

**NWX-WOODROW WILSON CENTER**

**Moderator: Drew Sample  
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11:00 am CT**

Coordinator: And today's conference is now being recorded. If you have any objections, please disconnect at this time. Thank you and you may begin.

Drew Sample: Thank you. Well, this is Drew Sample, again, from the Wilson Center here in Washington, D.C. I'm here with - joined by (Michael Gary), a fellow here at the Wilson Center working on the EU and European integration. As well, joining us, is (Kent Hughes), director of our program on America and the global economy. I do not believe (Robin Wright) will be joining us immediately. So we'll focus mostly on the taxes, transparency, and sort of economic issues for the GA conference, but we can sort of range into other issues as well.

This call is being recorded -- as the operator just said -- and the transcript will be provided as well about 24 hours after the call. Anything said here is on the record. Feel free to quote any. And with that, I think we will go ahead and start with questions. So feel free to chime in. You still there?

(Julie): Hey, it's (Julie). I know you said (Robin) wasn't on the call, but I was wondering if there was anything that any of the other folks could talk about

related to Syria and kind of the divide between the U.S., Britain, and France and then the Russians on this and how that may play into the discussions on Syria?

(Kent Hughes): Well, let me -- as a non-Syrian expert from the outside -- it looks as though both France and Great Britain are more inclined to supply arms to the rebel - certain rebel factions. And there's been an appeal by General Idris, I believe it is -- a plaintive appeal -- asking the U.S., the U.K., and France to provide them with a specific list of weapons. I think there continues to be a concern about the (unintelligible) make up of the rebels, ranging from people who are anxious to introduce an Arab spring democracy in Syria and those who probably at heart want to restore the Calafind, imposing very traditional Islamic laws.

So I think there's still that ambiguity. But the latest intervention of Hezbollah has certainly complicated the stakes. And there was a recent fatwa called for by a very senior Sunni cleric in Cutter, who was calling on all Sunnis to go to Syria to support the rebels. So this issue is certainly becoming ever more complicated, I would think.

(Michael Gary): (Michael Gary). I think there is also concern within the European Union as to where these arms will end up. I mean, the French and the British have been quite successful in convincing their European partners -- particularly Germany -- to drop opposition to providing arms. And I feel like the situation - if we go down this road. But as we have seen in Libya and elsewhere, once arms arrive in the country, there is - the traceability of these weapons of course is quite difficult. And, you know, the last thing I think Europeans want and - is to create, you know, splinter groups with, you know, armed militia within these countries.

So I think there - it's a very complicated issue as to - you know, it's not so straightforward as giving opposition members - or members of the opposition arms. The question is, you know, I don't know if - whereas the West fully appreciates who the opposition are, what they're made up of, and where the arms will eventually end up.

So the talks in Northern Ireland and the fringes of the G8 summit, you know, I don't think Obama is going to shift Putin in his way of thinking or the French and the British certainly won't be able to do this. Because -- as you've seen with the Russians -- they've already apparently delivered weapons or - of certain military equipment to the Assad regime in the last few weeks alone. So they're certainly not going to be a major meeting of minds between the Russians and the more - and the western Europeans. And then, of course, the Americans.

So I don't think the G8 summit -- on the fringes of the summit, you know, beyond the talking points (David Cameron) has put on for the agenda -- that there's going to be a major breakthrough on the issue of arming the opposition. I don't think Vladimir Putin is going to budge on this. I think they'll have to find another framework or another formula if they want the Russians to come on board.

(Julie): Thanks.

(George Conden): This is (George Conden) with National Journal. If I can ask a broader question; the furor here over the intelligence and, you know, surveillance activities of the administration - is that something that the allies are paying attention to? Is that something they're likely to want the President to explain what's going on and how it effects operation with them? Does it undercut him at all or is it just going to be talk at the margins or in the meeting with Putin?

(Michael Gary): Yeah, (George), I think it will form a large component of the dinner and the discussions on the fringes, largely because, you know, though considered allies of the United States, European countries were labeled foreigners by the NSA and deemed legitimate targets for surveillance. The NSA snooped on all member states of the European Union. So the most upset I think party in all of this I think is the Germans.

The European Commission has come out -- not that strongly -- but certainly they have voiced criticism. They have been writing - and the European Commission will be represented at the G8 summit by Barroso and European Council will be represented by Herman Van Rompuy. The French will be there, the Germans will be at the summit. So there will certainly be - this will be a topic up for discussion.

The Germans were the most snooped upon country, apparently, in March. Where - in a country where memories of the former East German Stasi are still quite fresh, the response has been quite critical. Angela Merkel has made it quite clear that during her bilateral meeting next week in Berlin with Obama she will be discussing the issue. Our spokesman said to us - you know, that she will.

And, of course, Merkel is the first Chancellor from the former East Germany, so she's quite (unintelligible). Her justice minister stressed quoting, "The suspicion of excessive surveillance of communication is so alarming that cannot be ignored. And for that reason, openness and clarification of the U.S. administration is paramount" - unquote.

Vivian Reding has also made it quite clear -- the vice president of the European Commission -- that if Eric Holder's response to this is not adequate, it could seriously damage transatlantic relations.

And I think, you know, there is reasons why the Europeans are quite peeved at all of this, at least at certain levels. You know, the way that the NSA has approached the subject where you have, you know, open snooping on many European countries. Now, of course, I suspect there is collaboration between national security services in Europe and the NSA, but I think in terms of data protection -- and data protection laws are somewhat more stricter in Europe -- there is reason that this will be a major issue and the European - Central European Commission -- and the European Parliament are quite annoyed at this.

And, you know, one question remains is whether this will impact on wider issues on the transatlantic agenda, particularly T TIP. It may not or it may, but certainly this is not a great PR exercise by the Americans. And this kind of re-kindles all these bad memories of the second Bush presidency -- George Bush's second term -- and surveillance. And, you know, after four years when Obama has tried to put a softer face on American power, this certainly is not going to prove very popular for the administration in Europe and for Obama as well.

But in saying that, I think the Microsoft-Google and other service providers -- including Facebook, YouTube, Apple and so on -- could face even more blowback than the U.S. government and Obama in Europe. These companies - - apparently voluntary participation in the U.S. government program PRISM - - could really force them or make them open to European lawsuits and certainly additional regulatory scrutiny.

You know, Facebook - or Google already faces strict restrictions on its street view program, Facebook - it's facial recognition capabilities are banned altogether. So, you know, there's serious implications there. And also Facebook on Wednesday opened its first servers outside of the United States in Northern Sweden. And it's locus in Sweden -- like much of Scandinavia -- a bastion of government transparency and personal freedom -- will come under increasingly under the thumb of European regulators.

So I think these American companies will face increasing scrutiny. So the Obama administration will face some awkward questions in Europe - Vivian Reding is meeting Eric Holden in Dublin tomorrow and she has sent him a letter asking for detailed information as to what was going on. And I think that is not just for the (unintelligible). I think she is seriously peeved that there's - it's been a blatant information grab on behalf of - by the NSA and I think Europeans are a little bit miffed at the subject at the moment. So - yeah, it will be a major issue, I think.

(Kent Hughes): (Unintelligible) just to add a little bit speculation that what might temper over time the European reaction is the kind of testimony that belatedly is coming forth here before our Congress where the NSA is saying there are large number of incidents that have been foiled by this kind of data gathering. And if it should prove that some of those incidents were really targeted at Europe, why that might temper -- over time -- the European reaction just -- as I suspect -- it may temper the reaction here.

(George Conden): Let me ask two quick follows, if I can. What do they want to hear from the President? And also, if you could talk about what Putin's reaction is likely to be. Is this sort of a gift to him to keep relations uneven?

(Michael Gary): Yeah, I suspect the Europeans will more than likely - I mean, there's obviously a political game being played here. Most European governments - (David) - or William Hague -- the British Foreign Secretary -- in the House of Commons on Monday denied of any - in any outside the legal framework involvement in all of this. But I think that's largely the optic. And it was very unconvincing. So he - one can assume that there was a lot of collaboration between the British Secret Service and the NSA.

So as the Dutch have again come out and said - Netherlands have said, you know, there has been no complicit, you know, illegal activity information grabbing, the parliamentarians are not convinced. Information ombudsmen are not convinced. European Commission is not convinced.

And many European Parliamentarians in Strasburg during the week really want answers as to how much information was taken and was it a complete information grab; was it specifically related to specific counter-terrorism measures or specific terrorist threats? Or -- as when German businessmen said during the week, you know, how much of this information that they're taking is simply for security or for - or is it being used for economic advantage in the United States?

I mean, you can go down these roads of various different angles. But I think what they want from Obama is, you know, answers as to, you know, how much of this information is target - is specific to terrorist threats? Now, what (unintelligible) provide any of this information is questionable. He hasn't done this in the United States; I suspect he won't be able to give any concrete answers to Europeans who are not his number one target audience right now.

So - but I do suspect that, you know, European Commission officials, European Parliamentary officials, some national governments will be asking

him at the G8 on the fringes as to, you know, "Well, this has to stop. There needs to be changes to this. There needs to be, you know, a more specific approach to targeting, you know, private individuals for information."

You know, what he can say, of course, is limited because there is, you know, aiding - the Europeans are not going to be able to change the Patriot Act or - but there - certainly I think what he will have to provide is some answers to how much information, who was targeted, why they were targeted, and so on. And I suspect he may not have that information for them in Northern Ireland. So -

(Kent Hughes): I think Putin would also say this as an example every time he's criticized for his own -- let's say -- national security initiatives and say, "Well, I'm just doing the same thing that the Americans are doing" even though, in fact, what he's doing may be quite different.

(Michael Gary): I think it's a major PR disaster for the administration. And, you know, particularly since the Americans have been, you know, using the statements to - complaining to the Chinese about targeted security attacks and so on. And, you know, also security infringes by the Russians. Now they have really lost the moral high ground.

This is really disappointing because, you know, now it's like a level playing field for snooping and for information grabbing and - so now you - what I think the Americans should be doing is calling for an international conference on cyber security, on intelligence sharing or something like this to kind of, you know, reclaim some of the lost ground which they have seriously lost since last week. You know, the fact that, basically, these color coordinated maps that Edward Snowden leaked to the Guardian, I mean, you know, it's - the whole world was being targeted by the NSA.



I mean, perhaps we already knew this. I mean, it's not necessarily a shock, but, you know, people are shocked when it becomes public and it's, you know - there's a sense of shock and awe about the volume. That -- in the month of March alone -- 30 - or 3 billion pieces of information is gathered, 100 billion pieces of information is indexed. This is serious material; this is serious volumes.

So I think - yes, I think there'll be a wide smile on the face of Vladimir Putin and also on the Chinese and all of these other countries that Americans have been so friendly with. On the issue of cyber security and on information gathering, because, you know, there's a lot of damage control that the Americans need to do. You know, we knew it was happening, but now it's public knowledge. So, you know, unfortunately Obama has lost some of his footing on these issues, and...

(Kent Hughes): I think that the administration will be quite comfortable with the global conference on cyber security. And in fact at the recent summit with President Shi out in California, President Obama was quite comfortable in saying, "Well, we really have to have a broader understanding on cyber security" and so forth. And there really is a distinction.

We don't know, of course, for sure that the NSA was not gathering economic intelligence, but so far there's absolutely no indication that they have. And the question of cyber theft of intellectual property is part of a broader question of ongoing borrowing lots of intellectual property without paying for it. So I really would draw a distinction between those two questions.

(Michael Gary): Yeah, I think there -you know, to reclaim some of the lost territory -- lost ground -- that he has squandered with this -- the latest fiasco to hit his

presidency -- he doesn't need to go down the road of, you know, taking the lead. And with these trade agreements -- the TCP and the T TIP -- regulation is part of this. So, you know, at least going down this road he will be able to reign in the Chinese and others on issues related to IP and regulation and so on. But I think he could go broader now and say, "Okay, we have a major problem that affects everyone. You know, what can we do about it?"

And he has talked about this - having a debate on the issue. Jay Carney mentioned this about a million times in his press conference during the week - the need for a debate. That hasn't happened yet. I think Obama could take the lead here in trying to stay ahead of the curve on this issue. And I think it's, you know, somebody has to and I think he could. Because the Chinese and Russians won't, so - yeah.

(Kent Hughes): And again, I think the President could point to Mr. Cameron's recent comments about how the struggle against global terrorism is going to be a very long struggle indeed. I guess in myself -- if I were to look for an historic analogy -- would be to the anarchist movement which rose at the - toward the end of the 19th century and lasted into the 1930s. And in the era where technology and transportation and weapons and so forth were not nearly as advanced, they were able to cause a great deal of disruption.

So if you go back to Cameron's warning about how long the struggle on terrorism will be, that might be an opening for a - under which President Obama could explain the NSA initiative.

But, you know, I also think that (Michael) is right that the transpacific partnership negotiations are trying to -- let's say -- modernize the international trade rules of the game, part of which would be tightening the rules on intellectual property protection.

Drew Sample: Do you guys have any further questions?

(George Conden): Actually, I have one; sorry to dominate it, here. But the last several of the G8 meetings have been dominated by the Euro Zone and various crises. You still don't exactly have robust growth in the zone. I mean, Germany's got some growth. But is this - are we just tired of the issue or is it in abeyance or is that once again going to be something that is a major topic?

(Kent Hughes): I can't imagine that that won't be at least a major topic on the sideline discussions. That - everyone has a big stake in European recovery, starting with the Europeans themselves. I mean, just look -- in a narrow sense -- look at America's interest in terms of trade and investment, which are enormous with Europe. And the fact that Europe is also looked to be a leader in terms of the 21st century.

So I'm sure that will come up and I suspect it will be related to a discussion of global monetary policy where you have the European Central Bank, the Bank of Japan, and the Fed all taking more or less an expansive approach to monetary policy. And that is something that - they may lay the basis for a future more serious discussion of that question and how it should be managed over time.

(Michael Gary): Yeah, I mean, the problem with this G8 summit is that the Europeans still can't agree amongst themselves on the issue of austerity versus means of growth. So, you know, the - there are still, you know, major complications here. We have got 12% unemployment here in the European Union, the - you know, 25% unemployment and climbing in Spain and, you know, the statistics are out there. But there's very little Obama or - you know, that can do.

I mean, every G8 summit, every G20 summit that we've had thus far (unintelligible) to take more action. You know, beyond quantitative easing, there's very little that has been done. The ECB has said it will do whatever it takes. There's already court challenges in Germany on the subject - reigning in - the ECB is going over - is going beyond its mandate.

So, you know, the issue of buying bonds on the secondary market - there's a huge amount of issues that the G8 will just not solve. Largely because the European Union itself cannot agree internally on some of these issues, you know, whether it is taxing, banking union has - the whole talks on that hasn't gone very far, taxes on financial transactions - all of these things Europeans can't agree on themselves, largely because it affects national interest.

So you might get some agreement this week on things like transparency, on tax avoidance, on tax evasion. And David Cameron has a talk during the week with some of the countries of the commonwealth, you know, or these former British territories like Bermuda and the Cayman Islands trying to reign them in on what they're doing with tax avoidance schemes, but - so you may see that there is agreement on that -- which will, you know, link in with the European attempts to deal with tax evasion and tax avoidance -- but there's unlikely to be anything significant coming out of the summit on European recovery or solutions or ideas.

I mean, that's - there's a famine of ideas -- there's a famine of vision -- within the European Union, unfortunately. Where, you know, Angela Merkel is facing re-election this year in the fall, so nothing's going to happen -- significantly -- until after German election. So that's really what we're all waiting for now. And when we'll see movement after the German elections because she'll have more of a - presumably she will get re-elected and then she will have a stronger hand. Or she may well go down the road of allowing

the ECB to have more power by changing the treaties, but really, things will be very quiet until after the German elections. And that's really what everyone's waiting for now in Europe.

And Obama -- if conscious of this -- does - there's no point pushing Merkel any particular direction until after the elections in the fall. So that's really what we're waiting for. So there'll be discussions on everything else, probably except, you know, bond buying and serious treaty changes and so on in the European Union.

And also, of course, you have the issue of Britain and the European Union, which is also becoming more and more of an important talking point, particularly for the Americans and T TIP. So, you know, negotiations will open this summer, European Council will agree on the negotiating mandate for the European Commission next week. So things will move on then, but, you know, Britain and the European Union is still a major issue whether Britain will stay in. If they are - look like they're going to leave, will Congress ratify a European-U.S. trade agreement without Britain?

So, you know, again, timing is everything and I think for the G8 in Northern Ireland, we won't be hearing much of, you know, Obama with a big stick and the Europeans will do anything because he's conscious that there is certain timelines that he has to respect and the German elections is the first one.

(George Conden): Well, does he take the same message that he has in recent years, warning them against just austerity and the importance of growth?

(Kent Hughes): I think Obama would say exactly that. He said it here. The - there's certainly still that tension here where we're looking at possibly another continuing resolution that would incorporate the next trench of the sequester, which

would clearly be a step toward austerity, although people would bill it in a somewhat different way. I think the question of tax avoidance also resonates here and it could be that -- if they get serious about tax reform here -- you could see some tax holiday allowing companies to have a temporary low corporate rate on money that they repatriated as part of a broader move to really limit this ability to have so much tax avoidance where your profits end up in the -- as (Michael) was saying -- in the Cayman Islands or the Island of Man or some other tax haven. So I think that could resonate here. Again, I think it's not likely to be something that's in the final communiqué other than in the most general way.

Drew Sample: Well, (George) I think you might be the only one left. So any final question?

(George Conden): If I can ask one other question. It's a little bit...

Drew Sample: Sure, yeah - yeah.

(George Conden): A little bit off the wall. But the symbolic importance of having this in Northern Ireland - it wasn't that long ago that security officials would never have allowed all these world leaders to be there. Is that something that's important to - the symbolism for Ireland and the U.K.?

(Kent Hughes): I think it might be - just jump in on me. (Michael) knows so much better than I do. Looking at it very much as an American - it could be a symbol of the kind of thing you'd love to see happen in the Syrias of the world where you've had a history of sectarian difference within the Islamic faith much as you had in Northern Ireland within Christianity and that there was a path that in part depended on economic growth that brought the sides a lot closer together. So in that sense, I would see it as an inspiring symbol.

(Michael Gary): Yeah, I think, you know, probably one of the first things Obama is likely to say is to commend the Northern Irish peace process. Over the last 10 to 15 years it's been the only foreign policy success for the - any American administration starting with Clinton and the input he has put into this and the time he devoted to it. So, you know, when we see Hilary Clinton during her democratic primary in 2007 and 2008 constantly referring to Northern Ireland and the role she played indirectly.

So Northern Ireland and its peace process is something the Americans are rightly very proud of and the role they played. And again, as a beacon for other types of conflict resolution -- whether it is in the western Balkans or whether it is in the Middle East -- you can take examples from Northern Ireland and the conflict and conflict resolution ideas from that. And I think it's - it should bring the spot that of course, there are still problems -- in the province -- between various factions and you do see occasionally sporadic protest, but on the whole, I mean, it's stabilized considerably, particularly, you know, after the devolution and so on.

So I think it was wise for David Cameron to pick Formanagh in Northern Ireland and there of course will be security threats wherever you have a G8 conference. You'll have protest wherever. I mean, for Davos, every year there is major, major security operation. That's the very - and Switzerland is a very meek and mild country in comparison to Northern Ireland.

So it is inspired. And you will hear a lot of rhetoric from the Obama camp about, you know, peace and promoting peace and so on and commending both sides and - I think, yeah. So I think it's an inspired choice, I think, of a location.

(George Conden): Great. Okay, well I appreciate you guys doing this; it's really helpful.

(Kent Hughes): Yeah, yeah.

(Michael Gary): A pleasure.

(Kent Hughes): Thanks, (George), it's been a pleasure.

(George Conden): Thank you.

Drew Sample: Alright. And I think with that we'll conclude things here. Thanks again,  
(George) for calling in and thanks (Julie) even though I know she had to drop  
off. And we will talk to you soon.

(George Conden): Great.

(Michael Gary): Thank you.

Drew Sample: Thanks. Bye.

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