



FOURTH WORKSHOP ON GERMAN-AMERICAN RELATIONS

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Below is my unofficial list of the key findings at this Workshop (pages 1-3). A more thorough report on the 9 presentations and discussions then follows (pages 4-20). The conference rules prevent disclosure of the names of the speakers.

Global Economic Crisis

- This problem is more dangerous to US security than Afghanistan.
- Existing international structures are inadequate for dealing with the problem. The NATO structure actually gets in the way of this and other international solutions.
- The Anglo-Saxon and European economic models were at war over financial services, accounting standards, etc. The problems began in London, where the economy and influence are heavily dependent on financial services.
- Germany is over-banked and many large banks have no business plan. The banks should not be merged; they should be eliminated.
- The US S+L crisis is not a model for this banking crisis because the S+L's were domestic entities.
- Banks play a different role in economic society than auto manufacturers. Politicians have difficulties explaining this to voters.

Iran

- The Iranians are clearly moving toward the bomb. They have a two track plan, including a heavy water reactor which has no other purpose and which they deny having.
- Negotiations with Iran will fail because any Iranian delegation will reflect the splits in Iranian domestic politics and not be able to act.
- Sanctions might work, but they haven't in Cuba in over 50 years. The Chinese fill any void in Iran and have become its #1 trading partner. Only if China and Russia cooperate is there a chance.
- Iran feels surrounded and indeed has the US on 3 sides. The US has supported regime change. At the same time the US has weakened Iran's great enemy, Iraq.
- If Iran gets the bomb, there will follow the Saudis, Egypt, Turkey and other states.

- The CIA (apparently) had people in the inspection teams. This gives the Iranians a basis for opposing inspections.
- The Iranians have been thrown off balance by the US's new diplomatic initiatives. They feel isolated, also from India and other non-Western powers.
- The drop in oil prices has hurt Iran. They squandered their windfall from the high prices.
- Drugs from Afghanistan (refined in Iran) are a major problem for Iranian society.

Russia

- US and Western relations with Russia have been through a low point, pushed off the front pages by the economic crisis. There is a long list of recent disputes. But the West needs Russia to help deal with global problems, including Iran and Afghanistan.
- Russia is isolated, surrounded by groups in which it is not included. It faces risks to its south, where its Muslim population (20%) is concentrated. Since 1990 it has gone through a terrible period, one its citizens associate with its experiments with democracy.
- The Russian economy is greatly dependent on raw materials and oil prices. In the long run, it will grow, but neighbor economies like China and India will grow faster.
- Russia saw the US engage in two difficult wars, with a weak economy and a lame duck, unpopular president. It misjudged its strength and the US's weakness. It wants renewed status and influence.
- The US and Europe view Russia very differently. It is a European neighbor. Its population and industry are in Europe. Does Europe buy security more cheaply by opposing Russia or integrating it?
- When viewing Russia as an energy source, consider the alternatives: Venezuela, Nigeria, Libya, Saudi Arabia, Iran and Norway. The Nord Stream and Nabucco pipelines both have risks and problems and neither is economically as interesting as before.
- Germany would be willing to represent western interests vis-a-vis Russia, but the Poles and Baltic countries have long memories and would not be happy.

Pakistan/Afghanistan/Iraq

- In the aftermath of 9-11, the world felt solidarity with the US and offered assistance, including UN resolutions and NATO invocation of Article 5. But the US rejected support, saying the US had to respond alone. National pride required it. Accepting it would have meant NATO rules applied to our allies and solved the problems of individual country caveats. It would also have made moot the German "out of area" debate.

- Afghanistan was never a normal country. It has been so influenced by its neighbors. It does not want centralized government or the roads which permit the application of central power.
- The issues in Afghanistan are local, tribal. The Taliban is only a part of the problem. Finding a local solution requires a rethinking of US policy there.
- Pakistan is close to a failed state. It is ruled by 10 families. The US has to operate there, but to do so is very sensitive to the Pakistan government.
- Kashmir is no simpler to resolve than Israel-Palestine.
- Already in November 2001, the US had shifted military assets from Afghanistan to planning for a war in Iraq.
- A police force in Afghanistan presumes a judicial system to deal with criminals. The recruits are often illiterate. Their salaries are skimmed before they receive them. They do not need classroom training but on the job mentoring. The Germans sent police trainers. The US sent private consultants.
- Until the West is seen to be winning in Afghanistan, the locals will not take sides.
- The use of air power and bombs in civilian zones creates too many innocent victims.

General

- The US-German agenda is now international, not German focused (as it had been since World War II). Since 1945 Germany has been a “consumer” of security; now it has to adjust to become a producer.
- The world has no legitimate legal method of dealing with terrorists. They are not soldiers and not common criminals. Creating a legal framework should be an international project.
- The US State Department is understaffed but still is taking bold, creative steps.
- The biggest threat to US stability is not Iraq or Afghanistan or even Pakistan but Mexico. It is in danger of becoming a failed state, largely due to drug trafficking, demand for drugs (from America) and guns (also from America).
- The economic crisis is a justification for German politicians to not only reform the German economic system, but to take it over, regulating much larger portions of the economy than are necessary to avoid bank collapses and market abuses, at least as seen from an American prospective.
- Perhaps the biggest surprise was what was not said. No one suggested that anti-Americanism was on the rise by reason of the excesses of Anglo-Saxon capitalism.
- No, a still bigger surprise was a speech given in nearly flawless German by an American politician, Michael McMahon, the freshman congressman from Staten Island. He is on the Committee on Foreign Affairs. Congressman McMahon’s mother is German and he spent two years there.

THE GLOBAL ECONOMIC CRISIS

A Former US Diplomat – There is no existing world structure to coordinate response to the current crisis. No structure exists for the US and Europe to work out this problem. A major reason for this problem is NATO and the emphasis placed on it. It is an organization left over from the Cold War. Its meetings were so boring that the speaker had difficulties staying awake. Certainly an amazing number of military medals could be seen. But some of the money spent on these meetings would have been better spent on a Marshall Fund sort of meeting. Also at Munich the military aspects of the world are discussed, but there is no economic counterpart. Possibly the Brussels Forum of the German Marshall Fund would be a good mechanism.

The world economic situation is more important than Afghanistan. The G-20 conference in London is a possible forum. But the G-20 competes with the G-8. In contrast, NATO has nothing to say about many of the problems presently facing the world, such as the banking crisis and global warming.

Similarly these are no adequate international forums to deal with America's trend towards protectionism, as seen in CFIUS and "buy American" provisions. Even the US missile shield is not a NATO issue.

The Turkey/Cyprus dispute gives Turkey a veto over many actions. NATO cannot formally communicate with the EU. The US cannot talk to the EU except through NATO, but NATO cannot talk to the EU because of Turkey.

While still in office, the speaker was asked to send a letter to Solana asking for a contact at the EU to deal with the issues of Afghanistan. But when Solana asked for this EU person's US counterpart, the speaker could not give the information because he could not deal directly with the EU.

Shifting topics a bit, the speaker notes that the EU is dictating business decisions to Microsoft and this may well spread to Intel and other US-international companies. This is a form of creeping nationalization.

Focusing on Germany, the speaker notes that Chancellor Merkel is a supporter of the Transatlantic Economic Council. It is not yet clear what the Obama administration thinks about it. The speaker is a supporter. He cites the disclosure of bank ratios, derivatives and the effects of Basel 2 as topics to be dealt with in such a forum. Speaking to the causes of the current crisis: "We made so many mistakes that Adam Smith would have spotted."

A German Banker – The German speaker was not so pessimistic. A new international financial order is likely. There had been a war between Germany and the Anglo-Saxon world on many economic topics such as market regulation and accounting standards.

We are now well into the current crisis. It began in July 2007. The next big milestone was the collapse of Lehman Brothers in September 2008. Many of the problems are structural. We need new architecture. We need Asia to be involved.

To put this in perspective, not so long ago there was discussion of ending the IMF. Now it is active again. The same is true of the World Bank and other international financial institutions. The question is which mechanism to use. We certainly needed government intervention. But not everything was bad. The 10-15 year period before 2007 was a very long period of economic growth. Banking helped fuel this success. But banking was not adequate. It expanded into unregulated sources of capital. The US promoted home ownership. In figuring out risk, banks did not include a factor for illiquidity, the absence of market prices.

Now banks have gone to liquidity. They have sold assets. There is no credit crunch in Germany. There has been a shift of funds to no-risk assets, like cash, taking money even from funds that were doing well. Equity has become much more important.

Banks are downsizing. Indeed, some banks are too big. Markets have downgraded banks. Some banks are “hiding from their clients.”

We need to move from “short-termism.” There is no early warning system. Banks need to get rid of bad paper and bad balance sheets. They drag down future actions. Accounting standards (mark to market) are part of the international problem.

In July 2007, Germany was hit by the near bankruptcy of a big bank. Some banks in Germany have no business plan. Germany has massive over-capacity in the banking area and has made no progress on this problem. But Germany has responded well to the immediate financial crisis.

German industry is export oriented and so is sensitive to developments in other countries. An uptick abroad will be quickly felt in Germany. German businesses can get credit.

Transparency in US banking should not mean a “quarterly paper dump” of information created mainly to employ mid-level accountants.

US Diplomat – His impression was that accounting standards in Europe and the US had moved closer together. The French were opposed to “mark to market,” which is indeed hugely controversial. There has been no discussion on this problem between the US and the EU. Why did leverage get out of control if it can be seen to be so dangerous? He suspects the #2 person at US Treasury withdrew from consideration because she was the architect of the bank holding company structure. The relaxing of broker-dealer restrictions did not start in the US but in London. It was hard to detect and no one blew the whistle. It was a problem few recognized.

German Banker – Accounting standards *are* making progress. Banks need to take action on their assets. They need to be off loaded. We need to show responsibility, to take responsibility for the consequences for the bad assets. Accounting rules play an important role here.

Central banks around the world did act in a harmonized way to provide liquidity. They did not solve the problem, but they did buy time.

Yes, the competition between the world's financial service centers, especially with London, was key to the problem. This led to distortions. A huge portion of London's income and influence comes from this business.

US Diplomat – Professor Michael Boskin, an economic advisor to Bush 1, says the answer to the financial crisis is to repeat the solution to the savings and loan crisis. The government took over the bad assets. We should simply do this again. Once the federal government owns the bad assets, their pricing is an internal, government issue.

German Banker – But the savings and loans were purely domestic entities. The banks are international. As to Lehman Brothers (in response to a question), it was no surprise that it had problems. It had narrowly escaped bankruptcy before. Lehman Brothers was not diversified and was very aggressive. "They arbitrated against the German deposit system." Indeed, they did this all over the world. They were allowed to go under because AIG and Lehman happened on the same weekend. The problem had been seen coming for weeks and the US government decided that investors knew they were taking a risk. Also, Lehman had started a sales process. The US had begun to discuss how much government involvement there would be. Merrill Lynch sold itself to Bank of America as an emergency action. So, some decided, if we need to let someone go, it should be the smallest one – Lehman Brothers. At least some of the overcapacity is out of the market. We know, too, that we have too much capacity in other markets, including insurance and autos.

Already in July 2007 people saw that this market was different. The near collapse of IKB was already a sign. Yes, banks made mistakes. We need better systems of compensation and incentives.

Compounding the problem is the difficulty politicians have in explaining why banks play a different role in the economy than car manufacturers. There is a lot of bank bashing going on.

Comment from Participant – Banks handle risks well in small areas, but not in the big ones, we see. Also, the rating agencies were not sophisticated enough for their task.

Comment from Participant – Many German companies today get orders, but not the credit needed to fill them. This is a danger for society – it is frightening for society. Recently a German bank teller was fired for making an insignificant error. Old management of these institutions committed many abuses of power. The actions may have been legal, but they were not legitimate. The public does not accept their actions. German banks were faced with making local loans with no profits or going to the global markets. We see the results.

German Banker agrees that state banks have been a failure; they have no business model. They should be closed, not consolidated. Yes, salaries have become illegitimate and a major problem. Still, we cannot expect banks to function saddled by these old debts. This will be a problem for 20-30 years, not just 2 or 3. TARP began as a solution but then went off track.

It is difficult to get credit in Germany, but not impossible.

US Diplomat – In 1991 when Bush 1 went through the banking crisis, he got on the phone with the bank examiners, directly, and told them that banks have to be able to lend. To get the Congress to take quick action, the administration had to scare it, but this may have gone too far. It is harder to take over the banks today because Europe is also involved in this crisis, compared to the S+L crisis.

STRATEGIES VIS-À-VIS IRAN

German Newspaper Editor – Iran will be the main topic for the next 2-3 years. It considers itself to be the guardian of the unfinished revolution. It profited greatly from the war in Iraq. The views on Iran from Washington and the EU are quite different. From the US side, there has been no dialogue for 30 years. President Obama has said he will reach out. Now there is no more US talk of regime change. Iranians have been unsuccessful in driving a wedge between the US and the EU. The EU does not underestimate the risks. Germany has \$4 billion in trade with Iran, so it has a different view from that of the US. The US is now willing to talk. Hillary Clinton has expressed doubts, but she is willing to include Iran in the talks on Afghanistan in The Hague on March 31. The IAEA recently stated that Iran has 1,000 kg of enriched uranium, appropriate for a bomb. Israel has said Iran may not become a nuclear power. “It’s 1938 and Iran is Germany” to quote an Israeli politician. But the world has learned to live with a nuclear Pakistan and a nuclear North Korea.

German Diplomat – He views Iran from three points of view: where we stand, what we have achieved and where do we go. 2009-10 will be very important. The key point will be nuclear weapons but there will be other issues as well. Iran is at the brink of nuclear weapons capability. They have 1,000 kg of lightly enriched uranium, but they are also constructing a heavy water reactor for 2014 completion. And they are working on a missile program.

Iranian leadership clearly wants the bomb. They do not need enriched uranium for civil uses. They could suspend the enrichment capacity without hurting their civil nuclear program. Furthermore, the Iranians are providing no transparency with respect to their heavy water program.

In the 22 months from 2003-2005, Iran did suspend its enrichment program. Iran permitted monitors. But since 2005 there has been more enrichment.

The Iranians hate their isolation. They were surprised that India and others lined up against them recently. The Iranians were very unhappy. The cooperation of the E3 plus the US, Russia and China is disturbing to the Iranians.

The instability in Iraq was good for Iran. Now they are concerned about growing stability there.

As to the future, we need more transparency. We need monitors and inspectors. There should be a dual Iran strategy, with carrots and sticks. The package of carrots is a good one and includes a light water reactor (which is not usable for production of bombs). President Obama is willing to engage the Iranians directly. The Iranians value this. It is a positive step. But it is “a trump card, to be played wisely.”

We also need sticks. We need to give a clear sign regarding the possible use of sticks – in the form of strong economic sanctions. These must be more than symbolic. The economic down turn has helped the west. Iran squandered its money generated by the high price of oil. They distributed it *and* they also passed a big budget full of long term subsidies which they now cannot fund.

We need to keep the Russians and Chinese on board. It makes no sense for Germans to withdraw from Iran only to have the Chinese rush in and fill the gap. So we need to keep these 6 players together. We also need to talk with Iran about human rights (which are getting worse) and support of enemies of Israel. Syria thinks twice about its ties to Iran.

We have a common interest with Iran with respect to Afghanistan. Germans have had good experiences with Iranians at conferences.

Iran also has a dangerous drug situation. Raw materials come into Iran for further refinement.

Former US Diplomat – He agrees with his German counterpart about Iran (although they have not always agreed). 2009 is an election year in Germany. It is important for the US to have a strong, decisive Germany. Germany is the keystone country for Germany. “Germany is the US’s most important partner in Europe.” [I could not tell whether the speaker considered the UK to be part of Europe.]

The US has shifted its interest to the Far and Middle East. Germany has been the center of US focus for almost all of the last century, because of World Wars I and II and the Cold War. Germany was where fires were burning. The unification of Germany is the best example of diplomacy with a purpose. So, it is good that Europe is not a US focus any more. Yes, Russia and how to work with Russia are questions.

So the US/European agenda is different. In 1983, the list of agenda items for talks with Germany was all German and European. When Obama meets with Merkel, the focus will be on *non*-European topics.

This speaker considers Pakistan to be more important than Iran; that and Pakistan's relation to Afghanistan. So, the US/EU discussions will be largely on Pakistan/Afghanistan.

As to Iranian behavior, yes, Iran wants the bomb. Iranians are funders of military opposition to the US; they support the Taliban. Iran benefitted greatly from the US's involvement in Iraq.

As to US-European relations, they changed with President Bush's meeting with Chancellor Schroeder on February 22, 2005 in Mainz. German-US strategy did not work with Iran. The multiple sanctions approved by the UN did not affect Iran.

Yes, President Obama is right to go on the offensive with Iran and to negotiate without preconditions. It has been 30 years since the Iranian Revolution. The policy of not talking with Iran is not a good policy. We should talk with North Korea, with Iran, with Venezuela. So it is good that Ms. Clinton will meet with the Iranians in The Hague to discuss Afghanistan. BUT the Iranian political system is so dysfunctional that the Iranian delegation will have no authority and any negotiations will fail. But then we want Russia and China to back the sanctions which should come as a result of the failure. Thus far sanctions have failed due to the Chinese. The Chinese are now Iran's #1 trading partner. The Russians export arms, missiles and nuclear technology to Iran. If negotiations fail, the result is either acquiescence to the Iranian bomb or war. But this would be the third war in the region and Iran would be a tougher enemy than Iraq. The consequences would be terrible.

President Obama would have to decide whether to go to war or try to contain a nuclear Iran. We *have* been successful in containing a nuclear Russia and a nuclear China. The Soviet Union was a greater threat than Iran would be.

German Member of Parliament – The Mullahs want prestige and security. They have Americans on three sides, counting the Gulf. And until now the US has promoted regime change. Instead, we should be ready to give them security assurances.

The nuclear program began already under the Shah. In the war with Iraq, Iraq used weapons of mass destruction against the Iranians. The war in Kosovo made having nuclear weapons more desirable. So carrots are not enough. But at the same time sanctions do not work. They didn't work in 50 years in Cuba. So we may have to accept Iran's getting the bomb. That means we need a program of deterrence and of protection for Israel. It also means that the Saudis will get the bomb. There are already two Muslim bombs, but neither is Arab. The Saudis want the bomb in payment for having financed the Iranian bomb.

German Diplomat – The package of carrots is better than it was. The package includes a sort of security guaranty. The military option is totally unattractive. Sanctions have a chance of working.

Enrichment alone is legally permitted. We could give Iran access to fuel or to the extraterritorial production of fuel. Or one could consider the Japanese option – whereby Japan is 15-18 months away from being capable of producing the bomb but has not gone the last step. But if Iran got the bomb, we would shortly see the Saudis, Egyptians and Turks with the bomb, too.

Israel sees the talks between the US and Iran as good, as a window. But the Israelis see a smaller window than the West does.

Former US Diplomat – In 2006 President Bush offered to negotiate with Iran, but the Iranians turned this offer down. The Iranians are obsessed with the US. We could give them a security guaranty, but only at the end of a long process.

Russia and China might engage in serious sanctions, but only if they really thought the US might go to war. President Obama will behave differently from President Bush on this topic.

He will not give his opinion as to whether Israel might act alone, but Israel knows the US would never fail to aid them.

As to our nuclear arsenal, we have used ours well, especially between 1945 and 1991. We need our arsenal. We would not have more moral credibility if we did not have it. There is a substantial ethical difference in the way we have behaved and the way the Iranians have. And we have reduced our arsenal.

German Diplomat – Climate control and energy independence are also important issues. We will see more action here and also talks between President Obama and Putin regarding arms reductions.

There was a suggestion from the floor that the CIA is known to have had members in nuclear inspection teams. This was not acknowledged, but Iran uses this as a pretext.

Furthermore, Iran pretends not to be working on a heavy water plant. This is Iran's second track to nuclear weapons.

The US is trying to "reset" its relations with Russia, putting all issues on the table. The talks between Clinton and Lavrof in Geneva apparently went well. The Russians long for respect. They want to talk to the US. We need to reduce the nuclear stockpiles. 95% of all nuclear weapons are in the hands of the Americans and the Russians. The Russians are made up of two groups – the energy group which likes Iran's oil, and the security group. They do not like the idea of having an Iranian bomb on their border. In discussions with Germany, Russian budged only when Schroeder talked "at the highest Russian level."

Former US Diplomat – Russian cannot want an Iranian bomb. The Russians have been harmful to the US's policy with Iran. Should we allow Russia to re-impose its influence on its bordering neighbors? Clearly Russia wants that. But if Georgia and Ukraine want to join NATO, this should be permitted. We have a "moral obligation" to help them against Russia.

President Obama has put the Iranians off balance by appointing George Mitchell to the region. The opening up to Syria and the invitation to The Hague have the Iranians confused. So we have done an excellent job here. We are on the offensive diplomatically. Going back to Israel, we must, must defend Israel. It would be a mistake for Israel to take its own action.

German Diplomat – President Obama has been "masterful" in the opening weeks. Iranians don't know what to do. It was good to talk to Syria and to appoint Mitchell to the region. The drop in oil prices has also changed the dynamic.

LUNCHEON TALK BY US DIPLOMAT

[This speech was read and it was clear the administration is in the middle or reviewing many policies, so this speaker had very few bits of interesting information. In response to many questions the answer was, we are/will be reviewing that.]

Engagement is the key word for the new administration. President Obama wants more engagement with Europe. Both the US and Europe have global perspectives. We need to act with a common purpose. President Obama will be in Europe for the April meeting of the G20. [London for the G-20 on April 2; Strasbourg and Kiel for the 60th anniversary of NATO on April 4; Prague on April 4 and 5 for an EU-USA meeting. Possibly a Turkish stop before going home.] Vice President Biden consults this week in Europe on Afghanistan.

Yes, Germany has contributed a great deal to the efforts in Afghanistan. The meeting in The Hague on Afghanistan is a strategic, "big tent" conference, not an attempt to raise money. There is some concern Americans will forget why we are in Afghanistan.

NATO's core purpose is the defense of its members, but it needs to deal better with issues out of area. Russia is building bases in South Ossetia.

In December there will be climate talks in Copenhagen. Todd Stern is the special US envoy on this subject. We will emphasize our efforts here. The stimulus package has \$80 billion for green energy. We have been the world's largest emitter. We are moving on cap and trade and car and appliance efficiency. We are making progress on these subjects despite the economy.

The speaker reinforced earlier comments about the difficulties of US-EU communications due to NATO and Turkey's role there. But "Turkey's progress to EU membership is constructive." The EU's soft power use in the Balkans has been very positive.

There is movement on the issue of trans-Atlantic regulations, but we have not decided yet how to proceed. There seems to be no appetite for EU-US free trade.

The speaker would not respond to a question on rendition.

A former German government official commented that the biggest problem with terrorism is that there is no legal framework to deal with it. The Geneva Convention does not work. These actors are not soldiers and not common criminals. They are something else. We fight terrorism with military tools and this creates substantial collateral damages. We need to create a practical, legitimate set of rules and procedures.

US Diplomat - Terrorism is bigger than law enforcement and even cross-border law enforcement. Mumbai is an example. Also London and Madrid.

Regarding Russian relations, yes, there was a "secret" letter that everyone knows about. We have large areas of cooperation. We will not recognize South Ossetia. We will talk about missile defense. There is nothing hidden here. It's all on the table.

As to Guantanamo, we would like the EU to take some of these prisoners. There are about 80 such prisoners in all.

As to energy, we think there should be diverse sources of energy. We are open to all ways to develop and source energy. As to various European pipelines under discussion, the speaker was not able to take a position as to the US's role in favoring some and not others.

A German politician noted that the START treaty expires in December. For Europeans, tactical missiles are more important than strategic ones.

The speaker agreed that the drug trade in Afghanistan and Iran is very important. Iran has a serious problem with addiction.

EUROPEAN AND US VIEWS ON RUSSIA AND ITS CHALLENGES

The American introducer, a former Congressman, noted that it is difficult to get Americans to pay attention to international events.

German Trade Expert – Since 2006 there have been three conflicts with Russia over oil and gas. Some eastern European countries depend 100% on Russian energy. Some of these actions have resulted in breaches of Russia's contract obligations with Germany due to non-delivery.

The US missile defense system is seen by the Russians as a provocation. NATO's outreach to Ukraine and Georgia is also seen as a provocation. In 2007 there was the dispute with Estonia over the removal of a Russian war memorial (and associated graves) from the center of Tallinn. 2007 also saw the Russian ban on Polish farm products. The successes under the 1997 PCA (Partnership and Cooperation Agreement) were only moderate. It is typical for the Russians to blame the west for its problems.

The general US attitude of trying to reset its relations with Russia, as announced by Vice President Biden in Munich, is generally welcomed by Europeans. The Lithuanians express some reservations.

As to the recent letter from President Obama, it essentially says that the US does not need a missile shield against the Iranians if the Iranians do not have missiles, i.e. help us deal with Iranian missiles.

Russia does not like the idea of a unified EU lead by the United States.

Russia *does* give some support in Afghanistan. It does not want more destabilization there. It allows use of its territory for access to Afghanistan.

Russia already faces nuclear missiles in the hands of the Indians, Pakistanis and Israelis to its south. It has no influence on them. It *could* have some influence on Iran. So Russia has its own missile concerns. It has no allies in the area. It is not a military superpower. Its oil is now worth much less. There are two ways Russia could go: it could become more repressive inside and aggressive outside or become more integrated and cooperative. It could engage in weapons reductions and integration into economic groups. Russia is now surrounded by groups it is not part of.

US Think Tank Director – As evidenced by recent the “reset button” mistranslation, the Department of State is greatly understaffed. It is amazing how active the State Department has been given its staffing levels.

The Lehman Brothers collapse pushed Russia off the front pages. We are at the lowest point in our relations in 20 years. 2008 was a terrible year. We had the recognition of Kosovo, the NATO summit in Bucharest, the missile shield dispute, the Georgian war and the Russian-Ukrainian gas dispute. One easily forgets the post 9-11 Russian cooperation with respect to the Taliban. We need Russia if only to help solve the other problems on the table. Instead we have become more willing to find fault.

We should not ignore the old, difficult past. As to the current economic crisis, the Russian economy had grown 9 times in the last ten years. This is an amazing rate. Putin started as a strong reformer, but as gas and oil prices went up, Russia became less concerned about reform. Putin became more repressive and aggressive. Russians had to do nothing and the economy just grew by itself. And Russia looked on as the US became involved in two intractable wars. Then the US economy hit a crisis and the US president was a lame duck. Putin had already seen what he thought was a shift in the balance of power. He wanted to be sure the US recognized this and took the opportunity of the Munich security conference 2 years ago to make the point. But Russia overestimated its wealth and our weakness. To put this in perspective, the Russian economy had been 2.5% of the world’s GDP and is projected to grow to 4% by 2020. But this is by far not enough to be a global power. Its neighbors India and China will grow much faster, so it will fall behind by comparison. The most important trade partners for Russia will be the EU and the US. So Russia may become more integrated with the West. But its relationship here is worsening. Then Russia was hurt after all by the oil and finance crisis. Indeed, it was hit very hard. Its economy is doing very poorly. The Ruble has lost 50% of its value. Industrial production dropped 9% then 10% then 16% per month. Ukraine is doing even worse. There is at least some possibility that Russia will go bankrupt. This gives Russia less room for error, so they may become more conservative.

There is very little trust between the US and Russia. The Kremlin may not be able to deal with this crisis. The Russian stock market is down 80%. There will be social unrest. The new Ukraine gas crisis was worse this time than the one three years ago. Some of Russia’s neighbors have been hit even harder. Russians are more dependent on Kirgizstan gas.

German Trade Expert – 80% of Russia’s trade is energy and raw materials. It is very dependent on exports. It needs to import foreign technology.

US Think Tank Head – When oil prices are high, Russia becomes more dependent on oil. 20 years ago in 1986, the collapse of oil prices brought down the Soviet Union. Russia went from being a super power to a recipient of aid. It lost a civil war on its territory.

This era - known as the “time of trouble” - was also at the time of increased democracy, thereby discrediting democracy in Russians’ minds.

German Politician – The US and Germany have very different views of Russia. Russia is Germany’s European neighbor. It is also a security problem. Should Germany develop a defense against Russia? Or is it better and cheaper to organize a security system *with* Russia. From a demographic standpoint Russia is in decline, but it is still huge. 6 EU countries depend 100% on Russian energy. Germany is under 40% dependent. Where are the other sources of energy? Venezuela, Nigeria, Libya, the Middle East and Norway. So it makes sense to try to make Russia more reliable. Germany needs Russian cooperation in order to be able to get to Afghanistan.

Germans thought it would take 2-3 generations to change the face of Russia. The US thought it might take only 20 years.

US Think Tank Head - There is no consensus in Europe regarding dealing with Russia. It is the split of new and old Europe vs. Russia. This makes US policy more difficult. The Georgian war shows that the European security issues with Russia have not been solved.

Russia *does* lean west. Its population and manufacturing are in the West. But its threats are in the south and China, in the form of Islam.

Russians oppose NATO because the US is the leading power in NATO. They want to be in NATO but to have a voice. What is the nature of that voice? The US needs a second transit corridor into Afghanistan, not just through Pakistan. So, Americans want to talk to Russia about access.

Participant – How should one interpret the fact that Russian troops did not take Tbilisi? They could have controlled Georgia and the pipeline. Russia could have given the West a strong signal.

US Think Tank Head – That action would have created a complete rupture. On August 11, 2008, Erdogan of Turkey met with Putin in Moscow. At that point no one was sure the Russians would not move into Tbilisi. The Turks advised the Russians against such action. The Turks were later surprised that the Russians recognized South Ossetia. [An action like this had been predicted by Richard Holbrooke as a response to the Kosovo recognition.]

Participant – Given that the US Diplomat said earlier today that the US would not recognize a Russian right to create a sphere of influence, what does that mean?

US Think Tank Head – Yes, there are countries in NATO that are afraid of a Russian threat. Should we be worried about a weak Russia, contained by the US and NATO? They could use the outside threat as a justification for internal controls?

German Trade Expert – Yes, how do we support democracy and strength and cooperation with the West. Russia will go its own way. This way will be difficult and long. But we must help. Putin is the guarantor of Russian stability. This means less democracy in Russia.

As to the Russian standard of living, in 2000 it had declined into a barter system. Salaries were not being paid. A factory paid its workers in goods. Now there is an ongoing compact between Putin and society.

Participant – It is unlikely that the Obama Administration can give Russia the attention it deserves with all the rest that is going on. Can this role be outsourced to Germany? And what are the various dynamics between the Nord Stream Pipeline (Russia, Baltic, Germany) and the Nabucco pipeline (Turkey Bulgaria, Romania, and Hungary to Austria; avoiding Russia)?

US Think Tank Head – Nabucco’s problem is that it has no commercial champion. Even Nord Stream may not make financial sense today. As to Germany’s role, the Bush administration outsourced some Russian policy to the EU, in particular on Georgia.

We have very little leverage to bring democracy to Russia. But an adversarial relationship makes democracy less likely. So, we can better support democracy through normalizing relations, remembering that Russia is so dependent on the export of its raw materials.

German Politician – Yes, Germany can play a role, but Germany cannot bet to be too friendly with Russia. The Poles have long memories, also the Baltic countries.

PROSPECTS AND LIMITS OF COOPERATION OF AFGHANISTAN, IRAQ AND PAKISTAN

The chair for this section made the initial comment regarding military forces in Afghanistan: “ISAF stands for ‘I saw Americans fight.’”

German Politician – Germany did not participate in military actions in Iraq. This led to difficulties with the US. Donald Rumsfeld listed countries that did not want to assist the US, “like Syria, Libya and Germany.” Germany did train Iraqi soldiers in the Emirates and establish an exchange program for Iraqi students. The German foreign minister recently visited Iraq. Iraq has a chance to become a stabile country.

The war in Afghanistan was an immediate consequence of the 9-11 attack. 9-11 was very dramatic for the US. It was a new experience to be attacked. Germany and the world felt great solidarity with the US. But this solidarity was not accepted. The UN twice passed resolutions that the US had a right to defend itself. For the first time ever, NATO said this was an Article 5 case. So, NATO was ready to go to war. But a top US

diplomat came to visit Germany and talked with the speaker. The speaker told the US diplomat that the US had to make any attack a NATO operation, otherwise the US would not get full support and at the same time the “out of area” problem of NATO and especially Germany would be solved. The US diplomat said, “*it has to be a US response, not a NATO response.*” As a direct result, each country could decide its own policy outside the NATO framework and impose its own caveats. ISAF is an international assistance force; not part of NATO.

For decades Germany has been a consumer of security, not a producer. Germans were reeducated after WW II – not to send German soldiers outside German borders. It is hard for Germans to fight. It is especially hard for them to fight in Afghanistan, so far away. Peter Struck (former Defense Minister) famously said, “Germans defend their security at the Hindu Kush.” The speaker agrees with this view. But German politicians hesitate to enter such a debate in public. The public is not ready for it and German politicians would suffer from the reaction.

Germany imposed the caveat that its troops would not go to the South of Afghanistan. They stay in the North unless the whole enterprise in Afghanistan requires their engagement in the South. Initially the Taliban was thought to have been defeated and the Germans were sent to the North to deal with the land mines the Soviets had left behind and the drug traffic. The North was viewed as dangerous. But now the South is the problem area. And the enterprise is close to failure. It cannot be won by military means. Germans should avoid creating collateral damage. Air strikes by their nature produce great collateral damage.

Germans try to expand Kabul authority. But Afghanistan has never been centrally ruled. Afghanistan was never a normal country because it has been so influenced by its neighbors. Kashmir is as difficult to solve as Israel.

Pakistan’s ISI is responsible for attacks in India. Pakistan is close to being a failed state, ruled by 10 families. Its tribal areas are out of control. People who live on the border are first Pashtuns and only second Pakistani or Afghani.

The Russians do not want us to fail. Russia has a 20% Muslim population. China also has Muslims. Both countries fear a spillover.

How long will we be in Afghanistan? 5-15 years. And Germany should stay. But there will also be difficulties in the Philippines, in Indonesia, in Bangladesh, also in North Africa and Nigeria. So, the problems will not just be in Afghanistan. This is a 30 years project.

US Think Tank Head – Western cooperation in Afghanistan has its limits, as illustrated by a story. He was taking a tour there under the guidance of Norwegian troops. As they drove past various buildings the Norwegians would point out the function of each one except for one as to which they were silent. When pressed, they finally extracted his

pledge of secrecy. They admitted that they controlled the building and it had a sauna and whirlpool there, but they didn't want the Germans to find out.

Already in November 2001, the US was ramping up plans for Iraq. Targeters were not available for Afghanistan bombings; they had been shifted to Iraq. US generals in Afghanistan asked for support and assets and were turned down; they were committed to Iraq. But now we are shifting back to Afghanistan.

Recriminations on military roles should be dropped and people should simply recognize that countries are different, also when it comes to the use of military force.

His many trips to Afghanistan have convinced him that trying to build a strong central government will not work. The central government is far too weak. This means rethinking strategy in Afghanistan. The insurgency there is very localized. There is a wide array of groups, not just the Taliban. Some are criminal, some are drug dealers, some deal in gems, for example. The Pakistani ISI has played a role, both pro and con. Normal Afghans do not like these groups. The senior level of these various groups all have a horrible view of how to run a country. No one was unhappy when the Taliban left. Lower down, the motives are revenge for casualties, dislike of corruption, need for money and tribal rivalries. It is not ideological. The issues are local. We have tried to build from the center outwards. People do not *want* a strong central government. As a result they do not want roads. They would permit more control from the center. So, we need a bottom up strategy. How do we distribute aid and stability to local villages?

We need to change our view of what a state looks like. The present allocation of troops in Afghanistan is OK. We do not need to send German troops to the South. There will soon be more US marines there.

The US has itself no national police force like the Canadians and Europeans have. Let those countries train the police in Afghanistan.

The Germans hosted a conference on Afghanistan in 2001. This regional nature of Afghanistan was recognized. The Iranians, Indians and Russians were there. But their participation had ended by 2003. In Bonn we brought the neighbors together. We need a framework to do that again.

German Politician – The EU has been responsible for training the police. The problem is that “Germans are Germans.” In Germany it takes years and years to train a police officer. And even more training to become a supervisory police officer. The Germans did not accept the US model – 3 months training maximum. Now a compromise has been reached: 6 months. But the recruits are often illiterate. Corruption in the distribution of their salaries is common. The EU agreed internally which country would contribute which police trainers. Germany contributed its committed number, but the others did not. The Germans voiced their willingness to send more, but the other EU countries

complained that then the Germans would then dominate the operation. The US sent outside consultants, not real police. That was not good for the cooperation. Germans teach in the classroom, but what the police need is mentoring in the field. Furthermore, once the police have caught the bad guy, what do they do with him? There is no judicial system. There have been stories of the police simply shooting the suspect. Italy was responsible for setting up the legal system in Afghanistan. It never got started.

US Think Tank Head – Anbar province was a bottom up approach. When the US leaves, how will the inter-factional rivalries work? But Iraq could remain relatively stable.

The Taliban operates in the South. The bottom up strategy could work. It is a very tribal area. How can we win the loyalty of the locals; to get tribes to switch sides? Regarding poppy growth, the local people are concerned about government intervention. How can you enforce the law on poppies so long as the criminal leaders are not brought to justice? The Dutch are a model in their operations in Afghanistan. The military and civilian leaders work closely together, across one desk, every day.

As to President Obama's suggestion of working with some of the Taliban, how does that work? Where is the list of the more moderate members of the Taliban? Some of these people have killed our troops.

German Politician – There is a parliamentary debate in Germany today on whether Germany indeed participated in the war in Iraq, in what ways did Germany assist. Apparently two members of the German BND who had been based in Bagdad received medals from the US government.

US Think Tank Head – The Taliban is not uniformly ideological. You cannot negotiate with it. People in Afghanistan think the Taliban is winning. So no one will switch sides now; there are no defections. Talking is premature.

So far most US strikes have been in the border, tribal areas. There has been no action in the real Taliban strongholds, in the south. This has been a British, Dutch area. Now with more US troops, it will get more attention.

The lines of communication and supply in Afghanistan are very vulnerable.

What will a successful Afghanistan look like? The central government will be in charge of security and be seen as legitimate or at least not so corrupt as to be overthrown. The tribes will be left to control the regions.

German Politician – The Pakistan issue is very sensitive. There must be coordination between the US and Islamabad or US action will be viewed as aggression. There may well be a secret agreement on US action in Pakistan. Islamabad will not / cannot admit

this. The tribes must see that a certain kind of living is an improvement. We must be careful that we do not awake in the Pashtuns the need to liberate themselves.

There are many NGO's in Afghanistan. They do not want to be connected to the military. The West has trained about 80,000 soldiers in Afghanistan of which about 13,000 may be reliable. A regional police force is preferable to a national one. And the election of leaders should extend to local leaders, not just national ones.

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