

THE SEA ISLAND AGENDA – 6/4/04

THE SEA ISLAND AGENDA CSIS Experts to Preview Issues, Regional Perspectives of G8 Summit

Center for Strategic and International Studies

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Introduction

Erik Peterson: Ladies and gentlemen, good morning. My name is Erik Peterson, I'm Senior Vice President. I direct the Global Strategy Institute here at CSIS. And on behalf of my colleagues, Chris Sands and Andre Belelieu, who are making their entrance in the back, I am delighted to welcome you to this event looking at the upcoming G8 summit.

Now today's panel is structured in two parts. First we'll be addressing the broader agenda of the meeting to take place in Sea Island and then beyond that we'll be focusing on our second panel on the relational context between the various G8 member states.

We have an outstanding panel this morning that I'm delighted to introduce. I trust that they will forgive me for being somewhat brief in going over their credentials, but we have relatively little time. So I will fast track. I would like to introduce all of them right now, including the one who is not yet present, so that we can launch them on their discussion.

We'll lead with Ambassador Richard McCormack, Former Under Secretary of State for Economic Affairs, at my far right, who is Senior Advisor here at CSIS and in that capacity he is focusing on geopolitics in global economy. During the administration of George H. W. Bush, Dick served as the principal coordinator for the President's involvement in the G7 Economic summit. He was awarded the State Department's highest award by then Secretary of State James Baker. In addition he received the Superior Honor Award for Outstanding Sustained Performance as the U.S. Ambassador to the OAS.

Larry Meyer, to my immediate right, is a distinguished scholar here at CSIS. He served, as we all know, as a member of the Board of Governors of the Federal Reserve system from June 1996 until January 2002, at which time we were fortunate to have him come to CSIS. Before becoming a member of the Federal Reserve Board he was president of Laurence H. Meyer and Associates, a Saint Louis-based economic consulting firm specializing in macroeconomic forecasting and policy analysis. Larry has authored a book, "A Term at the Fed," that we're all looking forward to reading here. I understand it will appear on July 6th and we will be having an event here at CSIS to launch the book, as I understand it, on July 15. More details to come.

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Present in spirit and no doubt he'll be here very soon is Patrick Cronin, Senior Vice President and Director of Studies here at CSIS. He's also a previous Director and Assistant Administrator, Policy Program and Coordination at USAID, where he was responsible, among other things, for developing and coordinating policy with the interagency and international community. He was also double-hatted by the White House to chair an interagency task force to design the Millennium Challenge Corporation.

And finally, on my left is Andre Belelieu, who is Research Associate with our Canadian Studies Project as part of our Americas Program here at CSIS. We owe Andre a deep debt of gratitude not only for organizing today's event but also I understand he's a little under the weather after some dental surgery, so we're doubly grateful that he would appear here today to share his thinking with us.

All of the panelists, as I understand, have been asked to put remarks on the table for about 10 minutes each, after which I hope we can engage in an active give-and-take with you all. So again, thank you very much for coming and with that, let me acknowledge with gratitude Dick McCormack.

PANEL 1: THE SUMMIT AGENDA

Ambassador Richard McCormack: Thank you very much, I'm delighted to be here today. I've been asked, as I say, in 10 minutes to just briefly outline some of the U.S. objectives for this economic summit. As you know, the President and his sherpas [ph] have been working with their counterparts for months now, looking and refining their ideas, looking at various drafts, and these, of course, are very closely held and they will be subject to review as the President has his final meetings with his peers in Europe and elsewhere in terms of getting additional support and compromises that may or may not be necessary. So for the final result of all of these discussions we, obviously, have to wait until the actual summit.

But this year's principal objectives for the summit I think are fairly clear. You probably – you may not have seen, but Condoleezza Rice made an important statement on the first of June, outlining U.S. objectives. Al Larson, a few days before made a long presentation at the State Department, where he provided in far greater detail than I'm going to do here in the next five minutes on U.S. objectives. And, of course, Secretary Snow, made a presentation on the 23rd of May where he talked about the summit from the perspective of the financial deputies.

But the main subject, the focus of this summit, is prosperity and security through freedom and cooperation. And it's obvious to all that regardless of all the little and bigger issues that are involved here, the main event is clearly going to be Iraq, war on terrorism the overall Middle East complex of issues which is the focus of U.S. objectives at this particular summit.

The President clearly hopes for broader cooperation and support in the next phase of the coalition's efforts to stabilize Iraq. He's looking for a new resolution on Iraq at the United

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Nations. He's looking for greater burden sharing on economic reconstruction, debt forgiveness and security efforts in Iraq. The President and his counterparts are clearly searching for common ground on Iraq. I mean this issue has gone a long way in the last year. The tensions and strains that were so evident a year ago are gradually softening a little bit as we're changing our position somewhat, they're changing their position somewhat, and we're all confronted with the desperate need to avoid a civil war and an implosion in Iraq, which would have catastrophic consequences for energy and for all sorts of other things.

So there appears to be a general desire of the G8 to try to come together a little bit on this Iraq complex of issues. You know, no one is going to be totally satisfied with the end result of this, but I feel pretty confident that we will invent, in the end, wind up with a resolution at the United Nations that will have broad support and that there will be some additional support from some of his partners.

The American President and the French President are going out of their way to try to build bridges and mend this relationship and this is, of course, very important. President Chirac has forbidden all hostile demonstrations to the President when he makes his visit in France, which is a good thing. But I think it's indicative of a desire by a lot of people to try and put some of the problems of the past into the past and try and focus a little bit upon the realities and the concerns of the future.

The President, obviously, has a number of other objectives in this summit including improvements in governance, education and economic growth opportunities for the countries of the Middle East and the North Africa region. I mean, this issue has also, obviously, evolved in the course of the last several months as reactions from various parts of the Middle East have come in. It's very obvious that you cannot have a one-size-fits-all policy for countries as diverse as the countries in North Africa and the Middle East are. The emphasis now is looking for ideas that the Middle East and the North African countries themselves are comfortable supporting and a policy that is – this summit will produce a step in a journey that's going to last for a generation or longer. But it will move beginning in the right direction.

As you know, the President is meeting with a number of the countries in the Middle East and North Africa to talk about this thing. There will be changes as a consequence of those discussions. He's meeting with his counterparts from Africa to talk about some of the African issues, the AIDS issue, some of the other diseases that he's looking to deal with, some of the other trade issues that he's been working on. And this, too, will wind its way into the details of the summit process. And the President's obviously also very hopeful to build upon the positive example that Libya showed in eliminating its weapons of mass destruction to see if there can't be a greater degree of support for having this process broaden in other parts of the Middle East.

On the international economic side, the U.S. is obviously looking ahead to increase the prospects that global economic growth will continue in 2005-2006. His partners are looking to see what they can do to remove some of the obstacles to economic growth. That's why there was

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this significant effort to try to encourage the OPEC to increase its oil production and this has produced some beneficial results.

There has been also a significant effort by the American team and others to encourage greater structural change in Europe and Japan. The reason this obviously as important is greater growth in Japan and greater growth in Europe is going to require continued and accelerated structural reforms. They are politically extremely difficult, they can't be solved all at once, but there has to be constant and unremitting pressure to push this forward because the day will come when the U.S. is not going to be in a position to absorb \$600 billion annual trade deficits, which is currently fueling a lot of global growth in Asia and elsewhere. Others have got to pick up this process and that requires more domestically-led growth and that means structural change in Europe and that means structural change in Japan. There's a beginning of this process but it needs to be pushed and accelerated.

The U.S. is obviously hopeful of getting some political decisions to support the Doha Round of negotiations where agriculture is obviously critical. It's important given – speaking as a fellow who was a former sherpa [ph] in this process, it's very important not to think of the economic summit process as a scripted ceremonial event which is an external-only sort of thing. You may have noticed, for example, that Argentina a few days ago made a decision to change what they said they would not change, which is their policy toward this \$100 billion worth of defaulted bonds. They moved from a 92-percent write-off to something closer to 75-percent. It's not something that people are satisfied with but it is moving in the right direction.

Another thing that has occurred recently are the efforts that OPEC has been making to show that they are more concerned about the potential global economic consequences of the energy situation. And you'll notice that inventories, oil inventories and gasoline inventories are beginning to build in U.S. refineries. That means there has been actual increases in oil production and there have been actual increases in oil that goes beyond what the previous OPEC quotas indicated.

Another thing you may have noticed is that Mr. Lamee indicated some flexibility with regard to the European Community's position on agriculture. And there have been a half a dozen other less noticed but also important events that governments have made to position themselves for this economic summit.

Now why are they doing this? I mean, when these eight leaders get together they represent an enormous collective power. And the mere fact that these people are going to get together to make some decisions gives a lot of leverage to the people who are conducting the pre-negotiations in this process. And so things tend to move forward a little bit. Nobody wants to get into the crosshairs of a G8 decisionmaking process if they can avoid it. So you see the Argentines being a little more forthcoming, you see OPEC being a little bit more forthcoming, you see Mr. Lamee being a little bit more forthcoming. These are all direct fruits of the general political process that this G8 summit provides and that's one of the reasons why it should never be sort of discounted.

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Now in the case of this particular summit there are four ways that you can judge its success or failure. One is, obviously, the formal communiqués and the speeches that will be made by the heads that are present. And my impression is that these are likely to be sort of positive unity-type speeches. But what I also urge you to do is listen very closely to the backgrounders by the heads and by the delegations themselves. That's where you'll hear the real spirit of this exercise. And if, in fact, the backgrounders that are given to the press on the summit tend to reinforce the public things that were said, by then we will have had a successful summit. If, in fact, you get a lot of sniping and backbiting and undercutting and deprecations, then we don't have a successful summit.

The second thing that's important is there will be acid tests such as that vote in the United Nations on the Iraq resolution. That will either be successful or it will not be successful.

Another thing that will be an acid test, there will either be progress on the Doha Round on agriculture or there will not be progress on the Doha Round in agriculture.

So when you look at this thing here are – there are others, of course, but here are four sort of simple tests that you can use to determine whether or not this summit is a success. My belief is it's going to be a success. I don't think it's in the interest of any of the G8 to let these problems from the past poison the future. When you look out into the future there are going to be unforeseen problems, there's going to be difficulties where it will be important for these leaders to work together. And this is an opportunity these leaders are going to have to sort of mend fences and face the future together, and so I'm looking for a successful summit. Thank you.

Erik Peterson: Thank you, Dick.

What I propose is that we get all the comments on the table before we open up Q&A. So with that, let me recognize, again with gratitude, Larry Meyer.

Laurence Meyer: Thank you.

I'm going to focus on the economics agenda, that tends to be at the forefront at G7 Finance Ministers' meetings, but often gets put into more of the background at G8 summits when the political issues rise to such importance.

The first thing that would typically happen in the economics agenda is a review of the current state of the global economy, it's sort of cyclical state, and what the policy requirements are to promote self-sustaining growth and movements towards full employment and price stability.

The second is that there would be a focus on whatever the vulnerabilities are to the near-term strength of the economy and to focus on what the policy options are to mitigating the risks.

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And then third, there'll generally be a discussion of what we call longer-term or structural sort of concerns, and, again, what the policy requirements are to move forward in that direction. Here there's always an emphasis on structural reforms to promote long-term growth and dealing with structural imbalances, large government budget deficits, for one; and global imbalances in trade and the current account being the other favorite topic.

When exchange rates are moving a lot the exchange rates becomes a very important part of the meeting. That's a place where – particularly for the G7 Finance Ministers but here as well it could, when they're changing a lot and that often means a conflict of interest and very great difficulty of finding language that pleases everybody or displeases everybody equally.

This is also a time that we see routinely the reaffirmation of things that are generally agreed on such as trade liberalization would sort of be one. And to show a sense of inclusiveness as the G8 members get together there's always a show of concern for what's going on elsewhere in the world outside the countries that are represented, particularly in poorer countries, and talk about what can be done for debt relief would be sort of one example.

Now there's a certain game that goes on here and the game is what you want to do at these meetings because they get a lot of visibility, is you want to celebrate your own successes, okay, and part of the game is tweaking others at the same time. And that's often done by what you want to put on the table. So in terms of the long-term structural problems the U.S. always wants to put on the table structure reform because that's a code for problems that are going on in Europe and in Japan and it's a way of tweaking our partners to move ahead more forcefully with the kinds of reforms that could lead to stronger economic growth in those regions.

The Europeans, on the other hand, always want to put on the agenda dealing with global imbalances, and that's a code for the U.S. current account deficit. So this is a sort of a general pattern and a game that's particularly played.

Now the backdrop for this meeting is a very favorable one in terms of the cyclical state of the global economy. We have a synchronous recovery underway. The general forecast this year for global growth on a year-over-year basis are above four percent growth, as they will say, the best prospects for the best growth in 15 years. It is, as I say, generally synchronous, led by strength in China and the U.S.; with Japan doing much better than had been expected, performing extremely well; and basically Europe lagging relative to those.

We are at a kind of a critical stage though of the global cycle in that we begin in general at very low interest rates, at relatively low inflation rates, and we're beginning exit problems around the world for central banks. The U.K. has already been raising rates but the U.S. is expected to begin in June, later on the euro will join the crowd, and even ultimately someday Japan will get into the game, too. And there's always a certain risk of financial instability concerns and a certain amount of trauma when we begin a global cycle of rate increases. So I think that's certainly on people's minds.

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In terms of the vulnerabilities, it's very obvious where the major vulnerability is for the global economy right now, it's oil. There's not much that the countries meeting can do about it but, of course, they will applaud the proposals being made by Saudi Arabia and wish them well in their negotiations with OPEC and hope that some relief is in store.

Other vulnerabilities to the economy are, obviously, terrorism and, of course, that will be part of the sort of political agenda. And while it may not get any discussion at this meeting, if you sort of made a list of where the vulnerabilities are outside of oil and terrorism, next on the list would probably be concern about overheating in China and whether there's going to be a soft or hard landing in China. That would be the other sort of major sort of vulnerability.

Structural concerns will be the long-term growth agenda. We're always talking about flexibility in labor and product markets because we think we have it, we think the others don't; reducing regulatory and legal burdens; supporting entrepreneurship and innovation, something we think again we do very well; and healthcare reform.

In terms of the global imbalances, as I say, I don't think there'll be necessarily much discussion about it at this meeting but on the minds of people are the current account imbalance in the U.S. And what we will always try to respond with is this is not a U.S. problem, this is a global problem. There are counterparties. If we have too high a deficit then other countries have too high a surplus. And we like to point out to our trading partners that the more difficult adjustment is probably going to come among their partners. If the dollar depreciates over time it strengthens U.S. competitiveness, it increases aggregate demand in the U.S., and the reverse goes on elsewhere. And it probably creates greater challenges for policy in other countries than it does in the U.S.

Now I guess to take a step back into the question is what really goes on, what these meetings are really about. I never look at them and from the perspective of macro policy as having really anything to do with policy or policy coordination. It's not a question that the euro community will say, okay, well, you know, we'll increase our fiscal stimulus if you do Z, Y or Z. You can't deliver on anything like that.

There's no willingness to compromise on the program that you want to put in place and no ability to live up politically on those broader macro problems.

Now Richard talked about trade where there is more give and take, and that's certainly an area where there could be some discussion at this meeting or at like meetings -- if you do X we might do Y -- that advance the Doha Round, for example.

I think most of international meetings as information sharing rather than policy coordination and they're valuable. Of course you don't send your heads of states to collect information, you don't even send your finance ministers to collect information, to share information, that's done [by] others. So I do think about this as less about policy coordination, less about information sharing, and more about politics and posturing. And this is an opportunity

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– and we’ve seen Secretary Snow in some comments that he made at the time of the recent finance ministers meeting give us sort of a preview of some of the things we’re going to hear from the U.S. side. He said, for example, President Bush’s economic leadership has put the U.S. in the forefront of the drive for growth. Okay, we’ll hear about that. We’ll hear about the pro-growth and pro-jobs agenda of the President and the success of his tax cuts.

And in terms of the energy program, we’ll use this as an opportunity or the U.S. will use this as an opportunity, the Bush Administration will use this as an opportunity to reinforce the importance that they attach to the Bush Administration’s national energy policy. So that’s sort of an example of the celebrating successes, using it to frame what you think are the important political issues at home and use this meeting to get visibility for that.

Erik Peterson: Thank you, Larry.

Now it’s with pleasure that I recognize my colleague Patrick Cronin.

Patrick Cronin: Well, thank you, Erik.

Good morning. I want to spend just a few minutes and talk about the G8 summit with respect to the search for reform in the Greater Middle East or the broader Middle East. Obviously, a posh resort off the coast of Georgia seems like an improbable place to be looking for reform in the Arab world in the Middle East. But I guess the main point I’d like to make is the fact that this is, indeed, on the agenda and that’s what’s important. Summits are largely about shaping the agenda. Certainly we know that the G8 summits are not about implementation of policy. They help establish the agenda for the year ahead. And it will not be finished in a year but it can come back the next G8 summit and the summit after that, just as other issues like education in the developing world have been recurring on G8 summits of the past recent years. So it is significant that the G8 leaders’ meeting will, indeed, include this on the agenda.

From the U.S. policy perspective let me just remind you about President Bush’s formulation of counterterrorism policy. He talks about four pillars essentially of that policy and he repeated at the speech at the Army War College and at the Air Force Academy here in the past week. He talks about a strategy that rests on destroying terrorists and their organizations, a very offensive strategy; secondly, on denying them sanctuary; thirdly, on preventing them from acquiring weapons of mass destruction; and then the fourth pillar is this search for reform and that’s really the space from which U.S. policy is approaching and has approached since 9/11, the search for reform in the Islamic world in general, the Middle East in particular.

This has not just been a U.S. agenda item. The fact that U.S. officials have been searching for a comprehensive set of policy tools to seek reform in the Middle East is something that was seen as a shared security issue with many partners, first and foremost in Europe. And the fact that European leaders have been promoting reform in the Mediterranean Basin as part of the so-called Barcelona Process for more than a decade suggests again that there’s a lot of common space there with most of these other leaders who will be at Sea Island.

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Most impressively, though, has been the talk about reform coming from Arabs themselves. Obviously, the United Nations' Development Program Reports of 2002 and then 2003 really highlighted some of the critical deficits in knowledge, opportunity and freedom, education, women's empowerment, granted from a fairly liberal contention, if you will, of the Middle East but nonetheless an important set of voices coming from the region. So that was impressive.

The fact that in Alexandria just a few months ago you had non-governmental activists – yes, maybe pushed by President Mubarak and encouraged, but the fact is that they were able to meet in Alexandria and come together and talk about reform and the need for reform in the Middle East.

Even at the Arab League summit late last month, again, can be seen as sort of a mixed show on this issue, the fact is they did embrace reform even if they couldn't agree on things like the need to set up a regional oversight and monitoring body. So it showed the limitations, perhaps, of some of the reform but nonetheless there is a call there.

This is not just a U.S. agenda item, it's not just a European phenomenon, it's not just an Arab phenomenon. This really is now a shared recognition of the need for reform in the Greater Middle East. And the fact that it's on the G8 agenda is a good thing. It's not whether this is a successful summit or not a successful summit, but it's there and it's going to stay on the agenda, I would argue, for the foreseeable future and for years to come. And I think that's important.

Where the consensus breaks down, of course, is what do you do about it. And here's where the United States has sought, granted not with great resources, but certainly has sought to try to use foreign assistance and development assistance in particular, to try to sweeten the pie here in terms of developing answers. A couple of years ago Secretary Powell talked about the Middle East Partnership Initiative. It was very meagerly funded, if you will. Those funds have gone up to a \$150 million request. But now they're talking about a much larger set of funds. I don't think this is what they're going to agree onto next week, they're not going to get to the modalities, they're going to keep it at the higher level of agenda of what they need to do. But what is in the offing is a discussion about a major foreign aid program to supplement diplomacy, to supplement the mixture of other hard and soft power policy tools to try to encourage reforms.

There are clearly three caveats that need to be made here. The first one is that we do have a problem of sort of same bed/different dreams phenomenon with our allies and with the countries in the region in the sense that there are two fundamentally different goals, even if they overlap, that we're talking about. One of them is democratization, and so the more conservative elements of the United States, perhaps, pushing democratization in a more radical way that may not be consonant, obviously, with the interests of leaders in the Arab world and the Middle East and beyond may also not be feasible in terms of implementation.

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You then have more the European approach to some of these issues, if you will, and that's really basic development, poverty reduction, the socioeconomic shortcomings in some of these societies, which is a safer space but much more removed from that larger goal, especially in the post-9/11 world, of how do you seek evolution and political reform and openness so that you don't see revolution, or you don't see sanctuaries for radicalism, intolerance and support for terrorism. Very difficult. This will not be settled at Sea Island. This is an ongoing debate and leaders properly have this on the agenda and I think this is a healthy and important thing to do. But we still have to be clear that the goals for any foreign aid program, you cannot circumvent aid effectiveness basic practices and best practices. And everybody knows, from the World Bank to the bilateral development agencies, that the most fundamental thing for effective foreign assistance is the political will and local ownership of the issue. So unless you have groups on the ground that are deeply committed to whatever it is you're trying to fund, you're not likely to have fertile investment.

Nonetheless, in those areas where there is a will money can help. But there are limitations to monetary aid and this is sort of a second caveat I would just throw out here. Even if we were talking about the Marshall Plan and not the Middle East Partnership Initiative or something now in between these two, the United States is already spending more than a billion dollars in non-defense foreign aid in the Middle East, albeit mostly still historically going to Egypt and Israel as part of a security agreement really to buy peace and stability post '79 Camp David Peace Accords. A very worthwhile cause but not first and foremost economic growth, development, and dealing with some of these other issues about political space, and openness, and freedom.

The Middle East is obviously home to some of the wealthiest governments. They not going to find the same incentive effect that you may find in some Sub-Saharan African countries who are now offered potentially a \$200 million three-year Millennium Challenge Account Grant, which may provide a real stimulus for reform in a number of countries I can imagine. I can't see that being the same stimulus in Egypt, for instance. So the limits of money here are very important.

I think in the Middle East it's maybe possible to talk about this kind of development assistance that may be coming, not so much at Sea Island but in the months and years ahead, more as an analgesic than an incentive. That is, it can provide a pain-killing affect, if you will, to, again, make it more palatable to accept the kind of space for supporting political reforms such as strengthening political institutions and parties, civil society, independent media.

It could also – a second set of reforms would be much more education oriented, if you will, knowledge acquisition; investing in both primary but also secondary education; vocational education that leads to jobs so that you don't have educated young men, frankly, unemployed and adding to a problem; leveraging information technology in a much more effective way as well for education here, too.

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And then the third set of reforms that are much more economically focused, seeking economic growth, the trade capacity building, the employment, but also health, infrastructure and other issues that could indirectly help economic growth. All of those things could be more palatable with financial assistance through this kind of a grant process.

So this is a third issue, really, and that's sort of how will they ultimately define the structure? Will they coalesce, will the leaders coalesce around the idea of a trust, for instance, that's been proposed by Senator Richard Lugar and other members of the Senate, which I think will pass, if not today, will pass in the same time as the summit, a sense of the Senate resolution talking about this idea of a Greater Middle East trust for the 21st Century.

The advantages of a trust, even while there are some caveats here, is that it would potentially be a multilateral entity like the Global Fund for HIV/AIDS, tuberculosis, and malaria. The advantage of that is obvious. It's not tainted, if you will, by a U.S. policy agenda, it's multilateral by definition. And it's not just a European/U.S. multilateral issue, it's one in which countries from the Middle East themselves, including Saudi Arabia, for instance, might be contributing and would be in partnership with all of these countries.

It would also be borrowing, perhaps, from the Millennium Challenge Account and from the Global Fund experience in terms of rewarding grants on the basis of technical review, once again de-politicizing them as much as possible so that grants are given on the basis of their technical merits to achieve the results on the ground that are intended.

Thirdly, you could build in, as we have with the Millennium Challenge Corporation, which is just in its first year of operation, the kind of transparency and results-based monitoring that is something that should be part and parcel of every aid program but, in fact, it seldom is.

All of these kinds of lessons could be incorporated into this trust fund and which is why I think it's one of the more interesting long-term ways to not bring about a sea change in Sea Island, but rather to begin a very long generational commitment of engagement in a much more positive manner than you would if you didn't have this kind of engagement. It doesn't obviate the need for effective foreign policy, for foreign policies that grapple with the issues of war and peace in the Greater Middle East and Iraq, the Israeli/Palestinian issues. Those, obviously, are going to be always the central security issues that have to be dealt with.

But if those issues eventually can make some progress, you can see over time if you take the long view, not just the weak or even annual G8 view, in the long term this could be a very successful supplementary tool.

I'll stop there, Erik, thank you.

Erik Peterson: Thank you, Patrick.

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And now I'd like to recognize with special gratitude in light of his dental condition, Andre Belelieu of the Canadian Project here.

Andre Belelieu: Thank you, Erik.

I will be brief with my comments considering that we are running short on time and I'm sure you have a lot of questions to get to on the broad range of topics that we've covered today.

Let me start by saying that the G8, it was not a mistake that Ambassador McCormack, for example, was referring to these as the economic summits. This was the rasondet [ph] for these type of organizations for the G8 when it was created back in 1975. Terrorism itself was not an issue at the summits until 1978 and it wasn't really until the mid '90s that there was anything substantial coming from the G8 that was more than just a political statement that was forgotten once the summit was over with.

To be sure, terrorism has become an issue on the agenda of all international organizations since 9/11, the G8 is no exception to this, of course. But what I'd like to underscore is another comment that Ambassador McCormack made as well is that sometimes people have a tendency to refer to the G8 as a photo op, nothing more. But that does not take into account the amount of substantial work that is done throughout the year by the G8 and its little sister organizations that I will talk about a bit in a minute on these topics.

As I said, this was not an organization created to deal with the question of terrorism, but the leaders themselves have found over the years that it is a form well suited to dealing with terrorism. Ronald Reagan, for example, in the 1980s came to the summits wanting to talk economics and in 1983 especially became convinced that the G8 was somewhere where he could advance his political aims on security issues. The 1986 summit in Tokyo, which is referred to commonly as a terrorism summit, as terrorism dominated the agenda there -- this was a summit where the G8 really started to take terrorism a lot more seriously.

Basically, since the G8 was created in 1975 there have been over 30 declaration statements and action plans on the issues of terrorism. These range from air hijacking to the taking of diplomatic hostages to more detailed plans that look at terrorism through all its guises, bioterrorism, for example, became an issue after the saran gas attacks in 1995 in Tokyo.

The G8 approaches terrorism now on three different levels. There's the heads-of-state level, of course, on the G8 as an international forum, and has the advantage of getting all the prime decisionmakers together for two or three days to make decisions. They don't come there seriously, as Larry Meyer was saying, just to exchange information. There are some more substantive things there.

Secondly, since the mid 1990s, a wide range of ministers have been meeting on a sublevel to prep a lot of the work that actually takes place and a lot of the agreements that are actually reached at the summits. With regards to terrorism, the Justice Ministers has been very

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important and, of course, the Foreign Ministers is another development who have brought a lot more expertise to the G8 summits. And this has helped the G8 take terrorism more seriously and be more productive in the sense that when the leaders came to the summits, especially at the beginning, a lot of the backgrounds were very focused on economics and not terrorism, which made any efforts that they did on terrorism a little more shallow than perhaps what is happening today.

Since 9/11, since the 2002 Kananaska summit, terrorism has been dealt with in three different levels. The first level, of course, is as we were saying, information sharing. This has been the leaders getting together comparing what's working, what's not, what can be improved. Domestic loopholes in legislation, for example, on the extradition of terrorists has been one that has been looked at. Terrorist financing was a big issue right out of the gate after 9/11 actually, and a progress report was brought out in 2002 where substantial progress was made through the Financial Action Taskforce, which had been created in 1989 but had been pretty ineffective until the push from 9/11 made it a more substantial actor.

The second level has been a willingness on the G8 to engage other international institutions with some of the expertise and the resources that the G8 as a group of only eight nations does not possess. The United Nations has always been one, the Counter-Terrorism Committee, for example, has always been one organization the G8 has called upon to forward international counter-terrorism efforts. For example, at the last summit, 2003 in Evian, they created the Counterterrorism Action Group.

Which leads me to my third point, which is capacity building in international counterterrorism efforts. The CTAG or the Counter-Terrorism Action Group, for example, works closely with the United Nations Counterterrorism Committee on developing the capacity of countries not in the G8 to fight terrorism and to give them more of the resources to be able to do this.

It goes without saying that an organization of only eight nations cannot solve the terrorist problem on its own, but these are the eight countries that are the most vulnerable to terrorism, that have the most at stake in a global economy that a lot of the terrorist organizations have vowed to destroy.

Let me briefly conclude now with four points of what I think we can be looking at for the summit. And, of course, a disclaimer here, with terrorism and counter-terrorism issues, obviously, a lot of the information that goes on, a lot of the discussions that happen in the G8 do not become public. So it's obviously hard sometimes to get a sense a lot of what has been said and what is going on.

The first thing to look at is transatlantic relations, how will the allies come together on the question of terrorism and how will they cooperate. There was a concern at the Evian summit last year in 2003 that no one would get along and nothing would happen. In fact, there were six different action plans that were brought out from the ministerial level to the heads-of-state level.

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Everyone seemingly got along very well and a lot of people looking at the G8 were hailing the G8 as the forum to look to forge this international cooperation that's needed on counterterrorism issues. Going back to 1986, for example, the G8 was the institution in which transatlantic European and American allies were able to come together on the question of Libya over the use of air raids by the United States.

The second thing that should play an interesting role in the summit is the G8 Global Partnership Against WMD Terrorism. We have some scholars here at CSIS who have done some great work on this program and, unfortunately, cannot get into a lot of the specifics due to the time constraints. But basically, the program is ...

Erik Peterson: It's now G9.

Andre Belelieu: It's G9.

The program is basically a look pledged by the G8 members to forge a global partnership to secure sites for weapons, nuclear facilities, especially in Russia.

Someone doesn't like what I'm saying.

Erik Peterson: It's okay.

Andre Belelieu: Basically, the pledge was made to raise \$20 billion, \$10 billion of which would be provided by the United States and \$10 billion which would be provided by the other members of the G8. To date they have raised \$7 billion and they've brought into fold approximately 15 different other countries ranging from smaller European nations to, I believe Australia will be brought into the fold.

Some of the people that have done work here at CSIS have noted, however, that this \$20 billion figure was an initial estimate and probably will not be sufficient to secure all the sites and all the weapons in Russia but beyond Russia as well, and that's going to be a concern for the G8 members.

I also mentioned the Counterterrorism Action Group. There is going to be a first progress report by the G8 members to take stock of how this is working and how this can be improved. I haven't seen anything leading up to that but it should be interesting to see what comes out of that.

And finally, two initiatives that should figure in the discussions. The discussions on terrorism will be taking place the entire afternoon of the second day of the summit. The security transportation, especially air transportation, will come up as well as the progress on the Proliferation Security Initiative that was launched earlier this year.

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Let me conclude finally by just saying that having looked at the summits and having been to some of the summits myself, it has been very clear that nothing usually gets done on the issue of counterterrorism or terrorism initiatives without strong U.S. leadership. Every indication that I've seen leading up to this summit that it will be successful and that the U.S. will provide the leadership to move forward on a lot of these issues.

Of course, as some of our last speakers have said, it would be naïve to think that the G8 with no bureaucracy, with no binding agreements, could solve all the world's problems and forge a lot of the international cooperation. But as Patrick said, it does set the agenda. And terrorism, of course, is a concern. We've all heard all the alerts and the increased terrorist activity around the world and it's important that the countries that are the most vulnerable to terrorism, that are most often targeted by these organizations, come together and make a strong message that we're taking this very seriously.

Erik Peterson: Andre, thank you very much and thank you to all four of our panelists here.

Now is the time to open things up to general discussion. I'd like to ask two things. Would you please identify yourself and also let us know to whom you wish to address your question or comment.

Sir?

Question: George Condon with Copley News Service. Two questions on the relationship, the transatlantic relationship.

One, Ambassador McCormack, you gave such a rosy report on the state of the relation, I wanted to follow up on do you not see damage to the relationship done by Iraq and how would you assess [the painting] of the President in Europe now?

The second question is, is it possible to assess this summit in the role it's going to play in mending relations without looking at the other two summits the President is going to this month, and whether any of you have any assessment on the EU summit in Ireland or the NATO summit in Turkey [inaudible]?

Ambassador Richard McCormack: Yes, sir. Well, you know, it's obvious that there were enormous problems that have crept into the alliance structure as a consequence of difference of view on the buildup to the war in Iraq, that's obvious. The point I tried to make is that our policy on Iraq is shifting somewhat toward a more United Nations- oriented operation. Decisions that are being taken inside Iraq are now being perceived in Europe as being closer to what they have in mind in terms of a transition. And so you have sort of a gradual convergence of policy views between the U.S. and Europe that's not all the way there yet, but it's a hell of a lot farther ahead today than it was six months or nine months ago.

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Secondly, you do have the powerful interests of all countries to try and bind up some of these wounds. But to pretend that they don't exist is not what I attempted to do. They do exist. But what I'm saying is that things have improved somewhat and that there is a strong interest among all parties involved to try and repair some of these relationships because Iraq is not going to be the last problem we're going to face as a globe. There will be new problems next year that we don't even anticipate. And if we can, in fact, bind up some of the wounds from the past we're in a better position to work together to confront the new and unforeseen problems that may develop.

I mean, we don't know, for example, whether tomorrow there will be a disastrous problem in Saudi Arabia that will unleash a catastrophic energy crisis. We do not know that. But we have got to be prepared to work together with other people and they with us to be able to confront some of these problems and united. And I believe that is not just a U.S. perception that's a broader perception. So that would be my answer to your question.

Erik Peterson: On the second question posed on the relationship between this summit and the other upcoming meetings, let me open that to the panel at large. Would any of you like to take that?

Patrick?

Patrick Cronin: Yes. Let me just first make one elaboration on the G8 process itself because I think you can't distinguish the finance and the policy preparation for the G8 meetings, very professionally led on all sides, building up not a secretariat but in reality still a very tight bureaucratic relationship that is fairly strong and will deal with some of the issues that I think Ambassador McCormack is talking about regardless of whether the leaders like each other.

I think there's no doubt that the United States' reputation is at a low point right now and it's largely over Iraq policy and the war on terrorism policy. And I would suspect – I'd be very surprised if a lot of G8 leaders were not hedging their bets waiting for the American election to determine whether they want to embrace this President after the election and said we were with you all along, or, you know, good riddance, my goodness, we finally have somebody we can work with. Either way I think we're going to be in a stronger position, frankly, six months from now vis-à-vis the transatlantic relationship, than we are probably now. There will be a honeymoon period either way, I would suspect.

Even so, I don't disagree that this has been an important process for healing. And I think it's been part of the trifecta, it has been part of this preparation for the EU summit, for the NATO summit. And I think in all of these cases you've seen U.S. policy under President Bush move back toward closer coordination, collaboration, multilateralism in a way that is somewhat distinctive from some of its previous policy choices.

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So in general this is a positive time for U.S. policy toward the leaders of our allies and friends in these institutions and from these countries. But it doesn't nearly make up for the loss and the damage that has transpired and we're not going to do that in the next six months.

Erik Peterson: Other questions or comments please.

Sir?

Question: Larry Julynn [ph], [inaudible]. We know that the number of African heads of state [inaudible] somewhat tangentially introductions. What in the African discussion will be [inaudible]?

Erik Peterson: Who would like to take that?

Ambassador Richard McCormack: I may just say a few words on that. As you know, when this administration took over it was the strong desire of Secretary Powell and others to be able to address some of the more fundamental and deep-seated problems in Africa in a way that we hadn't done to that degree in the past. And it was out of that we gave birth to the AIDS initiative of the President, which was a very substantial effort.

Then other events took place and the war in Iraq took place and resources that undoubtedly would have gone more into the African area have not. There has been an injection of resources. They have made progress on the AIDS issue. But I know that some of the African countries are disappointed at the degree to which the support they had been expecting was not forthcoming. And that was not a choice or a desire on the part of the administration, this was a consequence of the 9/11 event and everything that followed from that.

But what they will have at our discussions on what they can do more on some of the disease issues, what they can do more on some of the other key matters, and they will have a sense that they are at least being listened to. And if, in fact, they cannot make additional resource allocations to the degree that they might like to do, they can at least put their concerns on the agenda for future economic summits.

Patrick Cronin: And very briefly, again, Africa has been placed on the G8 agenda for the past several years, it remains on the agenda, it's very important. It's maybe been overshadowed by Iraq as almost everything has, frankly, in the international agenda right now.

In addition to the commitment to HIV/AIDS and the Global Fund, which has actually really started to implement in the past year in a big way on its grant applications, you have the establishment of the Millennium Challenge Account here in the U.S. policy with a billion dollars of funding, the 16 countries that were deemed to qualify this first round, eight of them were in Africa, this is very positive.

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And so you have a significant engagement on the development side, notwithstanding Richard's point, which is that surely resources have been diverted toward Iraq and Afghanistan as those are urgent priorities, and yet more resources are still flowing to Africa than they were at any time in recent years on development assistance and more will flow both through the Emergency AIDS Plan and the Millennium Challenge Account. And the Europeans and the other G8 members have also pledged increases in the latest numbers out of the OACD Development Assistance Committee, which is charged with keeping tabs of these things, talks about the growth this past year. So there is still a commitment of growing assistance to Africa.

You won't see the trade aid issue dealt with quite effectively for the reasons probably Dick mentioned in terms of that's a Doha Round issue and challenge in terms of they have to complete that Round if they are going to hope to open the market access and to try to remove some of the policy incoherence from our agricultural subsidies and other issues that occur in all the developed world economies vis-à-vis the developing world.

And finally, you have a continuation of a commitment to other programs such as education, information technology, that are continuing to expand even though we don't hear as much about them toward Africa.

Erik Peterson: Thank you, Patrick.

George, last question please.

Question: Thank you. My name is George Paulson with [inaudible]. One country that you didn't mention is Afghanistan. I was wondering if you could give us you all's wisdom of whether the G8 summit, not just Afghanistan's political process but also the second component which is Afghanistan as an out-of-area theater of operations for NATO and [inaudible] success? Thank you.

Voice: Erik, you're in the best position to speak to that.

Patrick Cronin: Well, of course, Afghanistan has been the success story for NATO and that'll be, of course, front and center as we enter Istanbul and go back to the NATO summit.

But, obviously, you have all of G8 countries I think still a very much tight alliance really with respect to Afghan policy, very hopeful, cautiously hopeful that they can now move beyond President Karzai, who will be speaking here, by the way, in about 10 days – and into an election process to gain greater stake in Afghan society for more Afghans. Slowly, it's not going to happen overnight. There are still huge problems between Kabul, obviously, and the outlying provinces. And yet, there's hope that this process can continue to move forward and that's partly because of the close coordination of the G8 countries, the NATO partners. Whether the NATO commitment to forces on the ground, including an expanded commitment in Afghanistan, becomes ever a model for another country where there's insecurity and need for reconstruction, remains, you know, an open debate.

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But I think Afghanistan's a very successful story. They won't drop it off the agenda, it will remain part of the very important discussion.

Erik Peterson: It disappoints me that we have to close the discussion right now. I apologize, I see a few of you who have questions going. But, unfortunately, we have part two of our panel now where we shift from agenda to the broader relational context of the meeting.

So ladies and gentlemen, we're in the best of the Stanley Cup tradition. We're going to do a line change here. I see the Chairman of the next panel, our colleague Sherman Katz, in the back.

So, Sherman, let's exchange lines.

Thank you very much, ladies and gentlemen.

[Applause]

PANEL 2: RELATIONAL CONTEXT

Sherman Katz: Shall we try to get started?

Thanks very much to Chris Sands, who has organized this, for inviting me to chair this second part of the discussion this morning.

I just wanted to say a few words about some of the possibilities, some of the items that will be on the menu. Some of them you've heard discussed already this morning, but in the second panel you're going to hear us talk about them through the perspective of Japan, Canada, the EU, Russia, through – thanks to the experts that we have with us.

So just a few words before I introduce them to you about some of the subjects that you've heard discussed here and also a little bit of the rhythm of the meeting itself so that if you haven't already seen it, be aware of the scenario that's developing.

On June 8, President Bush, who is host, of course, will start out these meetings with a working luncheon with Prime Minister Koizumi. Significant I think for Japan – Bill can comment on this - Japan takes protocol perhaps more seriously than anyone else. The first meeting with Japan, not surprising; the second meeting with Prime Minister Martin of Canada; then a bilateral with Gerhard Schroeder of Germany; and the Vladimir Putin, all those on the 8th leading up to a social dinner for the leaders in the evening.

Then June 9th a breakfast with Tony Blair, and then a plenary session.

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Obviously, in all of these bilateral meetings one has to suspect that the Iraq Security Council Resolutions will be discussed. As you probably know, Kofi Annan is taking 15 Ambassadors on a retreat this weekend to talk about these resolutions. They will be debated next week in New York. But one can also imagine that at the same time as they are being debated there that the heads of state, heads of government in Sea Island will also be talking about them with President Bush.

On the Greater Middle East Initiative, I don't think it was mentioned that as recently as – in the first panel – as recently as June 2 Reuters reported the possibility that the so-called Greater Middle East Initiative of the U.S. government might be dropped because it was perceived in many European and some Arab quarters as a kind of smacking too much of the United States dictating to countries in the region exactly what they ought to do. So as a result, and I think in an effort to try to turn around this perception, at the luncheon on the 9th of June Afghanistan – the heads of government of Afghanistan, Algeria, Bahrain, Jordan, Turkey and Yemen, will be invited to talk to the G8 leaders about their efforts, as Condi Rice put it, to pursue democracy and reform. And Prime Minister Erdogan of Turkey, who also has been invited, will be held up, if you will, I think as exhibit A in terms of how a secular democracy can be created in a mainly Muslim country.

In the afternoon of the 9th there will be a plenary session devoted to weapons of mass destruction, proliferation, and global terrorism. And I think, as we can expect, this is in part a euphemism for what to do about North Korea and Iran. Japan, for its part, has mentioned something it calls dialogue and pressure. Obviously, several of the countries at the table, except for China and I'll come back to that, are part of this group of six that has been seeking to work with North Korea. And our expert on Canada may have something to say about this international transportation initiative. I'm not sure it's been in Canada's bailiwick but I think it has.

Then on June 10, in the morning there will be a plenary and then a wrap-up. And after the wrap-up – You've heard Africa mentioned a number of times, if you haven't already read it it may be useful for you to know that the African countries whose leaders will be there are six-fold. They are Algeria, Ghana, Nigeria, Senegal, South Africa and Uganda. And I'm always one who sees problems and hopes that governments will talk about their solutions, so I hope – you haven't heard it mentioned this morning - but I hope that the horrible situation in Darfur in the Sudan will be discussed. Over a million refugees have been created, 100,000 of them spilling over into Chad. We all have heard regrets from the Clinton Administration about not doing very much about Rwanda. This, theoretically, is an opportunity for the G8 to do something about the situation in Sudan, although one should not be overly optimistic.

Finally, in the same vein of my own idealism, an item which is most definitely not on the agenda but perhaps should be, is China. Here we are with one of the most important economies in the world now no longer, excuse me, not participating in either this level or the Finance Minister level, and yet we've heard from several of our speakers this morning that one of the

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most important issues globally economically is how the Chinese economy will do in the next – in the coming time.

So those are just a few thoughts about what could be discussed and in what context.

Let me introduce our four experts this morning. Three of them are CSIS born and bred so to speak. Dan Hamilton from SEIS comes here from very good credentials. [Laughter] Bill Breer worked at the State Department for 35 years, 18 of those years he was posted in Japan. He was the Deputy Chief of Mission to both Ambassadors Armacost and Mondale. He also was the head of the China Country Desk at the State Department and he also worked on Northeast Asian Affairs at the Bureau of I&R, Intelligence and Research. So one can barely find anybody in town who knows more about Japan and what it thinks.

Dan Hamilton is the Director of the Center for Transatlantic Relations at the School of Advanced International Studies at Johns Hopkins. He has been Deputy Assistant Secretary for European Affairs. He has been, was the Coordinator of the Southeast Asian – sorry, Southeast European Stabilization Force. He has been Associate Director of Policy Planning under two Secretaries of State and we're delighted to have him with us this morning.

Sarah Mendelson is at CSIS where she is Russia and Eurasia Program Senior Fellow. She particularly concerns herself with Chechnya and the use of force. She's been on the faculty at the Fletcher School of Law and Diplomacy. She headed up a study for Carnegie Corporation on the impact of Western democracy assistance to Eastern Europe and Eurasia. Happy to have you.

Chris Sands, who has organized this meeting – and congratulations, Chris, and thank you very much – is a Senior Associate at CSIS for the Canada Project in the America Program here. He's also Director Strategic Planning and Evaluation at the International Republican Institute. He's written extensively on U.S./Canadian political issues. He's an expert on Quebec separatism, on NAFTA, on the North American auto industry agreement. And so we look forward to your remarks.

Bill, would you like to start?

William Breer: Thanks very much, Sherm. It's a pleasure to be here.

Japan takes very seriously these summits, as I think do – I'm not suggesting the others don't but Japan especially, because it's an opportunity for Japan to participate outside of Asia in a multilateral or in the Atlantic consultation process, which is doesn't have otherwise. And so it makes Japan a part of the bigger world and it's been a very active participant ever since the beginning of the summits.

Japan has had a whole string of Prime Ministers over the last 10 or 15 years and they've all be active participants, but I think Mr. Koizumi comes to this summit perhaps stronger than

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any of his predecessors. He has higher support rate at this stage in his prime ministership than any of his predecessors for as far back as I can remember. He has just come from what is, I think, for the most part regarded as a successful trip to North Korea. He didn't achieve a hundred percent of what he sought, but he did bring back a number of abductees and I think his visit was – he took a risk and I think his visit was well regarded in Japan.

The election that the party faces this summer for the Upper House of the Diet I think now looks pretty good. The LDP, the Prime Minister's party, will hold its own, it's widely believed, and some people even believe it could regain a majority in that house.

He also comes with a strong relation with President Bush, partly due to the dispatch of troops in Iraq who are, I think, performing admirably and who have suffered no casualties yet, which is also a strong point for Mr. Koizumi I think. But I think Mr. Koizumi's policies have been extremely well appreciated in the United States and so that relationship is very strong and I think it's significant that the whole summit process opens in a luncheon with Mr. Koizumi.

Also, this time, unlike the last half dozen summits or so, he comes with a strong Japanese economy, with a growth rate for the last few quarters of around five percent, I think, and even looking better. All the signs we see now of the Japanese economy are for further growth and strengthening in contrast to the last few years when one of the major targets of the Japanese Prime Minister's colleagues has been Japanese economic stimulus and criticism of the Japanese inability to get their economy together. This time he can boast of having a strong economy which is contributing to the growth in the rest of the world.

And on the major issues at the summit, on the Middle East Initiative or in the Middle East process in general, Japan has been quite supportive. It has a major aid program in Jordan, I think it's the biggest donor to Jordan. It has promised and is delivering a good deal of aid in Iraq reconstruction. It has 500 or 600 Ground Self Defense Force troops there engaged in humanitarian work.

But at the same time, Japan hopes for more international cooperation and coordination among the G8. And greater U.N. involvement or genuine U.N. involvement would give cover to Japan and would be consistent with a pillar of Japan's diplomacy for the last 40 years which is a strong U.N. system. Japan is the second biggest contributor to the U.N. and believes very strongly in strengthening the U.N. to handle issues like Iraq. For the dispatch of Self Defense Forces, for example, it's much, much easier for Japan to do so under U.N. cover.

I think Japan has a generally good image in the Middle West and I think it will be an active supporter of efforts for reform in the Middle East, although I don't think the Japanese believe that reform overnight is possible or reform even in the medium term is possible. But I think the Japanese are willing to play a role in constructive policies in the Middle East.

On the terrorism issue Japan will be fully supportive, I think, of the mainstream on this. I think it will stress that more international cooperation is needed. Japan is supportive of all of the

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efforts on nonproliferation. It lives next door to North Korea and is an active participant in the Group of Six process in negotiating with North Korea to eliminate weapons of mass destruction. North Korea is, of course, a major security concern to Japan.

And on the environment, Japan is supporting a waste management and recycling initiative. I don't know how far that's going to get. I think there is some skepticism among the Europeans on that issue, but I think the United States is likely to support it because Japan has been so supportive of us in the Iraq situation. So I think we can look forward to Japan playing an active role in the summit and Mr. Koizumi, I think, gaining probably further from the process as we go into an election period in Japan.

Sherman Katz: Thank you, Bill. Dan Hamilton?

Daniel Hamilton: I was asked to talk a bit about the context in Europe and European approaches. I think it's important to set up the context because in terms of the European dynamic this has already started, of course. The President's now in Europe – the D-Day celebrations are already part of this narrative that G8 is just sort of the next step of it – and having his photo op with the Pope today. Many of the Europeans are looking at this trip in terms of the President as his election campaign, and I think it's important to put this very much in the political context rather than just the bureaucraties of the achievements of the summit.

This is a series of, a string of events, some questions earlier alluded to that, starting with the D-Day celebrations; the G8 meetings; a whole series of bilateral efforts which are, hopefully, going to get some things back on track with bilateral leaders; leading to a U.S./EU summit in Dublin just a few weeks later; and then leading to a NATO summit in Istanbul at the end of the month; and then the transfer of sovereignty in Iraq the very next day. So I think it's important to see this whole in a string, a series of conversations that we'll be having all month among the major leaders, all in the context of politics.

The President's in a tough election campaign here and one needs to understand the Europe that he's come to is also in the middle of a whole range of other issues, perhaps not always on American headlines. The European parliament is having its own election just a day after the G8 summit, elections in the entire Europe parliament -- it only happens every five years. It takes three days, in fact, to have those elections all through Europe and so all of Europe's in the middle of an election campaign.

At the same time, the European Commission, the bureaucratic arm of the EU, is basically fading away because there will now be a new Commission this fall and most of the leaders including the President, Prodi have basically gone off looking for other jobs or have already been – are doing them. And Prodi, the dynamic at the summit, of course, is Prodi campaigning against Berlusconi and both of them there trying to appeal to voters at home and use the summit as a platform for their own domestic agenda. And that will play out on television screens.

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I think Iraq has badly divided Europe as much as it's divided Europe and the United States. Although most public opinion in Europe is very much against a war, it's still a very divisive issue within Europe and those divisions, of course, also bubble near the surface as one tries to achieve some real products now.

There are also other issues going on. There are some French/German tensions at the moment. There was a Franco/German summit that was postponed because they didn't want to embarrass each other in front of a whole string of other summits. It has to do with economic policy, of whether France and Germany would sort of promote industrial champions and go back to sort of industrial policies, and so on. It's a complicated issue but suffice it to say while the Franco/German relationship is very strong overall, there are some tensions there which are also underneath the surface.

There is, of course, the enlargement of the European Union itself. Those representing the EU will be representing 25 countries for the first time at this summit and that whole new dynamic is also very uncertain because none of those new countries are going to be at the table and yet are part of some new dynamic of which they've never had. And underlying all this is continued slow growth in Europe and some of the economic issues that were mentioned before.

Most European leaders, I would argue, desperately want to see John Kerry come to power and hope the President is thrown out of office. They're never going to say that so bluntly but they are also not convinced yet that Kerry is going to win. And so in the context of this tough election campaign and their own dynamics, the typical European sort of answer to that is sort of muddle through this, not come out with huge pronouncements, not try to have some big thing that helps the President, but allow the bureaucratic process to move forward and the kinds of initiatives that were described, allow that to continue. But I don't believe that one should expect any huge initiatives, this is all being seen through the context of politics, pro and con, on both sides of the Atlantic.

As I said, the story besides the G8 itself will be some of the bilateral meetings as meeting Mr. Berlusconi right now; had his photo op with the Pope, as I said; and he will have bilateral meeting with the other main European leaders. There will be an effort – everyone will try to put a face on this that they are back somehow together, but I think this is really a façade. The tensions are very deep and nervousness over Iraq. Iraq will be the underlying theme, how you get to a resolution in the Security Council, how you align the sequence of events in Iraq over the next six months, what the role of the Europeans will be, all of these are still very much up in the air. I do believe they are seeking hard to have a resolution that will succeed, but the French position, particularly at the moment, is there has to absolutely be control by the new Iraqi authority over U.S. forces or multinational forces and the wording of that will become very tricky.

Both the Germans and the French, particularly the Germans, have said, well, we would like to see some international effort in Iraq. Don't count us in in terms of the military force. The French are more coy about that. That's more likely to play out at the NATO summit rather than

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anything before that. But I think, again, one has to see this in the context. The real events on that will come near the end of the month rather than now.

There's also this other economic context I think is important to put here as we talk about this. Our center, we just released a study this week on the transatlantic economy and it's an interesting story because one chapter just tells the story of what happened over the last year. And, basically, the answer is we talk about Americans being from Mars and Europeans being from Venus all the time, and the story the last year since the G8 met is that both Mars and Venus should take little heed of Mercury. Mercury was the god of commerce, also the messenger of the gods. And the message of 2003 was that it was a year of political bust across the Atlantic but economic boom. It was a record-breaking year in terms of transatlantic profits last year, particularly with those bad old boys of Europe, France and Germany.

U.S. companies pumped \$7 billion into the German economy last year, that's continuing. U.S. companies in France recorded historic profits, never before have American profits in France been as high as last year. There was not any decline at all in transatlantic engagement across the Atlantic. It was a 10-percent increase in U.S. investment in France last year.

Records profits of European companies in the United States in the past year, historic levels. Europe has never been so exposed to the North American market as it is today and the United States has never been as reliant on the health of the European economies as it is today. And that is why slow growth in Europe becomes a particular issue. If Europe would just grow by three percent, which seems tough, it would create a market the size of the country of Argentina. Not six-percent growth in a big emerging market, it is a country that size because the base of the European economy is so huge. So small growth in Europe has a huge impact on the rest of the economy and not only across the Atlantic but around the world. And it's that frustration that I think will key many U.S. efforts still to push the Europeans on reform.

As was said, the Europeans will push back on the deficits issue and that will be the back and the forth. I think my point about this context is that despite the fact that much commentary seems to indicate that globalization is happening somewhere except across the Atlantic, as if it's all about only the Third World or about cheap labor or outsourcing, if you measure globalization simply how continents interact, the depth and thickness of their interaction, then globalization is happening faster, and deeper, and cheaper across the Atlantic rather than between any other parts of the world.

And some of the frictions across the Atlantic these days come from the collision of our societies with different regulatory and other kind of mechanisms. We're reaching deep into each others domestic systems these days as much from drifting apart. There is that political drift, but the issues of the economy and how our citizens interact are actually very, very different ones. And there's a different agenda out there between the Europeans and the Americans beyond Doha, beyond the WTO, that has to do with deep integration. Three-fourths of foreign investment in the United States comes from Europe. There's something called insourcing not just outsourcing and most of the jobs provided by foreigners in the United States are from

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Europe. The number one investment target of Europe is Texas. The number one investment with the French is Texas. And if you look at this you just see a very different picture than the overall image one gets across the Atlantic.

The other underlying tension but possibility perhaps is the Greater Middle East. Our German friends would prefer the Wider Middle East, they don't like the term greater. And Fischer makes a point of that all the time even though he's embraced this concept as one of the few European leaders so actively to do that. But the administration intended this whole string of summits to be key to this one theme. It was going to be one summit after another highlighting the new initiative, highlighting the new regional possibilities. Frankly, I think most observers think they've made a hash of it over the past six months. The original draft had to be withdrawn from the G8, it was leaked. It was withdrawn, had to be redone, it has been pulled back. Invitations to some states were rejected. Some states were invited and declined to come to these meetings. So it's a very uneven gathering. You mentioned some of the countries coming, but it's very uneven. Many of them are staying away because they don't want to be associated with the way the administration has framed the issue.

And so while I would argue there is much potential to that theme, transformation, the politics of it again threaten to undermine it for this series of summits. And I think most people are, in fact, going to wait and see until next November and try to see whether there isn't something beyond that. It's after all a generational challenge as the President himself I think has said. It's not something for the next summit to get checked off. It is a huge reversal of orientation, of how the world, basically approaches this region and how this region interacts with the rest of the world. So it is much bigger than any one summit and I think to look at the checklist of the summit and say whether success or failure probably misses the point.

The German Foreign Minister, Joschka Fischer, has embraced this concept in his own way, very stridently and that's an interesting sort of dynamic. It has not been so widely accepted in public by many European leaders but I think at the heart of it, if you talk to many officials, they agree that this is really a potential of a generational effort and a hope, if they are hopeful, and some of these every other day, could be the new sort of crux of a transatlantic partnership for another generation to transform this region as other regions have been transformed in the past.

But there is huge doubt about the administration's policy towards Israel and Palestine, just rampant criticism throughout Europe about that policy; great doubt whether you can advance a broad regional effort unless you really deal with that; and concern that this just undermines really everything else.

They are themselves preoccupied with Turkey. The addition of Prime Minister Erdogan actually at the meeting, adds this whole other dynamic to the situation. The EU has to decide by December what they say to Turkey about its candidacy for EU membership. It is a polarizing issue within Europe and it's put right on top of all these other issues. And so for Europe the wedge issue to the rest of the region and an issue of U.S./European tension again, is Turkey's

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relationship to Europe. And that will play out very much throughout the fall but it will come to the fore right now.

And someone mentioned Afghanistan and NATO while they're doing the G8, just to mention, I think Afghanistan is just an example of how NATO has transformed itself tremendously. It is already a global NATO. It's not going to the Spratly Islands soon probably but it is, at least with this broader region, it has already engaged -- 15 of 26 NATO members are in Iraq now in various capacities. NATO as a unit is already supporting the Polish effort in Iraq. So it is active and it is active everywhere outside of the core Europe, the Balkans, obviously, including Afghanistan.

But Afghanistan, while it's easy to say it's a success, it is not yet a success. It is preoccupying many of the Europeans who are really committed to the Afghanistan operation. And there are great difficulties there right now. So if you ask the NATO Secretary General his number one issue is Afghanistan not Iraq, and his concern is that this could all go also south. And many of the European countries, Germany in particular who opposed the Iraq effort are massively engaged in Afghanistan. But they're concerned about their resources, about their ability to perform these types of engagements, and that's the underlying theme behind this.

My last point, just a brief one, is besides all the politics, if one looks at the G8, the interesting thing for me is what, again, doesn't get much attention, is that it's a new form of cooperation in some of these areas dealing with non-state actors and challenges or opportunities around the rest of the world. And it's more of a networking effort that's been launched under the G8 process over a number of years. It's not a formal alliance, as many have said, there's not a big secretariat. There is simply some networking going on among states and actually with private and NGOs and others to address issues that don't get captured somewhere else.

On terrorism out of this process emerged a number of years ago a Financial Action Taskforce to take care of terrorist financing. There's the Proliferation Security Initiative; there is an effort that was launched with the Canadians and the Mexicans involved on bioterrorism, health issues, health security under this process. Those are ones that actually have substance, often, and actually are doing some things. But they are not the ones that are going to get -- they're going to get drowned out by the politics of this, it seems to me. And the politics, I think, is the defining context for thinking about the summit.

Sherman Katz: Thank you very much. It's too bad Ambassador McCormack isn't still with us to compare and contrast your perspective and his.

Sarah Mendelson, please.

Sarah Mendelson: Thank you. I'm going to do something slightly different, partly because Russia is very different from what you've been hearing. I want to talk about issues that I think could or should really cast a shadow over this meeting. I'm not going to crystal ball gaze and tell you what the Kremlin or President Putin will do, since, frankly, the Kremlin is extremely

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opaque at this time and criminology is not terribly interesting. So instead I want to talk about the very prominent shadows that are out there, the elephants in the room, the large tensions that threaten really to devolve into tragic flaws.

The most prominent shadow is that of creeping authoritarianism in Russia. Put another way, it is the incredible shrinking public political space in Russia. Why is this relevant? Let's think about what this meeting is. This is a meeting of the heads of state of the major industrial democracies, talking about the major economic and political issues facing their domestic societies and the international community.

Russia's economy is the size of the Netherlands and it's democracy is – well, that's what I'm going to talk about. This public political space in Russia has been shrinking for a while, so this is not the first G8 meeting where this has been the case. But this year it is much more obvious to even those who do not follow every single day what is going on in Russia. And what we see are more clearly threats to democracy and human rights and that they're very serious.

The government completed its takeover of the major media markets. There are no independent national television stations in Russia and I'm going to talk more about this in a second. Systematic use of administrative resources coupled with this controlled media effectively led to the elimination of all opposition leaders in the legislative branch this year. Russia's post-communist transition has entered an especially precarious period, both in terms of where the public is at in Russia and where the authorities are at.

Based on CSIS data, and that is large, random sample surveys that I've commissioned long with my colleague Ted Gerber at the University of Wisconsin, and which were conducted in Russia by the Lavada [ph] Analytic Center, Russia today is composed of roughly one-third democrats, one-third authoritarians, and one-third that are ideologically up for grabs, they don't know or they don't care. These are people who don't know if they prefer authoritarian forms of government or democratic forms of government.

Perhaps most shocking, 50 years after the death of Stalin his popularity is surprisingly high, even among younger generations. In other words, in public opinion we do not see older authoritarians giving way spontaneously to a younger generation of democrats. What we see is a lot of division and undecideds. And I realize that a lot of people say, oh, well, President Putin is extremely popular and this is a sign of a robust democracy. And this is too simplistic a formula.

There is clearly some support for authoritarian forms of government and I think there's clearly some support for President Putin. But having total control over the media means that there is never any critical discussion of politics inside the Kremlin and that the message is always completely controlled. And I believe in general it's just more complicated than that. What we see is unfinished business of democracy in Russia, which means that when you're talking about the Greater Middle East or the Wider Middle East it's sort of absurd. This is unfinished business that the Euro-Atlantic community and Japan were quite involved in. What I see is a battle of networks of people that populate very important institutions in Russia, that is people in the

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Ministry of Interior; the former institution that President Putin used to work in, the FSB, that is the successor to the KGB; people who populate the Ministry of Press. And what I see is a battle of liberal internationalists versus illiberal nationalists.

Put simply, liberal internationalists want Russia embedded in the Euro-Atlantic community. They want Russia to be part of the G8 community. Illiberal nationalists regard with suspicion opportunities to freely interact with counterparts from other countries. And there's an enormous amount of evidence that illiberal nationalists are winning in Russia today. There are controlled elections, there are few critical sources of information, there is wide harassment of independent organizations. A well respected, young human rights activist from one of Russia's oldest, most independent and indigenous groups told an audience next door in this building a few months ago that her colleagues are for the first time in their young lives talking about, "working underground or immigration." Okay, these are canaries in a coal mine and they are not represented at the G8.

And, of course, this week we saw the most prominent television show in Russia with the most prominent television journalist fired. A specific journalist was fired for a specific story. If this doesn't move you in the audience I don't know what will. And there's clear evidence that the authorities had a hand in this. I realize it sounds dramatic, but my colleagues in Moscow are telling me this is evidence of state censorship.

So the G7 has a fundamental interest in Russia's democratic future, not only because it has weapons of mass destruction. And the Bush Administration, like the one before it, has spent billions trying to secure these weapons along with other enabling nuclear materials and sensitive technologies. And this makes a lot of sense, but let's be clear what's going on in Russia. The illiberal nationalists are repulsed by this work that the Americans, the Russians, the Europeans are doing together to reduce threats from WMD.

Real lasting security is fundamentally about ideas and institutions, and isn't that what the G7 is about? And here we have this terrible tension. President Putin made clear in a speech last week where he stands, and it is with the illiberal nationalists. I urge you to go look at his May 26 address where he implied that support for "influential foreign and domestic foundations" for democracy and human rights was not in the real interest of Russia or Russians. Two points on this, he's criticizing the leaders and the citizens of the countries in the G7 who have spent their citizens' taxpayer dollars on helping Russia in this transition.

But more importantly, perhaps, how is support for democracy and human rights in Russia not in Russia's interest? Are we back to an era where Russia lives with a separate set of human rights norms from the rest of the world? This will displease Russians very much. We have a lot of granulated information on how Russians think about human rights. And, of course, Russia is part of many clubs where democracy and human rights are prominent.

What I'm saying is that Russia's political trajectory is headed in the wrong direction and it's dangerous for our nation's security and for other members of the G7 to pretend otherwise. If

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the G7 means something it should state clearly the message to democratic and human rights activists who are inside of Russia that the G7 is with them and not with the illiberal nationalists, otherwise it's going to be terribly awkward when the G8 shows up in Russia in two years from now. I'm not quite sure what that meeting's going to look like.

I want to close with a list of other shadows that I think are going to be at the G8 meeting for Russia. Now, obviously, the card that Putin – he has two cards in his back pocket and one of them is Iraq, he chose wisely on that, and the other is the combined oil and gas. It's not really the size of the Russian economy, it's how the Russian economy is structured. But he's got – and this is where the – you know, if you think of it as a story line and Putin is the main character in this drama, he has inherently either intention or it's a tragic flaw and that is he has stated that he wants to double the GDP by the year 2014 and then last week he said he wanted to double it by 2010.

Now I don't know how you get that kind of growth when at the same time you've encouraged this kind of control, when you are against the kind of competition that he has demonstrated. Just from an entrepreneurial perspective I don't understand how you get there from here. I mean sort of a good new/bad news thing. On the one hand he controls enormous amounts; on the other hand it's not the kind of control that can help you. And it's very difficult to fight against corruption, which is in a lot of ways really inhibiting growth. How do you in the modern era fight the rule of man without independent, critical, investigative reporting? You don't get to the rule of law without that.

He's got three very large domestic issues and I'm going to end with these, which are really tragedies for Russia: lack of military reform, and I mean by this really the continued collapse of the Soviet Union inside the armed forces where people are having to scrounge for their own food, where people are not trained, where there is systematic institutionalized abuse. And Russians know this. 94 percent of Russians want the prosecution of officers who tolerate what is very brutal hazing.

But here is again another tension, the healthcare crisis in Russia, which gets very little attention. I mean focused on what's going on in Africa, and frankly, in Russia, there's healthcare crises nested inside healthcare crises. We focus a lot on HIV/AIDS, I can tell you for Russians it is one of a long list. And the idea that Russia can solve this problem by itself is absurd and it's dangerous because there is so little international interaction on HIV/AIDS and on a number of these healthcare issues.

And finally, the war in Chechnya, which is ongoing, which is going on right now. And as the discussion about international terrorism turns at the G8, you know, President Putin will try and put Chechnya in that context. And the problem is that the way the Russians have used force has increased extremism rather than contained it; and that this is, frankly, a threat that could spill over to the neighbors, to other parts of Europe.

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But it certainly is a sore for Russia because the way that Russia has dealt with this – I mean, why was the journalist fired? It was because of a story on Chechnya. And, you know, probably most of your organizations do not have people on the ground, but I promise you, if they did, it would be a story like Bosnia, of completely bombed-out – I mean, Grozny is far worse than Sarajevo at this point and people are trying to eke out a living there.

So all of this are, you know, the elephant standing in the corner. We'll see whether they come up. I don't have a lot of confidence they will which is why I've taken this time to talk about them. Thank you.

Sherman Katz: Thank you very much, Sarah.

Finally, Chris Sands.

Christopher Sands: Thank you very much, Sherman, and thanks to everybody. They keep giving me credit, it's really Andre Belelieu's credit to pull all this together but I appreciate you all being here.

Canada's story as far as the summit goes, I think like Japan, Canada likes these summits. It's an opportunity to be on the world stage. But for the Canadian's the context is, like the Europeans, an election. Canada's Prime Minister called an election for June the 28th, that's just three weeks after this summit. And you would think this would be a good election for the Prime Minister, his party has been incumbent since 1993. This Prime Minister's inherited the job from his predecessor, Jean Chretien. But having served as Finance Minister through most of those years since 1993, Paul Martin, the Prime Minister, has attended a lot of G8 summits, he's familiar with a lot of these leaders, people know him, he's very comfortable on the world stage.

The economy in Canada is going well, reasonably. Growth is positive. They always tend to compare it to U.S. growth but they're doing well. Unemployment's still a little bit high but in general the Canadian economy looks pretty good. And yet, the election is not a lock for Paul Martin. And the reason, well, it's hard to say. One reason I think underlying a lot of his problems though is anxiety, anxiety in the Canadian public about the direction that the country is taking, and in particular anxiety that stems in one way or another existentially from the relationship with the United States. The majority of Canada's trade is with the United States.

The majority of Canada's foreign direct investment comes from the United States. Canada's very much tied to the United States. And if Europe and the United States talk about being Venus and Mars, Canada is like Phobos or Deimos, it's a moon of Mars and while it might have Venusian dreams it's nonetheless caught in a gravity it can't resist, and that locks it into this American context.

It's also true that after years of divided opposition where the conservative and more left-wing parties in Canada were split on the right, a traditional Conservative Party with a tiny rump [ph] of seats in Parliament and a Reaganite Populous Party from the West of Canada with a few

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more seats, actually forming the official opposition, on the left a Social Democratic Party and a Quebec Separatist Party vying for representation of social issues. Now the opposition looks very different. The two conservative parties have formed an alliance. They've become the new Conservative Party of Canada. For those of you who follow this, they used to have a Progressive Conservative Party, an oxymoron that is now consigned to history. They are simply conservatives now. And they are a government in waiting. The public has signaled that by giving them very strong polling numbers in recent years.

It's also a problem for the government, in particular Ontario which has a liberal government and Quebec which has a liberal government, both of those liberal governments are not performing very well. And so the public is tending to blame provincial problems on their federal counterparts, Paul Martin and his liberals.

This has raised a challenge for Paul Martin. He finds the Conservatives, his biggest challengers, are more pro-American than he is, and yet he has a significant challenge on his left flank as well and he can't afford to lose those votes. He's getting blamed for a lot of his predecessor's problems. People are sick of the old liberals because of so many years of Jean Chretien, and he needs a way to distinguish himself.

What he has found himself doing is suggesting that the Conservatives just want to Americanize Canada. His famous quote that was in an advertisement he ran early in the election was, "You can't have Canadian healthcare with American tax rates." From this side of the border I might say you can't have American healthcare with Canadian tax rates either, but that's just maybe a mean comment from my side.

Martin has actually played on the anti-American element of Canadian nationalism to try to rally people around himself and to drive them away from the Conservative Party in Canada in an attempt to shore up his support, which while ahead is not ahead very solidly. But at the same time, ironically the one issue that most Canadians see Paul Martin in his brief period as Prime Minister handling well has been the United States. And Paul Martin made a very significant for him trip here to Washington just six weeks ago. And in that trip Paul Martin gave a very bold speech talking about his vision for world affairs and to some extent for Canada-U.S. relations.

And in that speech he raised a lot of issues that I think will cast the backdrop for his summit performance. He talked about the G8. He also talked about the G20, a larger group of finance ministers that he hopes will add a component of leadership summits, heads of government getting together as well. This is a more inclusive group than the G8 in the sense that it includes some of the big emerging market countries, some of the other major players around the world. He talked about the need for a new and renewed multilateralism and a more positive approach from Western countries towards the rest of the world.

And what his speech signaled perhaps most of all is a uniquely Canadian quality, which may be captured in our own organization of this panel, a lust for leadership under a cover of caution; a fear that if Canada boldly leans forward rather than being recognized everybody else

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will go in the other direction and they'll be left on their own; and at the same time a desire to be seen as a progressive leader, as a country that is the kinder, gentler United States, a country that is superior to the Americans in all things except perhaps bulk. And this is a real dilemma because while that may be the Canadian aspiration that Paul Martin represents, it's also the aspiration of an awful lot of people. And if Martin pulls off that kind of a performance at this summit it will shore him up for the election which is coming very quickly on his heels.

Martin's agenda for the summit is focused heavily on development. Like the European countries, to some extent like the United States, he wants to move Canada into the governance business so that the Canadian aid program is spending more money on improving better governance around the world, putting money into supporting bureaucratic development as well as fighting corruption and so on. That agenda has had some resonance so far.

He's also taken up the role of championing Africa. He wants to make sure that the three G8 meetings that dealt with Africa don't stop there, that there's a real focus on Africa. After a long time when Canada talked the talk and didn't walk the walk he's talking about putting money into the Global AIDS Fund, overdue, but he is talking about putting that money forward.

On a second set of issues, when it comes to terrorism Canada plays a major role in what the United States is doing and has a lot to talk to Europeans and Japanese about when it comes to the security of commerce, which is a big issue for the Canadians – the management of borders, the handling of domestic counterterrorism efforts. Canada has had a problem being seen by some as a safe house for international terrorist organizations where they can raise money and operate without really a lot of scrutiny. The Canadian government's cracking down on that kind of activity, wants to send the message that they are serious about terrorism.

And then there are an economic set of issues. Canada is very concerned about the WTO; the stalled Free Trade Area of the Americas talks; the fact that as a small, open economy it depends on these multilateral agreements to open markets that the size of Canada is just not big enough to force open so they need these talks back on track. Like the child of divorced parents, they look at the Europeans and the Americans fighting over agriculture and just want everybody to get along just for the kids' sake if nobody else's. [Laughter] And so this is a major item as well as Sherman mentioned, the transportation initiative. The importance of talking about some secure transportation and also building infrastructure to support that trade.

If I were to raise a question for this summit it comes down to this, Canada has been successful in past summits, it's been successful in global leadership – which it lusts after – when it can play its U.S. relationship more effectively, when it can basically win the Americans over first and then with the Americans proudly in the background the Canadians can build a broader consensus. It doesn't work to go to the world and say, "We'd like you to try this bold new initiative but the Americans haven't signed up yet." They have to start with the United States. So in a way there's a nice fit here. Canada has got to figure out what to do with its U.S. relationship. If it can figure out its U.S. relationship it can have global leadership and has a lot of the right ideas.

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But ultimately, that's the backdrop for Canada in the summit and with an election going on Paul Martin's going to be walking on eggshells through the entire summit and I think be very cautious, probably won't see a lot of him. And sad to say, I think even on June 28th with the series of events you've already talked about happening in the rest of this month, you probably won't see a lot of headlines. But all of you can call me if you want to know how the election turned out.

Sherman Katz: Thanks, Chris, thanks. I think we all have a new appreciation of the nuances of best Canadian relations.

Floor is open to questions. Yes?

Question: [inaudible] Embassy, is there any deliverable [inaudible] trade and this G8?

Sherman Katz: Anybody – I'll start with the panelists.

Question: [Inaudible].

Sherman Katz: Okay, did you want to direct it to me or to ...

William Breer: Well, I will put Sherman on the spot because of all of us he really does do global trade much more than we do. I would say though, particularly there is a concern over things like WTO. There may be some statement of a renewal of a commitment to move forward. But I don't sense that the spade work's been done for an announcement. I mean everybody understands what needs to be done, they understand what the obstacles are. We've gone beyond the point of identifying the problem but we're now at the point where we need to recommit to trying to get it solved.

So my sense is no big announcements but a backdrop, as Daniel was talking about, of great economic growth and great boosts in trade among the G8 countries, which is at least one positive.

Sherman, do you have a better sense on that?

Sherman Katz: I think the economics will actually happen at the U.S.-EU summit not at the G8 summit. It has to do a bit with U.S./EU efforts on the WTO but they will announce a call because, again, this is in the context of elections and so they're not going to announce anything big. They will ask for reflection groups at the U.S.-EU summit to look at this deep integration agenda beyond the WTO and to see what the United States and Europe can be doing about that. It's a whole different agenda but they're not going to announce anything because there's nothing to be done now between now and November and there's no Commission, frankly, any more in Europe that is the partner. So Pascal Lamee can do all he wants on the Commission side but his

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base is fading and they're having these Europe parliamentary elections, you know, two days later. So I just don't see a context for substantive efforts here.

Christopher Sands: I'd agree with that. I just don't think the agriculture issue, for example, is teed up for these heads of government to take any action. There will be a cheerleading statement. We all look forward to a prompt progress in completion of the Doha Round but I don't think much more than that.

Sherman Katz: Yes, please.

Question: I'm [inaudible]. [Inaudible] Mr. Breer. You mentioned that Japan hopes for a more genuine U.N. involvement. Specifically, what shape does Japan wish that would take?

William Breer: Well, I think they'd like the passage of a U.N. resolution, first of all, that would authorize the U.N. to take specific actions in Iraq. I don't know the precise parameters of that at this time.

And to go further, if they had their druthers they would like a U.S. – some sort of a U.N. command in Iraq. I'm not sure they're going to get that, but that would be the ideal outcome I think from the Japanese perspective.

Sherman Katz: As you probably read in the morning paper, one of the key issues is whether there will be final say by the Iraqi government over military movement. U.S. says no, Europeans say yes.

Other questions?

Yes.

Question: Yes, Howard Strauss [ph]. I appreciated very much the constructive and subtle discussion of the agenda's interest of Canada, Europe and Japan. I was absolutely stunned by the African AIDS discussion with Russia's constructive agenda at the G8. Russia's interest in the G8 as an institution which is similar to Canada's and Japan's. A possible interest in strengthening of the G8 by Canada and Japan and other such things. But just a one-way discussion of everything that's wrong with Russia, which sounded to me like a part of the campaign for driving Russia out of the G8. I wonder if that's the goal?

And on the question of whether Putin's a nationalist or internationalist, I do think one could mention his incredible support for Western interests in a number of spheres, and whether it's in the Western [inaudible] to punish Russian's internationalists and always subject them to humiliation as was in many ways done to Gorbachev?

Sarah Mendelson: Ira, do you want to tell us who you work for? ...

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Ira Strauss [ph]: I work quite independently. I can assure you that I've never been paid by a Russian [inaudible].

Sarah Mendelson: No, I'm not saying that. But, Ira, you do work with an organization to bring Russia into NATO, yes?

Ira Strauss [ph]: That's correct.

Sarah Mendelson: Right. I just wanted to make that clear. You're witnessing a very vibrant discussion within the Russian studies community on where is Russia and where Russia should be. Listen, obviously Russia has a lot of – or Putin, President Putin – let's separate President Putin from the population for a moment. He has enormous interest in being seen as a good citizen. He chose very well in terms of Iraq and so he can sit comfortably at the summit with the French and the Germans.

He has enormous interests in trade, although, again, domestic conditions are going to inhibit that. I mean, obviously, he would like direct investment in Russia but the degree to which there is a lack of rule of law impedes that somewhat.

Russia faces a lot of terrorist threats as do many countries. There are serious interests. The problem is, if you are cooperating with the very people that are, as if it's Russian roulette, you know, they'll stop and they won't let you have a visa and they'll investigate you and the tax police come to your organization. There is a tension in how you deal with the very security services that are hostile to Russia's integration in the international community.

I mean, the thing about the May 26th speech is it's all about we can do it alone. No country can do it alone on many, many issues. And so there's a kind of tension on how he relates and his administration relates to globalization. And note, of course, that President Putin has decided not to go to the NATO summit. So I think we're at an odd moment in how he is thinking about his country's experience with these international organizations.

Sherman Katz: okay, our time is just about up. In the absence of any burning questions, join me in thanking this panel for a good discussion.

[Applause]

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