

# **Center for Strategic and International Studies (CSIS)**

**Briefing on President Obama's visit to Stockholm, Sweden on September 4-5  
and the G-20 Summit in St. Petersburg, Russia on September 5-6**

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ANDREW SCHWARTZ: Good morning and welcome to the Center for Strategic and International Studies. I'm Andrew Schwartz, senior vice president at CSIS, and I have the pleasure of presiding over this briefing today with two of my favorite colleagues, soon to be three of my favorite colleagues, one of who is – whom – is stuck in traffic.

We're going to be talking about the president's trip to the G-20 summit and we will go through this from a couple different angles. But first I'd like to introduce Heather Conley, senior fellow and director of the Europe Program at CSIS. Prior to working at CSIS, Heather served in a variety of positions including deputy assistant secretary of state for Europe.

And with that, I'll let Heather take it.

HEATHER CONLEY: Thank you, Andrew. Good morning.

Well, it's hard to believe that Matt and I two and a half months ago were sitting before you doing a briefing before the president traveled to Lough Erne, Ireland and the G-8 summit, and we questioned how much Syria would overwhelm the G-8 summit. Here we are two months later, and we're now following the president as he makes his way en route to St. Petersburg for the G-20 summit and wondering how much, of course, how much will Syria dominate the corridor conversations.

I guess you could summarize the president's unanticipated stop in Stockholm as Russia's loss and Sweden's gain. After President Obama canceled his bilateral summit with President Putin, a stop needed to be added to the itinerary, and looking around the flight path, certainly the Nordic countries came to mind. But of course President Obama had already been to Copenhagen in 2009 for the U.N. climate conference; he had been to Oslo, Norway, to accept his Nobel Prize. He is welcoming the three presidents of the Baltic states on Friday in the Oval Office, so that canceled out any of the three Baltic states, so Sweden and Finland were certainly the most logical choices. And Stockholm won that choice.

This is in fact the first time a president has visited Sweden in a bilateral capacity. President Bush was the first president to visit Sweden, I believe, in 2009 in (Gothenburg ?), Sweden, for U.S.-EU summit. But this is the first time that we'll have a president visit the capital.

President Obama arrives in Sweden and will be greeted by Prime Minister Fredrik Reinfeldt. He has led a center-right government for the last seven years. He will face elections next year. Certainly Sweden has experienced some unsettled times and its own challenges dealing with integration of immigrants – if you'll recall, in May, about six days of riots in the suburbs of Stockholm dealing with a police shooting – and continues to be a very great topic of conversation with that immigration aspect. So certainly that would be part of the domestic conversation.

Prime Minister Reinfeldt has been very gracious in gathering his four other Nordic colleagues to join with President Obama in a dinner the evening after he arrives, and I would sense the conversation will be quite robust about the region, and certainly I hope – and CSIS has

been engaged in a four-year study on the Arctic – I think the president may hear quite a bit about the Arctic from his Swedish and Nordic counterparts. Secretary Kerry, as you will recall, was just in Sweden, northern Sweden, in mid-May to attend the Arctic Council ministerial, where a historic decision was made to welcome several Asian countries as permanent observers to the Arctic Council. We have a Chinese cargo ship now passing through the northern sea route. So as the opening of the Arctic happens, the geopolitical dynamics are changing, and I'm sure the president will hear from his colleagues about that.

And finally, one word on the bilateral discussion between President Obama and the Swedish prime minister. Sweden has been an extraordinary ally across a range of issues. They have troop personnel in Afghanistan, approximately 600. They were on standby for operations in Libya. They've contributed over a hundred troops in Mali. For a neutral country, this is a robust level of engagement, and I think we have certainly appreciated that great solidarity.

The breadth of the conversation – clearly, Prime Minister Reinfeldt will want to provide President Obama with an update on the European debt crisis, although that has certainly faded from the top of the agenda. This is going to be the first time that the president returns to Europe after his visit following the G-8 and then to his visit to Berlin. I'm sure he'll hear from his European colleagues about the ramification of the NSA PRISM issue as that continues to be a topic of concern in Europe. Russia will clearly be a topic, and of course Syria, Egypt, the Middle East and the unrest there.

So I believe you'll see a very fulsome bilateral conversation, a more dynamic regional conversation with the Nordic states. And I think it's an excellent preparation to get the president ready as he travels to St. Petersburg to meet with his G-8 – G-20 – excuse me – colleagues.

And Matt, I'll let you take the baton.

MR. SCHWARTZ: Let me introduce Matt real quick – really quickly. Matt Goodman here at CSIS holds our William Simon chair in political economy. The Simon chair examines current issues in international economic policy, with a particular focus on the Asia-Pacific. But I should also say that Matt previously served as the White House coordinator for the East Asia Summit, for the Asia-Pacific summit, but he also served as director for international economics on the NSC staff and was responsible for the G-20, G-8 and other international forums.

And with that, I'd like to introduce my colleague Matt Goodman.

MATTHEW GOODMAN: OK, thank you, Andrew.

Thank you, Heather.

So the president will be participating in the eighth G-20 summit on September 5<sup>th</sup> and 6<sup>th</sup> in – at the Constantine Palace in Strelna, outside St. Petersburg. When Andy gets here, he can tell us how to actually pronounce Strelna, and not to mention St. Petersburg. He – the G-20, as you know, just to recap, is a gathering of leaders of 19 individual countries and the European Union, which has its own seat, and then another five invited guests, including Spain, Singapore

and a couple of African countries that I've – have forgotten at the moment, Tanzania, I think, Ethiopia and one other, and then a number of international institutions, the U.N., the IMF, the OECD and others will be in attendance as well.

The schedule begins, actually, with sherpa meetings, that is, the leaders' senior economic advisers, will meet starting September 2<sup>nd</sup>, together with the finance deputies, because the G-20 is really built on a finance ministers process, as you know, and so the sherpas and finance deputies will meet in parallel and then together in the days leading up to the arrival of the leaders on the 5<sup>th</sup> in order to hammer out the communiqué and the deliverables, as it were, such as they are. Incidentally, this will be the first summit attended by the new U.S. sherpa, Caroline Atkinson, who replaced Mike Froman when he moved over to USTR. Mike has been at all the other Obama G-20 summits.

There will probably be – well, let me – let me quickly go through what we understand the schedule to be. This hasn't been formally published, but the formal summit plenary sessions will begin after lunch on September 5<sup>th</sup> and go through dinner that night. The next morning there will be a continuation of discussion, but interrupted – this is a small innovation by the Russians. They are going to have an interaction with business leaders during the morning, the so-called B-20. There's a proliferation of alphabet groups that have the 20 after their name, and the B-20 is the business grouping, and there will be an interaction that morning and, as I understand it, some separate bilateral time as well for leaders. And then the meeting will continue through lunch into the sort of mid-to-late afternoon and end with a press conference on September 6<sup>th</sup>, (this is ?).

There will undoubtedly be bilaterals on the side that President Obama will be involved in. Those have not been announced yet. When Andy gets here, I think he'll tell you that it's unlikely that President Obama and President Putin will have a bilateral, which is the normal practice that happens at these summits. But – and one can speculate that there will probably be a summit with the Chinese president, President Xi, and Japanese Prime Minister Abe, but none of that has been – as far as I know, has been made public.

In terms of the agenda, the Russians have laid out three – well, one sort of big theme, which is sustainable, inclusive and balanced growth and creating jobs. And specifically, they have three specific priorities: growth through quality jobs and investment, growth through trust and transparency and growth through effective regulation. Those are all sort of ways of reorganizing and capturing the long-standing G-20 agenda, which really covers – and they list the eight areas that have traditionally been covered under summits, so those include strong, sustainable, balanced growth, jobs, international financial institution reform, strengthening financial regulation, energy sustainability, development, trade and anti-corruption. So all of those things will be – will be on the formal agenda. Not all those things will be talked about by the leaders.

And at the end of this, there will be a probably lengthy communiqué and then attached documents. The – it would be probably unreasonable to expect that this communiqué is going to be significantly shorter than the Los Cabos communiqué, which is the last G-20 leaders' statement, which was – ran to 85 paragraphs. I would be surprised if it was significantly shorter than that because it has to cover all of the topics I mentioned.

What the leaders will really talk about probably will revolve around – in addition to Syria, which will not be on the formal agenda – this grouping, unlike the G-8, really does not have a formal place for discussion of broad geopolitical issues. But of course, inevitably, it is going to dominate the corridor conversations. In the – in the actual sessions among leaders, the agenda – or the formal agenda will cover economic and economic-related issues, and I would say probably three or four big topics. Obviously, the global economy will dominate.

You'll have some European – and here's Andy joining us. Great. Good timing. I'm stalling here, Andy, just to – (laughter) – to make it –

MR. SCHWARTZ: Dr. Andy Kuchins, ladies and gentlemen. (Laughter.)

MR. GOODMAN: So the Europeans will obviously probably crow a little bit about their second quarter GDP numbers, which were positive for the first time in eight or nine quarters, I think. The U.S. will probably still express concern about the fact that while the U.S. economy is doing better, it cannot be the only engine of growth in the global economy, and it will express concern about the risks and the imbalances which remain in the global economy.

Emerging markets are probably going to talk about the financial market volatility, which they attribute in large part to the concerns about tapering by the U.S. and – the U.S. Fed and other monetary authorities from this extraordinary period of monetary easing, which they also were uncomfortable with precisely because it created these sorts of financial risks. The advanced countries will probably push back that those things, those reactions in the markets are, first of all, a natural consequence of strategies by these countries, the U.S. and Japan and European countries, to keep the economies growing, and inevitably, these policies are going to have to end. They will also argue that a lot of the problems in emerging markets are homegrown, so the problems in India or Brazil or other countries are – come – are – as I say, are homegrown.

This issue is not going to be resolved, but I'd say, on balance – and I would – and I think it's fair to say, also, that there is, as that little discussion has just revealed, that there is not the same sort of sense of consensus and shared sense of crisis in the group, although I think the sense of crisis generally may be starting to pick up again, but not everybody agrees on what the causes or solutions to that – those issues are. But overall, I think it will be – it will be largely a conversations about those issues.

There will also probably be a significant amount of discussion of international tax cooperation, both to deal with tax evasion and tax avoidance. This was a major theme at the G-8 summit, and certainly, the G-8 members are going to be interested in talking about those issues. And potentially, there could be – there won't be any kind of breakthrough agreements, but there could be a reinforcement of some of the work that was agreed to in the G-8 OECD work on tax-sharing and information-sharing and so forth.

And then a third area would be trade. I think that there will be a fairly robust discussion of trade. The G-8 – the G-20 has several times now laid down a commitment, a standstill against

protectionist measures, which they've most recently extended through 2014, and they may – and likely to re-up that. Of course, this commitment has been honored (in the breach ?), but they will probably make a strong stand. They will also talk about the Doha round. I think at this point the main focus is on the Bali ministerial in December, which is the last real chance I think to potentially save a Doha round. But most people I think in the trade world don't think that that's likely to happen, that there may be a more focused look at what the G-20 can do to push forward specific agreements in Bali, say, on trade facilitation, for example. But whether that's going to progress or not remains to be seen.

And then there may be some discussion about development issues, food security, infrastructure investment and so forth.

Finally, I'll wrap up and let Andy talk about the interesting stuff in Russia. But I would just say, I think that the White House certainly feels the G-20 is an important forum. It's the only forum in which the leaders of what – group of countries that represent 85 percent of the global economy can get together and talk about both the short-term risks to global growth and the longer-term challenges of sustained and balanced growth. And it is an opportunity to sort of broadly set the agenda for the global economy and, finally, to build habits of cooperation among the members of the group that have not had the same experience that the G-8 countries in particular have had in guiding these issues. So I think, broadly, this is still a trip that the – Syria notwithstanding, that the president looks forward to as an opportunity to engage on this set of issues.

I'll stop there and turn it to Andy.

MR. SCHWARTZ: Dr. Kuchins is our – the director of our Russia and Eurasia program, and he will put forth what's going on with the Russians.

ANDREW KUCHINS: Thanks, Andrew. And my apologies for being late. Unlike Mr. Putin last year in deciding not to come to the G-8, and unlike Mr. Obama deciding not to meet Mr. Putin in Moscow, I did decide to come to the press briefing today.

It's kind of an odd role. You know, in Russian literature, there is a tradition of the "lishniy chelovek," the superfluous man. And in some ways, you – I feel a bit like a superfluous man talking about a meeting that is not going to happen, but – and in a relationship which, frankly, is not in a good place – how's that for an exciting quote? Some might call it a train wreck. It's been like watching a slow-moving train wreck for nearly two years right now.

What's the good news? Well, the good news is that this is not the Cuban Missile Crisis. The good news is that this is not even the Georgia war of five years ago in which one could've imagined the possibility of U.S. and Russian military forces, perhaps by accident, come into conflict with each other in the – in the Black Sea.

But one thing is clear to me, that this is the worst personal relationship between U.S. and Russian – perhaps even U.S. and Soviet leaders in history. And one has to kind of think about, you know, what does that mean? What does that – what does that hurt in the relationship? I

really think these two guys, Mr. Putin and Mr. Obama, don't like each other at all. I think there's a deep degree of disrespect. I think when our president says something like comparing Mr. Putin to the kid in the back of the classroom, kind of slouchy, not really interested in things, well, you've taken the – you've taken the relationship to a personal level – even more so, I think, than the comment he made, which it was I think a mistake, four years ago that Mr. Putin had one foot in the Cold War and one foot, you know, in the – in the future. Mr. Putin is not a person that forgets, I think, any personal insults, and that certainly has not played well in the relationship.

But – and it's something to think about. I mean, really, I don't think there's been a case, even in the Soviet period – obviously, Mr. Lenin didn't meet with any American leaders that I know of. We know about the relationship between “Uncle Joe” and FDR. But clearly, to me, this is – this is the worst personal relationship of a U.S. and Russian leader in history. And I think that's obviously not a – not a good thing.

Let's look a little bit more at the recent history. Now, the Obama administration made an effort in the – in the spring and early summer to engage Russia, to try to put the relationship that was obviously, for a number of reasons that I think are clear to everyone in this room, that was – that was on the rocks and getting worse. But basically, Mr. Putin was not interested in what the Obama administration was trying to sell them.

And I think, essentially, what – the effort to engage Mr. Putin was principally around the issue of further cuts in offensive nuclear arms tied to some kind of agreement about their *modus vivendi* on missile defense. And that was – that was a – like I said, that was a deal that Mr. Putin had decided he just was not particularly interested in. I think that is what the effort begun with the trip of former National Security Adviser Tom Donilon to Moscow in the spring was about, mainly, and that's what this – so this effort to bring – to bring the two sides together.

Now, I mean, it was pretty clear from the G-8 meeting that – (chuckles) – just looking at the body posture as to what – how much that can actually tell us, we don't know, but it was a pretty powerful statement. But you have to wonder, you know, what was the thinking in the – in the administration at the time that gave them some degree of hope and optimism that there would be enough of an – enough to agree on at a meeting to justify a summit meeting in September. You know, I don't know exactly, but it looks to have been a miscalculation. And then, of course, we have to factor in, you know, just how much of an effect the Snowden affair had on the decision to cancel the summit.

Now, the Snowden affair – you know, I was not particularly impressed with the way it was handled on our side, to be frank. I think there was far too much so-called “public diplomacy,” if you want to call public demands diplomacy. And I don't think there was adequate behind-the-scenes backdoor communication between the administrations at a high enough level to make some kind of face-saving deal possible if, indeed, that were possible in the – in the first place.

You know, I think, to me, I constantly ask myself the question, let's imagine that Edward Snowden (ph) arrived in Dulles Airport with the same kind of information about the domestic and foreign surveillance system that the Russian Federation was using. You know, would we

have extradited him back to Russia? I think almost – (chuckles) – I think it's almost impossible to imagine that we would have done that. And so it does make me wonder why did we think that the Russians would do it in this case. I think – I don't know this for sure, but my sense is that the administration thought that they were making progress in these discussions through law enforcement channels. But frankly, you know, this was a case where I think if there was an opportunity to resolve this, the only way that you could have done it, I think, was for Mr. Obama to pick up the telephone and have some very, you know, frank conversations with Mr. Putin and try to work it through a personal relationship and try to find some kind of face-saving solution.

But I won't go – I won't beat that – well, the horse is not quite dead yet, but I won't belabor that point any longer, because frankly, you know, we don't – you know, we don't know whether there would have been a summit if there hadn't been a Snowden affair, you know, if in fact it was the decision that there wasn't adequate progress on key issues in the bilateral relationship. We don't know, and we're not likely to find out for quite a long time.

Where do we go from here? Gosh, it's pretty tough to find a way in which or find a reason for which either leadership is going to, you know, want to find – or see the incentives for themselves to resurrect the relationship. I think it's very likely that we could see this relationship muddle along at this, you know, very, very kind of unpleasant level for the next three years, you know, until we're looking at a new administration in the United States. And who knows how long we're going to be looking at the same administration in Moscow.

So just to cut it short – (chuckles) – always try to find some kind of silver lining in this one. Well, OK, here, I'll just pull one out of left field for you, OK? Because it's not really about the U.S.-Russian relationship. There are some interesting things going, actually, in the Russo-Japanese relationship, and, you know, I had thought that one of the reasons why Mr. Putin and the Russians had some incentive to try to improve their ties with the United States going back four years ago was their concern about the growing power of China and that they would like to have a more balanced foreign policy. Well, it looks like, I think, Mr. Putin is trying to address, you know, his concerns about the possibility of being overleveraged to China in other ways, and I think the Russo-Japanese relationship is number one on – number one on the list.

Now, I'm not going to make the prediction that the northern territory issue is going to be resolved, but I would say I think that the possibility of resolution of this longstanding issue, now 68 years, is greater than I've seen at any time in the last 25 years or so that I've been – that I've been following it. You have two leaderships in both countries that are relatively strong domestically, which I think is necessary, and I think both have the outside factor of their concern increasing about Chinese activities. And we may see this finally, in the next year or so, lead to a breakthrough in that relationship, which would frankly be good for the U.S.-Russia relationship, as well. So with that note from left field trying to bring some optimism to the discussion, let me finish my prepared remarks. Thanks.

MR. SCHWARTZ (?): We're going to open it up to questions in just a second. If you could identify yourself and if you're at the table, please speak into the microphone. This briefing will be available in transcript form later today. I'll mail it out.

I also want to assure you that we still do have a board of trustees. As many of you know, you know, Dr. Brzezinski's around, Dr. Kissinger's around. We're moving our office in a



couple weeks, so that's why we have such sort of emptiness here. Our new building will be at 1616 Rhode Island Avenue, and you can follow us on Twitter, @CSIS, for more updates about that. But it's an exciting moment in the 50-year history of CSIS, and we're looking forward. Actually, I think this will probably be the last press briefing we do in this old building. So thank you again for being here.

With that, I'd like to open it up for questions.

Right here.

Q: Dmitri Kirsanov with ITAR-TASS. I would like to ask the members of the panel to put a little more meat on the issue of what's going to happen next in the bilateral relationship. And since Mr. Goodman mentioned that probably there will be no bilateral meeting between presidents –

MR. : (Off mic.) (Laughter.)

Q: Well, I would like to hear that. Is there any chances that the summit might be a (warming-off ?) point, or none at all?

MR. SCHWARTZ: Thanks, Dmitri, for the question. I was thinking this morning I would – you know, it could be a statements-like – statesman-like move on the part of President Obama in particular since it was the United States that canceled the summit meeting to request a one-on-one bilateral meeting with President Putin. But I think the chances of that happening are less than 5 percent, slim to – slim to none. (Audio break.)

I think there's – I think there's a high degree of anger on the part of the Obama administration about relations with Russia and, I think, about Mr. Obama in particular in his personal regard for Mr. Putin, and I think that's what that comment about – the personal comment about the slouching kid in the back – at the back of the room. It seems with that, it's harder to imagine that you could see them pivot and kind of walk back and make the decision: well, in fact, we would like to meet with you. There would have – you know, maybe the situation in Syria, which is extremely grave and dangerous, could justify that. But – (audio break).

MR. SCHWARTZ: Questions?

Roger, did you – speak into the microphone.

Q: Roger Runningen, Bloomberg News. What are going to be the deliverables – for any of you?

MS. CONLEY: You know, on the Stockholm stop, I'm not sure there's really going to be a deliverable other than an underscoring of both the strong bilateral ties as well as our regional engagement. I mean, for the president to visit with the Nordic colleagues as well as to see the Baltic president in the span of a week really speaks to, I think, a deeper regional engagement, which is – which is very welcome.

I think it will be an opportunity to – for the Stockholm stop to really hear from five European leaders, some within the EU, some just within NATO, their concerns obviously about

Syria and the regional issues. I think there will be an extraordinary amount of outreach in the corridors of the G-20 summit with David Cameron, with François Hollande, with the European colleagues as this gets closer. We just saw reports this morning that Prime Minister Cameron has recalled the British parliament back in session on Thursday to discuss this. So this tells me we're going to see a very intense dialogue, and in some ways that Stockholm visit is a good preview of those issues.

And to sort of tap on the first question, certainly it's not just U.S.-Russian bilateral relations that are undergoing some reassessment: European-Russian relations also. There have been challenges both with visa liberalization questions, energy issues. And I think the Europeans themselves are deeply examining what the health and future state of Russian democracy, human rights, civil society and what it means for their relationship. So it's an important moment for consultation transatlantically about Russia as well.

And I would suspect you'll hear, with the exception of Norway, which is not a member of the EU, another strong statement for the Transatlantic Trade and Investment Partnership that will echo the theme of trade for the G-20, and I think you'll hear certainly from the Swedish side how critical that will be for U.S. transatlantic relations.

MR. GOODMAN: Well, as I implied, but I guess I didn't state explicitly, so thanks for the question – I wouldn't expect some major headline deliverables out of the G-20 Summit. I think that has not been the pattern in the recent past and so certainly, if you're looking for large headline numbers or you know, initiatives, I wouldn't expect that.

But you know, as they say, in an 85-plus paragraph communique, there will be a lot of – a lot of hortatory language about, you know, growth and the importance of – and I would say the tilt towards, you know, growth versus austerity, that tilt has been happening in the last few meetings of G-20 folks, at the leader and finance ministry level. And that will – that will – you'll see that, I think, again, here, you know, but of course, talk about the other aspects of the global economy I mentioned.

You know, an affirmation of all of the things that the finance ministers have been doing on financial regulation, which I didn't really harp on, but because the leaders won't probably talk about that stuff in the room, but there'll be, you know, paragraphs about progress on Basel III and OTC derivatives, regulation and other things.

As I said, the tax – the tax pieces, the tax avoidance and tax evasion issues, I think, will be featured, and for the specifics on that, I'd refer you – actually, on all of this, go back to the finance minister's communique of July 20<sup>th</sup> or something, which I think is really what you'll find the leaders embracing and endorsing mostly, across the board.

So I don't think – I'd be surprised if there were any dramatic breakthroughs on anything, but you know, again, a lot of this is about the conversation and trying to get people on the same page and moving in the same direction on global economic and financial issues.

MR. KUCHINS: No meeting, no deliverables.

MR. : Got it. (Chuckles.)

MR. KUCHINS: I would just add, though –

MR. : Simple and sweet.

MR. KUCHINS: – the – we have – we have to kind of wonder about the likelihood of a U.S. military strike on Syria has obviously increased very significantly, and I'd imagine the G-20 meeting taking place right after that, perhaps. So the mood of the principal – the principal players, the Europeans, the United States, the Russians and Chinese, is going – I would have to think would be very, very sour. And I can't – I can't think that's going to, you know, help just the G-20 meeting itself.

MR. SCHWARTZ: Questions?

Yes, right here.

Q: Yeah, Paul Lewis from the Guardian Newspaper.

Andrew, if you could follow up on that, two things. One, you said that it wasn't clear to you that the Snowden affair was – that the bilateral summit would have occurred, had it not been for the Snowden affair. But all of the noises you heard from the White House in the run-up to the Snowden affair was that the meeting was likely to take place, and it was only after Russia agreed to give him temporary sanctuary that the meeting was canceled. So what else could account for the cancellation of that bilateral meeting?

And another question for Matthew is, could you talk to us a bit more about how corridor conversations about Syria may impact the more formal meetings?

MR. KUCHINS: I think the administration faced a dilemma, trying to factor out the Snowden affair, that the principal proposals that they've been making to the Russians, not just security issues and principally the nuclear offense reductions, missile defense, strategic stability set of issues, which I think is the sort of the foremost area they wanted to make progress on – this is the area that, you know, Mr. Obama just made the Berlin speech; the Russians yawned.

And there was no response to those proposals that Mr. Donilon brought in. And from what administration officials told me, there have been no responses to other things that we've been proposing, including in the area of economic cooperation and trade, where at least, there, rhetorically for the last year or so, the two administrations had been singing virtually from the same song sheet, that we want to have a broader economic relationship, as this would provide some balance for the bilateral relationship in rocky times and provide more constituencies in each country to support the relationship.

But my sense was that the administration was kind of getting no response really across the board. So you know, Snowden doesn't happen, you know, certainly, they would have made every effort, I think, to try to – try to carry on and have – and have the meeting, but it's just –

you know – (chuckles) – you have to ask yourself, well, what's the point? You know, we don't really need a photo – a photo opportunity, and you look at where we are on a – on a whole set of issues – and I mean, Syria, obviously; Iran, it's very clear that the Russians don't want to go any further with sanctions on Iran. The area that we have the most common interest, Afghanistan – well, the problem there is that we still don't have the bilateral security agreement with the Afghans, so we can't really talk to the Russians and others about, you know, what we envision to be the future potential for cooperation and kind of the multilateral context.

MR. GOODMAN: You know, one of the disadvantages of being a world leader and maybe a journalist, as well, is that you have to walk and chew gum at the same time; you have to be able to cover a wide range of issues. And I think in this case, in a formal sense, as I said, the G-20 is not about geopolitical issues, and so Syria will not be on the formal agenda. It would be very – I mean, it's possible, but very unlikely that the Russians would introduce it into the agenda of the formal meetings, or that some member would raise their hand and say, I want to talk about Syria.

All of that said – all of that said, of course, it is going to be – it's going to have a huge impact in terms of, again, what's being talked about in the corridors, which I expect, it would be the dominant topic there. And as Andy said, I think it will affect the kind of mood in the room. I don't think there will be a sense of great camaraderie and let's get stuff done together, because – on the global economy, and even on these other issues.

So I think it will have a – it will have an effect, but in a formal sense, it won't be – it won't be part of the G-20 deliberations.

MS. CONLEY: Well, Matt, I'm reminded of the G-20 in September of '09 in Pittsburgh, that the G-20 was used as a backdrop for then, Gordon Brown and Nicolas Sarkozy and President Obama to announce about the Iranian disclosures. So it can be used, obviously, with the media watching, a platform to advance. So I'm wondering if we'll see a lot of – perhaps some press conferences that will – to some of this. So it can be used on occasion. (Laughs.)

MR. GOODMAN: Again, one of the advantages of being a specialist, I do the G-20. So I don't have to worry about important things like Russia and Syria so much. I totally agree with that. I mean, I think that there very well may be things on the margins, where people pull aside – certainly to talk – but possibly to say things, announce things. But I – just in a formal G-20 sense, there won't – I don't think it will be in the communique.

MR. KUCHINS: My image for this summit is kind of the hold-your-nose summit, for a lot of the participants.

MR. GOODMAN: That's the headline. (Laughter.)

MR. KUCHINS: The baton death march.

MR. SCHWARTZ: Questions? Scott.

Q: Dr. Kuchins, when you said that it was a mistake for Obama to make his remark about Putin having one foot in the Cold War, did you mean it was a mistake to say that out loud, or did you mean the assessment itself was a mistake?

MR. KUCHINS: Actually, I disagree with the assessment, as well. But I think the larger mistake was to say – was to say it publicly. And I think that – I think it was a little bit too – maybe a cavalier assumption that Mr. Putin was not as significant of a – of a policymaker as he actually was, and/or the possibility that Mr. Putin would return as a – as a future – as the future de facto and de jure leader of the Russian Federation.

My view on Putin – it's not so much that he has a foot in the Cold War; I think that he's been more affected by, you know, what he's seen with U.S. behavior after the Cold War and in the 1990s. I think he reflects a very broad kind of consensus in Russia that the United States in particular, the West more broadly, was taking advantage of Russia during a period of historical weakness. And a lot of the sort of developments in the – particularly in the international security system, sort of NATO expansion being a – being a big one, and then the experience of the Serbia War in particular, with the U.S. in their – Russia's – view operating outside of the international law, had a deep impact on Putin.

And then subsequently, I think, maybe even a deeper impact was, you know, after 9/11, when the Russians worked closely with us and others to take out the Taliban in Afghanistan, and there was a sense that this was a – this was a high point in U.S.-Russia relations probably in the last 20 years, even talk of possible alliance and the – such, I think Mr. Putin felt that the Bush administration subsequently really didn't reciprocate or didn't really kind of acknowledge Russian interests on a whole series of issues, particularly walking away from the ABM treaty and missile defense and, again, NATO expansion and other things. And it's – so it's that sense of grievances that built up in Putin that I think are actually much more significant than the impact of the Cold War.

MR. SCHWARTZ: Questions? Josh.

Q: Josh Lederman with AP. Can you talk about – (off mic) – concerns about NSA spying? Obviously this is – (off mic) – domestic politics, will Obama in sideline conversations have to be reassuring or apologizing or lowering tensions on some of those concerns?

MS. CONLEY: Well, I think he will certainly hear concerns expressed in his conversations in Stockholm, both bilaterally as well as with the dinner with the Nordic heads of government.

Clearly, I think, the focal point within Europe is Germany, and this has had significant ramifications both prior to the German election – national elections on September the 22<sup>nd</sup> but also, I think, it goes much deeper. And I think initially, as the – as the documents were released, there was a sense from the administration of just sort of being dismissive about it; that, you know, everyone engages in this practice; you know, this emotionalism/hysteria that was coming just needed to be downplayed.

Well, actually it's now taken deep root, and it's impacting the trans-Atlantic relationship, particularly, again, the Trans-Atlantic Trade and Investment Partnership, TTIP, where you now have statements certainly, again, being most forcefully expressed by Berlin, both opposition as well as government officials, saying, we can't move forward with this trade until we get much more rigorous both transparency on the NSA programs but, in the case of Germany, a new agreement that the U.S. will not spy on Germany.

So this is not going away. It's not even going away after the German election, quite frankly. It will continue. It needs to be taken very seriously. There is now a real breach in confidence and trust that we have to manage and work through, so we can get back to working on the bilateral engagement and agenda. And first and foremost is that TTIP, is that trade and investment. We can't allow this issue to sideline that. And right now, you know, it has the potential to do that.

So he certainly will hear it, and he may, if he has an opportunity to have a sideline discussion, which I assume he will, with Chancellor Merkel in the corridors of the G-20, he may hear additional words on that.

MR. SCHWARTZ: (Off mic.)

MR. KUCHINS: Well, it's – the revelations of the program are, I think – are hard to underestimate as a – as a blow to, you know, U.S. credibility as a moral leader in many places. And it plays in – perfectly into the hands of the Russians and to the Chinese, I think. You know, just the fact that – and even, you know, in the United States, I mean, Edward Snowden is viewed by a very significant part of the population as a – you know, as doing the right thing. And so you can imagine what the view is in other countries. And so in other countries in which we repeatedly are very – watching very carefully their violations of human rights, it's a – it's a kind of – it's a big PR – public relations gift, I think. And the irony that, you know, Mr. Snowden goes to China and Russia, which are certainly, you know, I think, taking more intrusive measures to surveil their own citizens – the irony is kind of staggering.

MR. SCHWARTZ: Questions? Paul.

Q: Just a follow-up question on that. One of the significant disclosures from Snowden has been the extent and depth of surveillance at these summits. (Chuckles.) The Germans, at least, appear to have been genuinely surprised that the NSA, which supposedly deals with terrorism, is spying on its diplomats. What impact will that have on this summit and both the practicalities and the way in which leaders will approach it?

MR. GOODMAN: Yeah, interesting. I mean, I think that's another data point in the whole – that broader conversation. I – and I – you know, and I assume, to your point about practical issues, that, you know, every delegation's security team and, you know, IT team will be – (chuckles) – a little more vigilant. I mean, I don't really know how to answer the question, because I think it is – it's part of the broader conversation and the tensions that Heather and Andy have talked about. I don't think it – I mean, as I sit here trying to answer your question, I

don't see any kind of profound impact on the G-20 conversation itself. But you know, it – but it is a – it's an issue among the members who are there, and so it'll be part of that conversation.

MR. SCHWARTZ: Yes, right over here.

Q: Hi. I'm Kazami (ph) from Kyodo News. I have a question on Japan's VAT increase – (off mic). How much do you – (off mic) – interest in this issue – (off mic) – mention this?

MR. GOODMAN: Unless Japan wants it to be mentioned as a specific example of how Japan is taking on its fiscal challenges, it will almost certainly not be mentioned. This is this decision that Prime Minister Abe has to make about whether to increase, as planned and legislated, an increase in their value-added tax, the so-called consumption tax, which he may – a decision he may make – well, he probably won't make it before that summit, but he may make it in September.

And so – no, I mean, I think there will be a broader conversation about what countries are doing to consolidate their fiscal positions and the timing and sequencing and pacing of that – those moves, but not a specific conversation in the G-20 about that issue. If Prime Minister Abe meetings with President Obama, no doubt, Prime Minister Abe is going to talk about that, but again, I don't think it would be part of the formal output of even a bilateral meeting between the two.

MR. SCHWARTZ: Great. Right in the back.

Q: Hi, I'm Anne Walters; I'm with the German Press Agency, DPA. You mentioned the upcoming German elections in conjunction with the NSA scandal. I was wondering if any of you saw any potential other impacts of those elections on broader conversations with the G-20, perhaps in the growth vs. austerity discussions or anything along those lines?

MS. CONLEY: Well, I think in some ways, as Matt reflected, this will be one of the first G-20 conversations where the Euro crisis is not very much front and center of the conversation of how Europe is addressing this. This has been a – I would argue, a pause in the crisis. Hopefully we're seeing some early signs of healing, but I think we are far from over. And that's certainly been part of the conversation in recent days with Minister Schlabo (ph) suggesting that the Greek package will have to be reassessed, and you know, obviously some continued concerns about the health of the French economy.

So the Euro crisis has taken a pause, but I – you know, it will return back to the conversation. It is a legitimate question what – certainly a reoccurring theme since 2009 has been this rebalancing initiative of the current account surplus countries versus the deficit countries, and that certainly puts Germany and China squarely in that – the surplus camp and needing to find that rebalancing.

I would argue – and looking at the CDU platform, we are seeing a bit of stimulus in the German perspective of encouraging additional spending, but this is certainly not going to address the concerns of the enormous current account surplus that the – Germany currently holds.

I would not suspect – what I guess I – watching very closely is how Syria could potentially impact the German elections, and that conversation – as the Merkel spokesman yesterday came out with a very strong statement of support that action must be taken, and that was firmly supportive. So I'm wondering how that issue may or may not play in, but this has been a very quiet and subdued German election with very few issues other than the NSA prism – (inaudible) – first and foremost, so I don't anticipate extraordinary volatility leading up to September 26<sup>th</sup>.

MR. GOODMAN: And just very quickly, I'd just say I think Heather's right. I think that the Euro crisis is no longer, you know, front and center as the main issue for the G-20 leaders to discuss at this summit, but elements of – well, A, I guess I'd first say – I think, certainly, the U.S. and probably others are not going to be quite as comforted by one quarter's – you know, modestly positive growth in thinking that the overall crisis is solved.

And second, I think there will be elements of the Euro situation, including Germany's 6, 7 percent of GDP current account surplus that will appear in the rebalancing conversation or the banking union will be something that people will be interested in, and the progress on that in the financial discussion. So it will – it will emerge, but it won't be the central theme, I think, of the – of the conversation.

(Off-mic exchange.)

Q: My name is Igayashi (sp) from Asahi. I just wanted to ask you about fiscal consolidation. I think, you know, G-20 countries are expected to set some kind of targets for their government debts after 2016. So how much do you think – how much dominant will this discussion on fiscal policy – I mean, fiscal consolidation?

MR. GOODMAN: Well, again, I mean, fiscal consolidation has been part of the conversation at the G-20 since – I mean, in some sense, since the beginning, but certainly since the Toronto summit in 2010, where there were those commitments to reducing fiscal deficits and debt that were – that were laid out. I mean, that was partly because I think there was a little bit more optimism at that point, in 2010, that the worst of the crisis was over and that things were beginning to pull back up, and so it was time to start focusing on what I think everyone agrees is a critical medium-term challenge for many countries in the G-20.

But I think the debate has shifted over time, partly because growth has not performed as well as people hoped in the first part of 2010, partly because I think the impact of some of the more austere policies that some members of the G-20 have pursued have ended up you know, fairly, you know, (ostensibly ?) hurting growth. And I think there have been domestic debates that have shifted, and so I think the conversation is a little different now, and it's more about, yes, we need to do medium-term consolidation, but in the short-term, the priority – and I expect that the first or – well, the first sentence of the communique will be, we met in Strelina in – outside St. Petersburg. The second paragraph will be, growth and jobs are our top priority. And that's a subtle shift from earlier – well, it's, again, been in the last couple of communiqués, but I



think that's going to be the focus – growth and jobs versus immediate, you know, fiscal consolidation or austerity. So –

MS. CONLEY: I was personally tickled – we've now re-branded it “growth-friendly” fiscal consolidation, so I think we're seeing that sensitivity of balance, but again, just in the European context, we had the fiscal compact treaty, where debt breaks – or constitutional requirements for balanced budgets will start coming into play in 2016. Again, that will, in some ways, impact the leeway for stimulus spending and cements legally fiscal consolidation.

MR. SCHWARTZ: Additional questions?

With that, I'd like to thank everybody for coming to our briefing this morning. Again, follow us on Twitter at CSIS for updates on when the transcript will be available. It should be available later today; we'll be mailing it out to all of you. Thank you again, and we'll see you soon.

(END)