeping troops there for us.

MR. VOLKER: Yeah. No, it's in our interest, that's right.

MR. LAURENCE: But the problem of defense budgets and the percentage of GDP --

MR. VOLKER: No, it's been a decade-long phenomenon that Europe is now putting money into defense budgets as much as the U.S. thinks it should, and we end up subsidizing what is European defense, and that's just the way it is. We couldn't fix that when times were good, and now times are really hard for Europe. So, you know, Bob Gates gave a wonderful speech at a moment when Europe could do absolutely nothing about it.

MR. LAURENCE: But how are they encouraged to increase their contribution if we keep ours at the same level, I guess is my question?

MR. VOLKER: Well, because of the fallacy. So if you reduce Europe's forces, are they then going to spend more money? No, they're not. And the answer is, what's in our own interest. It's in our interest to have a forward platform for dealing with global challenges. It's in our interest to maintain interoperability with our allies so that when we do things, we can do things together. It's in our interest that when we do something, we have as many others with us as possible so that creates a broader political foundation for what we're doing. So there's a lot of reasons why it makes sense for us to do this and we just have to decide, you know, what's the right level that's right for us. And then you keep working with Europe, and you keep trying to -- you know, as Heather said, it's neither no U.S. leadership or unilateralism, it's how does the U.S. lead with others so that we all try to do the same thing together? And that's -- and you can point to the first Gulf War, you can point to Kosovo, you know, you can point to Afghanistan in the mid 2000s, you know, we're able to do this.

MR. LAURENCE: Thank you.

MR. VOLKER: Can I add one more thing on the counterterrorism point, though, because it comes back to the question I wanted to raise? I'm really glad that you raised this question and that we are where we are, because -- and actually I think it was the Bush Administration that stopped doing things the Bush Administration was doing, and then the Obama Administration continued not doing them, which is good.

But we found a problem in that in order to deal with the world that we're in, you wanted to prevent terrorist attacks, not only arrest people afterwards, when you had people, you had to figure out what to do with them. It is good to have a drone program so that you can take out terrorist leadership. We're engaged in a, you know, legally speaking, still under both administrations, we're in a war, and

you have the ability to go after these terrorists.

Now, all that's good. And I think that when you see both in the U.S. debate and in Europe is, when it was only the Bush Administration doing this, people were willing to criticize and to add that's terrible, you shouldn't do that. But then when the Obama Administration comes and does the same thing, it finally clicks with people and they say, oh, we have a real problem here, this is hard, and there isn't an obvious alternative.

So while none of us can be happy about just randomly -- not randomly, that's the wrong word, but using drones as a way to kills lots of people and holding people in Guantanamo for as long as we ever may need to hold them, no one can be happy about that. That is not a good position to be in.

But I think we have right now a much more sophisticated understanding, and we don't have a lot of other good options right now, and that's what we need to spend time as a broader transatlantic community seriously thinking, how are we going to do this for the future.

MR. LAURENCE: There's a question up front on the right.

MS. GOMES: Thank you. My name is Kathleen Gomes. I'm the Washington correspondent for a Portuguese daily newspaper, *Público*. Picking up on something that both Heather and Ambassador Volker mentioned about how the euro zone crisis mirrors many of the problems that exist here in the U.S., how do you see the growing consensus in Europe that posterity is not enough having an impact, if any, on the political debate here in the U.S.? Considering that the political discourse about Europe in the U.S. has been very negative, we've seen that in the Republican primaries, the European use has been -- has a sort of scarecrow. And do you expect President Obama to use Europe as an example of his approach at the risk of being associated with a French socialist, as you mentioned --

MR. VOLKER: No way.

MS. GOMES: -- when you quoted Bill Kristol? Thank you.

MR. VOLKER: Well, I'll say two things. One of them, the risk of President Obama using Europe as a positive example for his own policies is zero, there's no chance of that happening.

The second thing is that if we're honest with ourselves, we have not had any austerity here. We have talked about it, we have flirted with catastrophe, but we haven't actually cut much of anything at this point. And we're going to have to face this. We probably won't face it -- well, certainly

won't face it until January. Even then, we may kick it off again down the road a little bit because we have the reserve currency and find it easy postpone. But in the end, I think in this country, the debate is not about more stimulus and austerity, it's about fundamental fiscal reform, which is going to involve some combination of broadening the revenue base and reforming our massive expenditures in domestic programs with a proportionate effect on defense because you have to do that for fairness across the budget.

That's the debate we're going to have here, very, very different from the European debate, which is levels of debt that can't be sustained with the euro, countries individually that can't sustain their debts, and what happens with them inside the euro zone, and no growth, no real growth going on in Europe so that you can't see with the declining overall population, declining economic performance, how you're ever going to amass enough wealth to change the balance on these debts. That's a very different conversation than the conversation we'll have to have here about our own problems.

MS. CONLEY: Again, pulling back, this is really how democracies, Western democracies are going to deal with deleveraging and pain and changing the social compact between the government and the people. And Europe is now fundamentally making that change at horrific cost and social price. As Kurt said, we haven't yet begun to do that, but if we really think about entitlement reform, we will be doing that. We will be changing a contract with -- whether we're raising retirement ages, as you're seeing in Europe, whether we're reducing benefits, whether we're going to make some future investments in R&D and education. This is about how we all, the West, in Japan and others, how we're going to do this. And it's the most difficult issue for democracy, because who votes for increases in taxes and who votes for less benefits?

But I think we're seeing politically within Europe, this is my own reflection looking at recent French elections, the ongoing Greek election, is what we're seeing is the center, the establishment is unable to hold in this position, whether it's center left or center right. I'm sort of the moderate that we would say here, but that center position, they're unable to convince others that, you know, we have to do this, it's painful, and what people are -- narratives that people are looking for, particularly young people. And this is what shocked me about the French election, a third of the French electorate in the first round

voted for either an extreme left or an extreme right party, one-third. That came out of the center, center left, center right.

We're seeing that exact phenomena in Greece, the soft, new democracy. It's the establishment, the center. And where is that vote going to, that protest vote? It's going to the extreme. That is going to change demographic and democratic patterns in Europe, and we'll see some semblance of that here. Everyone has their own political, historical, cultural adaptation to that. That is the -- what we have to understand, we have to understand the Europe that's going to emerge from this and the United States that's going to emerge from this, and how our societies deal that.

So when Governor Romney in a primary talks about European socialism, and Europe's going what are you talking about, what we're talking about, translation, in my view, is the role of government and society. Should that be a big role? Should that be a directive role? Should that be a limited role?

This is -- we've had in our country for over 200 years, since our founding, the size and the role of government, and that conversation right now is happening in Europe. I've seen no references to Alexander Hamilton in the last several weeks on the euro, how we did our currency, you know. We're going back to those fundamental principles because that's what we're having to look toward to see how this is going to evolve.

But this growth in austerity debate, what I get caught up in, and it's in part to feed an insatiable need for information, we're analyzing the moment, we're not pulling back and saying what is Europe is going to look like in 15, 20, 25 years. What my children -- how they're going to adapt to this new society. How is my country going to be dealing with that? That's the bigger picture that we're losing in all of this noise and confusion and uncertainty. And as a think tanker, that's what we have to focus on. I mean, we could argue that we already had this debate in the United States.

SPEAKER: We did, over and over and over again.

MS. CONLEY: But we most recently had it in 2010.

But good ol' politics in this country is gone. It's been sacrificed. The worst thing you can be is in the middle of the road, because then you'd get hit by the cars going east and west, going north and south.

SPEAKER: That's called roadkill, right.

MS. CONLEY: And, you know, as a leader of the moderates in the House, you know, I could see my colleagues getting knocked off left and right because they were standing for things that were in the middle. We already have -- we've had the debate about what we should do. I think for all of these debates that say one or the other, it or it, take the "or" out and put "and" in. It's not growth or austerity, it's growth and austerity. They are not polar opposites. They are not -- they have to be blended in in a centrist way, in a moderate way. I would say that we already have a name for it, it's called Simpson-Bowles. We've had the debate, we just haven't decided to pull the trigger. And so we've got to get back around to it.

But, you know, I would say that, you know, in the 2010 election, when Democrats lost the House in '83, '85, '87, whatever the number is, two party people were elected, I would say, you know, where do you think we're going to go if we keep sending people to Washington that don't have the temperament for compromise? That's what it is about going to Washington, except that it's been absolutely turned up on its head over 30, 35, 40 years by what I believe is a concerted campaign to make people that come to Washington to serve their country, to serve their constituents, to serve -- to be part of representative government, to make them look crazy, crazy, lost, and stupid and venal. Some arrive like that, some become that way. Not everybody is good.

But how do the American people actually believe? How do you get a Congress that's at 9 or 10 or 12 percent? These people don't volunteer, they get sent. The same -- we all get to Congress the same way. And how is it possible that the American people believe that the people that they sent, from the moment that they send them to the airplane ride or the car ride, turn into maniacs?

MR. VOLKER: It's everyone else's congressman.

MS. CONLEY: Well, it is now, it's everybody's congressman, including your own. That is completely unsustainable for a representative democracy. So we've got a number of challenges, but we're going to have to -- I think that we're going to have to have a political crisis in this country where the American people decide that they're going to have to pick people that are going to represent them, hopefully in a more centrist, more moderate way, that are going to be willing to compromise, and that are actually going to get things done and not live their lives in Washington.

MR. LAURENCE: We have just under 10 minutes left, so I'm going to collect the last

several questions and then give each of the panelists a chance to reply. Since we only have nine minutes left, I'd ask you to keep your questions short. I apologize in advance. Please, sir.

MR. SCARLISS: I'm Basil Scarliss. I had the good fortune of working for Ambassador Volker a few years ago in the State Department. My question is, I hesitate to ask it after Ms. Tauscher's last comments, but you would think that everyone wants to prevent a recurrence of the Lehman Brothers event, that is a worldwide financial crisis. So is there no hope that the issue of contributing to a European firewall couldn't be explained to the American public in those terms we want to prevent a worldwide contagion after a Greek exit? No, no hope?

MR. LAURENCE: Mr. Hill.

MR. HILL: Steven Hill. It's been a fascinating discussion, thank you. In terms of the issue of debt, I think that -- a couple of points very quickly. One, most countries in Europe, most member states, are actually not in that much debt. It's just really a handful that you're talking about. If you look at the euro zone as it -- in aggregate, it actually doesn't have that much debt. It has less debt than the United States has. It has -- doesn't really have much of a trade deficit. Many of the economic fundamentals are actually fairly good for the euro zone.

The problem that the euro zone has is a balancing, and that's an important distinction, because you have surplus member states and you have deficit member states, and they don't have a transfer union like we have in the United States where California, where I live, we've been bailing out Mississippi and Alabama for decades, right. That's how a transfer union works. Europe doesn't have that, but they're in the process, it looks like, if you look at the trajectory of the last couple of years, of coming up with that, but it's going to take many years.

It's also true that there's just no correlation between debt and your economy being in trouble and your bond rates. I mean, look at Japan, it has one of the highest debts in the world and they borrowed at a very low rate. The UK has actually a higher debt than France has and is borrowing at lower rates. The United States, we're borrowing at historically very low rates even though we have a big debt. So, I mean, we're getting kind of loose in how we talk about these things.

The economists, frankly, don't really know how this works. They say you shouldn't have more than 90 percent GDP-to-debt ratio or 3 percent deficit ratio, but there's no real theory that those

numbers are founded on. They're kind of pulling them from historical research to other things.

So I just think, you know, any comments you have -- but I think that we -- things are not as simple as the narrative is making it out to be.

MR. LAURENCE: Thank you, Steven. And our final question, if you please, in the back.

MS. JOHNSTON: Thank you. Karen Johnston, American University. Ms. Tauscher, I very much share some of your concerns. You mentioned the problem of the public's level of interest and information on foreign policy issues. I think there's a missing link here. That link is the role of the media in providing accurate and sometimes any information about some of the foreign policy issues that are of great concern to you and some of the other foreign policy experts and people in government.

And so seen from your perspective, not perhaps just you, but from the others, what can be done to strengthen this link? Because there are obviously problems in the business of news, the problems of differentiating between news and opinion, the fact that people now in this media landscape self-select the kind of news sources that they have, which does affect their opinions and views on foreign policy issues. So what can be done? Because once the American public is given informed information about issues, they can give informed decisions and be part of the foreign policy debate.

I mean, this has been done with James Fishkin's research on direct democracy. And even the program on international policy attitudes next door has done an interesting report on providing information about the defense budget and how Americans see the defense budget. So what can we do?

MR. LAURENCE: Thank you, Ms. Johnston. I'm going to just give panelists one minute to respond each. I will start on my left with Heather Conley.

MS. CONLEY: Basil, on the debt issue, I mean, again, I'm very sympathetic. I think we should be engaged, but I understand how ruinous the politics are. I think it's interesting to note that the TARP Program, something like 40 out of the 87 banks that receive TARP funds were international, predominantly European banks. So in some ways, we're already doing this. But I think support is required, but I appreciate its political suicide here in Washington to do it.

Steven, on your question of the simplicity that we talk about this, you're absolutely right. In some respects, I think what we're seeing is a balance sheet recession, and this is why I think some of the differences in approach that Europe has had, the austerity driven efforts have actually made things

worse. But my concern is the divergence of economics is economies in Europe where you have Germany, you know, pulling away really from the rest of Europe economically. How do you sustain a more balanced economic union when you have one member that -- I mean, if you took Germany out of the statistics, that trade balance number would not be so good. It's skewing because it's in such a -- I think it's such a different place economically, and that's something we need to watch very carefully. But I agree with you, it's not so simple.

The role of the media, my own little window into this, because think tanks are very much called upon to talk, talk, talk, talk about what we see, and sometimes you feel like, you know, what's the sound bite, you're trying to analyze the second. It's very hard to get long, thoughtful, big pictures. Again, I was telling you, pull back, what's important about this story, the 24/7 insatiable media.

I'm not sure I always help the story. I try to provide context, but they're looking for that sound bite. And sometimes you give 20 minutes of blah, blah, blah, and they pull three sentences out, and I didn't say that, I didn't mean it to sound like that. So it's -- for even think tanks, it's really, really difficult to appreciate that, and in the administration, it's even more challenging than we here in the think tank community.

MR. LAURENCE: Thank you. We have time for two more sound bites.

MS. TAUSCHER: Steven, I couldn't agree more. I would just tell you that, once again, I'm speaking for myself, this isn't a question of who gets eliminated from the euro zone, it's a question of who gets added. Welcome to Turkey. This is a growth problem, not a debt problem. You're absolutely right, it's about growth, and if you added Turkey, maybe Poland to the euro zone, then the rest of I think the problems would solve themselves very quickly.

And to my friend from the American University, let me say unless we can package foreign policy and national security around *Dancing With the Stars* or some kind of, you know, *Amazing Race* or some kind of snake-ridden, crocodile-ridden swimming of the Potomac -- I have some volunteers for that one -- the American people are just not interested. They're tired, they're scared, they're -- they want to be entertained, they want to have something to divert them. And these all look like problems to them, and they all look, by the way, like problems that somebody else that they hired should solve. So they're not going to pay attention until we figure out how to -- there's Charlie Rose, there's so many things out there

that they can watch. They don't watch them.

MR. LAURENCE: So we need to jump the shark foreign policy.

MS. TAUSCHER: Exactly.

SPEAKER: That should be fine for the United States --

MS. TAUSCHER: Yes, the prime minister's question, exactly.

MR. VOLKER: Just two thoughts. One of them, a slightly different point than Ellen's on the economic issues. I think the issue is confidence. And the reason French interest rates are higher than British ones, even though the French debt might be slightly smaller, is because France is in the euro zone, and that imposes a risk on France that the UK, with coherence of control over its own economy and currency, doesn't face.

Japan, people have confidence in Japan and in the U.S. They don't have confidence in Europe. And in Europe, it is some states, not all, many are doing very well, but it is some states that are in unsustainable situations, and that is something that could have been nipped in the bud and dealt with a couple of years ago, but wasn't, and the problem has grown and grown and grown as a result.

And it can still be dealt with by some choices that thus far Europe is not willing to make. And I would just say one of those choices is to euro bondize the debt that's denominated in euros, and then have a collective process for issuing new euro-denominated debt. That would be a huge transformation of the way things look now. Is that going to happen? I don't think so.

MS. TAUSCHER: We did that, you know, in the '70s, when I was trading bonds, when I was a small child, with New York City.

MR. VOLKER: Yes.

MS. TAUSCHER: The template exists.

MR. VOLKER: Yes.

MS. TAUSCHER: It's -- Felix Salmon did it. It's one, two, three. You add a big premium onto the interest rate and you create a junk bond, but, by the way, you have a lot of people that want to buy it because at this time I think we'd all buy it, even, you know, 8, 9, 10 percent.

MR. VOLKER: Yeah. And then finally to close on a controversial note, I actually think that voters, and I think speaking also about the students that I've seen a lot lately in the last few years,

are better informed and more engaged internationally than when I was a student 20 some years ago. People have access to all sorts of information more easily through online media, through social media, through television, through travel, and there's a lot more travel going on. There's just -- people are a lot better informed than they have been in the past.

Now, the quality of information and the quality of the judgment, people are going to make up their own minds. But ultimately, I guess my gut feeling is that people know their own interest and they know something, they have a feeling about it, they can speak their mind, they can vote in the categories that Ellen described very amusingly, but I think we're actually not in an ill-informed state as it may often seem. The issue comes down really to one of leadership, because it's going to require at every level, whether it's a city, state, federal, Congress, President, whomever, the willingness to use your best judgment, make some hard decisions, even if it means that you're not going to be very popular the next time around.

That's what you need people to stand up for when they go into public office, a slightly different take than looking at the information that people have. It's really what the leaders come back with and say, this is the best we're going to be able to do, for these reasons I support this, and I'm going to do this, and face the consequences, which is hard.

But I think that's what's missing in the equation. People, I think, basically do -- they know a lot more than they used to, and they're angry about it, and they need some people to stand up and give them something to believe in.

MR. LAURENCE: Well, perhaps that's what second terms are for, right?

MR. VOLKER: Well, you know, it's kind of funny, because if you think back on every second term presidency for the last however many years, they've all been better than the first.

MR. LAURENCE: On that note, I would like to thank the panel for coming and thank you all for staying. (Applause)

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