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CHRISTOPH EICHORN - Minister for Political Affairs, German Embassy

President Obama is much more popular in Germany than in the US (52% approval in the US). The big issues in the US are healthcare and the economy. The summer was difficult for Obama. He showed up on TV a lot, but the public reaction was negative, so he has reduced his visibility. The Nobel Prize was not a help for Obama and also not for the prize itself.

Ex President Bush has been quiet, but Ex Vice President Cheney has been quite outspoken and said remarkable (negative) things, such as claiming that Obama is putting the country at risk. Also Cheney's daughter has become high profile. Republicans are without orientation. This was confirmed by a private conversation Eichorn had with former Supreme Court Associate Justice Sandra Day O'Connor. "They don't know what they are doing," said O'Connor. For instance, why were they anti-Sonia Sotomayor [Obama nominee for Supreme Court]? Mexican-Americans had voted Republican but were pushed over to the Democrats by their resistance to Ms. Sotomayor.

In Congress, there was initial talk about bi-partisanship, but it has not developed. House Speaker Nancy Pelosi tries to support her (Democratic) base. Senate Majority Leader Harry Reid tried to be bi-partisan but he is under pressure because he wants to be reelected, so he is more dependent on core Democrats. The Democrats need 60 votes for procedural purposes to get through healthcare, but the Democrats are not disciplined. 2 of the 60 needed are Independents – the Senator from Vermont and Joe Lieberman.

The next census is in 2010 and it will determine the redistricting of voting areas. Only 15% of all seats are open to contention because of how they are shaped. This means that representatives of the other 85% are picked in the primaries, which tend to be determined by "party faithful" and not the great middle. State Governors' elections are important because a state's governor controls TV, money and the party machine in that state.

Chancellor Merkel wants Obama's support in Copenhagen (the environmental conference in December). Obama will not ask Merkel for troops because he knows she cannot deliver. He may ask her to take Guantanamo detainees.

Einhorn visited Iowa, on a trip organized by Senator Grassley and stayed with three families there. The main topic in those families was health care. He had to explain that it is not the same as communism. The Republicans want to defeat any Obama proposition if only to make him less effective. How does one motivate voters? Often it is with statements and issues that make no sense, that are ideological and emotional, not logical.

Obama is too distant from the health care debate to be effective. Based on his experience at the University of Chicago, he is inclined to discuss issues until a consensus emerges. But health care may be too complicated for this treatment. The same may be true of Afghanistan. It is possible that no political topic is discussed as much in Germany.

Cheney claims that Obama goes abroad and “apologizes” for the US. In fact Obama only admits that America makes mistakes. Many voters elected Obama to get the US out of Afghanistan. This will not be easy.

Regarding the economy, Americans have begun to save, but where does the consumer spending come from that is needed to move the economy?

50 to 80 American soldiers come from war zones daily to military hospitals in Germany, many to die there.

War today is different due to communications. In World War I and II, soldiers wrote from the front and the censored post card arrived 6 weeks later. A mother might show it to a few friends. Now we have instant and personal reports from the front, and they are spread over the country in seconds. So information cannot be controlled.

Afghanistan has become “AfPac” and Holbrooke is responsible for both. He is not accepted in India.

MICHAEL WERZ – Senior Fellow, Center for American Progress

Presenters are Dan Weiss, Julian Wong and Rudolf Deleon

WEISS – There has been no action on global warming on the federal level for 8 years. So it happened on the state level – particularly in California and the Northeast. 28 states have developed their own energy programs. Minnesota tries to get 25% of its energy from alternative sources by 2025. States also try to reduce energy use. In the Northeast there is the Regional Greenhouse Gas Initiative. In the West there is the Western Climate Initiative. All these programs developed in a national vacuum. Obama, however, says energy policy is economic policy. It can create jobs. Bush was focused on oil. Texas produces great amounts of wind energy, but Bush was not interested. Now we see \$90 billion in spending and incentives for energy saving, batteries, insulation and mass transit. This will lead to new jobs. The NY Times called the recent stimulus package the largest energy package ever. Fuel economy standards are also new and significant. They will save gas and CO2.

The US Supreme Court ruled that individual states can control emissions. Other regulations that affect energy include building codes, appliance standards and cap and trade.

The problem with new legislation in the US is the Senate. It is called “the place where good ideas go to die.” This is because 41 Senators are enough to block almost anything. During the civil rights period, the southern senators blocked rights for African Americans. Senator Barbara Boxer needs two Republicans to get legislation out of her committee. Senators Graham (R) and Kerry (D) are working together. More oil drilling and nuclear power are likely. But the Republicans believe the way back to power is by opposing the Democrats, not working with them. Their most likely support comes from the two Senators from Maine and Lindsay Graham. This will take two years. Senator McCain opposes the legislation.

The current global warming issue is like acid rain in the 1990’s. The opposition then also claimed that the threat did not exist. But big utilities now support the House global warming bill. Big oil and coal are against it. Weiss thinks there will be a bill passed into law next year.

WONG – US climate negotiators are in a difficult position. They cannot get ahead of the country. The Copenhagen conference would have been a lot more productive if held in 2010. To get the developing countries to support action, they demand financial support. We saw this with the Bali action in 2007. China is viewing global warming afresh. They see that their own security is at stake. Water is the issue for them. Climate change threatens their agriculture. China is the world’s biggest producer of solar panels [which require water to produce]. China will leave us behind in terms of technology and energy produced, due to the US public’s unwillingness to accept the reality of the climate risks.

The US media wants to write the story that Copenhagen is a failure. Supporters of legislation need to have the conference be called a success or at least called the road to success. Otherwise it will be still harder to get support for US legislation.

Wong thinks more nuclear plants will be built in the US. There are four completed applications. But this is not a renaissance in nuclear power. They require a lot of water. And of course there is the problem of spent fuel disposal. Most nuclear construction will be at current sites. Energy and nuclear power have to be sold to the public as a matter of national security, like the interstate highway system. But the US has been out of this game for 9 years. How can it catch up? Importing technology and equipment from Germany - which is a leader in this area - is hampered by import controls. Obama has problems with progress due to Democrats who are “green fundamentalists.” Strangely, Green Peace is viewed as a fringe group in the US. So if it opposes nuclear development, it could be a plus for nuclear supporters.

Republicans are also opposing this legislation. 4-5 of them are needed. Partly they oppose due to spending concerns. But many think only about oil and nuclear. Their position is very ideological. Of 40 Republican Senators, 25-30 do not accept the concept of global warming at all.

The problem with coal is that coal powered plants are an average of 35 years old, so they have been fully amortized. They require only fuel and maintenance. In the US, oil is used for cars and transportation, not for power.

DR. JUSTIN YIFU LIN – Chief Economist and Senior VP, The World Bank

The question is whether the recovery underway is sustainable. Inventory has been restructured. People felt uncertain, so they reduced inventory. They cannot do that forever. Stimulus packages were adapted in China, Japan and Korea. Less so in Germany and the EU.

Excess capacity will continue to exist into 2013. So unemployment will continue to rise. Building inventory back up will end.

Also worrying is that countries are afraid of their deficits. If they begin to see their economies coming back, they will cut off their stimulus too soon. This will increase unemployment. It is a real danger. So how do we boost demand? What is the new source of growth?

Countries have a problem with their infrastructure. Lack of infrastructure is a bottleneck. This is a good opportunity to solve that problem. These are programs which pay for themselves. Also, if these countries make investments, they need to import.

There is no new world currency coming any time soon. The idea was creative before, but now it is an old idea. The idea of a basket of currencies never took off. Before, the US contributed 30% of the world's GDP and the dollar was convenient. But what is good for the US is not necessarily good for the world. The US needs to run a deficit, but not for too long or people will lose confidence. There is no alternative now. The Euro could be an alternative, but not yet.

We now use only 70% of production capacity. We worry about inflation, but what about deflation? Deflation is a larger threat, due to oversupply. Inflation is not high now. But people are afraid of it. Large government projects are not per se inflationary. It depends on the project. So the question is how to use the stimulus funds. We need projects that enhance productivity. Some funds are expended just for keeping people alive. 75% of the US economy is based on consumer consumption. Other economies are at different rates. In China, consumer consumption is only 40%. The growth there is a result of stimulus. The US recovery is at a very early stage, possibly only ¼ of the way along.

Only a limited number of companies can print money. But in some countries which cannot, there are still projects that have high potential. Increased demand from small countries can benefit bigger countries.

Germany spends its stimulus money on local infrastructure. That is better than doing nothing. It takes time to accumulate capital, so China is still behind. It will take 30-40 years of growth for it to have real capital and wealth. The Eastern European economies were seriously hit. They faced a decline of 6-10%. Poland does better than others, but it is still vulnerable.

DR. ZBIGNIEW BRZEZINSKI, Center for Strategic and International Studies

Together with Stephan Flanagan, Simon Serfaty, Heather Conley, Janusz Buganski, Reginal Dale and Andrew Kuchins, all of the CSIS [I failed to note which of these presenters said what.]

The West is in decline, but not by reason of the decline of their economies. It is that the rest of the world is awakening. The British controlled India with a small force. It was cheap to do. Countries on the Atlantic controlled the world. The rise of literacy has changed this. We see a redistribution of global power. The US is currently the only major power that is engaged world-wide. Most countries are decreasing their involvement while the US increases its. But at a high cost.

China is not as successful as is often claimed by observers. It also has not taken on responsibility commensurate with its growth.

As to Afghanistan, the US must avoid disengagement, which would be viewed as a defeat, especially in Pakistan. But the other risk is that Afghanistan could have the same effect on the US as it did on the Soviet Union. The Taliban would increase in influence. Some accommodation with locals is a possible step. The majority in Afghanistan is not sympathetic to the Taliban. Afghanistan is not a state at all, not even on the level of Pakistan. If we want Pakistan to help, then Afghanistan cannot be friendly to India.

The US is hampered for other reasons. Netanyahu will not cooperate with US efforts in his region. And health care holds US policy captive.

On Iran, Congress is pushing legislation which tries to force Obama's hand. The British see Iran as Americans do, and the French are more militant. Failed negotiations create more unity in Iran. Sanctions will not work. So this speaker supports negotiations. But we do not know whether the Iranians are serious. As noted, Israel and Afghanistan reduce US leverage. The US is now directly involved with Iran and this is new.

Re Russia, is Medvedev just a puppet of Putin, who is himself another Stalin? Russia tries to reestablish its influence and control in Eastern Europe. But Russia is not very strong and it faces its own internal struggles.

We will have a new START Treaty. That is a positive step. Russia is now helping with transport to Afghanistan.

Putin is obsessed with Saakashvili (President of Georgia). The Georgians are defenseless but anti-Russian. The use of force there would take a while. Elections are coming in Ukraine. This also requires adjustment. But these adjustments are manageable. Russia is not as strong as a year ago. Russia was very pleased with how badly the US was doing economically. But then the Russian stock market collapsed. The Russian political elites felt at risk due to their connection to the Oligarchs. They hadn't known how interdependent Russia is with the West. On September 10th, Medvedev made a stark speech. Russia is faced with the Chinese in the East and the Chinese are doing much better than the Russians.

The speaker is in favor of the Nabucco pipeline [from the Caspian Region through Turkey, Bulgaria, Rumania, Hungary to Austria.] Where will Iranian gas and oil go? Through Turkey to Europe? These producing countries want direct sales, not sales to Russia for resale.

Russia is not competitive with China or Japan or Brazil. It might be competitive with India. Time is not on Russia's side.

China has an interest in a strong Pakistan. Risks in the region for the US include our getting stuck in Afghanistan without any help, a breakdown in Pakistan, a Pakistan-India conflict or even a breakdown of India, due to internal, social, economic, religious and ethnic tensions.

Mettenheimer – As new countries develop and expect to have a say in world affairs, they will not simply want a vote in existing structures but to help determine the structures themselves and change the rules. The West should have common interests here, but the West does not act in concert to further those interests.

Brzezinski – It is likely that the US and Europe remain best partners, but not as close as once they were. The EU will not be able to speak with a unified voice for many years. The UK/Germany/France together do have significant weight, but they often split and then have little influence.

For the next 6-12 months the EU will focus internally, due to Lisbon. The US is also focused internally. Europe had high expectations for Obama. Legislation has prevented this. How does each side manage expectations? The Copenhagen climate conference (December 7-18) will be a test. But the US will be viewed as failing there. It is important to reframe Copenhagen so it does not do more damage. Also NATO does not agree on Russia. There are lots of moving parts.

A 2nd 9-11 type event would be fuel for demagoguery. The US public is not well informed. Obama does not appeal to instinct. And the current Republicans would use such an event.

It is astounding how far the EU has come in 20 years – from 12 to 27 members. It has a single currency. It is not a world power, but it does have influence. The relationship expands to 34 when NATO is included. Nevertheless Europeans remain timid. For example, the EU is not as active as it should be in the Balkans. The EU needs to bring in all Balkan countries and find a path for Ukraine, Belarus, etc.

ALICE GERMOND – Secretary, Democratic National Committee

Germond believes health care will pass. This is very important to the Democrats and to the country. Congress passed the stimulus bill without any Republican support. But Americans are impatient. There are lots of problems to solve. "It it was easy, George Bush could have done it." Yes, she is troubled by the demagoguery.

Traditionally one party does not have all three – two houses and the executive. The length of the campaign helped Democrats with local elections. With Kerry's presidential campaign, very few states were in play, so local elections were not supported.

The Democrats are likely not to keep 60 seats in the Senate, but the Democrats will not lose the majority. In the House, 30-56 seats are at risk. Some Democrats took traditionally Republican seats. They are in danger.

On the state level, it is important who controls on the state level during a census.

Many Republicans want a pure party, but Americans just aren't "pure" enough, so many are driven out.

Since 2006, the Democrats ran more conservatives. Rham Emanuel was in charge of finding the candidates. In 2006, the Democrats contested almost every race. Cheney had to campaign for Republicans in Wyoming and Idaho, reducing his time supporting others. Similarly, due to Ralph Nader in 2000 Democrats had to campaign in normally Democratic states.

KATHLEEN CASEY – Commissioner, Securities and Exchange Commission

Ms. Casey is a Bush appointee and spent 13 years of Capitol Hill before her appointment. She is the longest serving of all the 5 SEC commissioners. Congress has given the SEC the power to deal with the rating agencies, called NRSRO's. Investors have relied unduly on rating agencies. Certain short selling practices were banned last summer. But she feels it is difficult to prove that short selling is dangerous. She is against federal regulation of corporate governance. It should be left on the state level. The same is true of executive compensation. There was no merger of the SEC with the CFTC (Commodities Futures Trading Commission) due to politics, but the two agencies ARE harmonizing their regulations.

The G-20 is dealing with the issues of the markets. SOX had a lot of unintended consequences. The G-20 is pressuring harmonization.

The SEC is judged by its failures, such as its failure to find Madoff's fraud. It is hard to know how much fraud there is in the market. Regulatory resources are necessary but not sufficient. The EU-PCAOB and information sharing are a very sensitive topic politically. ("Public Company Accounting Oversight Board")

As to the SEC's staff, she claims that it offers compensation competitive with law firms. The SEC should not pay more. Employees will get stale if they stay too long. They should come to serve. [According to the SEC's website, starting salaries are almost 50% below the starting salaries of New York and DC law firm. Senior lawyer positions are compensated at the level of 1-2 year law firm associates.]

CONGRESSMAN MICHAEL E. McMAHON – Democrat from NY 13th District

Despite having a German background, he is from the most Italian area in New York. He was on the NY City Council as delegate from Staten Island. He was in charge of garbage and landfills. He is on the Republicans' hit list. He is still a "street" politician, trying to solve his voters' problems. Obama may have acted too quickly on health care. But we *will* get health care legislation. Obama's Afghanistan decision may be the most important he will make.

Nancy Pelosi extended the invitation to Chancellor Merkel to speak to Congress. The Democrats can now be divided into three groups – the Progressives, the Blue Dogs and the New (pro-business). The big issues are being decided by an electorate that is uninformed. The "Tea Party" types are a sort of libertarians.

Health care in the US had developed since WW2 and is essentially no system at all. Those pro and con both try to simplify and narrow the issues. But it is a very complex subject. Union leaders should be better informed. Cable news is really just entertainment disguised as news. The Fox Network portrays everything as socialism or communism. Americans are poorly informed about domestic and foreign affairs. At his town hall meeting, 80% of the people were merely against things. The opposition is more adamant and more vehement. 45 million people are uninsured. Of them 10-15 million are illegal. 10-15 million simply decide not to get insurance. 10-15 are without jobs. In his district, 95% have insurance and 85% of them are satisfied. How can he convince them that there is a problem? Not more than 10 million people would go into the public option. It is a subsidy that comes along with requiring people to get insurance.

Republicans are for General Stanley McChrystal's plan to increase troops in Afghanistan [he has called for 40,000 more], but this is short term and long term they do not want a presence there. There can be no victory in conventional terms. The Taliban, Afghanistan, Pakistan and India are all of a piece. India is the key.

Troop strength is set to increase from 60,000 to 90,000 soldiers anyway. They do not yet have the necessary support infrastructure in place. Obama wants an overall plan AND support from our allies.

Regarding Israel, the administration has a different relationship with Israel than Congress does. Many people in Congress are there much longer than the president or any administration. The Senators and Israel simply wait out an administration they do not like.

AMBASSADOR DENNIS ROSS – Special Assistant to the President and Senior Director for the Central Region, National Security Council

Vice President Biden went to Prague to tell the Czechs that they are important. But we now treat the Czech Republic like Sweden or any other European country. The Czechs are used to being "special." Ross spends most of his time on Iran and Israel. Obama made some early decisions on Afghanistan and then is making a 6 month review. McChrystal has been appointed. Obama is reviewing policy and recommendation. Our objectives should shape our strategy. Obama is trying to be sure that the right questions are being asked. We are in a bridge period to a home-grown force. How does counterinsurgency policy apply to the terrain? There is a wide array of issues. Pakistan offers sanctuaries. Pakistan is different because of its mix of radicals and nuclear weapons. Pakistani intelligence has a relationship with the radicals. Pakistan intelligence is clearly involved.

We have now been in Afghanistan for 8 years. We will not simply pull out. The strategy will be military but also political, social and economic. What role does the Taliban play? How do we divide the labor with our allies. We are willing to cooperate with and help Pakistan, but we need assurances on the civil-military aspects. There is a lack of coordination between Congress and the Executive. We are trying to think this through so as not to make worse the bad decisions made by the last administration.

The Germans are involved in police training. The military in Afghanistan is in better shape than the police. There is a good article in the New Yorker by Juan Cole on Pakistan.

We need to strengthen non-proliferation. A new START Treaty is in the works. We also need to work on climate change and get ratification of the nuclear test ban. We will try to get a nuclear test ban treaty ratified.

Obama sees Germany as a natural partner in many areas, including terror and climate change.

Obama is trying to involve Iran, but this effort has not produced a response. Iran has requested fuel for a 1960's reactor which makes medical isotopes. We see this as a confidence builder. Initially Iran said yes, but then began to redefine the terms. Iran has two other "clocks" running – the Saudis and Israel.

Obama is also trying to work with Turkey so it is not so isolated.

Obama is trying to help bring about a Palestinian-Israeli peace. But the Israeli government is right of center. The US thinks it has had influence on the 2-state issue and on settlements, also on terms of reference. It would be "a mistake not to try." Under Bush we had 6 years of "hands off." The settlements are only 2% of the West Bank by area. So they are very small. They will not prevent a 2-state solution. They are more a psychological problem. The Palestinian State was built on slogans. The new leaders understand the need for ground up facts and growth. Peace comes both from the ground up AND from the top down. We need more "ground up" in Afghanistan.

SAM ADCOCK - EADS

EADS was formed in 2000 and here in the US in 2002. It already makes helicopters for the US and radar for the US Coast Guard. It won the contract for a light utility helicopter in 2006. It has partnered with Northrop.

In September, 2008, after EADS won the \$40 billion Air Force tanker program, Secretary of Defense Gates stopped the program. It was supposed to be competition as a "value based" acquisition, i.e. on how the aircraft performs. Now it has switched to a "threshold" process. So each plane (Boeing's and EADS') has only to meet minimum standards. But EADS' entry is 30% bigger than Boeing's entry. It gets no credit for the additional capacity since both planes meet the minimum.

There were 9 years of deliberation. EADS is the low risk solution. It is the world leader in this technology. The EADS entry based on the A-330 beat the Boeing entries (both the 767 and 777) in 5 contests in a row. The Australians, for instance, are flying the A-330 tanker.

Final assembly will be in Mobile, Alabama. In other instances the A-330 is assembled in Toulouse. The contract calls for 180 units. 480,000 jobs will be added in the US over the life of this contract.

Under the new bid system, there are 373 factors and the entries are graded pass-fail. If an entry meets all 373 standards, then the qualified planes are judged on purchase price. There are three other factors: 1) integrated fleet assessment – here, EADS could fulfill the requirements with 6% fewer aircraft; 2) fuel

burn adjustments based on 3 different scenarios – EADS carries more fuel farther, but these factors are ignored, so the smaller Boeing plane benefits; 3) EADS would require new hangars, since the plane is bigger.

If the prices of the two planes are within 1%, then there are 93 other factors. But if not within 1%, then the lower price wins. EADS' plane is bigger, more modern and provides a bonus on fuel. Its plane is bigger so it costs more per unit. That seems to be the desired outcome for the rules. If these rules apply, then this is a "protest proof process" and Boeing will win the contract with an inferior product.

Both bidders will submit the same aircraft as before. In the last process, EADS had a 22% advantage in payload; a 30% larger range; 68% more pallet capacity and 6% advantage in fuel "at range." It has a lower unit and development cost. There is high confidence in delivery; indeed Air Bus should arrive 2 years earlier than Boeing's entry.

Not all factors are of equal importance to the goals. But among the 373 factors under the newly proposed rules, fuel flow standards and toilet flow standards are given equal importance.

As to trade, Europe buys 4 times more military equipment from the US than the US buys from Europe.

The Secretary of the Air Force spoke out on this procurement process and was fired by Gates, so this effectively silenced the top brass.

EADS thinks its bid provides more US jobs than Boeing's. Boeing fears a competitor on US soil and a southeastern (Alabama) competitor to the northwest. This could mean the death of a US monopoly – Boeing's.

If these rules are not changed, EADS may bow out. The result will be that there will be 5 countries (which buy from EADS) with better capacity in this area.

Making matters worse, the US government told Boeing what EADS bid was under the old process. But the government won't tell EADS what Boeing bid.

The helicopter EADS supplies was initially built near Augsburg, Germany. Now there is a 300 person plant near Columbus, Mississippi.

The Boeing 767 was put out of business in 2001 by the Airbus A330. The 767 gets orders only because Airbus is having trouble filling demand.

The Mississippi plant was a "greenfield" project. People were recruited and taught there. Yes, there was a learning curve. The state and community are supportive. ½ of US combat ships are build 30 miles away in Mississippi. In Vance, Alabama, the M class Mercedes is built. Alabama is now the #5 state in US auto production. EADS hopes Ms. Merkel addressed the tanker issue with Obama during her DC visit. EADS just wants the process to be fair.

LEE HAMILTON –Former Member of Congress; President and Director, Woodrow Wilson International Center for Scholars

Obama has a big agenda, the biggest since Lyndon Johnson. It includes the stimulus and foreign policy, but also a lot of initiatives. He brings an new mood and style, a multi-lateral attitude. He is willing to work with others. They have rights but also responsibilities. But eloquence does not mean a strong presidency.

What are Obama's priorities? On the domestic side he HAS prioritized. The stimulus came first. Then came health care. Then climate change and immigration next year.

On the foreign side, Afghanistan is overwhelming. Iraq is a bigger problem than Obama thinks. It will not get better. Iraq is more important than Afghanistan.

Nuclear non-proliferation is important. The START Treaty will expire. Can Obama get ratification of a test ban treaty? Not until next year and then it will be a fight. There will be no climate bill in time for Copenhagen. George Mitchell is busy in the Middle East, but it is stalled. The president has not made up his mind how to proceed. He might try to mobilize world opinion, but he might not be able to pressure the parties with it. If not, there would be a political backlash. 70 US Senators have told him they don't support pressuring Israel. It is very risky, especially on a US domestic level.

There is a poisonous atmosphere between the Republicans and Democrats. Party line voting is more common. The level of incivility is high. The principal leaders hardly talk to each other. Politics are quite tense. There is more money poured into lobbying groups. It is hard to get agreement on legislation if the representatives are not informed. There is little informal contact among the representatives. The American voters need to demand more civility.

It may be that more intrusion on local levels is now from the federal level. In 1965 the voter wanted to get government off his back. Now the voter wants the government to solve problems.

Hamilton (as head of 9-11 Commission) is less concerned about 9-11 style attacks and more concerned about smaller attacks. Americans return here after terrorist training abroad. Events like those seen in Europe and India are more likely. We have become safer but we are never totally safe. Terrorism will be with us forever. While we have lost no one, many have been lost abroad. He does not know whether it is luck or not that we have not been attacked again. A particular area of concern is nuclear materials. We have not found a system for detecting these materials that is clearly effective. The wars have had a real impact. They have enabled terrorist recruiting. There may be only 100 members of Al Qaeda in Afghanistan now, but we know of 500 in Yemen. They may move to Somalia.

What about the battle for hearts and minds? It is not solved by law enforcement or by war. Obama is looking for ways to follow up on his Cairo speech.

RE MERKEL'S SPEECH – [an informal report by a German member of Parliament, who was present for the speech]

You could see she was nervous at the beginning. She took on a tough topic, climate change. Nancy Pelosi wanted Merkel to speak precisely to address climate change. There were lots of empty seats until the very end, when staffers filled them in.

HAMILTON (AGAIN) – We look to Merkel for leadership. There is no disrespect due to the lack of attendance. It is at the end of the congressional session, so people have a lot to do.

MERKEL'S SPEECH (Again) – She said there can be no nuclear weapons in Iran. Germany will support sanctions. She mentioned Fritz Stern (the Columbia University historian), who came here when he was 12, on the same ship with Thomas Mann.

DOUGLAS G. DUNCAN – VP and Chief Economist, Fannie Mae

Fannie Mae was formed in 1938. 50 million Americans have bought homes through it. There are 100 economists on the staff. After a recession, the first year's growth rate is normally 6%. But we expect only 3%. This is due to housing weakness.

The stimulus is made up of both outlays AND tax cuts. The tax cuts are in 2009-10. The rest is made up of outlays which will continue through 2014. The effects of outlays are long term, infrastructure.

Employment reduction has been 5% for 19 months. It is the largest percentage decline since WWII. This is the longest job loss period. Making matters worse, bonuses fall. One of 2 jobs (in a family) may be lost. The decline is also increased by discouraged groups, also the largest since WWII.

The worst unemployment is in Nevada, Michigan, South Carolina and Kentucky. Michigan has lost so many jobs that people leave. Graduates from Michigan universities leave the state. Other states had a supply side bubble.

We have reduced inventory greatly. 89% of US labor is in services. Only 11% is in manufacturing. 15% of all employment is government, if you include the military. Consumer leverage has gone from 0.31/\$1 in 1950 to \$1.23/1.00 now. But more of our income comes in non-cash forms. The "stress" rate has been 0-1 for years, as reported by the Kansas City Federal Reserve Bank. Last year it hit 5. 95% of the US mortgage market today is government, not bank. US housing is quite affordable now, but there is not much credit. Only "jumbo" loans are not direct government intervention. The spread there is now way over the traditional level. The housing decline is mostly over. A 5-7 month inventory of homes on the market is normal. We see the lowest number of new houses on the market since 1983. Housing starts are 25% of their peak. We still have 10-12 months in inventory. Housing purchases are now up, but from a very low level. We got to 69.2% ownership but are now down to 67% and it could drop to 65%. Each 1% = 1.1 million households. But the houses are not torn down. So prices drop or owners rent. Single family house prices have to drop farther to compete with rental units because single family houses have greater heat and transportation costs. The highest levels of delinquencies are in the Southwest, the Southeast, Illinois, Indiana, Ohio and Michigan. The recovery will hold but it will be weak. 2010 may see

equilibrium. There will be no inflation for the next 24 months. There will still be slack in the labor market.

FREDERICK KEMPE – President and CEO, Atlantic Council of the United States

Three states in Europe are swing states and can greatly influence the whole continent: Russia, Ukraine and Turkey.

DAMON WILSON – Bush wanted Turkey to be a strategic partner and part of Europe. But Turkey was not welcomed and did not want to be rejected. The prior government had been corrupt. Obama gave a speech in Turkey.

Health care dominates the debate, but there are other important issues like jobs, energy, engagement of adversaries, climate, Russia and arms control. Europe is *not* a key to these problems, but still Obama, Biden and Clinton have been there 13 times. So a lot of attention has been paid to these countries, but Obama has gotten no dividends from this large investment. He faces problems of Afghanistan, Russia, enlargement of NATO, solidarity, and security, inside and out. NATO support is dropping in the US. How is NATO helpful to the US in Afghanistan?

During the Bush years, his popularity was very low, but there was a good working relationship. It's the opposite with Obama.

SHUJA NAWAZ– Holbrook's mandate is not broad enough. It covers only Afghanistan and Pakistan. India rejected him. Parts of Afghanistan attract militants and they get traced there. There are links between Kashmir and Indian students. We will see more Mumbai style terrorism. 70% of the populations of these countries is under 30. If they do not find employment, they are recruited as terrorists. Only 3% of the women are literate.

BANNING GARRETT – We know China is emerging as a power. How can we make/help it behave responsibly?

Obama faces problems with his allies. The Nobel Peace Prize did not help him. He has poor relations with Gordon Brown and Nicolas Sarkozy (who said Obama is "not ready for prime time"). Obama is not close with Merkel, possibly in part because she got along with Bush. Berlusconi has made famous, tasteless jokes about Obama. The EU cannot deliver on Afghanistan and we do not move on climate change. So there is friction on the government to government level. Obama's foreign policy is not so different from Bush's, at least during his second term.

DETJEN – There are three Europes: 1) public, 2) government to government, 3) the bureaucracy in Brussels. Brussels views the US as a competitor.

PRESENTER [not certain which one] – Europe doesn't see that it "needs to deliver." Obama will lose patience. When dealing with China, he can have one meeting and "it's done." When dealing with the EU, 27 representatives read from their prepared texts and there is no movement. The honeymoon will soon

be over. Regarding troops for Afghanistan, German politicians know that a vote for more troops is the kiss of death.

The American analysis of Afghanistan is focusing too much on the military. The civilian component is missing. And the Afghan voice is also missing. The Afghans have to become “owners.” The Soviets had 140,000 troops there and did not win. The tribes on the boarder ignore organized governments. Afghanistan has never had a strong central government. The down side of ignoring Afghanistan is the exportation of militancy and drugs.

Can central Asian states help? What happens in Afghanistan DOES affect us. General James Jones [national security advisor] worries about weapons of mass destruction in the hands of non-state actors. This threat comes from Pakistan. And this analysis is not from Dick Cheney but from Barack Obama. Postwar European countries have constitutions which make them weak. The EU is a result. Now it is hard to get fast decisions. Also, the EU members are skeptical about military solutions.

The US used to be afraid of an EU military. Now we’re afraid that there is NO EU military. The EU is between chairs. But generally, the EU had been a powerful, democratizing force.

BANNING GARRETT– Leaders will be weaker everywhere. Obama faces the politics of destruction from Republicans, blocking everything. He has one year to show results. He needs to lower the definition of success in Afghanistan. Yes, Americans are internationalists, but German Chancellor Schroeder was pro Afghan intervention, too.

Next year, the focus will be back on Iran.

DAMON WILSON– The US has the tools needed to intervene abroad, so it is easier to do. Europeans can’t. Also, the US has a hard time admitting that something is too hard for it to do. The US saw Germany as a “normal” country before the Germans did. Afghanistan and Iraq are quite different, but Americans did not see that.

NOTE: These notes are my good-faith effort to keep track of three days of presentations. They have not been reviewed by anyone who was at the conference. They probably contain some inaccuracies and I may have attributed comments to the wrong persons. Because I took these notes, they do not reflect my own comments and contributions, which were, of course, clever and insightful.

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