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Hampton Roads International Security Quarterly (HRISQ) is dedicated to issues effecting the cohesion and vital interests of the Atlantic Community. In recognition of the interconnectivity of the modern world, HRISQ covers direct transatlantic issues as well as functional or geographic “out-of-area” issues relevant to Europe and the United States. Most importantly, HRISQ serves as a forum for both North American and European experts and policy-makers to present their positions to readers on the respective opposite shore of the Atlantic.

Previous focus topics have included: European Security & Defense Initiative; Terrorism and the Atlantic Community; NATO Expansion; Implications of Chinese Expansion for Atlantic Security Interests; Armed Forces Transformation in Europe and the United States; Implications of the Iraq Conflict for US-European Relations.

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Editor: Sidney E. Dean

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## On the Cover

US Vice-President Joe Biden and German Chancellor Angela Merkel meet during Vice-President Biden’s visit to Germany in February 2013. Image courtesy German Government Press Office.

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## ***Shrinking the Atlantic Divide***

Sidney E. Dean, Editor

*Hampton Roads International Security Quarterly*

The 49<sup>th</sup> Munich Security Conference (MSC) held 1-3 February 2013 featured many familiar elements. NATO partners stressed their commitment to the transatlantic defense community; diplomats agreed that America and Europe are indispensable to one-another's security; concerns were expressed over the political state of the Middle East; and more recent areas of interest such as cybersecurity were discussed.

One element stands out as truly remarkable: US Vice-President Joe Biden advocated comprehensive and swift passage of a transatlantic free trade agreement. While his brief remarks on this subject were sandwiched between more expansive discussion of fiscal problems and terrorism, the trade zone snippet represented the most dynamic element of his speech. And with good reason. Only ten days later US President Barack Obama announced during his 12 February 2013 State of the Union address that he would be pursuing such an agreement. The next day, 13 February, the US-European High-Level Working Group on Jobs and Growth (which was launched in November 2011) made public its formal recommendation to conclude such a free trade pact. There can be no doubt that the Vice-President knew what the working group would recommend and what the President would announce, and chose the international forum in Munich to herald the initiative.

The announcement was certainly welcome in Europe. The European Council had already agreed in November 2012 to actively pursue initiation of talks this year. And German Chancellor Angela Merkel, with whom Vice-President Biden met privately in Berlin before both leaders traveled to Munich for the MSC, has advocated a transatlantic free trade zone for years. "We would like nothing more than a free trade agreement between the United States and Europe," she repeated just before the MSC meeting.

President Obama, European Council President Herman van Rompuy, and European Commission President José Manuel Barroso formally announced the Working Group's recommendation in a joint statement on 13 February. Both the US and the European Union will now initiate the internal procedures necessary to launch negotiations on what is formally being referred to as a Transatlantic Trade and Investment Partnership (TTIP). In the words of these leaders, "a high-standard Transatlantic Trade and Investment Partnership would advance trade and investment liberalization and address regulatory and other non-tariff barriers." Politicians, economists and business leaders on both sides of the Atlantic praise the concept as a means to stimulate investment, exports, and job growth, while boosting GDP on both sides of the Atlantic.

This support cuts across partisan lines. For example, Republican Senator Bob Corker (Tennessee) lauded the concept of a Transatlantic Trade and Investment Partnership, citing the fact that the American and EU economies combined generate nearly half of the world's Gross Domestic Product and jointly account for 40 percent of world trade. Among other benefits Senator Corker cited in his 25 March Bloomberg op-ed, TTIP would help the United States capitalize on its emerging energy surplus to entice even more European investment in American manufacturing sites (and job creation).

Despite this broad-based support, the devil remains in the details. The decision to initiate talks on TTIP represents a fairly early step. The US International Trade Commission has scheduled open hearings, as required by law, to take place on 29 and 30 May 2013. At this open forum anyone is free to comment or testify on the merits (or negative aspects) of TTIP. Written arguments can be submitted instead by 10 May. And any final version of TTIP will require Congressional approval. In Europe, the EU hopes to begin its internal negotiations (i.e. to win agreement among 27 member governments) before the end of June 2013.

Hammering out an agreement everyone can live with is expected to take up to two years. And the first problems have already begun. The government of France has already threatened to block any free trade pact unless all business sectors producing so-called "cultural products" such as films, music, or literature are excluded. Paris is trying to protect its heavily subsidized film industry from American competition, and block US television networks from establishing themselves in France. Minister of Trade Nicole Bricq made the announcement on 25 March, adding that France would also veto any agreement containing concessions to the United States with regard to unlabeled genetically-manipulated agricultural products. Overall, the agricultural and food sector is considered to be the most challenging arena

for compromise, given the highly emotional nature of the subject and the widely varying differences in food safety regulations between the two continents.

This volume of Hampton Roads International Security Quarterly takes a dual-path approach, offering broad insight into the proceedings of the 49<sup>th</sup> Munich Security Conference, then providing documentation regarding the decision to pursue the Transatlantic Trade and Investment Partnership. The MSC coverage is divided into summaries of the discussion panels and impressions of individual speeches, followed by interviews with participating politicians. The six most important speeches have been reprinted in full.

As always, we wish you interesting reading.

## ***A Sensational Dialogue***

*The 49th Munich Security Conference (MSC) conducted 1-3 February 2013 in the Bavarian capital ended with a surprise. The foreign minister of Iran, Ali Akhbar Salehi, announced that he would seriously consider the USA's offer to enter into talks on Iran's controversial nuclear programme which US Vice President Joe Biden had issued in Munich the previous day.*

### **Ernst Hebeker**

*Ernst Hebeker summarizes the highlights of the 49<sup>th</sup> Munich Security Conference. Mr. Hebeker is a German journalist and security policy analyst. He regularly covers the MSC.*

Three days of intensive dialogue on wars, crises and conflicts – and then, at the end of the conference, a minor security sensation. The largest conference on security matters in the world, attended by around 400 delegates and a large number of international decision-makers, among them a dozen heads of state and government and some 60 foreign and defence ministers, had its highlight. Many had expected this to more probably come in the form of the USA and Russia cautiously drawing closer to each other in their positions on the Syrian question.

This did not come about – if one disregards the meetings US Vice President Joe Biden and Russian Foreign Minister Sergey Lavrov each had alone with Syrian opposition leader Sheikh Moaz Al-Khatib. Conference chairman Wolfgang Ischinger was therefore all the more pleased to be able to chalk up the at least rhetorical breakthrough in the question of the assumption of a dialogue between Washington and Tehran for the msc. The security community had not absolutely expected this, even though the terms for direct negotiations underlying the signal from Tehran should not be overlooked, considering what has been experienced with Iran's negotiating tactics so far. Nevertheless, no such signal has been heard from Tehran for around ten years.

## **Ischinger's warning to Europe**

When the news of Iran's willingness to assume talks broke around the world shortly after 10 o'clock on Sunday morning, the 49th Munich Security Conference had already entered the finishing straight. The current trouble spots in Mali, Syria and Iran had been at the centre of the wide range of security topics addressed, from cyber security and the future of the Euro-Atlantic security community to the implications of the digital revolution for security policy. Ischinger had warned at the beginning of the conference that Europe's role as an actor with the power to act was at stake.

US Vice President Joe Biden, who had met Federal Chancellor Angela Merkel the day before in Berlin, issued a clear pledge to the transatlantic partnership. "Nothing has changed," said the No. 2 in the USA in Munich to the sceptics who feared that America would be shifting its focus in foreign affairs and security to the Pacific hemisphere at the expense of the ties with Europe. Biden, who continued his tour of Europe by travelling to Paris and London after visiting Munich, explained that the USA will remain both – a Pacific and an Atlantic power.

The USA's announcement that it will stand by the transatlantic partnership seemed to be the key message from Washington for this year's Munich Security Conference. On other topics, Biden tended to be more vague and referred to President Barack Obama's speech on the State of the Union, which is due to be held in the coming week. In contrast, Biden's meeting in Munich with the president of the Syrian opposition caused a sensation. The dialogue between America and Russia, on the other hand, did not move forward discernibly due to the continuing differences on the subject of Syria and the missile defence question, despite the bilateral talks held in Munich.

## **De Maizière: Limits of our power**

Federal Minister of Defence Thomas de Maizière said at the beginning of the conference that he fundamentally advocated a "strategy of resolute pragmatism". He said that Germany, Europe and even the transatlantic partnership must neither overestimate nor underestimate themselves. It was important "to recognize the limits of our power". The political will to shape developments together and the military and civil capabilities available defined the scope of Europe's capacity to take action in the field of security. The clarity with which de Maizière rejected plans and ideas on a common

European defence arrangement came as a surprise to people familiar with the domestic policy decisions of the government coalition in Berlin.

The defence minister from Berlin earned great approval for his praise of France's military intervention in Mali. He said that this decision merited respect. De Maizière added that this military intervention was not the end, but the beginning of a process of political change. As Mali was a current conflict topic, several events dedicated to global conflicts focused on it. What was striking in almost all the political statements made was a clear restraint, which may be rated as a response to the current conflict situation, the unresolved participation options and the consensus on the potential it has to pose a threat far beyond the bounds of the crisis zone proper.

### **Dialogue with Syria's opposition leader**

The presence of the Syrian opposition leader Sheikh Moaz Al-Khatib at the conference, who voiced clear demands for the West to intervene militarily, attracted a great deal of attention from delegates and the media. Against the backdrop of an Israeli air attack, which had significantly exacerbated the situation in the Middle East, Al Khatib demanded that the Syrian Air Force be taken out. At the same time, he underlined his willingness to enter into negotiations with the Assad regime in Damascus. The Syrian opposition leader was later acknowledged to have shown a similar obligingness by Russian foreign minister Lavrov, who had had a bilateral meeting with him in Munich and, on this flight back to Moscow, said that Al Khatib was sincerely interested in a peaceful solution being found to the crisis in Syria.

### **Ewald von Kleist Award for Brent Scowcroft**

The conferment of the Ewald von Kleist Award must also be considered one of the highlights of the 49th Munich Security Conference. This year, it went to Brent Scowcroft (89), a former general and security advisor to several US presidents. At a state dinner hosted by the Minister-President of Bavaria, Horst Seehofer, in the Munich Residenz, US Vice President Biden and ex-NATO Secretary-General Solana paid tribute to Scowcroft's services to security and security policy matters, pointing out that he was also an advocate of German unity for many years. As a winner of this award, Brent Scowcroft stands in a line with Henry Kissinger, Javier Solana and Joseph Lieberman.

## **The second level of dialogue**

The main topics addressed at the MSC were embedded within a framework made up of a large number of panels on digital communication, cyber security, energy policy or new concepts for the international discourse on security. Above and beyond that, a phenomenon that could be called the second level of the Munich Security Conference – the large variety of dialogues between the high-ranking delegates that are not part of the official programme and remain unseen to the public – is again likely to have yielded its effect, as it has for decades. Under the veil of secrecy, talks and meetings on security and security policy issues that would never come about officially and publicly at the political level, but again and again unleash their quite specific effects, traditionally take place at the Bayerischer Hof Hotel in Munich.

This function of the Munich Security Conference, one that usually goes unnoticed by the public, and above all by the media, which is increasingly intent on seeing results, has been one of its substantial benefits for decades and constitutes the diplomatic charm of an event that is unique anywhere in the world. Next year, in 2014, the highly respected conference, which was founded in 1964 by Ewald von Kleist as the “Wehrkundetagung”, will be celebrating its 50th anniversary.

## ***Panel Discussions and Interviews***

Correspondents covering the 49th Munich Security Conference (1-3 February, 2013) summarize the proceedings of the various panel discussions which constitute a major element of MSC events.

This section will also feature several interviews with prominent German politicians who provide their take on the speeches and talking points of their colleagues, both foreign and domestic.

These analyses are brief but provide insight into the positions of various nations and governments, highlighting where progress seems possible and where it appears doomed for the time being.

## ***"Frank words on Iran and Syria"***

*Lackeys and wrong-way drivers: The debate on Iran was a highlight of the MSC – but not always diplomatic.*

Compiled by Hanns Koenig

Out of the many absorbing debates during this year's Munich Security Conference, my personal highlight was the one held on Sunday morning. Featuring Ali Akbar Salehi, the Foreign Minister of Iran, Ruprecht Polenz, the outspoken chairman of the Bundestag's Committee on Foreign Affairs, and Professor Vali Nasr, Dean of the Johns Hopkins School of Advanced International Studies, this panel promised to combine deep knowledge of the issues at hand with some rather refreshing polarization.

And we were not disappointed: Mr. Salehi, notably and commendably speaking in English, presented his country as an ancient civilization and the "golden key" to the Middle East. He insisted on the Iranian government's readiness to negotiate with the US, and blamed the E3+3 countries for the continued negotiation breakdowns. While Iran is happy to negotiate, the Minister stressed, it is "certainly not the lackey of any superpower any more". Claims that the Iranian nuclear program was a weapons program were readily dismissed; the International Atomic Energy Agency (IAEA) has, Mr. Salehi argued, never accused the country of making nuclear warheads.

It was unsurprising that Mr. Polenz had a number of responses to that, and the fact that he represented the parliament, rather than the government, enabled him to phrase them rather more clearly (and less diplomatically) than he might otherwise have had to. Under international law, he contended, the burden of proof clearly lies on Iran to prove that its nuclear program is peaceful, rather than vice versa. Mr. Polenz called upon the Iranian government to refrain from acting like a "nuclear-policy wrong-way driver" and to take up the offer to start bilateral negotiations with the US that Vice President Biden had announced the day before. Professor Nasr noted in his remarks that the West's two-track policy of sanctions and talks had failed thus far, and that the strategy of containment of Iran has been conceived with a pre-2011 picture of the Middle East in mind. However, sanctions have created something concrete for Iran to negotiate over, which may get it

back to the bargaining table in due course. Should negotiations recommence, Mr. Nasr urged the international community to be clear which sanctions it would loosen under which circumstances, in order to create tangible incentives for the Iranian government.

The second part of the debate focused on Syria, which did not decrease polarization. Mr. Salehi argued that the Iranian government was not taking sides in this conflict and talking to both sides; a point that was severely contested by both Mr. Polenz and several speakers from the floor, who pointed out that Iran was, in fact, providing direct support to the government of Bashar Al-Assad, which prolongs the conflict in Syria and costs civilian lives every day. It was unfortunate that the constraints of time ended the discussion at this point, since all participants gave the impression they had plenty more to dispute. In the hope of doing so, Georg Mascolo, the moderator of the discussion and editor-in-chief of German weekly Der Spiegel, secured an invitation from Mr. Salehi to hold an interview with him in Tehran.

This panel therefore exemplified in many ways what makes the Munich Security Conference extraordinary and what made attending it such a privilege: top-level speakers, who could not be found talking to each other publicly anywhere else, a salient and controversial topic, joined together by an engaged and critical audience.

## ***Fears of the Simmering Volcano***

*A peaceful solution to the Syrian civil war is not in sight, participants of the Syria panel largely agreed on Sunday. In their opinion, this will not change unless new structures are introduced in global politics.*

Compiled by Daniel Furth und Christine Hegenbart

At the end of the Munich Security Conference, participants once again heard about the civil war in Syria, this time with a particular focus on the war's consequences for the Middle East. "Any further hesitation turns the Middle East into an erupting volcano," the Qatar Prime and Foreign Minister, Sheikh Hamad, said and directly blamed the UN Security Council for the many dead in Syria. Assad was playing for time and, after more than two years, still able to hold on to power, he went on to say.

After regional as well as international initiatives had failed, there was no hope left that an agreement would be reached between President Bashar al-Assad and the Syrian opposition, the Turkish Foreign Minister, Ahmet Davutoglu, said. It was pointless to wait for democratic reform under Assad and therefore, he announced, Turkey had decided to "be on the right side of history" and take direct humanitarian relief measures. While Davutoglu said that he was open for any additional measures, he pointed out that they would require a UN Security Council resolution.

Prince Turki, chairman of the King Faisal Research Center and former Saudi Arabian ambassador, expressed the wish that the United States "take a leading role" in these efforts. The U.S. must not lose interest in the Middle East region, he said.

## **McCain: "Syrians have to find their own solution"**

U.S. Senator John McCain of the Republican Party stated that the international community had not done a lot "to prevent the murder of the Syrian people." He said that the Syrians themselves had to find a final solution to the conflict. According to McCain, the West's military options included the use of Patriot missiles deployed in Turkey to enforce a no-fly zone or the launching of cruise missiles to make military air bases unserviceable. He pointed out that, in this context, it was important to think ahead and prevent the development of anti-Western sentiments in a post-Assad Syria. Syrians, he said, would remember later on who helped them "in the hours of need." Sheikh Hamad agreed with this view.

Prince Turki, Sheikh Hamad and Davutoglu shared the opinion that an agreement on a more decisive approach had to be reached at the UN Security Council. The Turkish foreign minister said that Turkey was neither able nor willing to act unilaterally. However, he added, domestic-policy concerns of the permanent members of the Security Council were impeding international political action, and Turkey would no longer tolerate this situation.

## **Expansion of the UN Security Council needed**

According to Sheikh Hamad, the conflict in Mali also showed that the war on terror required new international strategies to find solutions. "Global security is indivisible," he said. Events in the Middle East or Africa also had an impact on the rest of the world, he explained. At the same time, he strongly supported a permanent African and Arabian representation in the UN Security Council. Similar arguments were put forward by Prince Turki on the Iran nuclear issue. He also stated that regional actors had to be included in the negotiations to solve the problem. If necessary, he said, the UN Security Council had to guarantee that a further worldwide proliferation of weapons of mass destruction was prevented, even with military means. At the end of the discussion, Sheikh Hamad announced that, in cooperation with the Munich Security Conference, he wanted to organise a security forum with a regional focus.

## ***Desperately wanted: Anybody willing to act***

*The situation in Syria is dramatic, with no end to the violence in sight. Despite a basic consensus on the need to act, there is a lack of ground-breaking decisions to be followed up by actions.*

Compiled by Katarina Hanusova und Christoph Schwarz

Last year the Syrian civil war was already a focus of interest at the Munich Security Conference. Little has meanwhile changed regarding the initial situation. Russia and China are still opposed to any intervention in Syria. Yet also the USA and its European allies lack any workable strategy to stop the spiral of violence which has claimed more than 60 000 lives, according to estimates of the United Nations.

While David Ignatius said in his opening remarks that the northern part of Syria occupied by the opposition was irreversibly lost for Baschar al-Assad's regime, and it should also be assumed that Assad would finally succumb, – and in this point Ignatius adhered to the increasingly noticeable scepticism in politics and media of the last few weeks – this could, however, still take a good while. A direct consequence of the enduring conflict has been the successive growth of extremist actors who are in part strongly associated with Al Qaida. Not only were the jihadi groupings gaining strength but also the moderate opposition and the international community were more and more forfeiting their credibility – according to the diagnosis made by Kenneth Roth, Executive Director of Human Rights Watch.

These two developments were a direct consequence of the prevailing problem of the credibility of the West and the opposition forces and of the bleak outlook for an end to violence. Should anything change in this respect, Roth continued, the moderate forces would have to be backed up with massive humanitarian assistance. This would produce a double positive

effect because the delivery of relief supplies to opposition-controlled areas would, on the one hand, corroborate the basis for the opposition alliance's legitimacy and, on the other hand, heighten the reputation of the international community. This objective would also, if necessary, make it worthwhile to bypass the UN Security Council as the actually competent body, were Russia and China to uphold their present intransigence. Given in such a case, transborder relief measures action would have to be launched through the cooperation of states and non-governmental organizations.

### **Brahimi: "To hope does not mean to be naive"**

On late Friday evening, the Joint Special Representative of the United Nations and the League of Arab States on Syria, Lakhdar Brahimi, advocated the implementation of "urgent measures". The Syrians themselves were no longer able to resolve the situation. Responsibility had thus moved, as a last resort, to the international community of states. Brahimi expressed his regret that the members of the UN Security Council had not yet been able to arrive at any joint resolution on the Syrian issue.

Some members of the UN Security Council had already been saying the right things but had not taken any decision, according to Brahimi. Nevertheless he still hoped that an agreement was possible. "To hope does not mean to be naive; I am far more aware of the difficulties", the diplomat said. Brahimi plans to meet with US Vice President Joe Biden and Russian Foreign Minister Sergey Lavrov on Saturday. Whether or not the UN representative will have taken the two superpowers a step further towards a common strategy after his two meetings remains to be seen.

### **Al-Khatib : "All people possess a right to security"**

Much value was attached to the appearance of Sheikh Moaz Al-Khatib, the acting president of the Syrian opposition alliance. In drastic words he described the dramatic extent of the destruction and the ever increasing number of casualties. The civil war had meanwhile claimed 65 000 victims, 700 000 people had fled from the clashes and three million buildings in total had been destroyed.

The government was turning its violence purposely on its own population and livelihoods. All in all this was a "true tragedy", with the international community standing on the sidelines and watching. If it continued, grave

consequences for the entire region were foreseeable. Irrespective of the continuing spiral of violence, Al-Khatib repeated his willingness to negotiate with representatives of the Assad regime. As preconditions he demanded a stop to the continuing bloodshed and the release of a total of 100 000 prisoners from the hands of the government.

### **International community under fire**

The president of the Syrian opposition alliance addressed clear demands to the West. Any support suitable to mitigate human suffering would be gratefully accepted. In principle, the opposition was bound to overthrow the acting government by peaceful means. However, he also underlined that the preparedness to continue the armed resistance should the violence not come to an end, and he called on the international community, should this case arise, to support the opposition in their resistance through concrete measures.

In this context, it would be specially important to suppress the Syrian air force through measures preventing the use of weapons, or even to down Syrian fighter aircraft. Criticism of the international community's present position was raised not only with regard to their inadequate active support for the opposition through actions that resembled political rhetoric. Al-Khatib also accused the USA and its European allies of focusing too sharply on the opposition potentially being infiltrated by radical Islamic forces who, in turn, would jeopardize the security of the West in the future. In fact, these consisted of only "a very low number" of extremist and terrorist individuals. The international community would be well advised to change its perspective so as to take the circumstances into account as they actually are.

## ***Negotiation Progress Faces Big Hurdles***

*Following the USA's example, the Iranian Foreign Minister also indicated his willingness to discuss his country's nuclear programme. The somewhat emotional character of the talks so far, however, shows how difficult it will be to achieve substantial results in the forthcoming negotiations.*

Compiled by Katarina Hanusova und Christoph Schwarz

The atmosphere of agreement at the MSC centre ended after the introductory statements by Iranian Foreign Minister Ali Akbar Salehi whose assessment that security was an issue that "concerns us all" and was "indivisible" had been endorsed by many. Apart from that Salehi appeared to keep an open mind to the offer for negotiations which US Vice President Biden renewed yesterday. The next opportunity for talks would come up as soon as at the meeting between Iran and the permanent members of the UN Security Council plus Germany, due to be held in Kazakhstan on 25 February.

Salehi pointed out that Iran had no "red lines" when it came to negotiations but that essentially those talks would have to be conducted on an equal footing and that the other parties pursue "authentic intentions" to resolve the issue. He added that there would have to be "two packages" to be presented by Iran and the P5+1 each and that especially the USA's rhetoric would have to change. Salehi stated that offers to negotiate must not be associated with threats and that no double standards must be applied in international politics, adding that confrontation was not Iran's leitmotif but that Iran was seeking to "turn enemies into friends rather than friends into enemies".

According to Salehi, Iran sees itself as an important regional player that holds the "golden key to the entire region" and that his government's supreme objective is to preserve its independence. When confronted with Iran's economic challenges, Salehi owned up that his country was indeed suffering from high inflation and unemployment. At the same time he pointed out that the achievements made under permanent sanctions – such

as the repeated success at positioning satellites in orbit – must not be ignored. He agreed that in the long run “no country can develop in isolation” and that therefore there was the need for what he called his prime task as a foreign minister, that is “to bring people together” to talk and to conduct negotiations successfully.

In reply to a question from the audience regarding Iran’s position on the civil war in Syria, Salehi stressed that ever since the protests had started, Tehran had taken a “clear stance”. He said that this was an internal issue that the parties to the Syrian conflict would have to resolve themselves. At the same time he referred to the developments in Syria as “alarming”, which was why Iran was prepared to try and help those involved find a solution. Salehi pointed out that while at the Conference he had had an informal conversation with the head of the Syrian opposition alliance, Sheikh Moaz Al-Khatib, the day before and had agreed to meet him for further talks. He emphasized that Tehran had never claimed that the government of Mr Assad had not made any mistakes at all. He stated, however, that the focus was now on reviving the political dialogue between the belligerent parties. This was not the time for recriminations which would be anything but conducive and that history would show who is right in the end.

The dichotomy of views among the various parties became apparent particularly during the subsequent talk between Salehi and German Conservative Member of the Bundestag Rupprecht Polenz. The latter frankly voiced his disappointment at Iran’s information policy about its nuclear programme and insisted that progress at the negotiating table would depend on more transparency. Like many previous speakers at the Conference Polenz stressed that the time had come to “determine the future of your country” and that therefore Iran should stop procrastinating. He added that complete transparency and comprehensive information were imperative and that Iran would have to desist from feeding the IAEA selective pieces of information. Salehi was outspoken in his rejection and diametrically opposed this statement by emphasizing that there was no IAEA report to substantiate the idea that Iran was implementing a nuclear programme for military purposes. He went on to say that the repeated calls for more cooperation by Iran were not acceptable. Instead it would be up to the “accusers” from the international community to present some evidence themselves. He singled out that Iran had answered all six questions raised by the IAEA to the best of its knowledge and ability and that the only open issue referred to a query submitted to the Iranian government belatedly.

In his statement Ruprecht Polenz kept up his criticism of the lack of transparency regarding Iran’s nuclear programme. He also deplored the

non-existence of freedom of the press in Iran at present. This was exemplified by the recent imprisonment of several journalists, a development that he considers upsetting.

A different view was offered by Vali Nasr, professor at John Hopkins University in Washington, D.C., who focused on the regional dimension of the ongoing conflict regarding the Iranian nuclear programme and the significance of Iran as a political factor. He took a look at the further development of the nuclear issue, saying that in order to reach a sustainable solution, the issue of the Iranian nuclear programme would have to be excluded. Professor Nasr reckoned that many a challenge could not be tackled successfully without the involvement of Iran. The Western world would have to give up the so far prevalent static image of a Middle East that has been caught in turmoil since the advent of the Arab Spring. Regional topics and the issue of the Iranian nuclear programme would benefit from the establishment of a new regional security architecture. Nasr added that it was now crucial to work out fresh ideas that would stay abreast of the current changes.

In contrast to numerous current forecasts, Nasr does not feel that 2013 will be a decisive year for the Iranian nuclear programme. He said that the attitudes displayed by both parties over the past years plus their awareness of the problem and perceptions had caused a stalemate that would not be ended overnight. According to his estimates, the next three to four years will be crucial. The discrepancies that have become abundantly obvious in the open forum give reason to believe that his assessment may be right. It is now up to the relevant parties to shape their negotiations to prove him wrong.

## ***Questions rather than statements: Ehud Barak welcomes critical questions***

*A Q&A session with Israel's Defense Minister Ehud Barak: Head of conference Wolfgang Ischinger welcomed this as a desirable form of dialog for the entire conference.*

Compiled by Angelika Schweiger und Tatjana Vogt

The third day of the Munich Security Conference gave the delegates the chance to question the Israeli Defense Minister face-to-face on a series of issues. The focus of the Q&A session was on the political changes in the Middle East's "geopolitical earthquake" according to Mr. Barak which he compared in magnitude to the decline of the Ottoman Empire and which he mostly blamed on the Tehran government.

### **"Iran defies the world"**

In spite of far-reaching sanctions and a tougher stance in diplomacy, the Iranian leadership continued to undermine all international efforts designed to frustrate Iran's nuclear ambitions, the Israeli Defense Minister said. In his opinion, the ayatollahs would never give in unlike South Africa and the Ghaddafi regime. This, in turn, would require the unwavering will of the international community as Iran as a nuclear power would further aggravate the already complicated situation in the Middle East. Mr. Barak also welcomed U.S. Vice President Biden's promise that nuclear containment was not an option with Iran and added that this was also a top priority for Israel.

## **Barak embraces the two-state solution**

Unlike the occasional right-wing extremist in Israel and the Islamic resistance movement Hamas, Mr. Barak explicitly expressed his belief in a strong and independent Israel alongside a lively and independent Palestinian state. All legitimate solutions needed to be put forth for discussion as this was the only way to achieve a less painful breakthrough for both sides. Mr. Barak also pointed out that a two-state solution was not a zero-sum game, and that an interim solution would be required until the time was ripe for a broad agreement. The Israeli-Palestinian conflict was not the only decisive factor for peace in the region, though.

## **More pragmatism in relation with neighbors**

Mr. Barak said that it was not acceptable for Israel to see paramilitary organizations spread heavy weapons in the regions as he reminded the audience that the withdrawal from Lebanon should have calmed down the situation. It was no wonder, he said, that a withdrawal from the West Bank was met with some skepticism.

When asked about Turkey and Egypt, Mr. Barak said that he hoped to continue the long-standing close relations with both countries as they had both provided staunch regional support for Israel. Mr. Barak's hopes for the future include the settlement of any controversies and the easing of unnecessary tensions. He also voiced hopes that pragmatism would dominate the relationship with the new Egyptian leadership and that practical approaches would be found to improve the relationship with Egypt.

## ***It's Hard to Share***

*Regardless of all the pledges to the transatlantic community, the U.S. rejects any major role in Pooling and Sharing. Russia, in contrast, is keen on exploring opportunities for cooperation further. Europe remains inflexible on the issue of Pooling and Sharing military resources among the members of the Western defense community.*

Compiled by Daniel Furth

In surprisingly strong terms, U.S. Deputy Secretary of State Ashton Carter rejected the concept of Pooling and Sharing among Western allies. While military capabilities are being shared on a day-to-day basis in Afghanistan, the U.S. has to primarily look after of its own industry when it comes to developing and procuring new military technologies. This industry must remain strong, and financially successful. "Although we will not always be able to fight on our own, we will continue to develop and produce our own things," Carter said.

This prompted Javier Solana, former NATO Secretary General, to accuse Carter of protectionism. The defense industry was a major element of national security strategy, Carter countered, and rejected the accusation.

From a European point of view, however, economic policy issues are also crucial. Bernhard Gerwert, Chief Executive Officer of defense contractor Cassidian, said the European defense industry was expecting to suffer disadvantages compared with its international competitors due to shrinking defense budgets. Pooling and Sharing among the European armed forces and, above all, the common funding of research and development programs could compensate for that, and also promote the consolidation of Europe's industry. Alas, there is neither the political will nor a common doctrine.

## **Pooling and Sharing as strategic future**

The Dutch Minister of Defense, Jeanine Hennis-Plasschaert, conceded a lack of political motivation in her European counterparts to relinquish national sovereignty. “It is not the military who are holding back the concept of Pooling and Sharing, it is politics,” Hennis-Plasschaert said. She was open to raising the budget of the European Defence Agency responsible for developing Pooling and Sharing projects. Belgium and the Netherlands are deemed pioneers when it comes to military integration in Europe. The two countries have a common naval command and share the procurement of new major equipment.

General Jean-Paul Palomères, NATO Supreme Allied Commander Transformation, also called for pushing the concept ahead. The rapid change in operational challenges requires the armed forces to obtain a greater degree of flexibility that can no longer be achieved on a national basis. It was time for politics to react now. At the NATO level alone, plans for more than 25 projects have been developed that were only waiting for political decisions to be made. Sharing capabilities and technologies is the way into the strategic future, but it must not be used as an alibi for cutting military budgets.

Russia’s Deputy Minister of Defense Anatoly Antonov demanded that Russia be included in establishing common security. There were many threats that could be tackled together. He also invited the NATO defense ministers to a conference in Moscow to explore potential common ground.

## ***“On their own, pats on the back and compliments are not enough”***

*The generally emphasized willingness to cooperate between Russia, Europe and the USA must not hide the fact that there are important substantive differences.*

Compiled by Katarina Hanusova und Christoph Schwarz

Beyond unanimous declarations concerning cooperation, clear differences emerge between Russia and the transatlantic partners when it comes to Syria, Iran and the issue of missile defense. Nonetheless, all concerned see cooperation as the only promising approach to resolving the diverse current challenges.

### **“Time for a transatlantic common market”**

In broad agreement with comments the American Vice President had previously made, German Foreign Minister Guido Westerwelle also underlined the direct relation between the economic situation in the countries of Europe and their capability to take action successfully on an international scale. This is essential, however, as the international environment has "become more fragile in many places". Besides re-gaining their own capability to act, it is a matter of tackling the various challenges in close consultation with various partners. In this connection, in addition to the EU and NATO member states, Westerwelle mentioned especially Russia with whom Germany is looking to work together toward the objectives of a world without nuclear weapons and an international order founded on prosperity. Westerwelle also sees potential partners in the "new policy shapers" alongside the classical major powers. The Foreign Minister argued for a comprehensive approach with regard to the resources that are

required. It is important to develop existing economic, political and military instruments further.

### **“Iran should not wait any longer”**

On the enduring dispute over Iran’s nuclear program, Westerwelle referred to the offer made by the American government to hold negotiations. “The window for substantial negotiations is open, the offer to hold negotiations is on the table”, Iran must now let actions follow and engage in result-oriented negotiations. The year 2013 would be decisive regarding the question of a viable solution to the ongoing conflict in which Germany is extensively involved in the P5+1 talks. In this connection, Russian Foreign Minister Lavrov referred to the benefits that, from a Russian perspective, would ensue from extending the circle of negotiating partners to include the members of the Gulf Cooperation Council. It was also important, according to Lavrov, to offer Teheran incentives and a clear "gameplan" and to firmly emphasize that it is not about regime change.

### **“No time for compliments”**

In view of the manifold current challenges, Lavrov has called for a strictly results-oriented approach, and warned against continued adherence to the bloc mentality of the Cold War era: “Blockades and stereotyped ways of thinking are signs of a protectionist mindset in security policy.” It is important to be guided by rational motives, and to use them as a basis to come to an understanding about differences and commonalities. As a principle, transition countries should receive support on their way to democracy; at the same time, they should be given the opportunity to choose between different paths of development and reform.

### **“Missile defense as crucial test case”**

On the subject of a common missile defense system, Lavrov insisted on assurances and an agreement on the actual objectives of the planned missile defense shield.

All in all, the subject of missile defense was a crucial test case for relations between Russia and NATO. The Russian side was still under the impression that, contrary to political rhetoric, Russia itself was considered a potential threat. In this context, Lavrov also made reference to what he regarded as vague intentions behind the current NATO initiative in the area of Smart Defence. It was unclear, he said, who and what threats the program was actually directed against.

### **With regard to Syria, “no reason for serious concerns”**

Regarding the ongoing civil war in Syria, there was no need for immediate action according to Lavrov, as long as the arsenal of chemical weapons was under the control of the government in Damascus, and the weapons were not being used. The Russian foreign minister renewed the stance long taken by Russia that the UN Security Council was the competent body for conflict resolution where the relevant initiatives had to be debated. At this time, Lavrov does not see any chances for new initiatives by Russia. Russia’s potential was exhausted, Lavrov continued.

### **Focus on intensified cooperation**

NATO Secretary General Rasmussen and the High Representative of the EU for Foreign Affairs and Security Policy, Catherine Ashton, emphasized the need for further intensifying cooperation between the transatlantic partners, within the EU as well as between NATO, the EU and other potential cooperation partners. According to Rasmussen, the increasingly complex security environment requires increased cooperation with other international organizations. Ashton was critical of single-handed national actions of a purely nominal multinational character. To Rasmussen, the foreseeable “end of NATO’s biggest operation so far” in Afghanistan presents both an opportunity and a challenge to identify new priorities for the future. And he promptly delivered a possible leitmotiv: “From deployed NATO to prepared NATO.” Rasmussen mentioned missile defense and the expanding role of special forces and cyber security as examples of areas that will gain importance in the future. With regard to cooperation between NATO and EU, Rasmussen identified capability development and political consultations as areas with room for improvement.

## ***R2P: The new Norm in Responsibility to Protect***

*Were there, hypothetically, agreement within the Security Council, wouldn't Syria be the next case for applying the new "Responsibility to Protect" (R2P) norm under international law? That was the question at the end of the **Breakout Session on the future of R2P.***

Compiled by Tatjana Vogt

Given the lessons learned in Libya, it is mainly a question of the new norm having been overstretched with the change of regime. The question also arises with new significance in regard to the future, however, in view of the incapability of the Security Council to take action.

Louise Arbour, President and CEO of the International Crisis Group and former United Nations High Commissioner for Human Rights, pointed out why the still young Responsibility to Protect doctrine is an accentuation of state sovereignty. Every state has, first and foremost, the duty to protect its people. If, though, the government of a country is not capable or willing to protect its citizens from serious human rights abuses, then the international community, primarily the United Nations, may intervene to protect the threatened population. In the case of Libya, regime change was also justified in her view. Gaddafi was, after all, not only unwilling to protect his people, but even took part in the atrocities against them.

### **Nothing to do with interventionism**

Canada's Defense Minister Peter MacKay stressed during the Breakout Session how important it nevertheless is, in principle, to think over and weigh up the consequences of possible military actions. Like a doctor who has taken the Hippocratic Oath, the foreign and security policymakers

responsible must ask themselves in each individual case whether intervention might not also have damaging consequences. There was consensus on the podium, however, that R2P has nothing to do with interventionism.

### **Prevention the more important component**

The participants, among them Stephen Rapp, United States Ambassador-at-Large for War Crimes Issues, were also in agreement that R2P must be devoted more strongly to ensuring prevention. It is in this connection that Louise Mushikiwabo, Rwandan Minister of Foreign Affairs and Cooperation, made a comment. In her view, the success or failure of Responsibility to Protect depends on whether the prevention component can have an effect. Serious human rights abuses such as war crimes, crimes against humanity, "ethnic cleansing" or genocide never come from nowhere. Which is why she sees it as being a regional responsibility. Before looking to New York and the Security Council, the Foreign Minister urged, the region must look inwards. Louise Arbour agreed and certainly had concerns when looking in the direction of Asia. Compared with other regions of the world, no equivalent regional organizations exist there. She recalled the case of Sri Lanka.

It was Fatsou Bensouda, the International Criminal Court's chief prosecutor, who expressed her conviction that accountability, which is also the basis of R2P, would firmly establish itself, regardless of all the powerlessness currently being experienced in Syria. The International Criminal Court is not, at present, empowered to conduct investigations. Obama's Ambassador-at-Large, Rapp, talked particularly about international justice. It complements the R2P concept in a positive way. The International Criminal Court, which was little appreciated by the USA initially, has brought about many changes, as have the major criminal proceedings at the Hague Tribunal. The proceedings there have demonstrated that no crimes against humanity will remain unpunished, and the perpetrators must expect to be made accountable for their crimes sooner or later. For which reason documenting crimes, as in Syria, should not be underestimated at the present time, either.

## ***Reconciliation, Transition and Cooperation***

*In Southeast Europe and the Caucasus, there are signs of easing tension and increased cooperation despite unresolved conflicts – with a steadfast look to Europe.*

Compiled by Katarina Hanusova

### **Slacking expansion dynamics of EU**

The perspective of memberships in EU and NATO was the major driving factor for a positive development of Southeast Europe. Europe could not afford a prolonged expansion fatigue without suffering grave political damage, the Croatian President Josipovic said with reference to those states on the Balkans that want to join EU, following the example set by his country. Southeast Europe “does not wish to be held hostage by EU policy”, criticized Josipovic with a view to the slacking dynamics of the EU expansion process. He also underlined the positive effects that the Southeast European countries may expect from integration into the European and transatlantic structures. Experience has shown that it has been easier for the member states to resolve existing problems within such basic institutional conditions and additionally tackle new challenging tasks. An integration of Southeast Europe into EU and NATO was therefore already past due.

The participants were in agreement concerning the question whether or not Southeast Europe belonged to Europe in terms of culture, geography and security policy: It does so, beyond any doubt. The representatives of Croatia and Macedonia also agreed that an understanding on three core elements was indispensable for long-term security and stability in the region: Reconciliation, transition and cooperation. The time has eventually come to move on from the follow-up problems of the wars causing the breakup of former Yugoslavia and, instead, to shift one’s focus to new common challenges such as climate protection and education.

## **“Dangerous precedent”**

Georgia was also determined to turn into a full European-style democracy and to join EU in the long run. The most important objective of foreign policy still was the NATO membership of Georgia, according to Foreign Minister Maia Panjikidze. Her country supported NATO already now as an active partner in Afghanistan and would continue to play its role at the Hindu Kush even after the exit of the NATO forces and thus beyond the year 2014 in order to contribute to maintaining regional stability.

The Georgian Foreign Minister directed words of criticism at Russia because parts of her country are still Russian-held since the summer war of 2008. “This is a precedence case which must not be endorsed” was her appeal to the participants. Yet the new government in Tbilisi aims at entering into a dialogue with Russia to improve the bilateral relations. A pragmatic approach to successively easing the tension would now be required.

Georgia’s joining NATO would not obstruct any improvement of the relations to Russia, according to Panjikidze. Other countries were able to enhance significantly their relations to Russian after they had become members of the Alliance.

## **NATO and the SCO: partners rather than opponents?**

Kazakhstan’s Foreign Minister Erlan Idrissov also advocated a so-called multi-vector policy. It would be important in a globalized world to concentrate forces and support every kind of cooperation. With this in mind, new forms of integration such as the Shanghai Cooperation Organization (SCO) should be understood as an opportunity rather than a danger. According to Idrissov, NATO and SCO were connected through common interests that could form a basis for cooperative relations. As an example, he mentioned the establishment of stability in Afghanistan.

## **Positive signal to Yerevan**

Azerbaijan's Foreign Minister of Affairs Elmar Mammadyarov had also brought promising news along. He showed optimism towards a speedy resolution of the conflict in Nagotno-Karabakh. It was about time for sustained peace. The desired resolution, however, should represent a "win-win" situation for both parts. According to Mammadyarov, the willingness to reach an agreement were meanwhile also to be noticed on the part of the Armenians.

## ***Right on Track: Europe and the Euro***

*Once again, the Euro crisis and worries about Europe's future have made it on the agenda of the Munich Security Conference. Hosted by former World Bank President Robert Zoellick, the first panel of the day saw some cautious optimism despite a unanimous call for continued reform.*

Compiled by Tatjana Vogt

German Minister of Finance Wolfgang Schäuble put it like this: "While the Euro crisis is not over, we are in a much better position than a year ago." While there has been considerable progress in all debt-ridden countries, the problems have not been entirely solved, Mr. Schäuble said, adding that all European countries did manage to reduce their deficits, though. These efforts needed to be continued in 2013 in order to achieve sustainable stabilization and permanent stability. Mr. Schäuble once again pointed out that a sustainable budgetary policy is needed to bring back confidence in the markets and that Europe's No. 1 goal will have to be to regain sustainable competitiveness. The German Minister of Finance urged the partners to be patient, calling to mind the complexity of the decision-making structures in Europe.

Lithuanian President Dr. Dalia Grybauskaitė strongly pleaded with the panel members not to release the European states from their individual responsibilities. In the face of the painful reforms that Lithuania pushed through in the past years, she also reminded the partners of their responsibility to address the issue of national competitiveness on their own. "This requires political will, discipline, and the willingness to make decisions," she said, cautioning that anything else will be mere "window-dressing".

Spanish Foreign Minister José Manuel García-Margallo, on the other hand, called for more fiscal integration and argued that the investors obviously lacked confidence in the markets as, in spite of the Eurozone being in much

better shape than the U.S. or the UK, it still attracted far fewer investors. In the long run, Europe would need both European investment loans and Eurobonds as this would further underline the political will.

Mr. Anshu Jain, Co-Chairman of Deutsche Bank AG, gave an insight into how the business sector saw Europe's opportunities for growth and the potential for the future and added that Europe was well on its way. Still, the future looks brighter for Asia and the U.S., he said and urged Europe to implement far-reaching socio-political reforms and a major expansion of the service sector.

Former German Foreign Minister Frank-Walter Steinmeier put Jain's words into perspective and argued that Germany has managed to navigate so well through the turmoil of the global economic crisis mostly because of its differentiated value-added chain. Mr. Schäuble seconded this statement and said that competing with the U.S. and Asia for better growth dynamics was definitely not an option. While adjustments to new developments were necessary, the social partnership characteristic of the Rhine capitalism had, once again, proven its worth during the latest economic and financial crisis.

Mr. Jin Liqun, Chairman of the China Investment Corporation, voiced optimism by saying that the Eurozone was in the process of getting their crisis under control and creating efficient structures for the currency it shared. He concluded by saying that no design and no structure was perfect right from the start.

## ***Bad news for Europe's competitiveness***

Bad news for European competition. The revolution in unconventional energy production is generating a significant economic upturn for competitor USA.

Compiled by Angelika Schweiger

The, for many, surprisingly ambitious oil and gas production being pursued by the United States throws up several questions for international security policy where existing dependencies are concerned. The most important question has been asked by American energy expert Daniel Yergin on "The American Oil and Gas Bonanza" panel, namely what consequences can be expected for security policy, the economy and the environment from the energy self-sufficiency striven for by the United States. Will the USA abandon its commitment in the Middle East if the region is no longer relevant from the viewpoint of energy policy?

The German Federal Minister of Economics and Technology, Philipp Rösler, draws attention at the beginning of his statement to the unmistakable impacts of energy prices on nations' economic performance and capacity for innovation. The exploitation of unconventional energy resources is having an important effect on the economic competitiveness of the USA. Where the development of renewable energy sources in Germany and the rejection of fossil fuels are concerned, it takes skill to maintain the right balance between a transformation in energy policy and remaining competitive

### **Oettinger urges openness by Germany concerning shale gas extraction**

The events on the other side of the Atlantic point, according to EU Energy Commissioner Günther Oettinger, toward a globalisation of the energy and,

especially, the gas market. Europe will have to re-think the direction of its energy policy in future and, in this respect, will no longer be dependent solely on Russian gas production. By resorting to American shale gas extraction technology, for example, Europe could even be in a position to meet part of its energy requirements. The commissioner urges openness by Germany concerning shale gas extraction. From a political viewpoint, new opportunities could open up for Germany in the Middle East through the change in the USA's energy policy agenda. Particularly in the field of renewable energies and, specifically, solar energy, a perfect response to the Arab Spring would be possible that would have a greater impact than the "establishment of a new Club Med".

Russian Energy Minister Aleksandr Novak has declared Russia will be concentrating its energy policy on the Asia-Pacific region. The USA will, in his estimation, continue to participate in the international energy market in future "for the simple reason alone that there will not, for the foreseeable future, be adequate possibilities to refine oil or gas within the country. According to Carlos Pascual, US Special Envoy and Coordinator for International Energy Affairs, the United States will not be withdrawing from the world due to its energy commitments within North American borders. Political instability will invariably make itself felt at the pumps, as the example of Libya has shown. Where the exploitation of shale gas reserves is concerned, environmentally friendly extraction is essential, as only then will it be supported by the population at large. Shale gas, according to Pascual, is seen as a bridging technology which will allow the economy to remain competitive on the way to an energy policy transformation. The greatest issue for the United States in times ahead will be whether the country will legally be in a position to export oil and gas following its independence in energy supplies expected for 2020.

## ***“We do not want an arms race in cyberspace”***

*Cyber security is a global task – in this regard, the panelists participating in a discussion headed “**Cyber Security: Crime Prevention or Warfare?**” all agreed.*

Compiled by Christine Hegenbart

“The key question of the 21st century is how to ensure security in cyberspace,” German Federal Minister of the Interior Hans-Peter Friedrich emphasized. A common understanding on a cyberspace code of conduct must be developed at the global level. Governments, industry and users had to assume responsibility for the safety of the Internet. A central catchword in this context is awareness: According to Friedrich, it is necessary to create awareness of the threat posed by cyber crime on all three levels, and that the costs needed to secure the networks were justified.

General Keith B. Alexander, Director of the National Security Agency (NSA), stressed the importance of cooperation between governments and businesses: “Partnership is part of the solution.” Effective defense mechanisms against threats originating in cyberspace could only be achieved by cooperation in partnership. He also pointed out the urgency of the issue: “Something must be done today.”

### **Aiming for international cooperation and technical solutions**

“If the technology itself is not safe, concluding agreements will make no difference,” John Suffolk, Global Cyber Security Officer of Huawei Technologies (Shenzhen) cautioned. Deutsche Telekom was working hard to provide these technical solutions, René Obermann, Chief Executive Officer

of the biggest German telecommunications company, explained. He also encouraged greater transparency and increased information exchange with regard to cyber attacks.

Subsequently, Jane Holl Lute, U.S. Deputy Secretary for Homeland Security, urged that all technical options available to protect cyberspace be used. No government was capable of establishing cyberspace security all by itself. At this point, Neelie Kroes, Vice-President of the European Commission and EU Commissioner for the Digital Agenda, chimed in, saying that the resilience of the systems could only be established by all actors cooperating at the various levels. She placed great importance on pointing out that the primary goal was to create a peaceful cyberspace: "We do not want an arms race in cyberspace." This was also an objective of the new EU Cyber Security Strategy to be presented to the public shortly.

## ***Reform Rather Than Revolution***

*The delegates of the panel on "**The Rising Powers and Global Governance**" mostly agreed on how to change the structures of international politics – with one exception.*

Compiled by Angelika Schweiger und Daniel Furth

Brazil's Foreign Minister Antonio de Aguiar de Patriota considers the reform of the UN Security Council a central part of the reshaping of the international order. International relations, he said, would also need to reflect the changes that have taken place in the political and economic systems around the world. Established institutions were too slow in their reaction to fast-paced changes, Mr. de Aguiar Patriota added, and a reorganization of the Security Council would be key in preventing the formation of new blocks again.

India's National Security Advisor Shivshankar Menon also questioned the efficiency and democratic legitimation of existing international organizations. The BRIC countries Brazil, Russia, India, and China were not striving for a world order, Mr. Menon said and added that he clearly saw the decline of western dominance. Global governance was basically a good idea, it might not make much sense though without accompanying reforms. International change would not necessarily have to invoke conflict, he said, it could be based on the establishment of international democratic structures instead. Singapore's Defense Minister Ng Eng Hen also attributes a key role to the inclusion of smaller states and the effective implementation of international law. All three participants agreed that the G20 meetings were a first step in the right direction.

## **China's Vice Foreign Minister sees no pressing need for action**

While China's Vice Foreign Minister Song Tao does see some common threads between the emerging economies, he does not see the need for a consensus on the reshaping of international structures. Each nation should seek development in keeping with its capabilities and this alone would lead to a peaceful cooperation, he said. The diversity of the political systems would also complicate greater international cooperation, he added. Mr. de Aguiar Patriota conceded that while cooperation among democracies was easier, political differences should not pose a diplomatic stumbling block.

Mr. Tao also made it a point to dispel fears of a military expansion in China, adding that the country was mostly interested in economic development and stability. China had never been a colonial power, he explained, and would not start to become one now.

## ***“One million soldiers, four entities”***

*Lorenz Hemicker interviews Roderich Kiesewetter (Christian Democratic Union), German Bundestag Member.*

*Mr. Kiesewetter, today was Vice President Biden’s second appearance at the Security Conference after 2009. You also saw him when he was here five years ago. Did you notice any major differences between then and now?*

Some years ago, the focus was on Afghanistan and the U.S. trying to get Europe to make a bigger commitment and share the burden. Today, Mr. Biden made it clear that America could only increase its interest in the Pacific with Europe by its side, taking on some of the responsibility. Joe Biden put it in wise and simple words when he said how much we depend on one other.

*How much of a contribution does Europe need to make to the transatlantic relationship?*

We need to do more to remain an attractive partner for America. And there is still some homework left. Something else that hasn’t really changed is that we are still very much focused on Europe even though Libya and Mali should have taught us a lesson.

*Europe has an army with a little under two million soldiers, spread over more than two dozen national armies. German Defense Minister Thomas de Maizière has made it clear now that there will be no EU army with German participation. Do you have an explanation for this?*

Well, Mr. de Maizière is very matter-of-fact and very pragmatic. I suppose that he simply asked himself what was feasible and what was not. Most countries simply don’t have the will to build an army together. Still, we have to use our troops more effectively in a European Union with ever tighter budgets. To achieve this effectiveness, we have to identify areas where we cooperate already, and Germany should volunteer a shoulder to lean on. We also have to find areas where cooperation is possible, for instance, in air defense, coastal defense, and training.

*Do you also exclude a common European army as a long-term goal?*

We need a long-term goal we can work for. The European idea of peace, prosperity, and human rights needs to be backed up with a credible defense, and this credible defense could lead to individual states providing individual packages that, put together, could make up a common European capability package. It is, of course, conceivable that those almost two million soldiers serving in the national armies today might end up being one million split into four entities. I could see that, yes.

## ***“The Russians value their position as very strong”***

*Lorenz Hemicker interviews Frank-Walter Steinmeier (SPD),  
Chairman of the Opposition in the German Bundestag*

*Mr Steinmeier, US Vice President Joe Biden has held quite a pragmatic speech today. This has not been a second reset of the button. Why that?*

I see that differently. I heard a very reserved speech by Mr Biden, and he gave also the reason for that. He did not wish to anticipate any foreign political dialogues. US President Barack Obama will give his state of the union address in the week after next. In so far everything we heard was basically known.

No new start of the American-Russian relations.

Nor any new acrimonies. On the contrary, he emphasized quite often in his speech that global security can only be established in conjunction with important partners. As regards Syria, the prevailing topic here in the hallways, I do not hear any signal that the Americans were about to change their position.

The contribution of the Russian Foreign Minister Sergey Lavrov was likewise pragmatic.

The audience perceived his speech differently. One has to read between the lines. The Russian warn that the Syrian chemical weapons could become more dangerous in the hands of the opposition forces than in the hands of the government. Yet I cannot see that Moscow is still strictly opposed to a negotiated resolution.

*Moscow has long shown insistence and given support to Assad. Do the Russian now recognize the normative power of the facts in the country through their change in position?*

The Russians value their position as very strong. I am not quite sure whether or not this is justified. It is my impression that they do not feel very comfortable with the disunion of the UN Security Council they have

caused. Yet as it has ever been: To change one's position and to build new bridges in such conflicts without losing one's face is extremely difficult. I hope that the framework of the Munich Security Conference will be used to seek dialogues and to find resolutions beyond panels and public discussions.

Quite a clear statement which was more tailored to European policy was made by the German Federal Minister of Defense Thomas de Maizière yesterday evening who, from his view, buried the vision of joint European military forces.

All of us were very surprised by that. Because this attitude has so far neither been the policy of the German Ministry of Defense and nor part of the German foreign and security policy. I am unable to judge by what this sharp condemnation of contrary statements made by German politicians has been induced. Nobody expects the European military forces to become a topical issue in the next year or the year after. Yet to maintain the perspective that one should share defense burdens considering the shrinking budgets is the right way in my view.

*What do you think of de Maizière's statement?*

A European Army is still a long way off. But if I did away with the perspective of growing together, I am not sure whether or not cooperation would occur where I wish to.

## **“The ball is in the government of Iran’s court”**

*Lorenz Hemicker Interviews Elke Hoff, Member of the Defense Committee, FDP Parliamentary Group.*

*Ms. Hoff, on Friday night, German Defense Minister Thomas de Maizière buried the idea of a common European army. You are his coalition partner. Did you know this before?*

No, I did not. He doesn’t tell us what he plans to say in his speeches. Mr. de Maizière basically only confirmed what has already become obvious by listening to many of the other speakers: We have become more pragmatic.

*Pragmatism was also a major factor in the remarks made by U.S. Vice President Biden. What did you find most remarkable about what he said?*

What I did find remarkable was that Mr. Biden once again pointed out America’s willingness to start bilateral talks with Iran face to face. I consider this an important step forward. It remains to be seen what Tehran’s reaction will be, though. The ball is now in Iran’s court. Mr. Biden also highlighted the importance of economic stability, and by doing so, he also endorsed Germany’s policy. If you want to become an actor in security policy, you need to have the resources for that – and the economy that feeds these resources in the long run.

*Nobel Peace Prize Laureate Tawakkol Karman of Yemen expressed criticism last year when she said that the Conference was too old, too young, and too white. What is your impression of this year’s conference? Has the situation changed?*

We could still do a lot more. There are many competent women in security policy. What I would like to see is for the conference to become more of a parliamentary venue because, at the end of the day, it’s the parliaments that decide on whether and how much money to provide for operations.

”

## ***“Biden didn’t say much, did he?”***

*Lorenz Hemicker interviews Omid Nouripour, Member of the German Bundestag, Member of the Defense Committee, The Greens Parliamentary Group.*

*Mr Nouripour, the speeches given by U.S. Vice President Biden and Russian Foreign Minister Lavrov were quite bland compared to the conference highlights in the past. Were you surprised?*

No, I wasn’t. The situation with Syria is a total mess. The situation with the planned NATO missile defense project is just as difficult. There was no reason to believe that things might change. It's not disappointing, it’s just sad.

Some of the conference delegates may have hoped to hear more, especially from Vice President Biden.

Biden’s speech was basically a rerun of the one he gave four years ago. The only thing that did change were the conflicts he addressed, so, yes, he didn’t say much. He mentioned Afghanistan with only one sentence and if you bear in mind that the ISAF mission is still a primary responsibility of NATO, then it was way too little.

*There are no high-profile Afghan delegates here at the conference. Is Afghanistan no longer relevant for security policy makers?*

The Afghan ambassador is here. I’ve seen him. And, yes, it is a pity that Afghanistan is no longer relevant. The conference is only a reflection of the public debate. The extent of media coverage in Germany of the ISAF mission and the debate on the extension of the mandate in the German Bundestag bears clear testimony to the dwindling interest. This is fatal. The security situation in Afghanistan should still be in the focus of our attention as it remains a Herculean task for the Bundeswehr – now and after the end of ISAF in 2014.

*Yesterday, German Defense Minister Thomas de Maizière said "no" to the idea of a common European army. What do you think about it?*

On the one hand, the reality of time here in Germany is currently one that proceeds a little along the lines of renationalizing reservations rather than intensifying integration. That's a reality that I can understand.

On the other hand, he also said that we would overstrain or affront even more people, which, per se, is no argument. Mr. de Maizière probably made reference to the German Foreign Minister, and this does not even come close to being a reason.

It does make sense if we start shaping a common European foreign policy at the same time. I love the idea of a European army as it would create a lot of synergies and would, in any case, be far better than what we have right now. Dodging confrontation by saying that we would have to break down resistance first simply doesn't cut it.

# ***NATO after ISAF – Staying Successful Together***

**Anders Fogh Rasmussen**

*Anders Fogh Rasmussen is NATO Secretary General. He presented this vision on 2 February 2013 at the 49th Munich Security Conference.*

The theme of our discussion today is Transatlantic security. And like Vice President Biden, I consider US and Europe indispensable partners.

Today I would like to talk about NATO after 2014 when we complete the ISAF mission in Afghanistan. The end of NATO's biggest operation presents us with a big opportunity.

An opportunity to generate key capabilities. To engage robustly with new geopolitical realities. And to rebalance our priorities and commitments. In other words, an opportunity to plan for the future.

That plan must answer three questions: What will NATO do next? How will we do it? And what kind of Alliance will we be?

So let me answer those questions. First, what will NATO do next?

We will continue to respond to crises whenever, and wherever, the Allies judge their security interests are at stake. Because this is our core business.

When I look at our world, I see an arc of crises stretching from the Sahel to Central Asia.

Let me stress. This does not mean we will have to intervene everywhere. Nor that we are set for confrontation. But it does mean we must stand ready to deter, and defend against, any threat.

So we have to keep our operational edge, and retain the complete range of capabilities. Among these, I see increased importance for missile defence, cyber defence, and special forces.

Missile defence is a core element of our collective defence. And the deployment of Patriot missiles to Turkey is a real response to a real threat.

Many European Allies already contribute to NATO's missile defence system. But I could see other possible contributions. For instance, European navies upgrading their ships with missile defence radars and interceptors so they can deploy alongside United States vessels.

We must also improve our cyber-resilience. I see a critical role for NATO in defining a common approach among the Allies. In training. And in providing specialist assistance to Allies who come under cyber attack.

We will also need forces with the skills and speed to act decisively. I see a vital role for NATO's new Special Operations Forces Headquarters in planning and coordinating missions. And in improving the capability of our special operations forces to work together.

All this we CAN do. So that NATO remains the gold standard of Euro-Atlantic security in the 21st century.

But how?

We must build on what we have gained in operations such as Afghanistan. Not cash in what some may perceive as the post-ISAF dividend.

In this age of austerity, that looks like an attractive option. But it would be the wrong option. Because security challenges won't wait while we fix our finances. And more cuts now will lead to greater insecurity in the future, at a cost we simply can't afford. We saw this after the Cold War, when we were ill prepared to respond to the crises in the Balkans.

Now, we need to reinvest the ISAF dividend in defence. And get the maximum return from it, including through NATO's Connected Forces and Smart Defence initiatives.

We need a multinational force we can deploy quickly when needed. Fortunately, we already have it. It's called the NATO Response Force.

I see us revitalising this Force, to keep our ability to train and operate together, as Allies, and with partners. To take advantage of the United States' decision to rotate dedicated units to Europe. And to conduct more demanding, more realistic, and more frequent exercises. The NATO Response Force should become the engine of our future readiness.

Multinational cooperation is also key to keeping our costs down, and our capabilities strong.

For example, through Smart Defence, we are fielding a new Alliance hub for intelligence, surveillance and reconnaissance, to provide political and military decisions makers with more accurate and up-to-date information. Our lessons learned from Afghanistan and Libya have shown how crucial such a hub will be for any future operation.

I see us connecting more closely with our most able operational partners. Because keeping close links in peacetime will help us work better together in times of crisis.

I see us reinforcing our cooperation with the United Nations and the European Union. So that we can respond together to complex crises.

I also see us deepening our strategic relationship with Russia So we can build long-lasting security and stability for all of us in the Euro-Atlantic community.

Overall, I see our Alliance shifting from operational engagement to operational readiness. From campaign to contingency. From deployed NATO to prepared NATO.

So, what kind of Alliance will we be after 2014?

NATO will remain an Alliance built on shared values and interests; with its door open for new members who share those values; and defined by the transatlantic bond.

We know how valuable this bond is. We know it does not come for free.

And we also know that in the decade since 2001, the US share of NATO defence expenditure has increased from 63% to 72%. While in the last few years, all but three European Allies have cut their defence budget, in some cases by up to 20 percent.

I am concerned about this gap in defence spending. But I am even more concerned by the gap in some key capabilities. And we need to take concrete action to correct this.

For example, I would like to see us moving towards the day when no single Ally provides more than 50% of certain critical capabilities.

This will require European Allies to do more. And it shows why initiatives by European Allies are so vital. Because a strong European contribution to NATO's capabilities will sustain a strong US commitment to NATO.

The good news is that the balance is already improving in some critical areas. For example, in large transport aircraft.

However, we also need to re-balance politically. All Allies must show the political will to support each other. So we must live up to our role as the political forum for transatlantic consultations on common security concerns, including on those that lie beyond the Euro-Atlantic area.

Re-balancing requires real investment. But it is worth it. Because collective power makes all of us stronger. And in our interconnected world, we will either succeed collectively or fail individually.

My vision for the Alliance's future builds on the successes of the past. It retains what makes our Alliance unique and indispensable. It rebalances our collective military capacity. And it reinforces our common political resolve. Because now and after 2014, we can only stay successful together.

## ***Europe and America: Best Possible Partners***

**Thomas de Maizière**

*Dr. Thomas de Maizière is Defense Minister, Federal Republic of Germany. Minister de Maizière presented this assessment of transatlantic security ties on 1 February 2013 at the 49<sup>th</sup> Munich Security Conference.*

As every year, we will be discussing topical crises and conflicts here in Munich. We will be talking about the devastating civil war and the end of Assad in Syria, the situation in Mali, the threat of a nuclear-armed Iran and other prevailing conflicts.

But the Munich Security Conference should not discuss the current hot spots *only*. It is not the crises that should dictate the agenda of our debate on security policy but the other way around: The fundamental security debate should enable us to manage the current crises better.

And: The Munich Security Conference has always been a place of transatlantic dialogue. This is a well-established tradition. Other conferences may take a different approach. But *here* we should always place the special focus of our discussions on the relationship of the USA with Europe and that of Europe with the USA.

There are many good reasons to do so:

\* US President Obama has begun his second term of office. His new Foreign and Defense Secretary are both advocates of the transatlantic relations and both have already participated in the Munich Security Conference. In *NATO* joint decisions are pending concerning Afghanistan for the time up to and - even more important - beyond 2014.

\* We are discussing the role Europe should take in terms of security; to be precise, we are discussing the European Union and its relation to NATO.

\* For the first time in many years a European Council of heads of state and government, to be held at the end of this year, will be dedicated primarily to security and defense policy.

\* And there are first indications that the US-Russia dialogue is taking up speed again, too.

This is why in my welcome address today I would like to refer to our relationship with the USA, to the *raison d'être* of NATO, in brief to the tradition of the Munich Security Conference. In principle, I am optimistic: Europeans and Americans can rely on each other. And it is important to add: They *must be able* to rely on each other.

I am convinced: For the US, Europe may not be the best *conceivable* partner in the world, but it is certainly the best *possible*.

No other region in the world is as stable, reliable and able to act as Europe. In the field of security policy we may not be good enough, but we are better than any other partner of the USA. These days, some people warn against the risk of a cooling in the transatlantic relations. Such prophesies have, by the way, been around for decades. If the warning experts had been right, NATO and the transatlantic relations would have failed a long time ago.

Many others argue that a *Pacific* century is coming up, which is why the USA are turning towards the Pacific region and away from Europe.

I do not share these concerns. First: It is way too early to take stock of the century already in 2013. We Europeans had this painful experience in the 201913 Europeans (and Germans in particular) were still looking into the future full of optimism. Only 12 months later World War I broke out. To proclaim the 21<sup>st</sup> be the Asian or Pacific century already today would be intellectual imposture.

Second: The interest of the USA in the Pacific region is not at all new. It has developed over time and is mainly due to geopolitical facts. More than 10 years ago, the 2002 National Security Strategy (under Bush Jr.) already explained "*The United States are a Pacific Nation*".

Third: *Euro pe* and Asia are also linked with each other in numerous ways and Europe is turning towards Asia, too! Today, the EU is China's second largest trade partner. The European Union and its member states are also members of the ASEAN Regional Forum (ARF), the Council for Security

Cooperation in Asia-Pacific (CSCAP) as well as the Asia-Europe Meeting (ASEM). And there are also multifaceted types of co-operation at national level. We Europeans would also be well-advised to deepen and prudently expand the dialogue with Asia. But we should not see this as a political contrast to our transatlantic relations. And the USA should not consider their relations to Asia to be in contrast with our transatlantic roots.

Quite the contrary: What prevents us from building bridges together? We should consider joint transatlantic options for co-operation in the Pacific. In Afghanistan for example, American and European soldiers are already standing side by side with troops from Asia, Australia and New Zealand.

The US and Europe are faced with tremendous challenges – *everyone for themselves* and *jointly*.

Today, 64 years after its foundation, NATO is the only multilateral organization that is *capable* of *quickness* military intervention around the world. It is stronger than any other power. It does not threaten anyone.

Like nothing before, Afghanistan has forged a joint mindset concerning command and control as well as operations.

The confidence of American troops in the fighting capability of European, including German, soldiers dev eloped or grew there, if not before. Again, we can state: Our troops can depend on each other. Yet: The available resources are limited – in *every* member state and *on both sides* of the Atlantic. Some people are already aware of this, to others it may be news.

With a by and large constant defense budget Germany, by the way, stands international comparison within our league. The way we are dealing with this situation will *decisively* shape the future of NATO and of the EU. Blaming each other will certainly not be conducive.

And this is not just about “burden sharing”.

This is about the fundamental question: *How* do we intend to co-operate in future?

*Europe’s* creative power in security policy will in future depend on two factors: our *capability* (and I am referring to *military and civilian capabilities*) and our *political will* to shape the world *together*. Concerning both aspects we still need to do our homework. *In the long term* we Europeans will only be able to increase our military performance (in times of scarce funds) following two approaches: further increasing the efficiency of our national armed forces (being able to do more and being able to do new things), and improving our *co-operation* among each other (being able to do more jointly and being able to do new things jointly).

Many member states (e.g. France, the United Kingdom, Sweden, Poland) are working on plans to re-orient and re-align their own military structures – just like we do. In a few days France will adopt a new White Paper. The United Kingdom is currently the largest European troop contributor to international missions, Germany ranks second. Concerning Europe, however, the United Kingdom is more reluctant. Again, we feel the tremendous pressure to save money.

We wish for France to play a more prominent role within NATO. And we wish for the United Kingdom to play a bigger security role in the EU. In both cases, this entails rights and obligations. The main *political* home of Germany is the EU, its *security* home is NATO. This is why we want to *contribute* to promoting France's goodwill towards NATO and the United Kingdom's goodwill towards the EU.

One thing is clear: Among allies (and here I am referring to both EU *and* NATO) there must be no *uncoordinated* drawdown of capabilities. Therefore, we need to strengthen the existing instruments within NATO and we also need to co-operate more closely at EU level, particularly in the field of *planning*. As regards the *development of military capabilities*, decisions on Pooling & Sharing or Smart Defense have already been taken. From the start, Germany has played an active role in this process and is willing to do more. When it comes to military capabilities, however, it is not new visions we Europeans need, but a strategy of resolute pragmatism. We should first of all prudently and quickly implement the decisions which we have already taken.

When we do that, we will already reach the limits of what some states are prepared to give up in terms of sovereignty. And I am not even referring to Germany right now. Let us imagine, for example, that aerial reconnaissance, strategic airlift, air-to-air refuelling, crucial elements of logistics or training in Europe would only be conducted multinationally, either by all or a certain number of European states. The respective parties involved would then be dependant on each other in these areas. We are already moving towards such a situation. This would mean having achieved a lot, as we have been gathering from the discussions in recent days and weeks. And it would take years, for technical, financial, political and legal reasons. We do not need the vision of a joint European army on top of that, a vision which puts many people off anyway.

Against the backdrop that NATO and the EU are completely different organizations in terms of their origin, organizational structure and procedures, we should focus our attention during the EU security policy summit in December on the following aspects: In the future, we Europeans

should be able to contribute something that others (NATO, for example) are *not* able to provide, as a complement to NATO, avoiding a duplication of effort. I am, in particular, thinking of civilian cooperation and civil-military cooperation, topics which are rather on the back burner in public perception and in terms of their practical implementation.

In the current discussions about Mali, only a *single* question is being asked: Who shall deploy troops and what shall be their mission?

It is clear that it was right and imperative for France to intervene. A military intervention was necessary to establish the (minimum) conditions for a political process in the first place.

But as we are all perfectly aware: Military intervention only marks the *beginning* of a long process towards long-term conflict resolution. *Military* superiority in its traditional sense no longer guarantees a lasting settlement of a conflict.

Or – as an Atlantic Council report recently put it: "*Just because you have a hammer it does not mean that every problem is a nail.*" Developing and establishing viable *peacekeeping* structures, especially by building-up security structures, is a highly complex process. This is yet another lesson learned from Afghanistan.

We Europeans can draw on our ever-growing experience in the fields of long-term stabilization, reconstruction aid and humanitarian missions. The EU is now – at last – putting this experience to good use in Somalia where we are beginning to see modest success. As a result, the EU would be able to bring together military, political and economic elements of an operation, *complementary* to NATO.

This means: NATO and the EU by means of a sensible division of labor, not: NATO or the EU.

The challenge we are confronted with lies in dovetailing the available instruments in a better and coordinated way.

It would also be desirable to enhance the linkage to the Commission's *financial instruments* in order to ensure a long-term stabilization of crisis-ridden regions.

Let me mention a few examples of the interaction between NATO and the EU: I would like to start by mentioning the mission in Kosovo: Whereas NATO has proved itself within the frame of KFOR to be an essential stabilizing factor in Kosovo thanks to its strength and its authority, EULEX in its initial stages exposed serious deficits in terms of assertiveness and force generation. This situation is now to be improved.

In the medium-run, however, we should consider the following question: Given further political progress, will we be able to make the transition from two missions into a single mission under European lead?

Second: We must set ourselves *realistic* objectives, also with a view to civil-military cooperation. Afghanistan has triggered a learning process. While a western-style democracy used to be the objective at the beginning, the task at hand now – after many, sometimes painful years – is to empower the people in Afghanistan to preserve at least a minimum of peace in their country themselves (“Afghan face”).

In Afghanistan, military progress or progress in terms of security is not really *good*, but it is better and advancing more quickly than the political and above all economic progress. Defining realistic objectives, however, requires us to have an adequate prior understanding and knowledge of the country and her people. We can and we must do more to enhance our joint *strategic ability to conduct analysis*.

We must not be taken by surprise time and again.

Reconnaissance and political analysis, these are two further examples where NATO and the EU can do better than before if they co-operate and follow a burden sharing approach. Third: If we want to successfully implement and expand the comprehensive approach, we Europeans must, in the medium term, enhance our ability to *plan* and *conduct* CSDP operations. This does not only hold true for EU battle groups, but *also* for an intelligent use of infrastructure to plan and conduct *civil* or *civil-military* operations.

At the beginning of my speech I touched upon the transatlantic link and the pivot to Asia. Afterwards, I addressed the question of what a smart cooperation between NATO and the EU might look like in the future. In our discussions, however, we should *also* take into consideration that we will increasingly be cooperating with partners that are *not* part of our traditional alliances and institutions.

\* The current counter-piracy operation at the Horn of Africa shows that multilateral cooperation on deployment is working, even *outside* traditional *institutional* structures. The NATO mission Ocean Shield and the EU mission ATALANTA are coordinated via the Operation Head-quarters in Northwood. Nonetheless, I think we should consider merging these two missions into a single mission, too. *In addition to NATO and the EU*, various other actors such as the United Arab Emirates, China, France, the United Kingdom, Thailand, Iran, India, Malaysia, Russia, Saudi Arabia, Singapore, the United States and Japan either were or are still involved unilaterally on the ground.

All these players coordinate their activities in theatre by means of the Mercury situation and information system, to which all actors have access, and by regular Shared Awareness and Decon-fliction (SHADE) meetings held in Bahrain. In my opinion, this mixture of an institutionalized form of co-operation between the UN, NATO and the EU on the one hand, and – as I would like to call it – a *situational, event-driven, but nonetheless coordinated co-operation* with individual stakeholders on the other hand, seems to be an approach we might put to more frequent use in the future (regional ownership).

\* In Mali, too, the co-operation between ECOWAS, France and the EU has started to that effect. If such a co-operation is successful, it might serve as an anchor of stability *with far-reaching effects* on the region.

\* As the third largest troop- contributing nation in Afghanistan Germany has learned that multilateral co-operation with states which are not members of NATO or the EU is of crucial importance. “In together, out together”; this statement has its root in the fundamental experience that in Afghanistan we are all dependant on each other. This applies to the deployment phase in theatre. It also applies to redeployment. I would like to add: We should also prepare and implement a new mandate together – for the *post-2014* period. More than 160 years ago, Otto von Bismarck coined a wise phrase: “*fert unda, nec regitur*”, “one can ride the wave, but not make it.” Translated more freely: he who is wise knows the limits of his power. This holds all the more true in the globalized world we live in. I would like to draw two conclusions from this insight:

First: We should not *over-estimate* ourselves.

We should not succumb to the belief that we are able to control *all* developments *anywhere* in the world. It is only legitimate to admit this publicly. We can make a *contribution* to conflict settlement, nothing more. This is a lot, but it is not everything.

Second: Realizing the limits of one’s power *also* means: We should not *underestimate* ourselves.

This holds especially true for us Europeans, and also for us Germans. The transatlantic link, NATO and Europe: Like hardly any other nation on earth we Germans are aware of the vital importance of these partnerships. We can rely on each other. And we must be able to rely on each other. Therefore, Germany will do everything within its power to invigorate and strengthen these partnerships together with our partners on both sides of the Atlantic. Germany knows its responsibility.

## ***Investing in Defense***

### **Ashton B. Carter**

*Dr Ashton B. Carter is the Deputy Secretary of Defense, United States of America. Dr. Carter presented these views on defense investment and budgeting on 2 February 2013 at the 49<sup>th</sup> Munich Security Conference.*

I first came here in 1984 as a physics post-doc, and the subject for the day was Star Wars at the time. Back at that time, within the NATO community at least we talked about pooling and sharing in a purely theoretical way; and thank God it remained theoretical in that period.

Now we pool and share in the operational sense all the time. Afghanistan for sure, I go to Afghanistan all the time. I've been doing that for years now and if you're in the Department of Defense, you spend a significant part of every day on that because your heart's in it, your heart has to be in it and will be as long as the conflict in Afghanistan lasts.

But there, you can go in a command center and there'll be Americans and other coalition partners and you can't tell the difference in terms of what they're doing.

Libya, Mali – I was in Paris yesterday and I was congratulating the French Defense Minister and defense leadership because there are very few militaries, you can count them on one hand that could attempt an independent initiative in the security field.

France is one of them and I, for one, hope they remain and that others join that small group. But, you know, none of us prefers to go it alone, we're much better if we go together and France was very close to the edge in terms of the ability to carry through those first few days and I'm pleased to say the United States was able to offer some help and continues to do so.

But the risk of scale is a serious one because if you attempt to do a little bit of everything, you end up not doing enough of anything.

So in the operational sense, at least, that problem has now been routine. I think what Javier wanted us to address in this panel was, how does it come about that one has something to pool and share in the first place?

And that's kind of where the rubber meets the road and I thought I would share with you a little of the American perspective on the underlying issues as we see them and as they affect us because that – we'd prefer alignment with our friends, in all of the countries represented up here on this stage and many more. It helps us to know where they're headed and them to know where we're headed.

And in terms of where we're headed, we, in the United States, are embarked on a great strategic transition at this time – a transition from the era of Iraq and Afghanistan to the security challenges that will define our future.

We have, of necessity, been very, very focused on the wars in Iraq and Afghanistan. They have been consuming of our attentions and resources. That was the way it had to be, but that era's coming to an end.

And while we were preoccupied with those two wars of a particular kind and prosecuting them successfully, you know, we know that the world didn't stand still and technology didn't stand still and other nations didn't stand still. And we need to look up from the foxhole so to speak we've been in, look up, look out, look forward and address the security challenges of the future.

And we're trying to do that now and that's reflected in the new strategy that we developed a year ago, and I'll just pick a few of the tenets of that strategy to illustrate what we're trying to do to turn this strategic corner and how there are opportunities to do that together with our security partners.

The first thing is we have tried to learn and absorb some of the lessons of the Iraq and Afghanistan conflicts. Particularly they taught us about rotational presence, how to operate with lean formations, how to be more agile and flexible.

And you see us incorporating those practices in concepts like the rotational presence of the littoral combat ship in Rota, our regionally-aligned brigades, concept which is related to the NATO response force concept and will align with the NATO response force concept.

Going beyond the lessons of the last decade, the Europeans have taken a lot of note of what we call the rebalancing to the Asia-Pacific theater. I thought I would say something about that and its purpose.

You know, unlike Europe, Asia has no NATO, has not had a NATO, has had no way of knitting together countries and healing the wounds of the Second World War and even preceding history out there. And yet, the Asia-Pacific theater has enjoyed the peace and stability and therefore, prosperity for 70 years. And in that climate, first Japan rose and prospered and then South Korea rose and prospered and then South East Asia rose and prospered, and today, China, and in a very different way, India rise and prosper.

And that's good, but it's not automatic. And one of the reasons – and I think a central reason – for that peace and prosperity has been the pivotal role of American military power in that part of the world.

And in a sentence what the rebalancing is about is keeping that 70-year-old pivotal role. We intend to do that and can do that.

Now, I advise and I know other Americans have done this. This is not a rebalancing away from Europe, because our interests are enduring here, but you know, Europe is a source of security and not a consumer of security in today's world fortunately. And we look at it that way and, therefore, we look to rebalance with Europe, not away from Europe.

And then there are real ways we can do that and are doing that, engaging with our Asian allies and doing all the things that we talk about and this panel's talked about, but with and within that theater.

Another very important tenet of our strategy was to pursue the very newest in technology. President Obama was very insistent on this. He says I don't want you, particularly as we were trimming the budget, to pull out the things that are most shallowly rooted, that's the easiest thing to do. But they are the most important things to the future.

So when it comes to a special operating force is to space to ISR and above all, to cyber in which we're making very substantial advances and investments including with partners, I think Keith Alexander has been describing that.

In all of those areas, our direction was that we were to not only protect but enhance those areas and our strategy and our investments. And we're doing that.

So there's some of the examples of the tenets that we're following as we make this great transition. We don't see this as something we do alone. We looked at our principal security allies, many of whom have been involved

at least in Afghanistan as making the same kind of transition. You're all challenged by that transition.

And it has a managerial dimension as well as a strategic dimension and it has an industrial dimension as well as an operational dimension. And I ought to say something about that.

Our partnership with industry for us in the United States Department of Defense is central. It's second only to our people in uniform who are absolutely fantastic. It is the systems provided by the defense industry to us that make our military great.

So we regard industry as our partners in protecting the country and so as we make this strategic transition, we must do it in a way that ensures that our industry remains strong, technologically vibrant and financially successful.

We don't, I always tell people, we don't make anything in the Pentagon.

And so in that sense, our interests in the Pentagon are aligned with long term investors and we will accordingly promote policies, industrial policies and spur long term innovation, efficiency, profitability and productivity growth.

We understand and we expect that the strategic transition upon which we are embarked and many of you are in embarked will cause adjustments in our industry, adjustments to the structure of our industry. This is normal. We understand that and in the main, we will rely upon market forces to make the most economically efficient adjustments in the defense industry.

That in accordance with good economic theory and it prevents the defense industry from becoming further distanced from the mainstreams of modern technology, commerce and industry, which would be dangerous for us.

We rely mostly on market forces, we will insist upon transparency in these transactions. We want to avoid any excessive short term perspectives and the kind that have affected the United States other markets like housing and the financial industry. We won't let that happen to the defense industry.

We will continue to strive to protect the principal engine of productivity and value which is competition but with competition, I talk about competitive strategies. Competition doesn't have to take and increasingly does not in the defense sector take the form of head-to-head competition between two primes, although we obviously value that.

There are other forms of competition for value and competition for profit that provide appropriate incentives and that draw the best out of industry in a way that is also financially successful for them.

We understand that the defense industry, like industry everywhere, has to globalize, otherwise it will become a ghetto. So that's not an option, it's a reality and even as it is rare that we will fight alone, it is rare that we make things alone anymore. And we in the United States at least are committed to opening our markets while balancing security concerns.

We're also committed to promoting exports. Exports are a two-fer, they build the strength and power of our partners and allies and they help build the strength of our underlying industry.

We pay attention to all tiers of the defense industry, all tiers. Between two-thirds and three-quarters of every dollar that we spend in a prime contract is subcontracted for goods and services or what are called the lower tiers of the defense industry. And while they're lower in this sense, their vibrancy, their technology is incredibly important to the future health of the upper tiers.

And so we pay a lot of attention to the lower tiers, and the lower tiers are much more globalized. There's much more pooling and sharing, you just don't see it at those tiers than there is at the level of the prime.

Next, few people understand that for us at least, half of our contract spend is for services, not for goods, for tanks, ships but for services.

And there's an underlying industry there also of important scale and it's important that pooling take place within the services industry also. And it does and it was referenced earlier the importance of looking at the entire value chain in the industry.

Finally, we welcome new entrants into the defense industry. That helps us renew and refresh the technology base. If you build barriers to that, you pay a huge penalty in that you have to constant work to remove those barriers.

So those are the principles upon which we're operating in as we turn this strategic corner to make sure that the health of the industry that supports us is protected as well.

And while technology from the industrial base and agility from learning the lessons of the wars of the last decade will allow us to operate with leaner forces. And while we must always work to deliver better buying power for the defense dollar, Euro, pound or whatever, both to deliver more capability

for the funding we receive and to sustain the taxpayers faith in us and their willingness to give us the funds.

The strategic transition requires a stable budgetary footing. And at this point, at Munich Security Conference its traditional for the DOD leader of the U.S. delegation to emphasize, as Bob Gates did memorably a few years ago, the need for allies to provide the necessary resources for defense.

He said, "In the final analysis, there's no substitute for nations providing resources as necessary to have the capability they need when faced with security challenges."

And this time, at Munich Security Conference, I have to add my own country to this exhortations because we're now facing a very real prospect of a huge and reckless additional cut in our defense budget which I remind you, we pared by half a trillion dollars in the same strategic adjustment we made last year. We made a budgetary adjustment.

Another real prospect of huge and reckless additional cuts of the size and magnitude and manner that I, as the Department of Defense's Chief Management Officer, cannot tell the president will do anything other than devastating damage to the military that has to make this transition.

What's tragic is that this is not a result of economic emergency, a recession. It's not because defense cuts are the answer to the fiscal challenge. Do the math. It's not in reaction to a change to a more peaceful world. It's not due to a breakthrough in military technology or a new strategic insight. It's not because paths of revenue growth and entitlement spending have been explored and exhausted. It's purely collateral damage of political gridlock.

So it can be avoided, and it can be reversed. And in that regard, I used to be hopeful and optimistic and now I'm just hopeful.

And accordingly, I've directed that we take some immediate steps in the department to protect the department as best as it is possible to do in this eventuality. Steps like freezing hiring of civilians – and I'll just remind you that we hire – the Department of Defense hires through 1,000 and 2,000 people a week. Forty-four percent of them are veterans and we like to hire veterans.

And a lot of people think that Pentagon civilians are people who sit in offices in Washington, but 86 percent of them aren't even in the Washington area. They are people who repair ships, repair aircraft, they're all over the country

We're reducing temporary term employees, deferring maintenance contracts and taking a whole number of steps.

If we have to go further in March in what is called sequestration, every function and every state and every district will be affected. Inefficiency is injected into our program managers, both on the government side and the industry side, unit costs go up, economic inefficiency and needless waste are introduced.

And the result over time – in fact, very quickly – would be a readiness crisis. And the effect over a longer period of time would be to threaten the strategy itself that I described.

From this side of the Atlantic, I know that a myriad ways that are different for every country, something similar is happening, a political dynamic that threatens spending at a prudent level, effective level, a level that will protect the common security.

And the willingness of the public to take their security for granted and they contribute less than they should has to be combated.

The fiscal challenge that we face on both sides of the Atlantic make a strategic imperative of pooling and sharing, but as I said at the beginning, in order to have pooling and sharing, you have to have something to pool and share. And at the moment, and I hope in a way that is temporary, that is threatened in the United States.

And so as I said, this time at the Munich Security Conference, I have to speak for the Americans as well as the Europeans about the level of investment they're willing to make to protect our great countries and the great unity and values represented by our countries.

**“Smart Defence”  
VS.  
“Clever Foreign Policy”**

**Sergey Lavrov**

*Sergey Lavrov is Foreign Minister of the Russian Federation. He presented this contribution before the 49th Munich security conference on 2 February 2013.*

It is a pleasure for me to attend the Munich conference again, which has firmly consolidated itself as most authoritative site for open conceptual discussion of European and international politics problems.

It is impossible to overlook the symbolism of the date of today's meeting. 70 years ago one of the most difficult, bloody, and crucial battles of World War II – the battle of Stalingrad – was over. Hundreds of thousands of my compatriots who gave their lives for this victory on the banks of Volga were not only defending the Motherland, but also fighting for the attainment of universal peace, just as all our allies were doing.

The diplomacy efforts were also aimed at the purpose of not permitting the tragedy of world war to repeat. They resulted in the creation of the United Nations Organization. However, soon afterwards the “cold war” drew the dividing lines in Europe, putting off the opportunities for building a system of collective security, which is embodied in the UN Charter, for a long time.

I speak of this not to provoke another search for the guilty ones. Stirring up the past is not for credible politicians. As the Russian president Vladimir Putin stressed in December letter to the Federal Assembly, Russia is only going ahead, only into the future. That’s why the meaning of our participation in Munich conference we see above all in trying to find a joint

approach to building a security community based on authentic strategic partnership. That is the very aim that was put by the leaders of Euro-Atlantic countries in 2010 at OSCE summits in Astana and Russia-NATO Council in Lisbon.

Certainly, it would be a mistake to state that nothing is done at all for achieving this noble aim. Russia and USA concluded the START, many-sided cooperation in combating terrorism, narcobusiness, piracy, threats from Afghanistan, is developing. The rejection of "cold war" era psychology is officially proclaimed. Russia and NATO members declared that they are not seeing each other as enemies.

However, we are not here to shower praises and compliments upon each other, but to understand the ways that need to be coordinated for the successful solving of the remaining problems.

With this in view, we all have to admit that not in word but in deed we are still nowhere near the truly collective Euro-Atlantic architecture, which would be based on solid international legal foundation. Still present is a tendency of building relations on military-political affairs in Europe not on the base of principles proclaimed in OSCE and NRC, but by advancing NATO-centric security structure as a single option.

We consider such a narrow-bloc approach to be of no avail and difficult to conceive with the help of objective, rational considerations; it is hardly applicable to building politics in today's global world, when we share the threats. It is time to take a broad and comprehensive look at the whole complex of relations in Euro-Atlantics and try to define the identity of approaches and the remaining discrepancies between us, including with regard to conflict situations in other parts of the world that influence our mutual security.

When looking at today's most restless region – Near East, North Africa, Sahel zone – it is hard to get rid of the feeling of some kind of a curved space. Many questions arise in connection with approaches applied by some of our partners in the conditions of the "Arab Spring" process. Does the support of speeches for the change of regimes allow justifying terrorist methods? Are you able to make war in one conflict situation against those whom you support in another conflict situation? How to make sure that the weaponry you illegally supplied to a zone of conflict is directed against yourself? Who among the rulers is legitimate, and who is not? When is it acceptable to cooperate with authoritarian regimes (both civil and not that much civil), and when is it allowed to support their violent overthrow? In what cases is it needed to acknowledge the forces that came to power as

a result of a democratic election, and in what cases “to refuse contacting them? What are the criteria and standards determining all this?

It is important to seek joint honest answers to these questions, especially as Euro-Atlantic countries have much more common points than disagreements in respect of ultimate goals of the efforts on resolution of crises. In the Near and Middle East, North Africa and African continent, as well as in other regions, we all want the stability to be secured, conditions for sustainable development to be created, the people of the states located there to be able to advance towards democracy and prosperity, human rights and uninterrupted supply of hydrocarbons, as well as another essential resources, to be guaranteed.

If these are our common aims, then we would probably be able to agree on transparent and clear “rules” which should be followed by all external players in their practical actions. Agree that we all will be supporting the democratic reforms in states undergoing transformations and not imposing an outside value scale, but acknowledging the variety of development models. Agree that we shall be supporting the peaceful settlement of the inner state conflicts and stopping of violence by creating conditions for an inclusive dialogue with involvement of all national political groups. Agree that we shall refrain from outside interference, especially by force, without a clear mandate from the UN Security Council and from arbitrary application of unilateral sanctions. That we will consistently and firmly fight extremism and terrorism in all forms, will demand observation of rights for ethnic and confessional minorities. I’m sure that if all of the “Action Group” meeting participants in Geneva on 30 June 2012 together honestly fulfilled jointly formulated approaches, then today’s tragic and horrible situation Syria may not even be. But for this it is necessary to honestly fulfil what has been agreed upon and not to extract or add anything. For that purpose we have been suggesting for a long time to hold a new meeting of the “Action Group”. We hope that Lakhdar Brakhimi who is present here will try to advance this initiative in his work.

On the whole, in respect of the “Arab Spring” processes it's high time to withdraw from simplified schemes and slogans, to weigh the situation and its development scenarios from responsible positions. Understanding this makes its way. I’ll particularly mention the recent article of Wolfgang Ischinger in the daily “Frankfurter Allgemeine Zeitung” where very interesting ideas that have something in common with our situation assessment are stated.

If we are interested in joint actions for the benefit of all, then we need to see the world as it is. To accept that forceful operations (no need to look

far for examples) lead to chaos strengthening in international relations and can cause waves of instability that no "stability island" will shelter from. History continues to gain speed and ahead there are many crossroads where it will be again necessary to choose between unilateral geopolitical aims and partnership, between zero sum games and joint efforts to find answers to today's challenges.

Many of these crossroads are seen already now. For instance, it is a question of the future of Pan-European organization – OSCE. Today the disagreements within it are deepening because of the attempts to dictate one's standards to others, transform it in sufficiently confrontational polemic platform, escalating in this way the systemic crisis of the Organization. The uniting projects are needed that will cement the European space and help build consensus on fundamental security questions. "Window of opportunities" still exists: last year in December CFM OSCE in Dublin has resolved to start the "Helsinki+40" process. We would like to hope that by 2015, when this anniversary will be celebrated, a truly joint agenda would be successfully made, reflecting our mutual determination to concentrate on the solution of the common strategic goals on the basis of putting into life the principle of security indivisibility, and not an exchange of claims.

ABM problem became an important conformity test of real business with solemn declarations of commitment to this key principle. We are all risking to lose another real chance to build a single Euro-Atlantic space. Russia proposes a simple and constructive way to coordinate strict guarantees of undirectedness of US global ABM against any OSCE member country and develop clear military-technical criteria allowing to estimate the conformity of ABM systems with the stated aims: neutralization of missile threats that come from outside of Euro-Atlantic region.

It's also important to clarify the definition of NATO's mission in new conditions, not for interfering in this process, but for making it clear for us. Advance to an authentic partnership between Russia and the North Atlantic Alliance is still slowed down by the attempts to exploit the thesis about the Soviet threat, which is now already transforming into the thesis about the Russian threat. Phobias are very enduring and we see how a military planning process is built under this thesis. Even in the conditions of deficit of financial resources an increase in military activities is observed in the north and centre of Europe, as if in these regions the security threats are mounting. Advancement of projects for NATO's further expansion and advancement of bloc's military infrastructure to the East is continuing as if there were no top-level statements on fatality of preserving dividing lines on the continent. Speaking of this, some of our European partners are now

inventing new dividing lines, begin trying to artificially divide integration projects into "good" and "bad", "friendly" and "alien".

Today the conception of the "smart defence" is discussed in NATO. I lay aside the question about from whom specifically are they going to defend. More important is to realize the objective demand for a new, modern, "clever" foreign policy aimed at the most effective use of the emerging opportunities of cooperation instead of their inexcusable squandering. If the leading economies of the world within the scope of "Group 20" were able to arrange joint efforts for overcoming the global financial and economic crisis, so why it cannot be done in politics? Last year Russia became the full member of WTO, which was created first of all for fighting protectionism in the trade and economic relations. We are grateful to USA, EC and all who supported this process. But if we try to analyze the situation with preserving bloc thinking, then this thinking is probably the protectionism in the military and political sector? In that case it's evident that it's in the direct contradiction with the today's demands which dictate the necessity of the formation of the open systems of equal security for everyone.

Our proposals about how to make a principle of security indivisibility, repeatedly declared in OSCE and NRC, legally binding, working in practice, are still on the "bargaining table". The codification of the commitments not to enhance own security at the expense of others' security approved on the highest political level would help improve military and political climate in Euro-Atlantics and would favour closer relations between all countries and realization of the strategic goal to create the united economical and humane space from Atlantics to Pacific Ocean.

The aspiration for elaborating joint approaches for securing genuinely equitable architecture in Euro-Atlantics is more and more clear not just in case of reasonable politicians, but also on the level of civil society. We welcome the collaboration of the centres of politology in Germany, Poland, Russia, and France on preparing recommendations regarding problems of Euro-security, which was approved in OSCE. We want to stimulate such contacts and processes in every possible way. We welcome this work.

No doubt that we are living at the turning point of the history, which means that the decisive and large initiatives are needed. It is time to mutually write off the historical debts and issue each other the "anti-recessionary" credit – the credit of trust and partnership.

In advance of the speech I was asked to comment the Russian-American relations, but deep down, I agree with today's words of Joe Biden "a good friend and colleague of mine. We really have a very vast and positive

agenda, but in the relations between such major states the opposing views and discrepancies, sometimes serious ones, are inevitably retained. You all know them. We shall fundamentally consider every question in Russian-American relations as subjected to agreement, if being guided by the principles of mutual respect, equality and mutual respect for interests. But regarding the questions where we are able to cooperate for our countries goodness and international security, we are, no doubt, already working and will continue doing this.

I would like to finish with a reference to President Barack Obama who said during his inaugural speech that USA will seek to resolve disagreements with other countries by peaceful means – not as a result of naivety, but because the cooperation is the most sure remedy for eliminating suspicions and fear. In its foreign policy Russia stably abides exactly such an approach which is based on strict observance of principles and norms of international law. We decidedly count on reciprocity.

## ***Europe and America, Meeting Challenges Together***

**Joe Biden**

*US Vice-President Joe Biden presented this address on 2 February, 2013 as the keynote US contribution to the 49<sup>th</sup> Munich Security Conference. This contribution has been edited for brevity.*

It's great to be back among friends. When I say among friends, I mean not only the distinguished guests that are from around the world who have joined us in this conference. I also mean to be back here in Germany, to be back here in Europe.

You remain, to state the obvious, America's oldest and our closest allies. And it's hard to imagine a single threat or a single opportunity that cannot be addressed more effectively if we do so together. Simply put, President Obama and I continue to believe that, Europe is the cornerstone of our engagement with the rest of the world and is the catalyst for our global cooperation. It's that basic. Nothing has changed.

Where we come from is a place that understands that this European alliance is critical to our interests. When I came to Munich four years ago this week, I focused on the challenges of our time, and how this new administration in our first term of office planned on dealing with those challenges. Those challenges included Iraq and Afghanistan; addressing the failure of Iran to meet the international obligations with regard to its nuclear program; managing the crisis of the global economy, which was in a precarious position at that moment; fighting terrorism; repairing our relationships between the United States and Russia.

And today, I'm pleased to report on the undeniable progress that we've made together in each of these fields. Four years ago, American foreign

policy – and the majority of the discussions with our friends and partners – was dominated by the wars in Iraq and Afghanistan. Today, we're in the process of turning the page on more than a decade of conflict following the September 11, 2001 attack, and we ended the war in Iraq responsibly. And together we're responsibly drawing down in Afghanistan, and by the end of next year, the transition will be complete.

Four years ago, Iran had succeeded in dividing the international community over how to address the illicit and destabilizing nuclear program they had underway. We needed to change that dynamic by giving Iran the opportunity to make clear its intentions to the world.

As I told the conference then, and I quote: "We will be willing to talk to Iran and offer a very clear choice: Continue down the course and there will be continued pressure and isolation; abandon the illicit nuclear program and your support for terrorism, there will be meaningful incentives."

We were criticized at the time for suggesting we would engage Iran along those lines. Well, we all know what path Iran has chosen. And so the international community came together, and the United States, the European Union and the United Nations imposed what the Iranian leaders are acknowledging to be the most robust sanctions in history.

As President Obama has made clear to Iranian leaders, our policy is not containment – it is not containment. It is to prevent Iran from acquiring a nuclear weapon. But we've also made clear that Iran's leaders need not sentence their people to economic deprivation and international isolation. There is still time, there is still space for diplomacy, backed by pressure, to succeed. The ball is in the government of Iran's court, and it's well past time for Tehran to adopt a serious, good-faith approach to negotiations with the P5-plus-1.

Four years ago, the world was mired in the deepest economic downturn since the Great Depression. Today, times remain tough for too many American and European families – but conditions are improving. The United States is taking difficult but critical steps to put ourselves on a sounder economic footing. And I might add, it's never been a real good bet to bet against America. We're going to do just fine in terms of our economic "crisis" and the cliffs that are about to approach.

We're determined to continue in a balanced way to cut our debt in the coming years and have made significant strides towards that goal. Last year, with the help of my colleagues in the United States Congress, we

reached a difficult agreement on reducing our spending over the next 10 years by close to \$1 trillion. Just the end of this year, we agreed on a very difficult decision about our tax code, raising another \$600 billion, making significant compromises.

There is more to be done, because it's essential, both for the well-being of our citizens, and also for our nation's ability to meet what the Munich Security Conference host Wolfgang Ischinger stated at the outset: our strategic obligations to the rest of the world. Because the strength of our economy at home is the most fundamental source of our power and influence in the world.

But I must say, the same must and can be said of Europe, whose contributions to global stability and prosperity are critical, yet also depend on the strength of your economy and your economic and financial commitment to security. Believe me when I say that I realize how difficult this is with an economy having slipped back into recession last year and the ever-present temptation to back away from commitments on defense spending. But I also know that maintaining our capabilities is what enables us to advance our common global agenda. That's just one reason why a strong and capable Europe is profoundly in America's interest, and I might add, presumptuously, the world's interest.

We have seen positive steps recently to address the eurozone crisis, with the European Central Bank pledging to stand behind countries willing to launch reforms, and with Greece, Ireland, Portugal, Spain and Italy all taking important steps to put their economies on a sounder path. Governments across the eurozone must also remain focused on growth and creating jobs. These may be fundamentally European problems, requiring European solutions, but their resolution has tremendous impact on the United States of America and on the global economy. Now, just imagine what we can do as we get our respective houses in order. Already, Europe is America's largest economic partner, and the numbers are staggering: over \$600 billion in annual trade that creates and sustains millions of jobs on the continent and at home, and a \$5 trillion overall commercial relationship.

But the potential is so much greater still. There's a lot of interest lately in the idea of a comprehensive transatlantic trade and investment agreement. The reason we don't have one already is not because no one ever thought of it; it's because there have always been difficult issues, such as regulations and standards, which continue to divide us. The question now is whether the political will exists to resolve those

longstanding differences. And if so, we should pursue a transatlantic partnership. And if we go down that road, we should try to do it on one tank of gas and avoid protracted rounds of negotiations. This is within our reach.

It would be good for growth, job creation, and be good on both sides of the Atlantic; it would strengthen our global trading system; and it would, importantly, help us strategically add another element of our transatlantic alliance. I believe we can overcome these differences and get this done, because the rewards for success are almost boundless.

When I addressed this conference four years ago, many of our nations had been scarred in recent memory by the scourge of international terrorism — 9/11 in the United States, 7/7 in the U.K., 3/11 in Spain. Core al Qaeda was on the ascendancy. Osama bin Laden was alive and well and plotting against our countries, inspiring followers. Four years ago, I spoke of a shared struggle against a “small number of violent extremists beyond the call of reason” and said “we will and we must defeat them.”

Now, as a result of the joint efforts of all of our countries and renewed and relentless focus on counterterrorism, the cooperation of our law enforcement agencies, and President Obama’s unflinching determination to bring Osama bin Laden to justice, those – we’ve made progress. We’ve dealt that organization, al Qaeda, a crippling blow, made all our homelands more secure.

But even as we took the fight to core Al Qaeda in the FATA, we were cognizant of an evolving threat posed by affiliates like AQAP in Yemen, al-Shabaab in Somalia, AQI in Iraq and Syria and AQIM in North Africa. Most of these groups do not pose the same threat, with the same capacity, to our homelands as core al Qaeda once did. And in some cases they are merely amalgams of disparate groups adopting a name. But increasingly they are targeting Western interests overseas. That’s why we have been just as relentless in taking them on.

Today, across North Africa and in parts of the Middle East, extremists are seeking to exploit the following: increasingly porous borders; a broad swath of ungoverned territory; readily available weapons; new governments that lack the capacity and sometimes the will to contend with extremism; a swelling generation of disaffected young people whose futures are stifled by stagnant economies.

This is not a call to spend tens of billions of dollars and deploy thousands and tens of thousands of boots on the ground, as once occurred. It requires a more integrated strategy, a more coordinated strategy. And the threat

that spreads across many nations and millions of square miles cannot and will not be eliminated overnight, and we all know that. But meeting these challenges is going to require us to continue to work together, including through the United Nations, NATO, the G8 and other key international institutions.

And it will take a comprehensive approach – employing the full range of the tools at our disposal – including our militaries. That’s why the United States applauds and stands with France and other partners in Mali, and why we are providing intelligence support, transportation for the French and African troops and refueling capability for French aircraft. The fight against AQIM may be far from America’s borders, but it is fundamentally in America’s interest.

And finally, four years ago at this conference, we proposed the United States and Russia, Mr. Ambassador, press the “reset button,” a phrase that became more used than I had intended when I used the phrase. But the whole idea was to pursue a common agenda around common interests.

I think Foreign Minister Lavrov would agree that that important step enabled us to do some good things: to negotiate, ratify and implement the New START Treaty; to activate unprecedented sanctions on Iran; and unity on North Korea; to build the northern distribution network that supplies the United States and ISAF forces in Afghanistan; to expand economic and trade relationships – including both Russian accession to the WTO and extension of the permanent normal trade relations to Russia; to negotiate a civilian nuclear cooperation agreement; to build a bilateral presidential commission that networks Russian and American officials and publics on the broadest cooperative agenda the United States and Russia have ever tried to share.

But I also made clear four years ago, we are not naïve — neither Russia nor the United States. I said we would not agree with Russia on everything. For example, the United States will not recognize Abkhazia and South Ossetia as independent states. We will not recognize any nation having a sphere of influence. It will remain America’s view that sovereign states have the right to make their own decisions and choose their own alliances. All that remains the U.S. position; it will not change.

But in the meantime, other clear differences have emerged as well. It’s no secret that we have serious differences on issues like Syria, missile defense, NATO enlargement, democracy, human rights. These differences are real. But we continue to see opportunities for the United States and

Russia to partner in ways that advance our mutual security interest and the interest of the international community – whether by safeguarding and reducing nuclear arsenals, boosting our trade and investment to help each other unlock the enormous innovative potential of our societies, working collaboratively to advance freedom of navigation in the Arctic while preserving access to natural resources.

New challenges – there are new challenges in the years to come.

Over the next four years and beyond, Europe and the United States will turn our attention to a new set of challenges no less daunting than the ones that came when I addressed this conference four years ago. But I would also argue, no less soluble than those challenges we faced four years ago.

President Obama will say more about this agenda next week in his State of the Union address. It will reflect our shared interests in the following areas: advancing a comprehensive nuclear agenda to strengthen the nonproliferation regime, reduce global stockpiles and secure nuclear materials; combating climate change, moving it up on the agenda; enhancing our development initiatives to promote global health and food security and end extreme poverty in the near future; strengthening our alliances, which are essential to our ability to meet our challenges in the 21st century; continuing to take down barriers to trade including with Europe to spur growth on both sides of the Atlantic; maintaining our commitment to the elusive but essential goal of Middle East Peace; and engaging the democracies in Southeast Asia, Latin America, Sub-Saharan Africa and across the Middle East.

And this afternoon, I'll be meeting here in Munich with the leaders of the Syrian Opposition Coalition, as many of you have already done. President Obama and I and nearly all of our partners and allies are convinced that President Assad, a tyrant, hell-bent on clinging to power, is no longer fit to lead the Syrian people and he must go.

We can all agree on the increasingly desperate plight of the Syrian people and the responsibility of the international community to address that plight. Just this week the international community came together to pledge \$1.5 billion for humanitarian support for the Syrian people and refugees fleeing the violence.

As part of that effort, President Obama announced that we would be contributing \$155 million, bringing the total of humanitarian aid for Syria to \$365 million – the largest contribution of any nation's humanitarian

assistance to the Syrian people. We also provided more than \$50 million in non-lethal assistance to the Syrian opposition and are working, alongside our partners to help them become more inclusive and cohesive.

As President Obama said last week, we're under no illusions. The days ahead will continue to be very difficult. But the opposition continues to grow stronger. And as the Syrian people have their chance to forge their own future, they will continue to find a partner in the United States of America.

Europe. I might add, remains essential to that entire effort. As I said at the outset, Europe is the cornerstone of our engagement with the world, and Europe is our catalyst for global cooperation.

And as I hope we'll all agree, although our mutual agenda has shifted over the past four years, one important thing remains unchanged: We need to work together; we need to stick together. We need you as much as you need us. Neither the United States nor any other country can alone address the challenges we face. We know that.

Europe remains America's indispensable partner of first resort. And, if you forgive some presumptuousness, I believe we remain your indispensable partner. I stand before you as a proud Atlanticist for my entire career and a firm believer in the transatlantic ties that have never been deeper, in my view, broader or more important at any time since I was first elected to office in 1972.

Time and again, when it comes to a search for partners in this extremely complex world, Europe and America still look to each other before they look anywhere else. Our soldiers, diplomats, security personnel, and citizens continue to stand shoulder-to-shoulder.

In Afghanistan, America looks to Europe, which provides about 30,000 troops and trainers and has spent almost \$15 billion. Our collaboration on missile defense is protecting both of our populations – and our agreements with Romania, Spain and Turkey provide tangible proof of that cooperation. Our intensified counterterrorism cooperation has helped keep 800 million citizens safer than they had been in the recent past.

In Libya, NATO acted quickly, effectively and decisively. And now we are working together to support Libya in building effective institutions of governance that have never existed before. European partnership remains an indispensable force in advancing democracy and universal rights.

We've joined forces in response to the unprecedented promise and unresolved turmoil of the Arab Spring. From Tunis to Tripoli, Cairo to Sana'a, our collaboration could not be closer. And it's going to be required to continue.

We also know there is unfinished business in our common project of a Europe whole and free. Georgia and the states of the Balkans have unfulfilled aspirations for Euro-Atlantic integration. The pace of these integration efforts will be determined by the aspirants themselves. But we too share a responsibility for helping them achieve their rightful place in Europe and the Transatlantic Alliance. The broader focus also needs to be kept in mind.

But our interests go well beyond the territory of our nations. In a changing world, collaboration with Europe is that the issues we address truly span the globe. That's all the more essential in a changing world, where emerging powers and far-flung events can have profound impact in each of our countries.

It's a simple fact that nations like Brazil, India, China, South Africa, Indonesia will continue play an ever greater role in the global security and economic affairs of the world. And it's in all of our interests that they emerge as responsible, fully integrated actors on the world stage.

That's why America's engagement with these countries — and particularly in Asia — plays an increasingly prominent role in our conduct of our foreign affairs. This engagement does not come at Europe's expense. Many of you I know talk to us, talk to me about are we taking our focus off of Europe as we've reasserted that we are a Pacific power — and we are a Pacific power. But it's quite the opposite. It is profoundly in Europe's interest for America to engage more broadly with the world, and we should be doing it more fully together.

In the economic realm, European customers and companies gain from the United States advocating on behalf of greater market access or fairer rules of the road in international trade. Europe also gains from peace and stability in the Asia-Pacific region, and the United States — along with our allies in the region — have helped guarantee that.

At the request of President Obama and Chinese President Hu two years ago, then Vice President Xi and I were asked to spend some more time together. We traveled to each other's countries, spent literally scores of hours together, spent 10 days together in each of our countries — five and five. President Obama and I believe that establishing personal

relationships with an emerging Chinese leadership is critically important not only to the United States, but that we know and they know where we stand. We fully understand one another. I say to my colleagues in the House and the Senate, Tip O'Neill used to say: "all politics is local". I believe all politics, particularly international politics, is personal. I think personal relationships matter.

So when I visited China I made it absolutely clear that the United States does not view China with hostile intent and that we can cooperate and compete simultaneously. I've said many times, the rise of a peaceful and responsible China that contributes to global security and prosperity is in the interests of all nations.

And we all have a role to play in encouraging Beijing to define its interests more in terms of common global concerns than merely introspective concerns. The United States is a Pacific power. And the world's greatest military alliance helps make us an Atlantic power as well. As our new defense strategy makes clear, we will remain both a Pacific power and an Atlantic power. And I would respectfully suggest it's very much in Europe's interest that we do so.

The bottom line is that the USA, Europe – we all have an important and specific interest in an Asia-Pacific region that is peaceful and growing – as do our Russian friends and our Japanese friends. So we ought to intensify our cooperation in advance of those interests, moving forward together. I've discussed today just some of the challenges that we face over the next four years and many more years to come. There are many more that I could name and inevitably others on the horizon that only will emerge in time. In a complex world, there is a comfort in knowing that we can face them together though because we've done it in the past.

Together we can again prove the doubters wrong who never tire of that tedious question I first heard as a young senator and chairman of the European Affairs Subcommittee of the Foreign Relations Committee, when I attended my first meeting on NATO in 1976. That question was: Whither NATO? I have never attended a conference where that wasn't a subset of the conference: Whither NATO? Are we going to make it? Are we going to stick together?

We should scoff at the notion that we cannot make it together. We have to. America, North America and Europe have to meet these security challenges of the modern world together. And we will continue to do so.

## ***What Future for the Euro-Atlantic Security Community?***

**Catherine Ashton**

*Catherine Ashton is EU High Representative for Foreign Affairs and Security Policy. She presented these remarks on the EU's policies toward security policy collaboration before the Munich Security Conference on 2 February 2013.*

I am delighted to be here today. And as a woman, it is a special pleasure to see so many women in the audience.

Mr Vice President, it is a special pleasure to listen to you and to reflect on what has happened from what we call the Obama-Biden 1 administration and the challenges you have identified four years ago. My proposition would be that the challenges that we face in what we call security grow, change and develop and are no less real today and probably more diverse. When I think of security challenges, I think of cyber security, I think of terrorism, I think of military aspects, of climate change and I think of many other ways in which the security of the citizens of Europe, the US and the world can be challenged by events and by situations.

I am also reminded this week of how we can watch situations deteriorate in a world of 24 hour media, when we have the capacity to be connected. It is nonetheless a fact that some things can change very rapidly and demand that we act very quickly. And those responses need to also be calibrated and coordinated and to fit in to a spectrum - what I think is extremely important to remember is something again you mentioned, Vice President Biden, and I passionately believe in, which is a comprehensive approach. There is the immediate response, there are short term responses that need to be put in place, and there are long term challenges that need

to be faced and to be dealt with and those require the sort of collaboration and partnership that the transatlantic partnership has so often demonstrated but which also engages with many others across the world.

I also recognize that in a changing world we are faced with economic challenges that require us to get smarter about what we do, and smarter about how we do it. We have to use our resources differently, more effectively and we have to pull them together and work together. Going it alone is an unlikely proposition in this era.

I want to give just a few examples of what I mean. This week in Brussels, 27 Foreign Ministers under my chairmanship met and with us was the President of Somalia. When I went to Magadishu last August it was by no means clear that that would be an outcome that I could have looked forward to. The President of Somalia came to thank Europe for 20 years of engagement with the people of Somalia and the promise of many more. We have put in place a whole system of how we operate, of how we support that country, into its future. That is for me what the purpose of the Lisbon treaty and the creation of this role was all about. Missions that helped to prevent piracy. The Atalanta Mission, working closely with operation Ocean Shield and with many countries across the world. Piracy has been reduced by 95% over the last few years. Missions to train over 3000 Somalian soldiers so that they are capable of providing security for their own people, of not just reducing the capacity of Al-Shabaab to operate but ensuring that they are driving them away; and to ensure that the countries of the region have the right kind of maritime security of their own; that they can control their own shores; and ensure the scourge of piracy is got rid of.

But is also about, as the President described, each community having a school, having a well, having a health centre, having a police station, having the capacity to provide economic activity for the many young boys, of 14 and 15, who found the life at sea as a pirate a better option than the option that was provided for them on the land. A dramatic change was needed, a dramatic transformation, the building of institutions, the rule of law, the judiciary, the capacity of a government to move beyond Mogadishu to take control and to offer a new beginning for the people of the country.

It is a comprehensive approach and the first people that will tell you that is so necessary are the military. The military who go off on the front line on behalf of citizens, of nations, and of the world; who are willing to put themselves in that situation. They are the first to tell you need much much more.

And with our partners now in Mali. The support for the French action, the immediacy that was needed, the collaboration of other countries of the European Union. Some of them were mentioned last night, the United

Kingdom, Belgium, Germany and others. Coordination now runs through a clearing house in the European Union, coordination to ensure that we put the missions on the ground that are going to ensure the Malian army can act itself, and in support of African forces and in support of the roadmap that will take Mali forward not just militarily but politically, in support of the people of the north and in support of democracy.

These are the important ways in which we have to learn to act and to put in place comprehensive approaches. Without them, any single action will be less than it can be and risks being an action that must be repeated. In that collaboration, the Transatlantic partnership is of enormous and strategic importance. I was very privileged to spend a lot of time and a lot of travelling time with Secretary Clinton whom I wish well in whatever career she chooses next and I look forward very much to work with Secretary of State John Kerry.

In our work, we have travelled to the Western Balkans in support of the Pristina/Belgrade dialogue and I want to pay tribute to the bravery of those in Pristina and Belgrade who have put aside history to come together. I want to say to all of you that these next two weeks are going to be crucial. We need all of you to support what the politicians are going to do in support of a lasting peace in the Middle East, in our work to support countries that are going through dramatic change where they need not just political support but economic support. In our work together with the Ukraine, in putting pressure on Belarus, in looking to help Afghanistan not just in 2014 but in many years to come, and in collaborating in Asia.

These are fundamental ways in which Europe and the US work together and will need to work together into the future. But the EU's collaboration is with the US and many others. With Russia in our neighbourhood, Sergei and I have talked about the challenges of how we support the processes to unfreeze what we call frozen conflicts, some of which seem frankly rather hot to me. How we work in the partnership for modernisation together to build economic links between our economies, our people, how we deal with the challenges of our neighbourhood, how we ensure that as we live in the same land that we have the best possible relationships and that we work together to find the best solutions.

The European Union is working too with NATO. We ensure through the EDA that we are able to make sure that our pooling and sharing work is consistent and works well with smart defence. How we ensure that we learn the lessons of past conflicts and ensure that we have the capabilities of the future. We have much more to do but it is a journey nonetheless that we need to be on.

And ensuring that we collaborate in the best way possible with Strategic Partners across the world. With Brazil, with India, with China: in-depth dialogues.

But also how we work when we look to institutions like the United Nations. How the voices of the international community come together, and how we ensure through our work with the Arab League, with the Organisation of Islamic Cooperation, how we work with the African Union to ensure the strength of our commitment in support of the changes and developments in different parts of the world.

So my proposition is that we have to do things better, but doing things better means doing things together. Without that, we will not be able to deal with the spectrum of engagement, the way in which we determine the spectrum from isolation to full relations. And how we move across that spectrum, the challenges that we face across the world, where sometimes isolation is vital, where sometimes full engagement is vital and when most often we are moving between the two.

I am privileged on behalf of the Security Council to lead what we call the E3+3, or as I hear across the Atlantic, the P5+1. The purpose that we have set ourselves is to persuade Iran that we mean to have confidence in the peaceful nature of their nuclear programme. We shall never cease to strive to find ways to bring them to the table and to have that diplomatic solution and we are very much engaged right now in trying to move forward on this. The collaboration of the nations including of course the US, Russia, China and the 3 European nations engaged in this is so vital. It is the political pressure and the economic pressure that makes Iran realize the importance of this. And it is also the fulfilment of our own responsibilities, because if you sign up to something not only do you have a responsibility to keep to what you have said, you have a responsibility to ensure that others will do too. That is the kind of collaboration that the world needs to see more of and which we need to push forward and I say to Iran that I hope they respond to that.

# ***European Union and United States to launch negotiations for a Transatlantic Trade and Investment Partnership***

**European Commission Document, 13 February 2013**

The EU and US have decided to take their economic relationship to a higher level by agreeing to launch negotiations for a comprehensive trade and investment agreement. When negotiations are completed, this EU-US agreement would be the biggest bilateral trade deal ever negotiated – and it could add 0.5% to the EU's annual economic output.

In a joint statement (MEMO/13/94), President of the United States of America Barack Obama, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy stressed that through this negotiation, the United States and the European Union will have the opportunity not only to expand trade and investment across the Atlantic, but also to contribute to the development of global rules that can strengthen the multilateral trading system.

The Transatlantic Trade and Investment Partnership will aim to go beyond the classic approach of removing tariffs and opening markets on investment, services and public procurement. In addition, it will focus on aligning rules and technical product standards which currently form the most important barrier to transatlantic trade. Studies show that the additional cost burden due to such regulatory differences is equivalent to a tariff of more than 10%, and even 20% for some sectors, whereas classic tariffs are at around 4%.

The decision follows last week's discussions between EU Trade Commissioner Karel De Gucht and United States Trade Representative Ron Kirk in Washington DC. Chairing the "High Level Working Group on Jobs and Growth", created in November 2011, they finalised a report recommending the launch of negotiations of a comprehensive trade and investment agreement between the European Union and the United States of America.

## ***Overall economic gains***

The transatlantic trade relation is the backbone of the world economy. Together, the European Union and the United States account for about half of the world GDP (47%) and one third of global trade flows. Each day goods and services of almost € 2 billion are traded bilaterally, contributing to creating jobs and growth in our economies. Economic ties between our economies are deep and diverse, with aggregate investment stocks in excess of € 2 trillion.

Latest estimates show that a comprehensive and ambitious agreement between the EU and the US could bring overall annual gains of 0.5% increase in GDP for the EU and a 0.4% increase in GDP for the US by 2027. This would be equivalent to €86 billion of added annual income to the EU economy and €65 billion of added annual income for the US economy.

What will this agreement look like?

Negotiations will aim to achieve ambitious outcomes in three broad areas: a) market access; b) regulatory issues and non-tariff barriers; and c) rules, principles, and new modes of cooperation to address shared global trade challenges and opportunities.

### **A) Market Access**

**Tariffs:** The declared goal of the agreement is to get as close as possible to the removal of all duties on transatlantic trade in industrial and agricultural products, with a special treatment of the most sensitive products. In general, transatlantic tariff barriers are currently comparatively low, with an average of 5.2% for the EU and 3.5% for the US (WTO estimates). However, given the magnitude of trade between the EU and the US, tariffs still impose costs that are not negligible.

**Services:** Both sides want to open their services sectors at least as much as they have achieved in other trade agreements to date. At the same time, both sides will seek to open their services markets in new sectors, such as in the transport sector. Both services and investment chapters will also address the sub-federal level of government.

**Investment:** The aim is to achieve the highest levels of liberalisation and investment protection that both sides have negotiated to date in other trade deals.

**Procurement:** European companies whose business depends on public procurement represent 25% of GDP and 31 million jobs. Hence, new business opportunities can be created by opening up access to government

procurement markets at all levels of government without discrimination for European companies.

### **B) Regulatory Issues and Non-Tariff Barriers: towards a more integrated transatlantic marketplace**

In today's transatlantic trade relationship, the most significant trade barrier is not the tariff paid at the customs, but so-called "behind-the-border" obstacles to trade, such as, for example, different safety or environmental standards for cars. Currently, producers who want to sell their products on both sides of the Atlantic often need to pay and comply with procedures twice to get their products approved. The goal of this trade deal is to reduce unnecessary costs and delays for companies, while maintaining high levels of health, safety, consumer and environmental protection.

In that spirit, both sides intend to align as far as possible or mutually accept their standards and procedures, by negotiating an ambitious agreement on sanitary and phyto-sanitary (health and hygiene standards, for example for food products) as well as technical barriers to trade. In addition, they will work on regulatory compatibility in specific sectors, such as chemical, automotive, pharmaceutical, and other health sectors such as medical appliances. Business communities on both sides have provided guidance on where the most significant barriers lie.

Since not all regulatory divergences can be eliminated in one go, both sides envisage a "living agreement" that allows for progressively greater regulatory convergence over time against defined targets and deadlines.

The regulatory area is where the highest potential benefit lies with these trade negotiations.

### **C) Addressing Shared Global Trade Challenges and Opportunities in the 21<sup>st</sup> century**

In the light of the size and impact of the transatlantic partnership on global trade flows, the negotiators will address areas that go beyond bilateral trade and also contribute to the strengthening of the multilateral trading system.

**Intellectual Property Rights:** Both the EU and the United States are committed to maintaining and promoting a high level of intellectual property protection, including enforcement. Given the efficiency of their respective systems, the intention is not to strive towards harmonisation, but to identify a number of specific issues where divergences will be addressed.

**Trade and Sustainable Development:** Both sides intend to work together on social and environmental aspects of trade and sustainable development, based on what each side has already developed in existing trade agreements.

**Other Globally Relevant Challenges and Opportunities:** In order to make this a truly “21st century” agreement taking into account the intertwining of economies, both sides are keen to tackle trade-related aspects of customs and trade facilitation, competition and state-owned enterprises, raw materials and energy, small- and medium-sized enterprises and transparency.

### ***On the High-Level Working Group on Jobs and Growth***

At the 28 November 2011 EU-US Summit meeting, Leaders established a High-Level Working Group on Jobs and Growth, led by US Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht. The Working Group was tasked to identify policies and measures to increase EU-US trade and investment to support mutually beneficial job creation, economic growth, and international competitiveness. The Presidents of the US and the EU asked the Working Group to work closely with all public and private sector stakeholder groups.

Today's final report is the conclusion of this work. Following up on an interim report of 18 June 2012, the final report recommends the launch of negotiations of a comprehensive trade and investment agreement. It outlines the joint approach of both sides on the main parameters of such negotiations and spells out where the EU and the US have found common ground and how they intend to tackle the broad range of areas that will form part of the agreement.

# ***Transatlantic Trade and Investment Partnership: Political Will Required***

**José Manuel Barroso**

*José Manuel Barroso is President of the European Commission. President Barroso presented this statement on the Transatlantic Trade and Investment Partnership in Brussels on 13 February 2013.*

I am delighted to announce today that the European Union and the United States have decided to initiate internal procedures to launch negotiations with the aim of reaching a ground-breaking free trade agreement: the Transatlantic Trade and Investment Partnership.

I am glad that following the political decision taken together with President Obama in our 2011 Summit in Washington this is now possible. I welcome the commitment of President Obama to this shared goal and I look forward to working closely with him to achieve this.

There have been in the past several attempts to launch this process of negotiations, but every time there were obstacles and resistance. The European Commission has been strongly advocating this very important step forward, and I would like to thank the business community on both sides of the Atlantic for their support. I am sure that this has played a role in today's positive developments, and we certainly will need their support for the next steps.

A future deal between the world's two most important economic powers will be a game-changer.

Together, we will form the largest free trade zone in the world.

So this negotiation will set the standard – not only for our future bilateral trade and investment, including regulatory issues, but also for the development of global trade rules.

A future deal will give a strong boost to our economies on both sides of the Atlantic. It will be a comprehensive agreement going beyond tariffs, by integrating markets and removing barriers. It is estimated that, when this agreement is up and running, the European economy will get a stimulus of half a per cent of our GDP – which translates into tens of billions of euros every year and tens of thousands of new jobs.

This offers us a great perspective at a time when we are gradually making our way to recovery.

And most important of all: it is a boost to our economies that doesn't cost a cent of tax payers' money.

For these negotiations to succeed, we need – above all – political will: a desire to make our rules and regulations compatible, and to cut tariffs whenever it makes sense and is possible.

So today's announcement to launch negotiations sends a positive signal to people on both sides of the Atlantic. It provides an assurance that 'we mean business' – whether that is for individual consumers or households, business or traders.

Today's announcement shows that Europe and the United States are strategic partners who are willing to go the extra mile to strengthen their economies together.

Now, these negotiations will not be easy. But we also recognise that we should move fast.

In this respect, I'm confident that the joint High-Level Working Group Report which has just been published provides us with a good framework for the future negotiations.

Right now, the task at hand is to get the ball rolling as soon as possible.

The Commission will move quickly to present a negotiating mandate to our Member States so we can start negotiations as soon as possible, still during the Irish Presidency of the Council. I was glad to see the commitment of all the 27 Member States, as expressed in the recent conclusions of the European Council.

The sooner we start, the sooner we can reach a successful conclusion and put in place the biggest bilateral trade deal ever negotiated.

## ***“Green Light” for the Transatlantic Trade and Investment Partnership***

**Karel De Gucht**

*Karel De Gucht is the EU Trade Commissioner. Commissioner De Gucht presented these comments on the Transatlantic Trade and Investment Partnership in Brussels on 13 February 2013.*

Allow me to begin by also underlining how pleased I am that our joint report is now published and gives both Europe and the United States the 'green light' to go for it.

Today's 'final report' provides us with the building blocks to achieve this 'Transatlantic Trade and Investment Partnership' but as the President stressed – this undertaking won't be easy. Ideally, we'd like to complete this work in about two years from now – but, more paramount than speed is achieving an ambitious deal.

It's true to say that such a 'transatlantic economic alliance' will be ground-breaking. An opportunity for us to shape our economic relationship for decades to come, and to work toward global rules.

We are already the world's most important trade partners – with business between us reaching 2 billion euros per day. But what also binds us right now – today – is the need to generate new growth into our economies.

So, the time is right to move forward. But what exactly is this all about?

First of all, we still need to dismantle any remaining traditional tariffs and then we need to make head-way on market access issues in other areas such as public procurement, services and investment.

Now it's important to understand that we already have very low tariff arrangements in place: on average a 4 per cent tariff on imports.

So, our main focus has to be to tackle those barriers which are behind the customs border – such as differences in technical regulations, standards and certifications. These often cost time and money. This is where we can make real savings for our businesses and bring better value for consumers.

In fact, such barriers are estimated to be equivalent to slapping a traditional tariff on a product of between 10 and 20 per cent – so the current cost to business and consumers is high.

Just let me give you one example: the barriers faced by European car manufacturers over their exports to the US.

Rules in the US and the EU on car safety are similarly strict – as public safety is always our top priority. So, perhaps it makes sense to look together at putting in place a system of 'mutual recognition'. This would maintain the strictest and highest safety levels for consumers but save manufacturers unnecessary double costs.

Finally, we need to work together on developing global rules and standards which will shape the future business environment of the world in the years to come.

So what's next? Each side must now follow its internal procedures – for us this means we'll now present a draft mandate to the Council.

Our shared objective is to launch negotiations during the 'Irish Presidency of the EU' – that is, before 1 July 2013 – and then to push ahead with them as quickly as possible.

# ***Final Report High Level Working Group on Jobs and Growth***

**Joint US-EU Document Released 11 February, 2013**

## **INTRODUCTION**

As the United States-European Union High Level Working Group on Jobs and Growth (HLWG) noted in its June 19, 2012 Interim Report, transatlantic trade and investment are the backbone of the world economy. Together, the European Union (EU) and the United States account for nearly half of world GDP and 30 percent of world trade. Each day, goods and services worth \$2.7 billion/€2.0 billion are traded bilaterally, promoting economic growth and supporting millions of jobs in both economies. In addition, the United States and the EU have directly invested more than \$3.7 trillion/€ 2.8 trillion on both sides of the Atlantic.

We are proud of this immensely successful economic relationship. At the same time, we believe that we can do more to strengthen the contribution of trade and investment to fostering jobs, growth, and competitiveness in both economies. Our shared commitment to strengthening further the transatlantic economic partnership prompted U.S. and EU Leaders to establish the HLWG during their November 2011 Summit meeting, tasking it with identifying “policies and measures to increase U.S.-EU trade and investment to support mutually beneficial job creation, economic growth, and international competitiveness.”

As Leaders requested, the HLWG has analyzed jointly a wide range of potential options for expanding transatlantic trade and investment. These included, but were not limited to, the following:

- \* Elimination or reduction of conventional barriers to trade in goods, such as tariffs and tariff-rate quotas.
- \* Elimination, reduction, or prevention of barriers to trade in goods, services, and investment.
- \* Enhanced compatibility of regulations and standards.
- \* Elimination, reduction, or prevention of unnecessary “behind the border” non-tariff barriers to trade in all categories.
- \* Enhanced cooperation for the development of rules and principles on global issues of common concern and also for the achievement of shared global economic goals.

The HLWG has reached the conclusion that a comprehensive agreement that addresses a broad range of bilateral trade and investment issues, including regulatory issues, and contributes to the development of global rules, would provide the most significant mutual benefit of the various options we have considered. We therefore recommend to Leaders that each side initiate as soon as possible the formal domestic procedures necessary to launch negotiations on a comprehensive trade and investment agreement.

A comprehensive agreement would include ambitious reciprocal market opening in goods, services, and investment, and would address the challenges and opportunities of modernizing trade rules and enhancing the compatibility of regulatory regimes. An agreement of this kind could generate new business and employment by significantly expanding trade and investment opportunities in both economies; pioneer rules and disciplines that address challenges to global trade and investment that have grown in importance in recent years; and further strengthen the extraordinarily close strategic partnership between the United States and Europe.

Since its inception, the HLWG has engaged intensively with key stakeholders – including business, environmental, consumer, labor, and other representatives – to develop its recommendations. Both sides have conducted formal consultations to solicit guidance on options the HLWG should consider for increasing trade and investment. The two sides also issued a joint solicitation for specific input on ways to promote greater transatlantic regulatory compatibility. Both through their written submissions and in meetings with officials on both sides, stakeholders made

substantial contributions to our work. Importantly, each side has also consulted closely with its respective legislature.

## **STRUCTURE AND CONTENT OF A COMPREHENSIVE AGREEMENT**

An agreement between the United States and the EU, which already have substantially open economies, would need to break ground to create additional bilateral market openings and establish new trade rules that are globally relevant. Such an agreement should be designed to evolve over time – i.e., substantially eliminate existing barriers to trade and investment, while establishing mechanisms that enable a further deepening of economic integration, particularly with respect to the promotion of more compatible approaches to current and future regulation and standard-setting and other means of reducing non-tariff barriers to trade.

To achieve these objectives, the HLWG believes that innovative approaches will be necessary, and that the two sides will need to be creative, flexible, and open-minded in developing and negotiating solutions that respond to the specific characteristics of the transatlantic economic relationship.

Based on our work over the past year, the HLWG considers that negotiations on a comprehensive trade and investment agreement should aim to achieve ambitious outcomes in three broad areas: a) market access; b) regulatory issues and non-tariff barriers; and c) rules, principles, and new modes of cooperation to address shared global trade challenges and opportunities.

**A) Market Access** A transatlantic trade agreement should comprehensively tackle market access obstacles relating to tariffs, services, investment, and procurement. The HLWG recommends that the objective of such an agreement be to achieve a market access package that goes beyond what the United States and the EU have achieved in previous trade agreements.

**Tariffs** The HLWG recommends that the goal of the agreement should be to eliminate all duties on bilateral trade, with a substantial elimination of tariffs upon entry into force, and a phasing out of all but the most sensitive tariffs in a short time frame. In the course of negotiations, both sides should consider options for the treatment of the most sensitive products.

**Services** The HLWG recommends that in the services area the goal should be to bind the highest level of liberalization that each side has achieved in trade agreements to date, while seeking to achieve new market access by addressing remaining long-standing market access barriers, recognizing the

sensitive nature of certain sectors. Furthermore, we recommend that the agreement include binding commitments to provide transparency, impartiality, and due process with regard to licensing and qualification requirements and procedures, as well as to enhance the regulatory disciplines included in existing U.S. and EU trade agreements.

**Investment** The HLWG recommends that a comprehensive U.S.-EU trade agreement should include investment liberalization and protection provisions based on the highest levels of liberalization and highest standards of protection that both sides have negotiated to date.

**Procurement** The HLWG recommends that the goal of negotiations should be to enhance business opportunities through substantially improved access to government procurement opportunities at all levels of government on the basis of national treatment.

**B) Regulatory Issues and Non-Tariff Barriers** A significant portion of the benefit of a potential transatlantic agreement turns on the ability of the United States and EU to pursue new and innovative approaches to reduce the adverse impact on trade and investment of non-tariff barriers, with the aim of moving progressively toward a more integrated transatlantic marketplace. The HLWG recommends that the two sides explore new means of addressing these “behind-the-border” obstacles to trade, including, where possible, through provisions that serve to reduce unnecessary costs and administrative delays stemming from regulation, while achieving the levels of health, safety, and environmental protection that each side deems appropriate, or otherwise meeting legitimate regulatory objectives. A key shared objective should be to identify new ways to prevent non-tariff barriers from limiting the capacity of U.S. and EU firms to innovate and compete in global markets. The two sides should also seek to strengthen upstream cooperation by regulators and increase cooperation on standards-related issues.

Both sides agree on the importance of putting processes and mechanisms in place to reduce costs associated with regulatory differences by promoting greater compatibility, including, where appropriate, harmonization of future regulations, and to resolve concerns and reduce burdens arising from existing regulations through equivalence, mutual recognition, or other agreed means, as appropriate. The HLWG thus recommends that the two sides should seek to negotiate:

\* An ambitious “SPS-plus” chapter, including establishing an on-going mechanism for improved dialogue and cooperation on addressing bilateral sanitary and phytosanitary (SPS) issues. The chapter will seek to build upon the key principles of the World Trade Organization (WTO) SPS Agreement, including the requirements that each side’s SPS measures be based on science and on international standards or scientific risk assessments, applied only to the extent necessary to protect human, animal, or plant life or health, and developed in a transparent manner, without undue delay.

\* An ambitious “TBT-plus” chapter, building on horizontal disciplines in the WTO Agreement on Technical Barriers to Trade (TBT), including establishing an ongoing mechanism for improved dialogue and cooperation for addressing bilateral TBT issues. The objectives of the chapter would be to yield greater openness, transparency, and convergence in regulatory approaches and requirements and related standards development processes, as well as, *inter alia*, to reduce redundant and burdensome testing and certification requirements, promote confidence in our respective conformity assessment bodies, and enhance cooperation on conformity assessment and standardization issues globally.

\* Cross-cutting disciplines on regulatory coherence and transparency for the development and implementation of efficient, cost-effective, and more compatible regulations for goods and services, including early consultations on significant regulations, use of impact assessments, periodic review of existing regulatory measures, and application of good regulatory practices.

\* Provisions or annexes containing additional commitments or steps aimed at promoting regulatory compatibility in specific, mutually agreed goods and services sectors, with the objective of reducing costs stemming from regulatory differences in specific sectors, including consideration of approaches relating to regulatory harmonization, equivalence, or mutual recognition, where appropriate.

\* A framework for identifying opportunities for and guiding future regulatory cooperation, including provisions that provide an institutional basis for future progress.

In view of the importance of developing an ambitious and realistic approach to regulatory differences that may unnecessarily impede trade, the two sides invited stakeholders to present concrete proposals to address the

impact of those differences on trade. The HLWG welcomed the proposals submitted last fall by companies, industry associations, non-governmental organizations, and others.

Both sides noted that the submissions covered a broad range of important issues in major sectors and included several joint submissions from both sides of the Atlantic. The two sides are now carefully reviewing the submissions, with the aim of developing during the course of negotiations concrete action plans to reduce regulatory costs and promote regulatory compatibility, while respecting legitimate regulatory objectives. An initial discussion of the proposals submitted will take place in the upcoming meeting of the High Level Regulatory Cooperation Forum. The two sides expect that additional proposals will be tabled as U.S.-EU work on regulatory matters progresses. The HLWG stresses the importance of stakeholder input and of the engagement of regulators on both sides to the achievement of ambitious outcomes.

To encourage and facilitate progress in this area, among others, the HLWG recommends that the EU and the United States meet periodically at senior levels after negotiations have started to review progress made on each of the above elements, with the aim of ensuring that the horizontal and sectoral elements of the negotiations proceed expeditiously, in a mutually reinforcing way, and in parallel, and that the two sides are able to achieve ambitious outcomes by the end of the negotiations.

The HLWG recommends that, in addition to pursuing the elements of a comprehensive agreement, the two sides seek to make early and continuing progress on SPS measures affecting bilateral trade, taking into account the priorities of either side, and their respective institutional frameworks.

**C) Rules Addressing Shared Global Trade Challenges and Opportunities** Given the size and influence of the transatlantic partnership, the HLWG also supports the aim of developing rules in several areas that would not only be relevant to bilateral commerce, but would also contribute to the progressive strengthening of the multilateral trading system. To this end, negotiations shall address:

**Intellectual Property Rights (IPR)** Both the EU and the United States are committed to maintaining and promoting a high level of intellectual property protection, including enforcement, and to cooperating extensively. The two sides will sustain and enhance their work on IPR issues. The HLWG recommends that both sides explore opportunities to address a limited

number of significant IPR issues of interest to either side, without prejudice to the outcome.

**Environment and Labor** The EU and the United States are both committed to high levels of protection for the environment and workers. The HLWG recommends that the two sides explore opportunities to address these important issues, taking into account work done in the Sustainable Development Chapter of EU trade agreements and the Environment and Labor Chapters of U.S. trade agreements.

**Other Globally Relevant Challenges and Opportunities** The global trade and investment landscape has changed significantly in recent years. We have seen the emergence of new patterns of production, based on more complex cross-border supply chains. We have also seen new forms of anticompetitive policy and behavior. The latter include, but are not limited to, subsidies and other privileges granted to state-owned enterprises, export restrictions on raw materials, localization requirements, and other developments on which the EU and the United States have similar concerns and which the two sides are prepared to address both bilaterally and multilaterally. Bilateral agreement in these areas could strengthen the rules-based multilateral trading system and enhance the market access and regulatory commitments of a transatlantic agreement. The HLWG recommends that the United States and the EU seek to reach bilateral agreement on globally relevant rules, principles, or modes of cooperation in the following trade-related areas:

- \* Customs and trade facilitation: ensuring effective measures to facilitate trade between the two sides, with a level of ambition that goes beyond the disciplines under negotiation in the WTO;
- \* Competition policy;
- \* State-owned enterprises and other enterprises that benefit from special government granted rights;
- \* Localization barriers to trade: measures designed to protect, favor, or stimulate domestic industries, services providers, or intellectual property at the expense of imported goods, services, or foreign-owned or foreign-developed intellectual property;
- \* Raw materials and energy;

- \* Small- and medium-sized enterprises; and
- \* Transparency.

The HLWG recognizes that additional issues with relevance to the transatlantic or global economies may be identified for attention before or during the course of U.S.-EU negotiations.

## **CONCLUSION**

Based on the analysis above, the HLWG recommends to U.S. and EU Leaders that the United States and the EU launch, in accordance with their respective domestic procedures, negotiations on a comprehensive, ambitious agreement that addresses a broad range of bilateral trade and investment issues, including regulatory issues, and contributes to the development of global rules.