

THE BROOKINGS INSTITUTION

THE NEXT U.S. PRESIDENT AND EUROPE:
THRIVING TOGETHER OR WITHERING APART?

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P R O C E E D I N G S

MS. HILL: We're going to begin. We've noticed that there are so many of you standing at the back that we've done something naughty and removed some of our reserve seats. If three people would like to come and sit at the front, we'd be delighted to look at you other than the reserved seating. The ambassador for Cypress, the current chair of the EU, sitting here, I think would be delighted to have some accompaniment. Right? So if three people would like to come down here. And we're still expecting a couple of other people at the front.

But we're actually pleased, delighted, and thrilled to see so many people here. We're in a slightly smaller room, so you're all a little cramped together, but that's what Europe is like these days. Everybody fitting in a much smaller room and feeling quite cramped together. And I think you're all very relieved that the U.S. presidential election is finally over, which is why you're all out, correct? It looks like the case.

Anyway, we've taken the occasion of the end, finally, of this U.S. presidential season -- first of all, congratulations to President Obama to have to deal with Europe and everything else yet again for another four years -- to really consider what the president will have to be thinking about as he moves forward. I'm sure now that the post-electoral euphoria has worn off, he's got an ever-increasing stack of items on his desk. We want to make sure that he still has Europe quite close to the top of the pile.

So we've brought together four very distinguished commentators. Our very own Justin Vaisse, who has just finished a book which has gone out in France on Monsieur Obama's foreign policy. He can tell you a little bit about that in the overview. So for those of you who read French or would like to read French, Justin's book is available. I'm sure you can get it on Amazon.fr, as well as Amazon here, too, and Justin would be thrilled if you would, and we'll give you an extra cookie if you look like you

would like to purchase that.

We have Andrew Moravcsik, who has come down on the train from Princeton, battling the Northeaster to make it here today. And many of you know that Andrew is also, in spite of his Princeton affiliations and being one of the top U.S. commentators on Europe, also a non-resident fellow here at Brookings. We're always trying to find ways of getting him down. So we're very pleased that he's here.

We also have on my left Clive Crook, who many of you know from many iterations. He's been in here in Washington quite a while but is still thought of as a transatlantic type and indeed writes for *The Atlantic*, as well as *Bloomberg* and many other publications and has been very much a fixture of commentary on these topics for some time. But we haven't had him here for a while so we're thrilled.

And then, of course, we have stolen Charlie Kupchan, Charles Kupchan, from our distinguished competitor and friend, the Council on Foreign Relations, as well as Georgetown University. And like Andrew Moravcsik, one of the very small but we're hoping growing number of commentators who still think about Europe uppermost in their minds these days.

We have asked Justin as the newly-minted author of the book on the last Obama policy towards Europe and how Europe is going to look into the future to start us off, and then we will go in the order in which we are seated, with a few opening comments, and then we will bring everybody in. There's a very distinguished audience of European representatives and watchers here to solicit your comments as well as some questions and some hard commentary for our panel.

So Justin.

MR. VAISSE: Thanks, Fiona. I'll really try to keep it short because there are many of us on the panel.

What I wanted to do is give you an idea of what I think has been Obama's relation to Europe in the last four years and what it says about the next four years. I would start from the conventional view. The conventional view is that Europe is less and less relevant to the U.S. in general, especially, but not only, because of the current crisis. The conventional view is that Obama himself was never much interested in Europe in the first place. Right? He's a man of the Pacific, of the Asia-Pacific. Of Africa, perhaps, but certainly not a man of Europe. Remember in his autobiography, *Dreams from My Father*, the lines when he travels to Europe and writes, "It wasn't that Europe was not beautiful; everything was just as I had imagined it. It just wasn't mine. I felt as if I were living someone else's romance." And these lines, plus the idea that in any case, even if it was close to Europe, Obama's grand idea is the pivot to Asia. And if you pivot to somewhere, then you pivot away from somewhere, and that somewhere has to be Europe. So in a nutshell, the conventional view is that Europe has been declining in importance and is almost an afterthought.

I actually think the story -- the real story is quite different. I think it's the classic story of a president going out in the world, trying to open new horizons, make new friends, and being disappointed. And then getting back to Europeans, because in spite of all their flaws they still remain the most dependable allies of the U.S. So remember, in 2009, in the beginning, Obama made all the right sounds about transatlantic relations and, you know, restoring our alliances, traveling there, et cetera, but you could feel that it was not -- it was just not a critical part of his world or of his world view. His view, I think, in 2009, was really that of the emerging powers with which his reasoning went America had to build new relationships in order to maintain its position in the international system.

So the event that encapsulates or symbolizes this is, I think, the Pittsburgh Summit, the G20 summit in Pittsburgh in September 2009. Remember, at the

end of the summit, basically, the story was the G8 is over and the G20 is in. And now it's a G20 world. And so it doesn't mean we get Europe out, but it just means that Europe is diluted in this new important forum of global governance. And it was as if to make the point even more clearly, basically, the IMF reform that Obama pushed through resulted in Europe having less representation and China and others getting more. And, you know, more generally, it's true that in '09 and '10, Europe didn't look much like a solution to world problems, and it was not a problem, so, you know, given everything else that was going on -- the wars, the financial crisis, et cetera -- it's quite logical that Europe actually did not have much of a role.

However, my point is that Europe has been making quite a comeback in Obama's foreign policy in the second half of the mandates. That's a function first of the disappointment, I think, which settled in with emerging powers, especially China. It turns out that the G20 world was a bit premature; that emerging powers on a number of issues were not really ready for prime time or that they did not want to take the responsibilities that went along with that greater role in global governance. And on the contrary, Obama realized, I think, that Europeans were present where it really mattered to him -- to him personally -- on missile defense; on Iran, obviously; on Afghanistan, not by adding many more troops but by not leaving. Right? By keeping between 30,000 and 40,000 troops and making good on their commitment not to leave, and of course, starting in 2011, on the Arab Spring. And of course, the Libya operation was a good sign of that.

Europeans, I should add, also became a problem with the eurozone crisis, even at some point talk of that threatening his reelection. And so, you know, when regions or countries become a problem, then they get more attention, even though there was nothing much that Obama could do to address that eurozone crisis and it created frictions with Germany among others.

So bottom line, I think, you know, obviously it's a different world. It's not the Cold War world where Europe and the U.S. were so close, but it's a world in which Europe remains critical to the U.S. in general and to Obama specifically. And for me what symbolizes this is a couple of months back, in May, the back-to-back G8 and NATO Summit. I mean, it was the transatlantic world reaffirmed, right? It was all about the Camp David Summit and the NATO Summit in Chicago. And who remembers about the G20 in Los Cabos the next month? Very few people, simply because that G20 world has not really kicked in I would say and the role of the G8 has been reaffirmed, including by Michael Froman here.

And so let me just give you -- and then I'll leave the floor to Andy and the others -- a quick overview of why I think Europe will remain really relevant to Obama personally because Europe matters where he has some stakes. I think that on the Middle East, Europe is pretty much a condition of the U.S. pivot to Asia. Right? What I mean by that is if Obama's grand idea is really the pivot to Asia-Pacific, then it's a pivot away not from Europe but a pivot away from the Middle East. Right? And how can you still take care of the Middle East without investing too much but without abandoning it? Well, by having your allies step up there, whether in terms of aid or of security.

Obama's grand idea, you know, Global Zero, nonproliferation, that will also be a critical thing I think in the second mandate. That is to say the objective of negotiating a second agreement with Russia and having, of course, Europeans along if only on the thorny question of missile defense in order to make good on his commitment. Another place where Obama I think would look at burnishing his legacy is free trade since the record is not very good for the first mandate. And that's the obvious sort of low-hanging fruit, which is the transatlantic free trade area that has been worked on quite intensely by the EU or the EU delegation here and others on the one hand and the

Department of Commerce on the other hand. And that's a place where Obama can make a difference that involves Europe.

And I'll finish with just that thought, which is that when there are really urgent issues -- I'm not addressing Asia, but you know, mostly the Middle East in general, you know, the cockpit of the world of the, I would say, the sort of directorate is really the meeting of the political directors of the U.S. and the three -- the EU three. That's really where things are decided. That's the connections. If we could map out the connections -- the phone calls, the videoconferences, the meetings, et cetera -- that's really one of the main I would say places where things are decided.

But I already talked for too long and leave the floor to Andy.

MR. MORAVCSIK: So Justin and I have a secret agenda here. We're trying to build a full work of cautious optimism because we expect an onslaught of pessimism to come from the other side of the room pretty soon. (Laughter)

And I have a similar diagnosis, which is that there is rhetoric in the United States and in Europe of the declining power and irrelevance and even disagreement coming out of Europe, vis-à-vis the United States. But the reality is really much more sanguine. I think we've all read probably in 25 languages in this room, the hand-wringing European headlines about how the American election doesn't pay attention to Europe. It's kind of humorous that the republicans can't find anybody in the world now to pillory as a socialist except for Greece now that Russia isn't socialist anymore and the only communists in the world are economically more prosperous than we are. So you can't pillory the people in Beijing. So we're left yelling at the Greeks.

But in fact, when you look beneath the surface, right, the Europeans are essential, and they're essential even to the outcome of the election, right? If Barack Obama -- President Obama wanted to place some phone calls to thank people for his

election's success, he might start with Mario Draghi and Angela Merkel, who staved off any kind of collapse of the eurozone long enough to get the election through. What that tells you is that Europe is still essential to the health of the world economy. So is Japan, in a way that China is not yet and won't be for a while.

And the underlying point here is that in reality, American interests and European interests are largely aligned and Europe is tremendously consequential in the world. Why? Now, I think we should avoid values talk. Instead, we get down to brass tax. The United States doesn't want to act alone in a lot of situations or doesn't want to act at all. And when you want to call somebody who's got the will and the means to do anything in the world, it's very likely to be Europe. If the U.S. wants allies or actions, or action from people who are capable and willing, it's likely to be Europe. And every post-war, Cold War administration, not just the last one, has learned this exact same lesson; it's that they've come around to cooperating much more closely and actively with the Europeans as a result of this.

And this is a function of underlying capability and willingness to act. You can see it in the military area. Military power is less and less important in the world and it's not the European relative strength. But even so, if you're going to call anybody in the world to help out the United States, it's going to be the Europeans. They spend 20 to 25 percent of the military spending in the world. It's a capital-intensive military. They've had 50,000 to 100,000 troops in combat for almost the entire post-war -- post-Cold War period. No one else in the world comes within an order of magnitude of that. The Chinese have 2,000 troops off there somewhere.

And Europe and the U.S. agree on almost all military operations nowadays, quite unlike -- this is a shot across the realist bow here -- quite unlike the Cold War when supposedly we agreed on everything, when in fact the Americans and the

Europeans didn't agree on much when it came to intervention so-called out of area. And aside from acting together in places like Afghanistan or Iraq -- in fact, the United States doesn't want to do a lot of the low-intensity operations that the Europeans have led recently -- but Europe's real comparative advantage -- and this is the place where I think it offers something that is indispensable in the same way that the United States is an indispensable power militarily -- is in the civilian realm. It is uniquely able to muster civilian power to do things in the world that the United States can't do. It's the world's largest trading power and importantly, it's not just the largest trading partner of China; it's the largest trading partner of every country in the Middle East, except Jordan. It has three or four times the trade with Africa that China has. Even in the midst of a depression in Europe, Dan Hamilton's perennial arguments about Europe being the largest investment partner of the United States are still true. It provides 70 percent of the world's foreign aid. It supports almost all meaningful European -- sorry, global institutions and legal arrangements. It's most striking in Europe where European enlargement and neighborhood policy are tremendously effective at spreading peace and security -- probably the most cost-effective means that any country has used in the post-war period. But also in myriad other areas -- climate change, human rights, you name it, the U.N.

But even more important perhaps is that Europe is a source of ideology for many countries who seek -- for example, take the example of countries writing constitutions in the world. New democracies don't write constitutions that look like the American constitution; they write constitutions that look like European constitutions, with parliamentary government, with social welfare rights, with human rights that look like international human rights, not American ones. And with an interest in development.

So Europe has assets that the United States needs and wants to work with. Now, what does it mean for a second Obama administration? Here I'm very much

in agreement with Justin. I think when you look at what the Obama administration will want to do and what it needs to do, almost all of these issues are issues where there is a convergence of interest between the United States and Europe and there's a complementarity of means. Start with the foreign policy issues that the Obama administration would like to work on in a second term if they could get the time and the political capital and the wherewithal to do it.

Global Zero. Obviously, they're not going to go all the way to zeroing out all nuclear weapons, but to push seriously on cutting back nuclear weapons is going to mean working with Russia. It's going to mean working on nonproliferation throughout the world. It's going to mean working with nuclear powers in Europe. And who is going to back that as a core partner if not the Europeans? Israel-Palestine, if there's another push for Middle East peace, that's going to have to be supported by Europeans, and it's going to have to be bankrolled by Europeans. It's going to have to have the involvement should an agreement be reached of the trade, power, the economic assistance, the peacekeeping support on the ground; refugee issues and so on, the legal status that only Europe can provide.

The Arab Spring, I think Justin quite rightly pointed out, it's Europe that's proximate. It's Europe that's the economic partner. It's Europe that has the Diaspora communities. It's Europe that's going to be involved as the core power influencing countries in that part of the world.

Environmental policy. If there's going to be an action on climate change in the United States or any kind of international action, Europe is there on the ground floor.

Trade policy. I agree completely. A transatlantic trade agreement might be on the agenda. And not just because you need to do something in a world where a

global trade agreement isn't possible, but because it's a tool vis-à-vis China. And if you're going to do something vis-à-vis China, this is a place to start.

Perhaps the only kind of voluntary Obama second term priority not -- a foreign policy priority not directed at Europe would be immigration reform, which would be kind of something more directed at Latin America. Then there are a set of issues that Obama, too, might be forced to deal with that are likely -- that don't involve Europe so closely but still would not cause conflict between the United States and Europe. Pull out of Afghanistan, finishing that off. That seems to be something that Europeans also want to see and can work with the United States on.

Global economic recovery. Look. That might be very problematic. It might be difficult. In the end, Europeans might not even deliver but there's no question that they're essential. Iran, for the reasons that Justin pointed out, you're not going to resolve that problem without Europeans. They're the essential power.

There's only one really key Asian issue there where you can't find an essential role for Europe. That's North Korea. And that's the striking thing. And here's what I want to close with. I think if people talk in Europe about this issue, they follow up - - you read the second, third, and fourth paragraph of that headline about how the United States doesn't talk about Europe, doesn't care about Europe -- you read about the pivot to Asia, and I think nothing shows the disjuncture between rhetoric and reality more than talk about the pivot to Asia.

These discussions remind me of discussions about the U.S. hyper power and unilateralism in 2003, discussion that had a shelf life of somewhere between 0 and 18 months but are still talked about in Europe as if they happened yesterday. Right? But in fact, the pivot to Asia is something drummed up in the United States -- this is my interpretation of it -- as a justification, a grand strategic justification for pulling out of Iraq,

pulling out of Afghanistan, in a country where we have to have some political military grand strategic justification of a positive nature to justify what we're doing.

Nobody in the United States takes it particularly seriously as a change in policy different from what we were doing before vis-à-vis China, and you can see that clearly because there are no medium term policy problems in the area that are different than they were five years ago. The place where people take it seriously, oddly enough, is in Europe. So if you go around to conferences, people will lecture you for very long periods of time -- particularly in France -- about the pivot to Asia and how that's fundamentally changing things.

This is a focus on rhetoric rather than reality of policy, and it's the kind of thing that I think we need to get beyond. So there is a wide open agenda in the second Obama administration for Europe and the United States to work together, assuming -- assuming that both countries can get beyond or both regions can get beyond their domestic troubles in order to exploit it.

MS. HILL: Thanks very much, Andy.

Before I move over to what we've sort of at least set up rhetorically as the opposing company -- it's like the Oxford Union Debating Society, potentially, because we don't really know what they're going to say. That's the whole surprise that we have. And I can see that Clive and Charlie are smiling to themselves here. I think I'll just let them wait.

I'd like to just kind of throw out a few things that have come up from this side of the seating arrangement. Andy just stopped with at least the political rhetoric about pivotal Asia. Charlie and I were just recently at a conference in the UK where a number of actual European officials said, "Well, everybody is pivoting to Asia." We never quite got beyond the policy rhetoric. You know, what the big deal was because, you

know, look at the Germans, for example. Who was one of the biggest trading partners if you disaggregate from the EU with China right now? It's Germany. And from my very brief trip to China in May, I've never seen so many German cars on the roads apart from in Germany.

So, I mean, there's a lot of evidence that the Europeans are also just like everybody else and it's just the inevitability of the global world that we're in now also doing their own pivot. They're just not talking about it in the way that we have been here. The German reference also brings up a number of other issues that we're going to have to look at in the next four years. We do these sessions on the future of Europe with our partners from the Heinrich Böll Foundation, the Germany Green Party, and they, like many other parties and organizations in Germany, are now thinking about next year and the big electoral season in Germany in 2013. It's not just elections in the United States that have consequences, but there's going to be a lot happening in Europe in the next couple of years, the German elections.

And then, in 2014, potentially, something that we were joking about in the corridor, that's something that we're going to be having to pay an awful lot of attention to. Justin talked about the EU3, which was Germany, France, and the UK. Well, the UK may not be the UK we were thinking of and Clive, you've been, I know, thinking about this. And Charlie and I heard a lot about it when we were in the UK just the beginning of October. The Scottish referendum debate in 2014, which is now being set on. And as many of you sitting here, it's not just Scotland; it's Catalonia and Spain. We saw a million people out on the streets in Barcelona. At least they said it was a million. It looked like it from the news coverage. 2014 is also a significant plate of elections in Catalonia. We're looking at a Europe that is changing before our very eyes. It's not just the eurozone crisis. So there may be more items on the U.S. administration's agenda than they've

been thinking about.

So how does this all look from your perspective?

MR. CROOK: Well, shall I go first?

MS. HILL: Yes.

MR. CROOK: You know, I'm not sure I can, you know, deliver what I was recruited for because I can't really push back against cautious optimism, which is quite so cautious and quite so narrowly framed. My main feeling is that we've been talking about the wrong subject. But I'll get to that in a second. And cautious optimism amounts to agreeing that Europe exists; that it has economic weight in the world; and that the U.S. shouldn't leave it out of its calculations. If that's cautious optimism, then call me a cautious optimist.

But where does that exactly get us? I mean, who was ever claiming that Europe didn't exist or that the U.S. should ignore it all together? This frame of the pivot to Asia and hence, as Justin says, pivot away from China strikes me. Maybe this is something that Andy has said, but that strikes me as a completely false framing of the issue. You know, a country doesn't have to choose one country or, you know, one region with which to have partnerships, with which to have, you know, foreign relations. I mean, plainly the U.S. needs to work very hard on getting a good relationship with Europe and a good relationship with China. It isn't either or unless it's some kind of staffing constraint in the state department, in which case I'd suggest they should hire a few more people. I mean, the U.S. needs to be doing all of these things.

So I don't want to challenge any of the analysis that Justin and Andy offered. I mean, you know, I think it's more or less -- what they said was more or less self-evident.

Let me come to the subjects I think we should be discussing, and that is

the fact that -- well, first of all, let's acknowledge. I know this is a room full of foreign policy experts. There will be some resistance to what I'm about to say but it seems to me plain that foreign policy is second order at best right now for the U.S. government and for the various EU governments. If you include intra-European relations as domestic policy. Foreign policy, second order at best. And for both regions within foreign policy, US-EU relations are second order.

So, as I say, Europe exists. These relationships are important and need to be developed. There's a question of priorities here and the priorities at the moment for the U.S. and EU are in the domestic or intra-European realm. I mean, the U.S. economy is still very weak. We have a tentative recovery. We're heading for a fiscal cliff. We have massive unresolved fiscal problems. The EU is in vastly worse shape dealing with an economic and financial cataclysm -- I say dealing with -- confronted with an economic and financial cataclysm, failing in my view to deal with it at all adequately. I see in both countries a massive failure of leadership because I think the right way forward in both places is actually reasonably straightforward. There's a consensus to support what needs to be done and yet the political systems, both in Europe and in the U.S. seem to be incapable of doing it.

Now, since the focus of this discussion is on US-EU relations, let me just make one last point on that particular aspect of it. Even though I think, you know, the most important issues are what should the U.S. be doing about its own economy? What should the EU be doing about its own economy? There is a US-EU dimension to this. And I think it seems to me it's right to ask has the international dimension of this problem been correctly addressed or has international cooperation, cooperation between the U.S. and the EU, helped to mitigate this, you know, overwhelming issue of the economic setbacks.

And my answer is mixed. On the one hand I think I would say I could have imagined a much worse outcome in terms of international economic relations than what we've seen. I think it would have been not implausible to predict --I'm glad to say I didn't predict it -- but I think it would be not implausible to predict back in 2008 as the, you know, the severity of this catastrophe began to dawn on us that many of the frameworks we created for international economic cooperation would actually break down. I mean, I think it would have been plausible to say we're going to see an outbreak of protectionism. You know, we're going to see the WTO come apart. We're going to have currency wars, competitive devaluation. You know, it's all going to go to hell. And by and large that hasn't happened. And I think that was a sort of signal achievement, you know, that these institutions prove sufficiently robust for those prices to be deflected. We've had a little bit of backsliding on trade, on trade policy, but we've not had, you know, a really serious setback. And I think that nonevent should be scored as a notable achievement.

But if you look at the macro policy coordination aspect, making only the exception for central bank coordination, which I think worked very well as a technical sort of apolitical dimension of the problem, diplomatic I might say, that was well conducted in my view. The central banks did what they needed to do together at the right time to stave off the worst possible results of the crisis. But if you look at macro policy coordination, it's been virtually nonexistent. And, of course, macro policy coordination within Europe, in my view at any rate, is adding severely to the problem. I mean, those of you who are interested in this dimension, I recommend a news study that's just been put out by a UK think tank called the National Institute for Economic and Social Research. They've done the first comprehensive analysis of the coordination aspects of fiscal policy in Europe. That is to say not just looking at what's happening to fiscal situation in Spain or Greece, but the international effects within Europe of fiscal retrenchment going on in different

countries at the same time. And it seems to me that the analysis that comes, you know, the conclusion that comes out of this analysis is a pretty severe indictment of European economic policy. I think Europe is making its problem worse.

Now, you know, I'm an economic policy specialist. I'm not sure how much interest there is in this issue in this room, but when I look at what's going on in Europe, honestly, it's a stretch for me to worry too much about, you know, foreign policy cooperation between the U.S. and EU. The EU needs to fix that problem, coordinate more effectively, and get into more of a mode of fiscal support for its most distressed countries. That is a position, by the way, that the U.S. has been pressing very hard in international negotiations, and my reading of the situation is that it has more or less given up. Europe isn't listening. Europe isn't interested in what the U.S. thinks about this. And that's that. That's the scale of macro policy coordination, you know, to the nearest round number, zero.

So I guess that's a pessimistic take on the situation. Though, as I say, we're arguing about different dimensions of other US-EU relations, but I kind of look at the stage of the world economy at the moment and think things are going pretty well.

Over to you.

MR. KUPCHAN: Like Clive, I share certain common ground with Andy and Justin but have some doubts or worries in other realms that haven't been put on the table yet. So let me start with areas of agreement with what's been said and then touch on a few other issues.

I think that Justin's description of Obama's policy towards Europe is spot on. And that is that he came into office wanting to go out in the world, find new friends, build new partnerships, work with countries on the basis of common interest. And he wasn't turning his back on Europe, but he didn't need Europe. And that didn't work. And

that's because it's not easy to work with the Chinese and the Indians and the Turks and the Brazilians. It is easy to work with the Europeans. They have the goods. They have the political will. And I think that for those of us in this room who are Atlanticists, we can look back at the last 20 years and be relatively assured that there is something unique and durable and resilient about the partnership. And I think that Obama's reelection is good for that partnership because many Europeans like Obama and I think the policies that he will pursue are more compatible with European interests and preferences than the policies that Romney would have pursued, although I think it's safe to say that we never really knew the real Mitt Romney during the campaign.

So in that sense I'm in complete agreement with what's been said. I think the next four years will be years of durability, stability, and general cohesion across the Atlantic.

There are three issues, though, that leave me concerned on this front. The first is that I don't think that we should be talking about areas of agreement and disagreement in transatlantic policy debates. I think what we should be worried about is the fundamental internal economic and political weakness of the two actors on both sides of the Atlantic. And so what worries me about the next four years is not that we're going to disagree about sensitive policy issues; it's that we will be so turned inward, so dysfunctional, so politically ineffective at home that the partnership won't matter as much as it might.

And on the European front, Clive just discussed a whole bunch of economic issues, but the debt crisis is better than it was, but the numbers still don't look very good. There is a political crisis that looks about whether the member states are going to be comfortable signing off on a banking and fiscal union of the sort that is being floated by Germany. And there's the question of the Brits, who seem to be going off the

deep end. I don't fully understand the policies of the British government right now but they just seem to be getting worse and worse. It seems to me David Cameron is putting the UK on a course which may well lead not to some comfortable breathing room and an attenuated relationship with Europe but Britain's defection from Europe. And if that happens, I think it will be bad for Europe. It will be bad for the transatlantic relationship. And it will be most bad for the British because they will slip into geopolitical oblivion. Nonetheless, they seem to be happy to be headed in that direction.

On this side of the Atlantic, you know, there's a lot of talk today about the bipartisanship that's going to emerge, about addressing the fiscal cliff. I wouldn't hold my breath. The political landscape today, or after the next congress comes in ain't going to be any better than the political landscape of the last four years. It might even be worse. I don't think that this talk of bipartisan compromise is going to last very long. And that's because there is a structural hollowing out of the political center in America. And when I look over the next four years, I think we're going to be struggling mightily to put in place the kinds of changes that we need in fiscal policy -- in budgets, in domestic investment -- to right the economy. And that suggests to me that that this country is going to be very internally preoccupied. And to the degree that I remember one phrase from the campaign that I think will resonate over the next four years is it is time for nation-building at home.

That brings me to the third point. I don't think this is going to be a period of great transatlantic Activism. I think it will be four years of transatlantic -- inertia might be putting it too strongly but perhaps retrenchment. In the United States there is a pressing sense of overextension; that it's time to lighten the load; that it's time to get out of the quagmire in the Middle East. In Europe, there's no sense of overstretch because there's no stretch. Europe has been sitting on a nice, comfortable sofa, and it will

continue to sit on that nice, comfortable sofa.

So when I look at these next four years, yes, there will be transatlantic comity. There will be partnership, but I don't see a whole lot of activism. I see the United States going through a period of rebuilding, retrenchment, not one in which it reaches across the Atlantic to its partners on the other side and goes off and tries to solve many, many problems. Iran is the one exception to that. That looms on the horizon, and I think unless there's a deal the prospect of war is high in the second half of 2013. But other than that, I think we will see the United States and Europe actually backing off from the Arab Spring, staying out of Syria, realizing that they don't have as much control over events on the ground as many would hope.

And in that respect, the issues that Andy mentioned where there will be cooperation and parallel interests, I think he's right. I just don't think there's going to be much action. Is Obama really going to go after Global Zero? Doubtful. Is Obama, when we're trying to get the economy going, really going to push forward a big policy on climate change? I don't think so. Is he really going to stick his neck out to advance the peace process when a new coalition between Netanyahu and Lieberman is likely to prevail for the foreseeable future? I don't think so. He tried that before and he banged his head up against a brick wall. So all of the things that I think are areas of potential transatlantic cooperation, and I think Andy put his finger on them. I'm just not sure they're going to be very active.

Final point. I think the conversation that we've had thus far understandably is too Atlantic-centric. And I think that Justin is right that yes, the G20 is kind of a bit unwieldy so it's going back to the G7, and that's true, but the G7, the world that we're talking about day by day represents a declining share of global product. There are a lot of things happening in the world today without the involvement of either the

United States or Europe. That needs to be part of this conversation. And I would say that one of the challenges for the U.S. and for Europe in the next four years -- and this was not an issue that came up in the presidential election at all -- is talking about a global rebalancing, a new rules-based system in which the United States and Europe begin to talk to emerging powers about what the next world is going to look like. Because we've been living in a long period of western homogeneity. It lasted about 200 years. That period is, in my mind, gradually coming to an end. We have to have a conversation about what that means to the world and for us. That conversation has not even begun and it seems to me it is long overdue.

MS. HILL: Well, Charlie, thank you for ending there. A couple of points before we segue to everyone who has gathered here that come out of what you and Clive have just said. Clive has very rightly put our attention onto the economic arena. We have a visiting fellow here at Brookings, Carlo Bastasin, one of Italy's top financial journalists, and if you're on the way out through the bookstore, he's done an insider's account of some of the things that Clive was talking about. It's called, optimistically, *Saving Europe*, but I think if you read the book, it really kind of shows an awful lot of what Carlo himself witnessed in terms of discussions that you've raised here about the difficulties of coordinating and of pulling off what needed to be done to avert a catastrophe. And we're all talking about it as if it's in the past, but you're very rightly pointing out that it's still very much with us and is something that we're talking about on a daily -- on a regular basis. And the Obama administration will still have to keep pressing this issue as it moves forward if we're able to address things ourselves. So I'm really glad you raised this.

And Charlie, you ended at actually a very interesting point because first of all, I thought you said there was going to be a lot of comedy ahead instead of activism,

but I think you said comity, right?

MR. KUPCHAN: Comity.

MS. HILL: It was all working together.

MR. KUPCHAN: With some comedy.

MS. HILL: There's quite a lot of comedy. The Green comedy/tragedy thing going together.

MR. KUPCHAN: The EU is a lot of things but comic is not one.

MS. HILL: Right. Exactly. So I realize I wasn't quite hearing proper here. But I think what -- you left us with this view of, as you said, too much of an Atlantic-centric discussion. I think what we've been having is too much of a North Atlantic centric discussion. And this is something that's come up at some of our other events recently. There's been a lot of changes on this side of the Atlantic, not in the west but the western hemisphere. And Justin talked about Los Cabos. Los Cabos in the G20 was in Mexico. And there's an awful lot now of discussion in Europe as well about a broader Atlanticism. You're getting this coming out of Italy and of Spain and out of Portugal, all of whom have some interests on this side of the Atlantic but further south of the border, south of Texas and going down in to Mexico. Large Italian populations all over Latin and South American as well as obviously the linkages with Spain and with Portugal.

We've seen actually a lot of activity of migration in other directions since the economic collapse in Europe with Spaniards and Portuguese moving across the Atlantic, actually in search of jobs in places like Chile and Brazil and elsewhere. So we're really in a whole different dimension now. And Marta Dassu, a colleague of many of us here in the room who has gone into the Italian government and Mario Monti, to start thinking about some of these issues has been proposing a much broader perspective on looking at the Atlantic. And obviously, with changes in the North American energy sphere

with shale gas and tight oil, we always seem to forget north of the United States, Canada as well which is also looking in multiple different directions. So I think you're right that we need a new discussion here, and we need to broaden our perspective from our narrow focus on ourselves and the United States and think about the Americas, the Western Hemisphere, and the Atlantic in a much broader fashion.

I wondered actually if Andy might want to make a quick repost, and if not, we'll bring in some of our colleagues in the audience.

MR. MORAVCSIK: No. Perhaps we could move to the Q&A.

MS. HILL: I've seen some stirrings. Dieter, you're already quickly there. And I'll ask -- maybe we'll take three together. Dieter, Clara, and Rich Kauzlaarich, and then we'll come back here to the panel again. Please introduce yourselves to the audience.

MR. DETTKE: Yes. Dieter Dettke, Georgetown University.

I wanted to come back to Charlie and Clive's point about, you know, prior to the economy, inward looking U.S., inward looking Europe. True. But what does it mean? I mean, you know, there can be issues forced upon Europe and the United States to act. Syria is a point, and I don't think, you know, the United States and Europe can afford to stand by while people are being slaughtered going to work. So the interesting question is what happens is, you know, Europe and the United States is forced into action? The same can happen in Iran. You know, the interesting question again is what happens if we are forced into action? And I think that's still a very good possibility. Thank you.

MS. HILL: Behind. Clara.

MS. O'DONNELL: Thank you. Clara O'Donnell, a nonresident at the Center on U.S. and Europe here at Brookings and senior fellow at CER in London.

I had a question for Andrew Moravcsik. You -- when you mentioned that compared to the Cold War there's a significant agreement between U.S. and Europeans about the merit of out of area operations, and I was wondering how problematic do you consider the discussions and disputes about where the balance should lie between out of area operations and territorial defense, and to what extent might these discussions be exacerbated with the withdrawal of major troops from Afghanistan?

MS. HILL: Thanks. And over here? Richard Kauzlarich.

MR. KAUZLARICH: Rich Kauzlarich, George Mason University.

I've been around enough to have heard several similar presentations after previous elections, and it sounds pretty much the same. You know, 'Europe is indispensable to the U.S.' 'The U.S. can't forget about Europe.' That's a good thing I would say. But let me just focus on a couple of gaps in the presentation that I think are worthy of some attention. They may be, to a certain extent, micro level questions but very important. First is the Balkans. I think there's going to be a need for both the U.S. and Europe to revisit that question. Things are going from bad to worse in Bosnia. The new Serb government I think is an open question mark, and I really think no one has mentioned the issue of EU enlargement, but part of the solution in a positive sense in the Balkans, will have to be lower EU standards to get these countries into the EU as quickly as possible.

Second point is Turkey. Whatever we think about other stuff going on around them, they are going to be more critical rather than less to both the U.S. and Europe. And yet the potential for real bumps in the road are out there on both sides. I think Europe is going to have to, you know, one way or another, address the question of is Turkey a European country or not. And I think in the United States, in the second Obama administration with the 2015 being the 100th anniversary of the tragedy of the

Armenians in Turkey, there's a potential for the United States getting really cross-wise with the Turks at a time when we need the more rather than less.

MS. HILL: Thanks very much. A good set of questions here.

Justin, would you like to begin?

MR. VAISSE: Perhaps on -- no, I don't have major points. I think the Balkans remains unfinished business. The question of how remains to be done has been an important one for me and I couldn't quite grasp because, I mean, the situation has never been really good. Right? We've not fixed the Balkans to the extent that they are fixable. Yeah. The question is how much unraveling or how much worse is it getting? And on this, I mean, the general movement of forces is the U.S. wanting to do less and realizing that perhaps Europeans have not been as effective as they would like to be, and the U.S. would like them to be. Right? Whether on the ground in Bosnia or by failing to agree completely on Northern Kosovo and how far to push for law and order in the Serbian regions north of Kosovo.

And so I would tend to agree that this might become a flashpoint at the same time looking back at the last 10 years, I'm a bit hesitant to say that this will become a major issue given that it's -- that, you know, there was the expression during the review of what to do in Afghanistan of Afghan good enough, is there a Balkan good enough? Is there a Balkan good enough? That's the scale that I'm trying to grasp.

MS. HILL: Andy.

MR. MORAVCSIK: Just a few things. On NATO, you know, I'm not a theologian. I judge countries by what they do. Not by what they say, not what they discuss, not what their doctrine is or anything. So for me -- and I also don't think we should judge countries by whether Europe does things together or Europe does things separately; just whether somebody on Europe shows up and does it.

So by that standard, I think what you see is that Europe has done a lot. Militarily in the post-war period. It's done almost all of it except for the first Iraq war with the United States. Squabbled over how to do it in Yugoslavia, but did it ultimately. And that people, you know, get in doctrinal squabbles about it and it could be more efficient. You know, you could handle it better in NATO and so on in the UE-US. But it gets done. And it gets done to a remarkable degree and an order of magnitude more efficiently than any other relationship with any other country or any other international organization does.

Secondly, obviously, we're moving towards Asia in some broader sense. And I went and lived a year in China recently, and you can't help but be impressed by what's going on there. And I'm actually rather bullish on China. But I think we need to remember that these changes happen more slowly than we think. And the changes in things like per capital income, which really matters because projecting global order in the world is a luxury good in many respects. Right? You do it when you have excess income to do it. So that changes in the capacity to do that and the institutional wherewithal to do that and a stock of military weapons to do it and a stock of military weapons to do it and a stock of institutional capacity to do it if you're projecting civilian power change slowly.

So let's just take one statistic. German exports. So everybody has read all this stuff that floats through the press like a great tidal wave in the last year about how Germany has redirected all its trade toward China. But what you never see is that the total amount of that trade is seven percent of German exports. Right? Yes, it goes up by 21 percent to seven or eight percent. And those are depression error statistics. Right? So when you zero out Greece, right? There's a big floor of trade to China. Let's see what the percentages are back, when, and if you get back to trend.

Which brings me to the last point. I do agree completely with clued I

think the issue here -- and with Charlie -- the issue here is domestic wherewithal and domestic wherewithal is at the end of the day, particularly if you think civilian power is the asset going forward. It's economic capacity. I do think the Europeans are mismanaging their circumstances and, in fact, I'm going back to an accustomed euro optimist role after spending most of the summer with central bankers and economists and those people euphemistically in these conferences referred to as market participants, voracious bankers from Make-a-Buck, and discussing the fate of the euro. And I think it is a very difficult situation. And I do not think that even were it possible that transfers among European countries are the solution to it. So it is an even more difficult problem than people think and it could definitely limit the amount of wonderful stuff that Justin and I think that Europe and the U.S. could do together.

MS. HILL: Clive.

MR. CROOK: I'd just like to pick up on a couple of points arising out of the questions and comments. One, reminding me to note something that Charles said, which I thought was very interesting when he said that he thought there was some prospect, some maybe low probability but not zero of war with Iran in 2013. Now, if that should happen, and let's remember that Obama has said in very unequivocal terms, that Iran won't get the bomb, if that should happen, I will be very interested to see what becomes of the state of US-EU relations. Because I would be amazed if the EU countries were willing to engage in that project. I mean, this is not Libya. This is not humanitarian intervention; this is Iraq redux. And certain there will be very little appetite in Britain to stand aside the U.S. in a war with Iran because people remember what happened to Tony Blair, who was America's instinctive ally in the war against Iraq. That I think could tear the US-EU alliance apart. So I think it's a very interesting issue.

I would put my money on the U.S. backing off and not fighting that war,

and we'll be having to learn -- we'll have to learn to live with a nuclear Iran. But if the U.S. decides that that is not acceptable and Obama keeps his promise then I think the outlook for US-EU relations is very, very bleak.

On the points about the Balkans, let me tie this in. I think you also mentioned Turkey. Was that you, too? Excellent point. Let me fold Britain into that same category because the larger question here is whether the UE can develop the constitutional geometry to accommodate different levels of engagement. I think on the constitutional design question, this is the biggest challenge that Europe faces, and the answer to these critical questions about whether Britain can reconcile itself. I agree with you, Charles. It certainly must. It certainly should. It certainly should. But whether Britain can reconcile itself to being a member of the European Union. And what to do about the Balkans, what to do about Turkey above all, that is a question of constitutional design.

And Charles mentioned debates that we weren't having. Actually, I thought he slightly exaggerates when he said we weren't having a debate about folding, you know, China and India into a structured global governance. I think we aren't moving quickly enough on that in my view but we are at least discussing it. It's happening, I think. But Europe has not begun this debate. Europe simply doesn't want to think about this. And there's this sort of presumption that whatever happens it will be "one size fits all." You're either in for the whole thing -- the single currency, banking union, fiscal union, you know, we're back on the road to a United States of Europe, the ever-closer union that the EU architects first envisioned is for that or nothing. Now, I think that's a crazy way to frame the challenge. I mean, my own view is Europe needs to go back to the notion of variable geometry as it used to be called. It needs to find ways of supporting different levels of engagement that will bring Turkey in, that would make Britain in more

comfortable in an EU. At the very least, that's a discussion that needs to happen, and that hasn't even started. So I think that's very important point.

MS. HILL: Charlie.

MR. KUPCHAN: Just a quick response to Dieter. You're right. We know that something will happen and there will be a US-European military intervention somewhere in the next four years. It might be Mali, it might be Syria. I'm more concerned than Clive about Iran. I take the president at his word. I think there's a reasonable chance of a diplomatic solution between now and next summer. If that is not forthcoming, I would say the chances of an American military strike are well above 50 percent. And then we have the question of what the impact will be on Europe. But so be it.

But the broader point I was hoping to make -- and this is an impressionistic read on the presidential campaign and what just happened is that I think the United States is going to be going through a period of easing off on the gas. Romney started off talking about ramping up defense spending to four percent of GDP. Let's keep troops in Afghanistan. Kind of the neo-conservative mantra. And that kind of dissipated. And I don't think there's a lot of appetite for that even in his own party, particularly coming from the Tea Party.

So the broader point is I think that the U.S. is not going to be looking for fights to pick. And if we're not looking for fights to pick, the EU isn't either.

MS. HILL: Andy wants to come in just quickly on this.

MR. MORAVCSIK: In the interest of creating disagreement, I do disagree about variable geometry. I do -- I think it's with us. I think it's been with us for 20 years. Almost everything the EU has done in the last 20 years had been *de facto* variable geometry. There's hardly a single policy that everybody is actually in except for

the core single market policies. You know, all the stuff that has to do with borders and border controls is *de facto*, multi level. Schengen is multi-level, the euro is multi level, the banking policies are going to be multi, multi level, and the Germans are going to ensure that if the peripheral countries don't.

And so, in fact, Europe had crossed that Rubicon 20 years ago. And so it's simply a question -- it actually -- and the way they were able to do it was not posing it as a constitutional issue. You debate things as constitutional abstractions as we find out in American elections, and everybody gets their back up. You pose them as practical issues and you can resolve them.

That won't resolve the problem of Turkey, but in a way it does because Turkey is in many respects *de facto*, a member of a sort of reduced EU. So is increasingly Morocco, but people don't talk about it that way. And that's exactly the way European policymakers want it. Right? They want to give people these benefits. They want to create a certain amount of transformational momentum, but they do not want to play the pinnacle costs for having one that. And I think increasingly in Turkey people don't want to pay those political costs either. So it's an arrangement that suits both sides.

MR. CROOK: Can I just come back on that? I mean, this is an interesting -- of course, I agree with you that, you know, different members have subscribed to different parts of the European project, but that is regarded as an anomaly. Something that will have to be put right as it was unfinished business. I mean, you know, the countries that opted -- that didn't opt into the euro, most of them have said they will join in due course. Right? Britain didn't say that but others did. So for most of them it's a timing issue. Britain is really the outlier because Britain, of course, does very much want variable geometry and they've due their heels in. And that's one of the reasons Britain is regarded as such a nuisance in Europe and why there's such pressure from,

you know, from, as it were, the European Center for Britain to start acting like a good neighbor. So I think that issue hasn't been resolved. I don't think there's an agreement to let, you know, different modes of engagement flourish and we need more of this. If that were the prevailing view, I think bringing Turkey in would be much less of a problem. You know, the mindset is, you know, we are on this path that leads eventually to a tight union.

And the paradigm example of this, Andy, is the single currency itself. I mean, all right. You know, you've got Shangan, but look at the single currency. That was a phenomenally -- that was a momentous surrender of economic sovereignty, and the presumption in the treaty is that every member of the EU will be a member of the eurozone.

MR. MORAVCSIK: But this is rhetoric and reality again. The key to understanding the EU, in my opinion, is don't look at the guy behind the curtain. Right? There are lots of people there in Brussels who say lots of things. There's lots of rhetoric there but in the end the decisions are those --

MR. CROOK: The euro didn't happen.

MR. MORAVCSIK: But the member states -- the member states want to see happen. There are lots of other, I mean, foreign policy operations. It's basically, you know, coalitions of the willing but people don't want to use that language so they use some other language. Competition policy, yeah, for big competition policy issues, countries -- it gets decided centrally, but for everything else, including little German banks and all that kind of thing, well then we just decide it all our own way. Right? And there are a million things like that in the EU because they are all compromises that keep the member states happy and we can continue down that road.

MS. HILL: It seems that we've reached a point that this debate is

illustrating and that certainly Charlie and I head when we were at this conference in the UK the beginning of October where people are demanding that these things get discussed out in the open and less of the backdoor agreements and compromises. And I guess that's what the UK is resisting at this particular juncture, which is, as you were pointing out, this move towards basically cutting off the variable saying it's either, or, or nothing. And so we seem to be having a battle over whether one codifies, constitutionalizes, goes back to Maastricht all over again, another whopping telephone directory.

MR. MORAVCSIK: But everybody's got their own hypocrisy, right? So the British don't want to see their big banks regulated, but the Germans don't want to see their small banks regulated. Right? So everybody's got their own little exception that they want to see, and they're all going to go in there and negotiate for it. And in the end you get the lowest common denominator.

MR. CROOK: No, but really, sure, let's keep our eyes on the big picture here. You know, the key thing is the single currency. I mean, this is the innovation around which the European crisis is arranged. And the resolution to the crisis -- I think Germany's actually very plausible view is that really major strides in the direction of further political integration will be necessary to make the single currency work. I mean, that is on the agenda. That is happening.

It's not a kind of pragmatic flexible you have this thing, you do that thing. I'm not denying, you know, of course you're right on the facts on the details, but the big picture is that they've made this momentous commitment and it creates a huge sort of *de facto* economic pressure to move further in the same direction even though there's a lot of evidence that suggests it's not what a lot of Europeans actually want. That's the dynamic that's in play right now.

MR. MORAVCSIK: Well, what are you going to do, kick the British out if they don't join the euro? That's not going to happen. I mean, how --

MR. CROOK: Well, it may very well happen that Greece gets kicked out.

MR. MORAVCSIK: That's different.

MR. CROOK: And then the first question the markets will ask is who's next. That's -- if they thought they could stop the rot at Greece, believe me, Greece would be out already. The fear is if Greece leaves, Spain is next, then Italy. Then what remains?

MR. MORAVCSIK: Correct. It's a viable question whether the euro in its current form is viable. All I'm saying is you can't kick the British out of the existing EU because they won't join the euro. And therefore, people can hold the line on not being part of things they don't want to be part of. And there is such a history of that now in the EU. Every country has got its own exception.

MS. HILL: I'm wondering if there's a continental European platform sitting on the end here who is masquerading who would like to leap in on this. And you're not a contractor.

MR. KUPCHAN: You're saying I'm not a real European. I resent that.

MS. HILL: You're like me. You know, you're kind of one of these transplanted Brits.

SPEAKER: Like me.

MS. HILL: Yes. We know. We know. Anyway, but we're all kind of sitting here.

The gentleman in the hat, and please tell me you're a continental European and the gentleman around you, or someone who would like to masquerade as one.

MR. HURWITZ: Let me take my hat off.

SPEAKER: Yeah, it doesn't look like a continental European.

MS. HILL: Yeah, I don't know.

MR. HURWITZ: Thank you very much. I'm Elliot Hurwitz and I'm retired. And any of the discussants may or may not want to answer this question. But I think that the most serious problem facing American foreign policy is the resurrection of Islamism in Africa. And I heard several terms that refer obliquely to this -- Iraq redox. Obama might be forced to deal with. But I would narrow that down to two questions. What about the difficulty of supporting democracy in Libya, Syria, Egypt, and so on? And the resurrection of Islamism? I know that's a hard question.

MS. HILL: The gentleman next to you. And then the gentleman behind on the other side.

SPEAKER: (Inaudible) with AICGS at Johns Hopkins. And I am a true European. I'm a continental European. I'm half German, half Italian. So my question goes to this internal debate about trying to force something down Britain's throat basically. It seems to me that the argument about the possible chain reaction if there was to be a partial breakup of the eurozone is very relevant for the decisions that are being made in Europe about deepening Europe or at least deepening the eurozone so it's not just a constitutional or ideological question, but it is as you point out a very pragmatic question that they're asking themselves. They have come to the conclusion, and the Germans have come to the conclusion and it has become quite obvious that Angela Merkel has come to this conclusion that Greece should not leave the eurozone and to save the eurozone as it is now, it needs to go in the direction of a closer fiscal and closer political union. And all, I think, the continental Europeans and especially the Germans are asking London for is not to stand in the way. They're not trying to force Britain to be

part of this but they're trying to say don't undermine this just because you're going to be left out of a deepening union. You can still be a member of the European Union, and as other members will also be -- continue to become part of this still enlarging European Union -- of course, this process is being put slightly on hold but it will continue. The enlargement will continue, but there will be a two speed Europe. And you cannot blame the others. I mean, I say provocatively, you cannot blame the core Europeans for getting closer together just because you don't want to be part of that club.

MS. HILL: Thanks. The gentleman behind you on the other side of the aisle.

MR. WEINTRAUB: Thank you. I'm Leon Weintraub, University of Wisconsin.

I'd like to follow up on the last speaker's statement about what we're seeing is the end of roughly 200 years of western or transatlantic hegemony over the world. And I'd like to see if we can look at that perspective as far as the issue of enlargement of the Security Council where three out of five members of the Security Council are a part of this transatlantic alliance. Four out of five members are European powers. What does this mean for enlargement of the Security Council and possibly future roles of the U.N.?

MS. HILL: Thanks. Thanks very much.

And I'd also like to prod Clive in this direction of Great Britain and the UK, Charles, you basically asked what on earth is the UK doing? And the commentary that we've just heard about Britain not standing in the way really gets at this great issue of UK domestic politics and the problem that the UK itself seems to be unraveling. I mean, I mentioned the 2014 referendum. David Cameron is trying to keep the United Kingdom the United Kingdom. And I spent an hour on the phone this morning with

someone from *The Scottish Herald* talking about this very issue, Scottish independence, which is a very serious discussion. All the ramifications of this beyond the UK -- for EU, for NATO, for the transatlantic alliance -- what will happen to the United Kingdom? Will there be a rump country that has to declare itself a successor? There are all kinds of implications here that Cameron is facing that go beyond simply just the United Kingdom within Europe. They are also facing the rise of the UK Independence party, which is a rather bizarre that's mandate is about keeping the UK independent of the European Union and may, in fact, potentially win the largest number of seats in the European parliament. So you would get a party that doesn't want to be in Europe in the European parliament. Another hand grenade in the middle of Brussels.

So the UK has a really complicated domestic profile right now, and David Cameron is under siege on all different fronts. So, I mean, is he even capable of doing, you know -- of not getting in the way when he's basically going to be running ahead of numerous large buses that are about to run him over.

MR. CROOK: You're encouraging me to talk about Britain and Europe. Are you sure you want --

MS. HILL: I do. I'm just trying to provoke you.

MR. KUPCHAN: How will that affect the special relationship?

MS. HILL: That's right.

MR. KUPCHAN: Of the different scenarios of evolution of the UK as if your plate was not full.

MS. HILL: Not to ignore all the other issues that have been put on the table, but I just --

MR. CROOK: We can talk about this for hours -- at least I could -- you and I could, I think.

MS. HILL: We'll get you back again and do that at some point.

MR. CROOK: I guess my short answer to the core European over here is that Britain is an anomaly. There's no question. And I would -- in thinking about this, in thinking about, you know, Europe's constitutional design which I do think is worth thinking about, unlike Andy believes.

MS. HILL: David Cameron is trying to call right now.

MR. CROOK: I think that I'm more interested in what Spain and Italy and Greece think about Germany's concept of the core and where the core is going. Britain is never going to feel comfortable in this arrangement. And David Cameron is actually, as you must know, is pushing back against sentiment in his own party and in the country which is in favor of leaving the EU all together. I mean, Cameron is in that tradition of touring pro-European. He's not a euro skeptic. He's trying to stifle that sentiment in his party and in the country. And I hope he succeeds because I think it would be a disaster for Britain to leave. Even though, Charles, I have to say, I wondered whether when you said it would consign Britain to geopolitical oblivion, I wonder if that's the worst thing one could imagine. I mean, like Switzerland, for instance. Gosh, that's -- or Norway. You know, there's something to be said for geopolitical oblivion.

But at any rate, my point is Britain is the anomaly. Let's ask about Spain. Let's ask about Italy. Do they want a European core that forces suicidal fiscal austerity down their throats so that Germany doesn't have to do any adjustment on its side? So Germany can have zero inflation. The voters of Spain and Greece and Italy have to vote for deflation, for permanent recession. You know, 50 percent youth unemployment in Spain. That's the question.

SPEAKER: Are you asking me?

MR. CROOK: Well, my answer to that question -- I can always come

back. I mean, I'm not chairing this thing. That's for Fiona to decide. But, I mean, my answer would be that Germany's blueprint of central fiscal control with let's call it German characteristics, is not going to fit the whole union, never mind Britain. It's going to be bitterly resented in a lot of countries, including in Italy. And if that -- if Germany presses this model too hard, I think there is a risk that the union will splinter, will crack. The union, in my view, has to bend or else it will break. And that is not an issue, you know, Britain is an illustration but it's such an extreme case. I think you should be thinking about what's in Spain, what's in the interest of the citizens of Spain and Greece and Italy when you pose that question about variable geometry.

MR. KUPCHAN: I agree with you. I agree with you.

MS. HILL: Yes, bring the mic over.

MR. KUPCHAN: Oh, sorry. That's part of the negotiation. I wouldn't say it's a foregone conclusion that at the end of this journey the core Europe that you paint in such sort of stark colors is necessarily a completely German one. You know, if you just --

MR. CROOK: Let's hope not. No, I haven't taken it as a foregone conclusion.

MR. KUPCHAN: You just have to look at some of the more recent developments to understand, for instance when it comes to the role of the central bank that that is clearly not fitting the sort of German ideology.

MR. CROOK: You're right. But this is the five that's going on.

MR. KUPCHAN: Of what the central bank should be look like. So if you look at specifically the question of the banking union, for instance, and we issued a paper on that, basically, the banking union that the Germans are resisting so strongly is a way to reintroduce some symmetry and you are describing as sort of asymmetric process where the core forces things down the throat of the periphery. The banking union would

reestablish some of the symmetry that has been lost, particularly for those reasons that Andy was mentioning, the fact that there are banks for instance in Germany, small banks, that the Germans are trying to protect from central authority because they are politically linked. Because they are a giveaway for political, you know, games and they are very vulnerable to a central authority, especially if it comes to, you know, a resolution authority which is then not debaffing (?) anymore, it's not a German institution anymore but the European one.

So there are instances where you can already see that this notion of core versus periphery is being bridged.

MR. CROOK: No, but the critical thing and the thing that goes to the heart of governments and that, you know, that raises these issues about democracy that people are violently passionate about is fiscal union. I thi8nk banking union -- I think -- agree with you about the banking union. That is, it seems to me, a desirable goal. Actually, necessary for the euro area to function effectively as an economic union. And it is as you say an attempt to establish symmetry of agreements. And all that is to the good. The problem, I think, is fiscal. Is fiscal union. And the German insistence in effect that a European level of governance is going to be imposing decisions about getting and spending on reluctant populations, I think that's the real -- that's the Rubicon.

MS. HILL: Can I just use this as a segue into the other two questions that we're left with because we've only got about five minutes or so left, because I think this really illustrates really the crux of the issues that we're really trying to grapple with on the European level and we'll continue as I'm sure the Council and many other entities will to basically bring this in.

So what I'd like to ask Charlie and Andy and Justin is also to think about as we're dealing with these fundamental issues, these really big meta questions on the

European level, I mean, is the European union going to be able to walk and chew gum at the same time? The gentleman asked us about dealing with other threats -- Islamism and the militancy that's emerging in African and North Africa. There was a passing mention of a potential intervention in Mali, for example, by the EU. Is all of this conceivable given the kinds of discussions that we're having here?

There's also the question about the U.N. Security Council. I mean, if we're talking about a deeper, more integrated core Europe, there has been all this issue then about well, why are all these countries still claiming a seat? Resolving some of these kinds of questions. We may end up with a European core, a UK that may -- well, Scotland might be claiming a seat but, I mean, that's a slight aside. But nonetheless, I'm going to question here about do these European countries still merit the kind of prominence and preeminence in global institutions that they have up until now basically occupied? So Andy, and Charlie, and Justin, how --

MR. MORAVCSIK: The answer to that question is yes. But --

MS. HILL: And why is it yes then?

MR. MORAVCSIK: Because they're doing a lot more than anybody else as I laid out.

But that doesn't mean that that's a desirable state of affairs. So it's just that people put the cart before the horse it seems to me when they think about it. So the logic is somehow -- the way people think about this, issues like the Security Council is let's give people a Security council seat or greater representation, and then they will be more forthcoming and provide a lot more public goods for the international system. Right?

My view is it's the other way around. Let's see people providing a lot more public goods for the international system and then they'll get the Security Council

seat. So the truth is the United States of Europe, insofar as people are providing public goods for the international system and they do show often in a way that I and other people in this room I'm sure would criticize as being self interested or just misguided but at least they are spending resources to try to do it to a much, much greater extent than any other countries in the world. And the idea that we should just start saying, well, you know, we should treat Brazil on the same level as, you know, a couple of European countries in terms of the public goods they're providing for the global system, that's just wrong in terms of what they're doing in terms of all the things I laid out -- military involvement, civilian involvement, economic wherewithal, support for international institutions. And there needs to be the demonstration of that support if for no other reason than that is the sensible quid pro quo. You have something a country like Brazil wants and you should demand a quid pro quo in order to give it to them.

So it seems to me wacky diplomacy to say, gee, we should just provide this because it makes us feel like we're doing the right thing, and then at some point good is going to come out of it.

MS. HILL: Justin.

MR. VAISSE: No, just to say that yes, I think Europe can chew gum at the same that it's addressing its institutional challenges. I mean, what we've seen over the past two years is the crisis taking a toll on Europe's actions and Europe's, I would say, performance in the world. And the time has come for advertisement and a play for the European foreign policy scorecard which will be out in late January and we are working on with the European Council on Foreign Relations. But basically, what we found out for 2010 and 2011 and what we're finding out for 2012, is that yes, the crisis, especially its financial aspect, has had a negative impact on Europe's actions in the world, but it's not a dramatic impact in the sense that Europe is still providing the global

goods that MD was taking about. Europe is right now acting on Mali, for example. Yes, there will be an intervention in Mali. Not a ground intervention for sure but a support for the African -- for the ecowas (?) and the African sort of coalition of the willing, if you will, that will act there. So I do see a small impact, but I don't see a sort of vanishing of Europe in the world as a world actor as a result of the crisis. And God knows how busy the European leaders have been trying to address the crisis in the past two years.

MS. HILL: Thanks, Justin.

Charlie, the last word is yours. Make of it what you would like.

MR. KUPCHAN: Yeah, I would --

MR. CROOK: That is very dangerous.

MR. KUPCHAN: Maybe I'll just stop there.

I'd simply sort of try to wrap up what I've been listening to for the last five or 10 minutes with the closing comment, that I think we're going to be entering a period in which the demand for global governance and global public goods will be rising and their supply will be falling. And that's because the transatlantic community has historically been the provider and as we move into a world in which the global distribution of power equibrates (sic), equalizes, I think there will be more and more need for cooperation, for multilateralism. I'm just not sure who's going to be providing it and when there are people who step up to the plate are we going to be able to get census about the rules of the road that should guide those provisions of public goods. So fasten your seatbelt.

MS. HILL: Well, hopefully we can get all of you back again for continuing this conversation. As Clive pointed out, there's an awful lot more to say. And I think as we move on into this next calendar year and the beginning of a new Obama administration there will be an awful lot of challenges. We mentioned 2013, the general elections, that there's a 50 percent chance of a strike on Iran, as Charlie said very

provocatively, in the second half or as we get towards the summer of next year. That will really upend Angela Merkel's election campaign, we can be sure of that. So there will be an awful lot of impact and blow back and questions about the European perspective on the EU-US alliance, and I do hope that we'll be able to continue on some of these themes whether in different configurations.

And thank you very much to everyone for turning out. We're really pleased to see so many of you. And keep us posted, too, on ideas of things you'd like to hear about. Thanks very much. Thank you.

(Applause)

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