

**THE CENTER FOR STRATEGIC AND  
INTERNATIONAL STUDIES**

**CSIS BRIEFING ON G8 SUMMINT/EUROPE TRIP**

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ANDREW SCHWARTZ: Good morning, and welcome to the Center for Strategic International Studies. We are about to have our briefing on the G8 and the president's trip to Europe, and on hand we have with us our Europe program director, Julie Smith, Simon Serfaty, our Brzezinski chair in global strategy, and our Grant Aldonas who is our business chair, the international business chair. And without further ado, I will turn over the microphone to Simon.

While we're in the question-and-answer period, if you could hit the microphone and identify yourself. First we're going to go around and give a few remarks, but then we'll open it up to questions. It would be very helpful for the presentation of the transcript if you could use the microphone. And without further ado, give it to Simon.

SIMON SERFATY: Thanks Andy. Andy told me five to seven minutes. I know that is a large assignment in a short period of time. Let me do the overview then in terms of personalities, substance, and timing.

Personalities. Clearly, to my mind, starting out for this meeting is that there is a new lineup. The lineup is significant. It is a change that began in 2005 and will continue until 2009. All of the leaders of the eight countries involved in that meeting by and large will have been changed or will be changed during that period of time. The focus therefore should not be placed just on the fact that there is a new foreign president; there is also a new German chancellor, an Italian prime minister, and there will be soon a new pur pa (ph) minister, possibly twice by 2009, the U.S. president, the new Russian president, probably a new Italian prime minister as well.

This is reminding me of conditions that prevailed in 1979, 1983, when there was a total change in political leadership in the then-G7-8 to be group; Thatcher in '79, Reagan in '80, Mitterand in '81, Gonzalez in '82; Kohl in '83, Gorbachev soon afterward. That is significant because the dynamics of inter-European and transatlantic relations was changed profoundly when all of those people came in, beginning with the G-7 meeting that was held in Williamsburg in May of 1983.

So the lineup does matter. It matters collectively. The dynamics I think may be changed now and during the coming years. That to me is the main story, the most lasting significance of that initial meeting. Now added to this, the fact that there is also a new foreign president. Individual elections matters – again, let me use a president: the change from Aznar to Zapatero in March of 2004 transformed dramatically the dynamics of the European Union. I believe that the election of the French president, Sarkozy is transforming the dynamics within the union and by implication therefore the relationship with the United States in a transatlantic setting and we might come back to this. So, A, the lineup: not one person at a time but all of them the totality.

Second substance. The G8 has become an organization that has a cast that does not relate to the agenda when the agenda is right. Or else, the agenda is simply wrong.

And we should therefore in that context rethink what those people talk about as well. If you look at the agenda and Julie and Grant will say more about this, you have an agenda that is focused on economic issues and a bit on the environment and on Africa. I mean, not with those eight head state and government. I think the people will be absent there, otherwise that in many ways matter most. Even in developmental Africa, discussing those issues without the Chinese at this point in times doesn't seem to make that much sense to me. When the agenda is right, that is to say, if it were to be a political agenda, then your resistance to addressing it.

I understand why the German chancellor would have wanted to make of this primarily what G8 ought to be, and focus primarily on economic issues because in most political strategic issues, she is in many ways the odd-person out within the Euro-Atlantic setting. So we have a disconnect between who is doing the talking and what they will be talking about. The most interesting issue on the agenda to me is Russia, and how the other seven will handle Mr. Putin who is really the elephant in the room. Mr. Bush will be very comfortable, more comfortable with those people than he has ever been – well, at least not for a period of time. But Putin will be ill at ease and Sarkozy does make the difference in this particular context.

Finally, in one minute with regard to timing, this is the wrong time for such a meeting anyway. All of these people over there will have their thoughts elsewhere, not in the session proper. Mrs. Merkel is thinking about the EU summit, which is going to be far more significant from her standpoint, to be held later this month. Sarkozy will be thinking about the legislative elections that will be held during the first two weeks of June. Prodi will wonder whether they will still be around next time they search (?) a meeting in the aftermath of the elections that were held – same about the Japanese, quite frankly.

Tony Blair is on his way out. He has probably begun to write his memoirs – (unintelligible) – and Mr. Bush will be thinking about the blind date he has next September with the U.S. Congress in order to avoid that this withdrawal from Iraq will be transformed into a retreat. So their attention I think may well be more lastingly elsewhere than in the particular specifics of this meeting. That is the overview. Now the substance will be provided by Julie and Grant coming next. (Laughter.) Julie.

JULIANNE SMITH: Well, thank you, Simon. I would second many of those remarks. I just want to build on some of what you have pointed out and talk a little bit about the agenda that the meeting, the summit will be tackling in the next couple of days.

Merkel of course has set out a very ambitious agenda for this meeting, and that mirrors the ambition that we have seen that has accompanied her agendas for other major meetings of this order, for example, the EU/U.S. Summit, and of course, as Simon mentioned, the EU summit is coming up in June. And with all of these, with each meeting she had, she had laid out in advance this very, very, in my mind, ambitious agenda.

The title of course is “Growth and Responsibility” in global economy, and it has a couple of key things. And I’m going to leave the economic themes to grant, our resident expert on those angles. But I wanted to talk a little bit about some of the other themes, particularly climate change.

The goal here in the area of climate change of course is to reach some sort of worldwide climate protection agreement for 2012 and beyond. And I think Merkel’s goal and vision for this is – or motivation behind it is that she genuinely believes that the timing is right. She thinks that in Gleneagles in 2005, President Bush, in particular, was not prepared to meet the EU halfway on some of these climate change initiatives, but she believes that she can push something through now, although in the last couple of days, we have seen various leaks coming out of Berlin indicating that there is some skepticism among the Germans on how far they are going to be able to push the Bush administration on climate.

She also believes that the G8 might succeed in what the U.N. has failed to do in terms of pushing forward and extending Kyoto. And she thinks maybe a smaller forum might be suitable for progress in this particular area. She has purposefully invited various other countries. You have heard that Brazil, China, India, Mexico, and South Africa will be present, and that represents about 90 percent of the global emissions around the world. And I think she thinks that that will spur some progress.

But what we are seeing in all of these agenda items is there are very subtle and sometimes not so subtle dark shadows on the horizon. And the dark shadows on the issue of climate change are certainly coming from the United States right now. What we are seeing, in my mind, is a little bit of the reverse of the enthusiasm that we witnessed at the last EU/U.S. Summit, where, in my mind, both the EU and the U.S. came to the table and were willing to reach a compromise on a number of previous disagreements vis-à-vis climate.

For example, I found it pretty remarkable at the EU/U.S. Summit that the U.S. came to the table, openly said that this is an urgent issue that needs to be addressed immediately, and that in fact, manmade activity has been contributing to this problem. The EU reached out as well by noting publicly that any solution to climate change must include countries like China and India. So I saw major developments at the EU/U.S. Summit of the two sides coming together.

What I’m seeing is a little bit of a rollback here. The United States, as you have all heard – most of you have reported on this – is not interested in seeing binding targets presented through the G8 Summit agenda. Particularly, I would say, the U.S. has objected to a pledge that ensures that average global temperatures will not rise by more than two degrees Celsius. That has been removed from the agenda.

Also, tucked into the climate change agenda is the issue of energy efficiency. And here the dark shadows or kind of the spoiler is not the United States but just fundamental transatlantic differences on how to tackle energy efficiency. What Merkel is

going for is some sort of global carbon market. But here you see real divides in U.S. and European approaches to this particular issue. You see the U.S. emphasizing over and over again, technology, technology, technology innovation. You see the Europeans talking about regulation, regulation, regulation. And so this clash of the means to tackle the issue of climate change is becoming very present in the lead up – in the debates leading up to the G8.

Now, on Africa, here again a very ambitious agenda – we have got all sorts of key things mentioned, wrapped around Africa, security and prosperity, good government, sustainable development, transparency of oil flows, the list goes on and on. These themes of course follow on the 1999 summit in Cologne, and the 2005 Gleneagles Summit.

And the spoiler, in my mind, or the dark shadows, are coming from a couple of different areas. First and foremost, when you talk about peace and security in Africa, of course what comes to mind is Darfur and Sudan. And I personally think it's quite shameful that all of these countries for years on end have neglected to find any sort of solution to the conflict in Darfur. I don't think Darfur will play prominently in the G8 whatsoever. But that certainly talks a dark shadow on, again, the leaders coming together and talking about peace and security on the continent.

Now, Bush of course came out yesterday talking about moving forward on sanctions – these are unilateral sanctions – on a couple of individuals and companies. I don't think they'll be terribly effective, but I respect at least putting that out publicly and trying to move the agenda forward. Also kind of haunting the Africa agenda is some of the failed promises that have resulted from the 2005 Gleneagles Summit where a lot of the – in fact, everybody came to the table promising to double aid to Africa by 2010. It now appears that none of the countries that will be present at the G8 Summit have made major strides or are on track to meet those targets by 2010.

So I think we'll see some very vague statements made on Africa and also on climate change, that there will be some recognition of the problem, more disagreement on the means to tackle these issues. I think what Simon pointed out is very important. The most interesting part of this summit will be watching the personalities, and particularly watching Russia which will be providing of course the mood music for this entire event. Russia has thrown out a number of rhetorical bombs, I guess I would say, over the last couple of months creating a number of tensions on a wide array of issues ranging from missile defense to Kosovo's independence. Yesterday it launched an ICBM, and the list goes on and on.

So I think trying to observe how the transatlantic partners interact with Russia – and then we'll have to wait and see if Putin uses this opportunity to drop another surprise into this meeting on another issue, or perhaps repeat his objections to missile defense, whatever it may be. I think that will be the most interesting and important part of the summit.

So I am not expecting major breaking news, decisive action on some of these core themes, but with that, I guess I'll turn it over to Grant and see if we could be a little bit more hopeful on the economic front.

GRANT D. ALDONAS: Well, I wish I could be, but – (laughter) – I mean, given that, as you all will recall last year, the biggest news coming out of the summit was Bush's shoulder brush – (laughter) – with Angela Merkel, I think we can expect something similar here. I really do think the summit, as Simon was suggesting, is going to focus on folks getting acquainted with Sarkozy, certainly dealing with Russia, trying to come to grips with what this institution is supposed to be about.

But the punitive items on the agenda start with global imbalances, regulation of the financial sector. I'm going to spend a little bit of time on some aspects of climate change and then emerging economies. On imbalances, that is code word for our budget deficit and our current account deficit and China's surplus.

The statement that will come out of the summit will be very much like the finance minister's statement on the heels of the IMF World Bank meetings. They will cite the significant improvements in the United States fiscal outlook. It will cite the concerns about the current account deficit and the Chinese surplus. Of course China will be in the room. The first day of the summit will be spent with the G8 itself. China will be in the room for that discussion on the 8<sup>th</sup> for a half-day when they meet with the outreach countries, including China.

In terms of regulation of financial markets, the Germans pushed for a code of conduct on hedge fund regulation and on the regulation of private equity. That won't happen. It's more likely to result in a statement of recognizing the value that these functions provide in the context of capital markets, but not doing anything in terms of regulation, other than maintaining a watchful eye.

On climate change, I actually think we're going to be surprised at the level of cooperation that will come out of this. The objection on the U.S. side was to a numerical target with respect to one aspect, which was reducing climate by two degrees. And frankly, based on the experience under Kyoto, that is an unrealistic estimate.

And the objection in many respects was leveled at signing up for something like Kyoto, where all of the countries are likely to fail. If you look at Canada right now, it has already conceded it won't meet its Kyoto targets. Japan is coming to grips with the same issue. Europe, to the extent it has met its Kyoto targets has done so because of the collapse of the East German economy. Remember, the baseline under Kyoto was 1991, so the assumption going was that East Germany industry would be a part of the baseline.

So to the extent that Europe has met the requirements, it's largely an artifact of the adjustment after the end of the Cold War, as well as the shift in Britain away from coal. So the objection to Kyoto has as much to do with the fact of setting up artificial goals.

The president will focus on trying to look at the improvements in the science, where they have identified specific challenges, and what the eight countries should be collectively doing to address those specific challenges. So that will be the focus. Now, the reality is I think that there has been a recognition in the White House that the science has improved both on warming and with respect to the specific challenges. That is what led to the agreement at the U.S./EU Summit, and I actually expect that they will make progress.

Now, plainly, the president will push his ideas about innovation and about technology is the answer on climate change. What is curious to me is that neither side in either the Europeans pushing for specific reductions in temperature or the United States focusing on innovation actually focus on what they should be focusing on when the leaders get together, which is what they could do in the context of the international economic system to encourage the diffusion of new technology, particularly in the developing world where we are seeing most of the growth and admissions, and in energy usage.

And so, again, just as my colleagues were suggesting, a lot of the problems in this particular summit is what is not on the agenda. The things that should be on the agenda, where you bring the leaders together and you could expect to make progress on some significant gains, because they should be addressing where these economies interact, are simply not a part of the discussion.

Last point about emerging economies – this relates both to Africa and to the broader question of their role – it's clear that as long as at the G8 is punitively an assembly of industrialized democracies, it's not likely that China will be invited to join, at least a leader summit. Having said that, Angela Merkel is looking for an opportunity to create an ongoing dialogue between the G8 and China and other emerging markets that would allow for the discussion of things like global imbalances, like IPR protection, and particularly Africa.

One of the great concerns I think that – and I certainly applaud what Merkel has done in this respect, is that she has raised the issue of China's lending policies at a time when the G8 has made every effort since Gleneagles to reduce the dead burden on the least-developed countries in Africa. We now have a new player in the market for these activities, which is encouraging lending to the same governments that, frankly, have just been relieved of the debt burden.

So there is a lot of opportunity for dialogue with China on this set of issues, and that is what Merkel wants to create. So I actually expect that there will be some agreement on an ongoing dialogue between the G8 and the emerging markets, not just including China, but also India, Brazil, and others.

Last point is in terms of where this goes in the future. It is clear that despite every effort to restore some focus on economics, that whenever the leaders get together it's not

going to focus on economics. And as a consequence, I think you're going to see broader pressure for more work to be done at the finance minister's level where it is possible to bring the Chinese into a direct conversation with a G8 minister. And I expect there will be some words as to what happens in the future with respect to economic summitry. Thanks.

MR. SCHWARTZ: Great. And we'll go ahead and open up to questions. If you are seated at the table and have a microphone, please use it. If you're in the back of the room, just please identify yourself and let us know who you are. George.

Q: (Off mike) – that shadows the discussion. And secondly, you talk about personalities. Can you talk a little bit about President Bush's standing with the other leaders? We know how weak he is domestically. Is he similarly weak as a leader of the alliance or do the other leaders basically think it's not good for the leader of the alliance to be that weak, so they are willing to look past it.

MR. SERFATY: It's quite weak from the bottom up. There is no question that from the bottom up, there is a dismissal of this president in certainly all of the European countries that will be represented there, and in a number of the countries he will be visiting incidentally before and after the G8 meeting. But I think that in terms of this particular setting, this kind of (French phrase) – (chuckles) – if you like, he will be in much better shape than he has been in a number of years.

You do not have among the leaders there now the kind of the hostility and the dismissiveness at the personal level that was apparent even before Iraq in June of 2001. And it's not just about Bush and the other. For example, Blair and Chirac just had a dislike for each other, which was in many ways second to none.

So he will be more comfortable in this particular setting, this summit, but he will have to be kept away from the general – Iraq of course is there, but there is nothing we can tell those guys about Iraq, because I'm not quite sure the point – at this point, when – (unintelligible) – what to say beyond saying, look, bear with me; we'll discuss it anew at the end of the summer and into the fall. No one is going to do more than they are doing now, however little it might be. This is essentially a competition now in accelerated withdrawal, competitive withdrawals for all of the members of the coalition outside possibly the U.S.

Q: Martin Walker, UPI. I was wondering if Julianne Smith and Simon agree with Grant Aldonas' optimistic views about climate change agreement of some kind, and beyond that, also, whether it's possible to see some kind of split emerging between those who do believe in nuclear power as a key part of some solution on climate change, and those who don't or who are under great domestic political constraints to adjust?

MS. SMITH: Well, I think in terms of agreeing with Grant, I certainly to agree that we will see continued steps forward on climate change, and that in itself is good news. I think it's about managing your expectations. Again, Angela Merkel is going in

with very high hopes, or at least she was planning on doing that. Maybe she has already backed down from those high hopes. But if the overarching goal is to reach some fundamental consensus between the transatlantic partners on the nature of the problem and the perception of the problem, then we will continue to see progress in that regard. If your goal, your overarching goal, is to see major strides in outlining a concrete plan of action, you're not going to see major developments in that regard.

But I would agree with Simon. I mean, of course a rock will overshadow and those disagreements will continue to kind of haunt transatlantic discussions. But the good news is all sides are hungry right now for a new agenda and a new way to move the transatlantic relationship forward in a positive light. And to the extent that climate change can help shape a new transatlantic agenda, all of the leaders I think who will be there would welcome that development. So the instinct is to move away from, again, the shadows of Iraq and try and craft some new, I guess, action points for the transatlantic partners and try and keep the wheels turning on that.

So I think on nuclear power, though, there will continue to be disagreements. I actually see more disagreements inside Europe than between Europe and the United States on this. I don't think this will feature prominently in the discussions. It's a little bit too deep in the weeds. There of course will be mention of this. We know where France stands as a very strong advocate of nuclear power. Others, particularly the Germans, are more skeptical that this is our way out. The Americans seem open to discussing this in one way or another, but I don't think – that will haunt our discussion on climate change in the next five years, maybe not in the next five days, but I think we will see increased attention to that particular issue in the future.

MR. SERFATY: Let's focus on this new couple: Angela and Nicolas. Nicolas needs her and she needs him. He's being sweet to her. She is a former minister of the environment so he is saying all kinds of things about the environment. That helps him at home as well in, incidentally. He's saying what she wants to hear about Turkey. He's saying what she wants to hear about the U.S. as well, incidentally. God, what a relief; she likes him. But he wants something from her. He doesn't look at her for her body, really. He's focused on some other items, and what he wants is a mini treaty on the EU later in June.

MR. : What's wrong with her body? (Laughter.)

MR. SERFATY: Well, it's a matter of taste, you know. It's a matter of taste. He wants her for money – (laughs) – because he also wants her for the money she can manipulate in the context of the ECB, the European Central Bank, and has got a few things to say about the European Central Bank. So I view this as an intra-European kind of negotiation, and if they can work a deal with Bush, they will want to do it. They are not looking for total – these are not people of vision; these are people of efficacy. You know, they just deal with the issues as they come up.

Now, if I may add one word, I think that there is one issue, to my mind, which could hijack the summit, and that's Darfur, in fact, and I mention this because Julie (sp) suggested might not be too heavy on the agenda, but in fact Darfur is a feel-good issue, and Sarkozy and his new foreign minister, they're really committed actually, on that issue, and it would not be difficult to have, I think, a deal of some sort on this. How effective it would be remains to be seen, but at least come up with something more important, as been the case in the past.

MR. SCHWARTZ: We'll go to Ken and then we'll go to Ed.

Q: What do you make of the president's initiative this week on PEPFAR, Darfur, and the announcement of Zoellick; what is he trying to set up here? And on the second thing, the president seems to be wanting to reposition himself as something of a global warming warrior. Is anyone around the world buying that from him?

MR. ALDONAS: Well, let me talk about Bob first, which I just think is a terrific choice for the World Bank. The institution is in disarray right now. It needs leadership that will point in a direction and motivate people to move. And one thing I can say, based on my experience with Bob, is he will get people moving.

The reality is is that he's going to bring vigor to the Bank, which has been missing while we've been going through this exercise with Wolfowitz, and so I think it's an incredibly good choice. I also think it's a choice that is calculated to be acceptable. Certainly the president's interest in maintaining the United States' ability to appoint the head of the bank by appointing an internationalist like Bob – he certainly is trying to make sure that he's doing the right thing in the eyes of the board.

However, having said that, I think Wolfowitz's departure probably means Bob will be the last U.S.-nominated individual. I think in the future we will see a nomination process that's based on merit. I think it's inevitable at this point after Wolfowitz's demise.

Having said that, the president as global warming warrior: Certainly I think he'd like to do that Jujutsu, but, you know, if what you're focused on is just technology as a solution, you're really talking about things that will help 25 years hence. You need something that actually is going to affect the economic dynamics that helps a guy that is running a business off a three-wheeled scooter with a two-stroke engine in New Delhi have another option. And that means lowering the cost of technologies and diffusing them into parts of the world where those technologies aren't currently available.

And so the real move that would make a difference is if you really try and liberalize the trading system in ways that would eliminate barriers to trade in these technologies. If the president took that step, you would think he was a global warming warrior.

At this point, still fending off the idea of numerical targets, and something like the Kyoto Accord, which has largely failed in terms of encouraging the sorts of reductions that governments agreed to at one point, is really a static approach. And so I don't see that's going to be putting a banner on this as global warming warrior, again. I think, again, the items that aren't on the agenda are more important than the items that are on the agenda, even on global warming.

Q: (Off mike) – at the summit. The White House just announced this morning that President Bush is going to be hosting Putin at the Kennebunkport Bush compound a month from now.

MR. SERFATY: I think the president will be going to the Czech Republic first, and then immediately after the summit he will be going to Poland. That, I think, is a distinctive message, which is understandable in Russian as easily as it is in English. The message is that we're going to do what we're going to do, and your concerns about the deployment of some marginal capabilities designed for defense purposes in Central Europe are not going to impress me.

I think that in addition, Bush will be able now to rely on better support within at least the Euro-Atlantic setting. Chancellor Merkel publicly has been concerned over the drift of the U.S. relations with Russia, but Sarkozy comes in as a hard-liner, and he may become her alibi for loosening up a little bit on such issues as the deployment of such capabilities in Central Europe, but also with regard to the upcoming NATO summit meeting in early 2008. I think Sarkozy has taken the position, for example, that the map should be extended to Georgia and even to Ukraine if it wishes to – that is to say, the first step toward NATO membership. There is a need to develop some sort of coordination for an energy issue with regard to Russia, and so forth.

So I think that the mood may have changed somewhat as to how Putin personally, and Russia generally, on the eve of the upcoming election, might be addressed.

MS. SMITH: I actually wanted to follow up on your question about Darfur. I mean, I think the president has been under increasing pressure from the media, from various very active and vibrant NGOs that have been working on this issue, church groups, Congress. Loads of people have been putting pressure on the administration to take action in Darfur, and that is something that you do not see replicated on the other side of the Atlantic. So in my mind as someone who is back and forth all the time, I see much more discussion on this side of the Atlantic, much more attention paid to this.

Now, granted, the president has not succeeded in, with or without allies, crafting a solution to this conflict, but to his credit, he has sent a number of envoys, special envoys. We've had Zoellick, we've had Richardson, we've had Natsios – loads of people going over trying to do what they could. I think the announcement yesterday was in part a challenge to Europe to become more active on this. And Simon is right; I think there is some now much more interest – growing interest on the other side of the Atlantic. So I viewed it very much as a message to Europe: This is what the United States is doing,

taking unilateral sanctions. We would urge – I think in particular the United States would like to see EU activity in this regard. As an institution that heralds itself as, you know, the preeminent destination for soft power, here is a moment for the EU to showcase its soft power, not by sending troops into Darfur, but by also moving forward with sanctions, targeting individuals or companies operating inside Europe, things that the EU has failed to do to date.

It has recently sent a special rep. There is some movement in that regard. But I would hope that – again, I don't think Darfur will feature prominently on the summit agenda, but I would hope that this challenge yesterday will lead to some collective transatlantic action on this issue in the months ahead. But I don't want to be overly optimistic.

Q: Would you say the same thing on PEPFAR, with the president challenging, in effect, other countries to step up on the AIDS relief effort in Africa?

MS. SMITH: I'm not sure. Grant, do you have an idea on that one?

MR. ALDONAS: Yeah, I mean, this is the president trying to articulate a position where he's got a good legacy, and try and put that out front. So part of it is PR. But there is real substance here. This is something the president believes in. So I do think that there will be – there will have to be some response simply because at least rhetorically he's put the other players between the sword and the wall.

But on Darfur, I have less hope. For me, that's where I see the shadow of Iraq. The reality is that for European governments, having been biased against an intervention in Iraq, very much reticent about putting boots on the ground themselves. Certainly in the position we're in militarily and politically we're not about to put boots on the ground, given the reaction to Iraq.

So ironically, a situation like Darfur, which really could lend itself to trying to have some humanitarian intervention, is likely to suffer because of the continuing sort of overlay that carries over from the Iraq intervention and the fractiousness between the United States and Europe.

Q: The U.S. has definitely been very resistant to the draft, as we know, but our European reporters have reported in the last day or two that there's some signals that they may be going to compromise a little more, and I'm just wondering what reasons would they have to do this, and if they're not going to give any ground at all on the two degrees, what specific points might they come to an agreement on, might they compromise on?

MR. ALDONAS: Well, I think what you're saying is a response to the fact that the market has moved. American companies see an opportunity in this. They recognize what's coming in terms of what's in front of them in the economic environment.

The other thing is that I think the president actually has been convinced by the science. The science has evolved both with respect to warming and with respect to the specific effects, the challenges that we're going to have to face where government policy actually will have some impact, and that's where I think you'll see the agreement and where we're going to see the movement and the cooperation going forward. I don't think at this stage, having taken the sort of opprobrium of the international community over Kyoto, that the president is going to agree to numerical targets at all. Nor do I think that he's going to agree to a process that would follow Kyoto and adopt a similar path. I think the president's reaction is that's a failed approach. It's a sense of setting goals which nobody can possibly achieve, missing the goals, and then undermining the effort to try and do the right thing.

So what he's going to do is try and focus the debate on things that would matter. That is where the science actually does make a difference, because to the extent that the science identifies specific challenges that are susceptible to government action, I think that's where the president would feel most comfortable sort of moving ahead and agreeing with his European friends.

MS. SMITH: I would just add to that. I think the incentives are pretty clear. First, you never want to have a summit fail, so – and it's already been teed up as, you know, U.S. objections could threaten progress on climate change. So the motivation is to come out smiling and holding hands and have the nice photo op, and I think any administration would want to see some positive spin on developments at the summit, but more importantly, the United States has been going to Europe hat in hand on a number of issues over the last couple of years. We've asked for more European support in Afghanistan. We've even asked for more training of police in Iraq. We've asked for help with Iran and what to do about Russian energy security, and the list goes on and on and on.

And so I think the European response to that is we're happy to talk about these issues. We can talk about meeting you halfway. But what are you going to be compromising on? And I think the Europeans throw back the climate issue as we may budget on X, Y, and Z, and here is our request for U.S. movement, and climate is first on that list time and time again.

And also, finally, I mean, it's a new team. Bush wants to have a very positive spin, start relations off on the right foot with Abe and Sarkozy, and I think to the extent that, as Grant mentioned, the Bush administration has changed its tune somewhat on climate. I think that's very clear. I think we have now a Democratic Congress controlled by the Democrats. That's made a difference. The private sector, state developments – again, church groups have come into play on this issue, NGOs. There has been a lot of movement on climate in the last year or two, and I do see that the president is increasingly persuaded by the science, and I think that will trigger some movement forward on this particular issue.

Q: Is there extra incentives – (inaudible) – with Merkel – (inaudible)?

MS. SMITH: Certainly. I mean, he has a very positive relationship with Merkel. That can't be overlooked. I mean, there are limits on how far she can push the relationship, but compared to his relationship with her predecessor – with Schroeder and some of the other cast of characters that we've seen in Europe over the last couple of years, Merkel, you know, benefits from, I would say, the most positive relationship on the continent right now with the president.

MR. SERFATY: As a footnote, let me also say that there are limits to what Merkel can do with Bush when it comes to the issues of concern to Bush, including Afghanistan, including Iraq, including Iran, including Russia, including any number of geopolitical questions. She has not gone far beyond what Schroeder and – (inaudible) – before her did. And thus the Europeans ought to know by now that Bush actually has come a long way over the past couple of years over a variety of issues, and they should not make the same mistake as he made a few years ago; that is to say, ask for something that he cannot or does not want to deliver on. And so I would hope that they will not push too hard on this particular set of issues.

Q: On that issue – Wendell Goler with Fox. The Europeans want, it seems, a commitment to a follow-on to Kyoto of some kind. This being one of the first times the president has gone post-9/11 and not tried to have Islamic fundamentalism dominate the agenda of, it seems like, every international gathering, I wonder if he is not obligated to give them something – something that they can say the world will focus on to replace Kyoto, which Ambassador Brutin said they wanted to begin working on by 2010.

Also, Merkel, it seems, needs something to give her some independence from the Greens Party domestically on climate change. So I wonder if they won't be in a mood to push the president a little bit farther than they might have done in the past.

MR. ALDONAS: I guess I would say that if it's perceived as a follow on to Kyoto and it's going to plow further down that furrow of setting targets that nobody can reach, the president won't be inclined. If, on the other hand, what we're really talking about is a regime that involves a number of different things, including investments and technology by all the players, including the actual work on specific challenges posed by climate change, then I think the president would be more in the mood to agree, for all the reasons we talked about, in terms of his relationship with Merkel, certainly his relationship with the Europeans, the issue you cite, which really is keeping a lot of other baggage off the agenda in some respects. I could see that. But if it's perceived as a follow on to Kyoto and operating on that same path of setting targets that no one will meet, I doubt that the president will be in the mood to agree. He's already faced the criticism, in effect, for saying no to that approach. I don't think that he'll be shy about saying no to that again.

Q: So is it a matter of how they sell it?

MR. ALDONAS: Yeah, sure. Well, no, it's substance first, Wendell. I think that if in fact we're talking about specific challenges, trying to identify what those are and then reach an agreement on what we should be doing to tackle those sorts of things, like the one I identified – how do you diffuse technology throughout the developing world where you're actually seeing the largest growth economically, as well as with emissions affecting global warming, that's the sort of thing the president would seize on. That's the sort of initiative I think that he'd look forward to grappling with, the sort of thing of setting these targets. Frankly whether it's foreign assistance or whether it's temperature is not something that appeals to the president.

MR. SCHWARTZ: Mark?

Q: Sure, you know, we've heard the president in Bratislava and in Tbilisi to talk about the great democracy movement of Eastern Europe and try to liken that to what's going on in Iraq today, from his point of view.

To the extent that he talks about that sort of thing in Prague and some of these other countries he's visiting next week, how much does he essentially inflame the European resentment toward the U.S. policy in Iraq?

MR. SERFATY: I hate to put it this way, but on occasion the president and his senior people have needed lessons in history and geography. The idea that you would compare conditions in the post-communism issue in Europe to Iraq now is really a challenge to one's intellectual credibility. Just as the attempt previously to compare conditions in Iraq and the Middle East to post-war conditions in Germany and in Europe, to which some of the other senior officials keep returning. There is no need to speak of Iraq when going to that part of the world. There is just no analogy of any kind to be developed. Anyone who attended any fourth-level college for a few months would have to know that – (laughter) – in god's name, and thus I feel strong about it because it keeps coming back. It keeps coming back.

Beware of analogies of this kind geographically or historically, because not only are they eroding your credibility about the circumstances we face at the moment, it creates also some further hostility for a German to be compared to the Iraqis as to their ability to rebuild their country is not comforting, quite frankly. If you give me 20 million post-war Germans, I will rebuild Iraq. But regretfully, that's not what we found there in 2003, and that's still what we're looking for in 2007. So stay away from those things.

MR. ALDONAS: If I can jump in that Simon actually needs that statement reinforced – (laughter) – but in all serious, you know, I mean, one of the real problems with American foreign policy right now is the ability to conflate issues that ought to be compartmentalized. When you go to the Czech Republic and when you go to Poland, the challenges they face are fundamentally different, and what you should do is speak to the challenges they face, which are on their borders, right? And so any attempt really to draw that sort of analogy really cuts against the ability to say we have a strong

relationship, we care about these relationships; there are issues we have to face together here relative to what you see in the world at large.

MR. SCHWARTZ: If I can just add one thing and put in a little plug for our organization here, CSIS, one of the truly great things about having a bipartisan center is you can say some of the things Simon just said sitting next to one of the president's former closest economic advisors, and we're really glad to be able to have this kind of forum where we can talk freely.

MR. SERFATY: (Inaudible) – will no longer speak to me of course. (Laughter.)

Q: Martha Wexler from NPR. I just wanted to follow up on the Putin question. As you'll be watching the transatlantic partners respond to Putin, do you anticipate that perhaps European misgivings over the missile defense program might erode the solidarity of the Western partners or – you know, how strong a response to Putin are you expecting? You know, I'm thinking back even the recent Munich conference even the Defense secretary, Bob Gates, seemed to sort of want to smooth things over when Putin went on a tirade.

MS. SMITH: Well, I mean, Putin has a delicate tap dance here. I mean, if, in fact, there is some interest in, say, dividing the transatlantic partners and how they look at Russia, and Russia's recent developments on a wide range of issues, he could push too far and have Europe move closer to the United States, or if he handles it just right, continue to keep European and American disagreements alive and very healthy on things ranging from energy to missile defense.

It was interesting in Munich – I was in Munich as well – and initially, you know, listening to the translation on my headset, I'm sitting next to a German. And he kind of turns to me and says, does this sound as bizarre to you in English as it does to me in German? (Chuckles.) And you sensed that there was some gathering of the minds, that light bulbs were going off in the audience among Europeans and Americans thinking this doesn't quite sound right and this is troubling.

But then, as we moved away from Munich, and we saw Russian objections to missile defense, we have some very deep divisions – on Steinmeier coming out very early, very vocal with his objection accusing the Americans of not consulting enough. Now he was rolled back a little bit – Merkel and Gates and everyone has said, let's let cooler heads prevail. But there is a potential here.

I mean fundamentally, Europeans and Americans have very different approaches to the issues that Russia presents the transatlantic relationship. And we see this come out in Iran and a number of other issues. You've got the fundamental disagreement over engaging versus isolation with the United States often pushing – let's isolate them; let's try and tighten the screws, and the Europeans saying let's fold them in; let's engage them; let's have a dialogue; let's bring them into Western institutions. And then, you've got the fundamental difference between offensive and defensive. I mean, how far do you want to

push this with Russia and the Europeans again urging let's draw back a little bit. Let's not push NATO enlargement too soon. Let's not be too quick on our feet with some of these developments to kind of come closer to Russia's borders.

But then, Putin's pushed it a little too far recently. I mean, we've seen with the Baltics and reactions to the removal of the statue in Estonia that now you do see some scratching of the heads going, hmm, maybe we should think about what does this mean? But the fact of the matter is Europeans – well, and Americans to a certain extent – have their hands tied. I mean, at the end of the day, we all know we need each other, right? I mean, Europe and the United States will need Russia. We can't cut them off. We can't isolate them. It's just a question of how far do you want to push some of that harsher language. And do you reprimand Russia in public? Do you make a scene at the G8? Or do you quietly behind closed doors express in unity your objection to some recent Russian behavior. And that is the open-ended question at the G8.

MR. SERFATY: Not only do the Europeans and the Americans need Russia, but even more to the point, Russia needs the Europeans and the Americans. If not with us, with whom – with the Chinese? The fact of the matter is that this is a passing moment of post-imperial nostalgia for Russia. They are in the midst of self-induced genocide, quite frankly, in terms of their dwindling population. And their resources, energy-wise, are finite and relatively short term. They may wish to take advantage of that opportunity that exists short-term now, but on MD he is overplaying his hand. MD is not INF in '79-83, and the reason why I made reference at the Williamsburg summit in 1983 is precisely with the focus on the ability to get a consensus on missile defense is a problem of the nature that has been mentioned to date. This is not an issue that deserves significant – that Putin has attempted to manipulate in order to bring about some splits within Europe or between Europe and the U.S. and that is understandable.

MR. ALDONAS: If I could just add, you know, the track record of dividing the U.S. from the West just isn't that good, going back to 1983. When things really get rough, we have a tendency to pull together. But that's not where we are right now. I mean, the reality is just, as Simon was saying, your premise depends on the Russians engaging in delicate diplomacy, which it's rare to see the words Russians and delicate diplomacy actually in the same paragraph unless there is a negative in between the two. The last thing is, you know, this doesn't reflect a coherent strategy on Russia's part, in which case, there is no really coherent response. It really is what Julianne is describing. There is sort of concern. There is misunderstanding about what the point of all this is, because it's not wrapped in a coherent strategy on Russia's part, so I don't think there is going to be any sort of broad, significant response, but nor do I think the West and the United States are going to be divided on this point.

Q: (Off mike.) – you mentioned earlier. Can you elaborate a bit more on the success of the finance ministers in recommending standards for hedge funds, as well as how will the G8 leaders be inclined to follow up on that success, and are these recommendations practical? And then, I have another question for you.

MR. ALDONAS: Well, the first and most important thing is that the G8 will not endorse the concept that the Germans floated of a code of conduct. Really, what they're talking about is all of the financial sector super-advisors, whether it's the Fed in our case, the comptroller, the SEC taking a hard look at what's going on. And that, in fact, is happening. What I expect is that the decision among the eight will mirror essentially what not only the finance ministers agreed to, but what the president's working group came up with, which is take a very close look at leverage in the financing that is going on here. Are there other things in your economic policy like the tax code that favors debt rather than equity that you ought to be taking a look at to see whether you're goosing the system in ways that are unhelpful and creates undue risk? So I think those are the sorts of issues that people are going to start to bear down on as opposed to the reflex, which I think you've seen in Germany, which is simply to say, we don't understand; let's regulate it as a practical matter.

Q: Intellectual property rights and protecting intellectual property rights. With China and India sitting at the table, do you think they will make any headway on that?

MR. ALDONAS: I don't think they'll make practical headway on specific items. I think what they will do is have a broad conversation about the value of intellectual property rights in the context of India and China's development, as well as what needs to happen in terms of their becoming stakeholders in the international economy, and what they have to live up to. The unstated issue is going to be that the folks in Beijing and New Delhi, as much as they would like to feel they have lots of control, don't actually have a lot of control at the local level. So if you conflate all of IP violations with things like pirated CDs, things of that nature, you're not actually likely to get moving. On the other hand, where it matters in India and China, where it involves high-level theft of industrial secrets that actually could damage their economic prospects, the governments will be responsible.

Q: Andrew Ward from the Financial Times, a question for Grant. Could you comment on the prospects for progress in trade liberalization talks, the Doha Round?

MR. ALDONAS: I don't expect – there is a lot of good work going on. But I don't expect there will be any breakthrough here. It is sort of an off-again, on-again proposition whether there will be a G6 trade minister's meeting either before or after the summit. Sue will attend the summit with the president. Certainly, there will be conversations on the margin, but not much more than confirming what was said at the U.S.-EU summit here with Mandelson and Sue in the room, with Merkel and the president. And so, the pressure is on to try and get something done and deliver something in June; there is no doubt.

Now, this isn't the deadline of fast track that is at play here; this really is just the sense that we have to get some movement going if we're actually going to salvage this round. And I think you have a president who is looking at the end of his term as well as looking at the prospect, so there is no doubt from the perspective of domestic trade politics that movement on Doha would help dramatically. Certainly, it would reinforce

the agreement that was reached with the Congressional leadership about Peru and about Panama on trade and labor. So anything that could come out of this would be positive.

But the reality is that the United States is going to have to take a significant step on agriculture, as is Europe, to get this done. You do have the pressure of a farm bill before Congress right now, so it's delicate. And I think the president is going to go there realistically, but I don't expect a breakthrough at this point. I think what that will come is probably later in the month of June, into July, if at all.

Q: David Jackson, USA Today. As you know, President Bush is also speaking at Sharansky's democracy conference in Prague. I'd like to ask the three of you what you think the state and the application of Bush's democracy agenda is?

MS. SMITH: Well, I think it was mentioned earlier. There is skepticism in Europe about the overarching democracy agenda and what it means and how you define it. There are transatlantic differences, for example, on the broader Middle East initiative. This has had so many different terms, the initiative that the transatlantic partners have launched a couple of times to try and bring democracy to the Middle East. There have been differences on geography – where should we focus our attention. There have been disagreements on how fast you push for democracy and democratic change. There have been disagreements on whether or not elections kind of are a win-win uber alles or do we question whether or not elections bring about the intended consequences or hope for consequences in different corners of the world.

And of course, as this ties into Iraq, deep skepticism about the democratic agenda as it's tied to Iraq, whether or not that's viable, whether or not that model could ever work. So this particular issue is sensitive to the Europeans, and there will be a little bit of a humming of don't stand so close to me on the democratic agenda that the Bush administration continues to pursue. That said, the good news is, below the political elites, there is a tremendous amount of good work that goes on at the mid-level between Americans and Europeans on the democratic agenda, on building civil society. Europeans and Americans are on the ground in many of these countries, working together on a day-to-day basis. And so, it's not all doom and gloom. It's just publicly at the political elite level, I don't think anyone wants to stand shoulder to shoulder with the president and say we're on board with this democracy building agenda that the president has sketched out and tried first and foremost in Iraq and Afghanistan.

So there will be a little bit of a let's keep our distance from this in Eastern Europe when the president is there as part of this conference. But again, I mean, it's not that the whole agenda is broken or that we don't do good work together. I mean, that's hardly the case.

MR. ALDONAS: I guess I would not put it just in the context of U.S. and European relationship. The reality is the initiative is in disarray. You know, following the outcome of Iraq post-war, when you travel the world, people react with cynicism when you talk about freedom and democracy at this point. And that is a net negative for

the ability of the United States to assert leadership about values that I think are now just critically important from the perspective of the United States. They're critically important for people all around the world. And so that's a very tough hole to dig yourself out of, and what I don't see coming out of this summit is any effort really to try and find it or dig their way out of that hole as a practical matter.

Q: What do you attribute the cynicism to?

MR. ALDONAS: Real skepticism about whether or not you can deliver democracy at the end of the barrel of a gun, and at the end of the day, whether or not the steps that were taken post-invasion in Iraq offered the opportunity to create that. And when you think about this – I hate to say – but more broadly, you've got to have the economic well being and economic wherewithal to exercise political rights. If you don't have the security to get the economy moving, it's very difficult to generate the kind of movement you'd want to see toward political reunification and movement toward democracy. It's difficult to have the trust on which democracy and freedom depend in a society. And those are things that are at issue every day in Iraq.

Q: (Inaudible) – two questions. One, I wonder if you could summarize what would be a success for President Bush? I mean, what is he really trying to accomplish in this trip? And the second, on the Albanian stop and the Kosovo issue, if you could comment on that.

MR. SERFATY: No, it is a good question. I am not quite sure I have a good answer. What would represent a success for him? Not too many image of disruptions outside the meeting halls – and the Chancellor is seeing to it as well as she can; good bad language, I do believe – I come back to the notion that Darfur is something that they could spend some time on unexpectedly and deliver on that. No major negative, that is to say, an ability to keep the final statement on those issues that we have been discussing. Reasonable, not challenge him to far, but you know, since for the past 30 odd years, the G5, G7, G8 as it became has essentially produced a communiqué that enabled each head of state in government to go back home and do what he or she was doing before they went there. And I expect that to be the case as well.

Africa – yeah, there could be something. But I frankly think that Africa always comes up in Washington at the end of the day. With Henry Kissinger in 1975, with Bill Clinton in 1999, now with George W. Bush in 2007, do you notice a pattern here? I mean, as you come closer to farewell time, then you say, oh by the way, maybe I should do more than I've been doing this far with regard to that part of the world.

So I have no specific answer beyond what I, for one, started with. There is a better mood at this point in time, in spite of the daunting issues we face. Don't speak to me about the democratic agenda when we have a civil war in Iraq. We have a civil war coming up in Lebanon. We have a civil war coming up in Palestine. We have a civil war threatening to erupt in Pakistan. We have very difficult circumstances domestically in Afghanistan. I mean, there is a time for everything. And the time today is on showing

short-term efficacy for some of the issues we face. And I think there is an understanding in this Group of Eight that might have been missing. The foundations will come later after we have forgotten all of the mistakes that stood in the way.

Q: (Off mike.)

(Laughter.)

MR. SERFATY: That's part of the – (unintelligible) – with Russia. I think what Russia does and how it performs at the Security Council next month, that's the last opportunity for coming to a deal on Kosovo. But I have nothing specific on that.

MR. SCHWARTZ: We have time for a couple more. Martin?

Q: (Off mike) – on Iran? Or is this the wrong forum altogether?

MR. SERFATY: I would like to think there will be a discussion of Iran, that this is really, I think, an extraordinarily difficult and sensitive issue. As I have said many times, this is a slow-moving Cuban Missile Crisis. And this time, though, the U.S. president is in a position to say, hey, you guys, I've been listening to you over the past couple of years, and you see, I was – (unintelligible) – to those people yesterday, and we're not getting anywhere. What else are we going to do now and when?

I don't believe from this standpoint that you will have a group of interlocutors eager to raise the ante, frankly, because this is so extraordinarily dangerous. Sarkozy will be firm on this, but so was Chirac, maybe a teeny firmer so long as nothing happens. Mrs. Merkel is relatively prudent and Gordon Brown will have to come up soon and say more about the issue. But we are running out of time on the economic sanctions, quite frankly. And yes, there will be some talk.

MS. SMITH: I was just going to follow up on the question about success for President Bush. I think the president doesn't go in with a concrete list of agenda items that he needs to see success on. I think Simon hit it just right. It's just the lack of the negative would be a success. And particularly, let's hope the fence doesn't go down. I mean, we haven't talked about that too much, but it is an interesting component that they've built 7.5 miles of fencing around this thing. It's almost eight feet tall. There are thousands of demonstrators planning on descending on the area. And their intention, as far as I can understand it, is to take down part of the fence, and that would be a success for them.

But I think what you have to think about is the person who goes in with the big agenda is Blair, because this is the last swan song, and he very much feels committed, particularly to issues tied to poverty eradication in Africa. And so, to the extent that Blair can come to the G8 and show some added progress, additional commitments to double the aid commitment, to work on transparency, to look at good governance, that would be important to him as he shapes his legacy. So he is one of the few people who comes with

a concrete agenda. I think for many of the others, it's just, let's hope that there isn't a lot of negative spin on this and a big crashing failure, specifically with the tangible object of the fence.

Q: Hi. Bill Douglass from McClatchy Newspapers. One thing we haven't talked about is the president's meeting with the Pope. The last time he met with the Pope, it was 2004. It was in the middle of a campaign year. What's the point of meeting with the Pope now? In 2004, the president got a pretty good talking-to from Pope John Paul about Iraq. Can we expect the same thing from Pope Benedict?

MR. SERFATY: They've never met, and he has darn good reasons for wanting to meet with him. He's a man of faith. In many ways, the president frankly is a biblical figure, at least self-styled. There is nothing dramatically wrong with that. In a sense, he justified, quote-unquote, "this stop" by adding a stop in Rome as well, which would have been very difficult to arrange or even justify, quite frankly, at this particular time. So I'm not quite sure that there is much meaning to it.

On Blair and success, this is not – I mean, Julie is not entirely wrong. But Blair's swan song will come later this month at the EU meeting. We have not said enough that Blair was a passionate European, that when he came in, that was his vision. And the fact that he would retire after the EU summit is not coincidental. And he will be a main partner for Nicolas and the German Chancellor in attempting to deliver a mini-treaty, however it is called, with which he wants to be involved. The great casualty of the war in Iraq was the European commitment of the UK Prime Minister.

And as to success, I was out of curiosity checking the reaction to Chirac coming to office in 1995. And on the eve of the then upcoming G8 meeting, President Clinton said this – in the specific context of the G8 summit – together with Russia and the other six, we will discuss a range of political issues that include Bosnia – Kosovo now – Iran's nuclear ambitions, European security, and reforming Russia. We will consider new forms of cooperation to combat international crime, terrorism, and nuclear smuggling, because prosperity without security means little. Sounds familiar? That was said by President Clinton in 1995, and they went to the summit, and the summit was a great success. And we could use exactly the same two sentences to define or determine the terms of a success following this particular meeting in a few days.

MR. SCHWARTZ: Well, thank you all so much for coming here today to this briefing. We will be issuing a transcript later this afternoon. On issues of Kosovo, we do have a very good expert here, Janusz Bugajski who is with our new European democracies program who couldn't be here with us today. Thanks again for coming. And it was a truly fascinating briefing.

(END)