

Speaker 1 (Kay Bailey Hutchison): We are so glad to be here, and I've heard so much about this forum for all of my time in office. I was in the senate for 20 years in America. So I've known about the forum, and all that you do to try to bring all of the issues that we're all discussing right now together. Let me say that my time as US ambassador to NATO has been fabulous, fabulous to meet the people that are at NATO. It is the best team I have ever worked with. It is a team spirit. It's a team effort, and the great thing about it is we have one goal. So people talk about, "Well, you know, what is it like? What's important about NATO?" Well ... Oh, hi ambassador. Our Belgian ambassador to NATO. Francois. Good to see you.

Speaker 1: It's the connection, the binding of the North Atlantic and Europe. Our founders, President Truman, and Winston Churchill, and Eisenhower all knew, that after two world wars, we had to have peace in Europe, stability in Europe, if we were going to avoid another world war, and that's what we've done for 70 years. We have had a stability in Europe that has made The EU 22% of the global economy. That is because we have had a stable atmosphere. So it's working. So what is our biggest challenge? It is to keep working with unity in our alliance. We have 29 countries, and the decision, it was made during the time I was in the senate, so I heard all the arguments. Do we keep it small and easier to manage, or do we open the door to the Eastern European countries that were coming in and seeking republics and democracy? And the decision was made that those countries would be stronger if we brought them in to NATO with the requirements for a stable government, and a contribution to our overall security. I do think that is the strength of this alliance.

Speaker 1: So now that we are facing very common issues and problems, a Russia that is meddling, and doing things like taking over Crimea, Ukraine, taking land that is a sovereign nation, we're gonna fight that together. We are going to deter Russia. I'll just end by saying that maybe the most clear success that we have had is that, after that invasion of Ukraine and Crimea, NATO working together as a team, has put four countries with an enhanced forward presence that is stabilizing and deterring any further incursions into the countries that are near, and around Russia. So we have now battalions in Poland, Estonia, Latvia, and Lithuania, and it is all of our members together, with four different countries leading in each of these framework nations. That is what NATO is doing, it is succeeding, and our biggest success is also our biggest challenge. To stay unified. To keep working together for the peace and stability of Europe, and the North Atlantic.

Speaker 1: Welcome, and thank you so much for being here, and talking about the issues, and helping us strengthen throughout our communications, and our constituents. This important alliance that we must hold together for the strength and deterrence of all of our democracies. Thank you.

Speaker 2: Ladies and gentlemen, please welcome the executive editor of The Cipher Brief. Miss Kimberly Dozier.

Kimberly Dozier: Thank you. So I can remember a few years ago, some dear friends who worked with the NATO mission in Afghanistan, and they said, "Look, you know, it feels like this issue is more [inaudible 00:04:46] it feels like NATO is dying beyond these missions out here, at the end of the world." A few years later, thanks to Russia's resurgence, thanks to a US administration that has asked some tough and uncomfortable questions, followed by some tough and uncomfortable questions by the previous administration, but put perhaps a different way. NATO is back on the front pages. People are paying attention again, because of need, and because of debate.

Kimberly Dozier: So today, we have with us representatives from Sweden, Germany, The US Congress, and US industry, plus I wanna bring in all of you. I wanna welcome the panel, and first, we're going to hear from them some of their ideas about tough issues, and then I'm gonna try to pull in all of you.

Kimberly Dozier: But first, I'd like you to pull out your smartphones, and answer a Word Cloud question, to take the temperature of this crowd. The question is what do you see as the top threat that requires transatlantic defense? So we have 58 seconds on the clock, and the fun music to inspire you. So far, nobody sees a threat. That should make this panel interesting. Down to 41 seconds. I'm hoping that there's a lag. Okay. Russia, Infowars, probably not the Alex Jones version. Hybrid. Russia cyber threats. We have 23 seconds to go. Climate change. That's an interesting threat that requires transatlantic defense. Liberal, as in Liberals? Trump. Okay. We've got it all up there. Just a couple seconds left. So Russia seems to be coming up a lot. There you have it. Now we know what the crowd thinks. With that, before I go to Ambassador, Diana, you've told me to call you Diana. I wanted to explain that we have a last minute substitution. Neils Onin is part of the process of forming a new government in Germany, so he couldn't join us today. So we have his substitute, Chairman Rottgen. Did I pronounce it right?

Rottgen: Absolutely.

Kimberly Dozier: And you didn't know until this morning that you were gonna be doing this panel. So he'll be leaving about 10 minutes to seven. That does not mean anyone else can leave. So with that, Diana.

Diana: Thank you. Thank you Kim. For me, it's very simple why we should prioritize transatlantic defense. It is because we need to secure and defend our liberal democracies, that are under a mountain external threat. We need to deter Russia. NATO is the current war of American military presence in Europe, and Russia fears and respects American military might. Without that in Europe, Europe would be much more vulnerable to Russian threats, and under this mountain, this various skills of active measures that we read about in the newspaper almost everyday, nowadays. And I also would argue that we need transatlantic defense in order to help and underpin US role as a global actor.

Diana: The key issue, as I see it now, actually, the key issues, that was first would be, of course, that NATO manages to put up an adequate response to Russia's aggression, but the second key issue would make sure to make ... that American commitment to NATO is not undermined, and that NATO stays robust, and I think these last 24 hours has put on display quite clearly the disruptive times we're living in. I'm not too worried. I have to say. That is tendencies of American isolationism that we seen, that it will spill over on NATO, on transatlantic defense. First, because NATO is a [inaudible 00:09:56] based organization, and I think there is a sober understanding what the alternative cost would be, and I also think that the American commitment to defend Europe is not only to be nice to his friends and allies, even if I think that's part of the equation, I think it's a perpetual vital security interest for America to contain Russia, and that is to a large extent done from Europe. In Europe.

Diana: So what to next. At the same time, Europe of course needs to step up. It's a fact that US plays an unproportional role and burden in their operational capabilities of NATO, and it's good that this issue is finally addressed. At the same time, I think it's very important that, at this time, when we see now, across the continent, increased military spending, that this means are used in the best possible way. That we get as much capabilities and capacity out of this as possible, and I hope that well-managed, and well-thought through, and well-planned, I think that PESCO could be a part of this equation.

Diana: Finally, I should say that, even if Europe's relationship with The US will remain the key geostrategic relationship, and it should be, should remain that way, I think it's not only in Europe's interest that we manage to better defend ourselves, and that we become more capable of doing that, I think equally, we also need to become better at defining our own interests in relationship to other major powers. Thank you.

Kimberly Dozier: Thank you. Robust defensive NATO, from a NATO partner, rather than a NATO member. We'll be asking later whether you think you might become a full member. Congressman Turner, you're on the Intelligence and Armed Services Committees, I guess you can answer some of the questions she just raised.

Turner: Well, thank you so much. I wanna thank the German Marshall Fund, and thank Karen, for your leadership. I always say that The Munich Security Conference is sort of the state of the union of international security, where people go and identify what the agenda is for the year, and The Brussels Forum is the analysis of that international agenda. So I appreciate your leadership, and this forum, and we're also proud of our ambassador. Kimberly Hutchison. We're so glad that she was taking this position in her leadership there. I get to give you a little perspective that also includes my work from The NATO Parliamentary Assembly. We have David Hobbs, the secretary general from The NATO Parliamentary Assembly here. I had the honor of serving the last two years as the ... last year's prior, as the president of The NATO Parliamentary Assembly, and I got to present the agenda for The NATO Parliamentary Assembly at The World Leaders Summit of NATO, and I can tell you it was consistent with what the US

Congress's view is of the transatlantic alliance, and what we need to be doing in defense.

Turner: And there are basically three prongs to that. One is a shift to deterrence, and you heard that from our ambassador, and I think you'll hear it from all the speakers that we have to shift to looking not only as to conflicts that we need to participate in, but how do we deter conflicts. And secondly, as the ambassador said, the issue of the 2%, burden sharing, how do we make certain that everybody collectively contributes, and the third, I think we're seeing even more so now, as we're looking at how do we forward deploy troops, how do we make certain that we include The Baltics in our overall concept of deterrence, is how do we defend the territory that NATO has expanded to. It's amazing. The infrastructure issues. The collaborative issues. The deployment issues, even just the getting across jurisdictional lines that we're finding and making it difficult.

Turner: Well, getting to the issue of deterrence first, you know, there are several areas where we have to do that, and the first is, The NATO, for a long time, said that we had no adversaries, and so, we really deconstructed our military 'cause we said we didn't have one, but adversaries self-select, and then you have to be prepared for when they do, and you have to have a force that's willing or capable of deterring those threats, and Russia self-selected. It declared itself an adversary of NATO. It certainly began its aggressiveness that we did not expect, entering into The Ukraine, and we were not prepared.

Turner: So we have to rebuild militaries, not just to the military capability that we dismantled, but to a military capability that rises to the level of Russia's modernization. We even saw, just in Putin's last speech, his declaration of what his new military concept is going to be, and we need make certain that we can rise to that level. Second in deterrence is we have to be there, and we're seeing that with the forward deployment of troops. We have to be able to be in a position where we can deter aggression, and third of course, is a recommitment to our nuclear forces. Putin has made not only a commitment to modernization, but an announcement of what his new forces, a very frightening vision of what his new forces will look like. We have to make certain that we meet our obligations to modernize and deploy our nuclear forces.

Turner: On the 2%. The United States step forward with The European Reassurance Initiative, I think we're sort of looking forward, at this point, for an American reassurance initiative. The United States put forth billions of dollars. Congress supported it widely. Not only for forward deployment, but also for engaging in our allies, no question whether or not The United States would be there, but now, we need to look to our allies and say, "Well, what will they do?" Because the American taxpayer no longer wants the bill for defending Europe or NATO sent to it. We're willing to be a partner but we need, in that partnership, our allies to reach to that level.

Turner: And the third thing, on the issue of can we defend our area. It is amazing that we expanded NATO without having the concept of what is the infrastructure

that it takes to defend that territory. In The United States, we have The US Army Corp of Engineers to make certain that we have standards across all of The United States for bridges, for tunnels, for railways. We're finding, as we forward deploy, as we work together to put troops in a position where they can have a deterrence, that we've not done that, and perhaps that's a great role for the EU to take, as they're looking to have a greater role in defense, as to how can we look at the infrastructure Europe reinvest, to make certain that it's an area that can be defended.

Turner: So I think those are three areas that certainly congress is looking at. I think it's something that we share with our European allies, and I think that's our to-do list. Thank you.

Kimberly Dozier: So now, we get to hear from one of the European allies. Chairman [inaudible 00:16:39]

Rottgen: Yes. Thank you so much for inviting me, and inviting me for substituting the [foreign language 00:16:46] the [foreign language 00:16:46] is the stokes man of The SPD, and the German [foreign language 00:16:50] I am a member of The CDU, heading The Foreign Affairs Committee, and since we are two members of the newly formed, new German government, it's a pleasure for me to replace a social democratic colleague and a friend of mine, and frankly, I think I still [crosstalk 00:17:06]

Rottgen: Of course, we share and we have agreed on the coalition agreement, and there are only some minor issues left. Neils [inaudible 00:17:19] for example is quite critical of the 2% target. I'm very much in favor of it. I am very critical on North [inaudible 00:17:29] needs, Onin is advocating this project. So you see, we have a new government, and only minor differences in our political opinions are left in the government, so it will be a vital debate, be continued in the new government. I will perhaps like to refer a question to the audience. What is the major threat, which is worth a NATO transatlantic defense? And I would, in the manner and habit of a politician, starting by questioning the question, and then try to answer the question, because I think what is really new, what is really the challenge, what really has fundamentally changed the political landscape, the security landscape is that we are facing a simultaneousness of threats, and I think it would be a mistake to start a political approach by identifying the number one threat.

Rottgen: We can't afford to ignore the other threats. We can't only focus on the state threats, because we have also non-state actors threatening us existentially. So we have interlinked threats to us. What I would say is that we are facing, as Western democracies, common internal weaknesses, and common threats from outside. We are facing a ever more chaotic, dangerous, unraveled, order-unreveling world around us, and this is what we have in common.

Rottgen: If you forced me to answer, among the many threats, which are important and can't be ignored by us, I would say yes, Russia is the number one threat to us,

which requires transatlantic responses and defense, because the perhaps unique quality of Russia's new, assertive, aggressive posture is challenging intentionally, by and by, intentionally challenging the order, the international order. The dominance of rule before power, violating permanently what we thought would be an internal order in Europe. A European peace order as a historic consequence of two wars, nationalism, militarism, we saw it all and thought we have learned the lesson of history, and have established a European peace order, and now, for four years now, we have war in Europe.

Rottgen: And so, this is the claim to project a sphere of influence beyond its own borders, and intentionally challenging the rule of law as far as it exists in international relations. I think this is the unique challenge done by Russia, but I think, my final remark, we can't only focus on Russia as our major element of a transatlantic approach. I think we have to face, as I mentioned, the multiplicity, the simultaneousness of threats coming from the east, coming from the south, the spillover effect of the conflicts and wars there, to Europe, not only, but of course mainly as we saw in the refugee crisis, and of course, also coming from the new uncertainties from the west. From The White House particularly.

Rottgen: So we have external threats, but also internal weaknesses. Our Western democracies are under pressure from outside, from the process of globalization, which creates massive uncertainty. We have a new kind of liberalism, which is not the traditional liberalism of rule of law, and thinking in liberal principals, but which is a kind of private liberalism, a libertarianism. So let me alone, and you stay, I do not engage, but I have some demands that I'm not be bothered by anything, and if there is these refugees come across the border, and are going to bother me, I'm getting very, very angry. I'm not getting committed to our country and state, but I'm getting angry about you, because you're not doing your job.

Rottgen: So we have this. We have our democracies under pressure, and what we see at this critical juncture is, when leadership is necessary, we see on the governmental political level, a lack of leadership. Clearly, the process of retreat and withdrawing by the president of The United States, withdrawing from the different international systems-

Norbet R.: ... withdrawing from the different international systems in different areas. The trade system, by withdrawing from TPP, the unilateral tariffs now, which are in discussion. Withdraw from the climate change regime from the Paris Accord, putting into question the validity of the nuclear Iran agreement. All this means the leader or that the United States is going into a direction led by its President to give up the role of international leadership within the international system.

Norbet R.: And where there is no international system, like with regard to North Korea, he is acting in a quite diplomatic way we can support. But with regard to the systems, I think we see a systemic weakening by the very policy of the former [inaudible 00:24:02] of the international system.

Norbert R.: And, finally, the Europeans are not going to step in. It's more the authoritarian states who are going to fill the void created by the United States. The Europeans, very unfortunately, depend on American leadership in order to develop European leadership. Nevertheless, we have to learn as Europeans we have to do. After some decades after the end of the Cold War, we have to do more for our own interest, we have to do more, particularly as Europeans, for European security within NATO and not opposing that. Thank you.

Kim D.: Thank you, Chairman. There's at least one person I want to ask in the crowd after Mark speaks, about some of your comments. But Mark, the one thing that all three of these people have agreed on is rising threats. Good for business? Take it away.

Marc Allen: Let me start by saying thank you for having us here, Kim. And thanks as well to Karen and Derek for the invitation. I think it's important for industry to be a part of the conversation. The picture you paint, Mr. Chairman, is as you said one of unraveling and dynamic times. And I think it's important for us all to acknowledge that when you have an unraveling, when you have dynamic times, that requires recommitment to the things we believe in. And then Transatlantic Alliance is one of them. The Transatlantic Alliance, as every one of the speakers has said, has been a vital part of the fabric of our prosperity as nations for many years. And we're very proud as a company. The Boeing company, very proud of the role its played in the Transatlantic Alliance.

Marc Allen: It's one thing to speak about the national interests that are at stake, Norbert, but remember, when you look around there's an invisible fabric around you, which is the fabric of what industry has become today. So there are 136,000 people across Europe who work because they work on Boeing matters. That's beyond just the 4,000 Boeing employees in Europe. And that's 136,000 Europeans who are part of our commitment to the Transatlantic Alliance. They're building parts for airplanes, they're helping us deliver defense services, and they are part of a human glue that ultimately is nearly a ten million to Euro relationship. But more importantly, it's a part of efficiencies and effectiveness to deliver capabilities to governments whether it's on the economic or the defense and security side. And we should never lose sight of that.

Marc Allen: The discussion around the recent recommitment by Europe to defense, to me, that's a very welcome one. We certainly think that from the perspective of industry, we're here to enable. We're here to deliver capabilities at the lowest cost possible with the highest quality and the fastest times. And there is no doubt that investment from the government will help drive progress on all those fronts. But let's remember how it's driven. It is the openness of, for example, our partnership with companies like Saab in Sweden, delivering a new trainer aircraft platform into competition for the U.S. Air Force. It's our partnership with a company like Leonardo, helping them take helicopters, the MH-139, into the U.S. market. You can look at the ability of companies like a BAE to operate and build a strong, local, indigenous defense business in the

United States to the point that they are one of the largest U.S. defense contractors. Their success is delivering capability at great value for the U.S.

Marc Allen: All of these things point you to something that's very important, which is as European defense commitment grows, there should be two prerequisites. And one of them is a two-way street. Openness and engagement between our economies, between our industries, between our governments. And so that openness is ultimately for the good of what we do.

Marc Allen: The second piece is really about even playing fields. And we at Boeing have been very vocal for many years. And of course, we launched the WTO suit hand-in-hand with the U.S. government. We had Bob Zoellick here today, U.S. Trade Rep, who had a big hand in that, of course, and led the way alleging subsidies to our competitor in Europe. That was because of a fundamental belief in the value of operating under a collective set of rules and being able to have predictability from the rules.

Marc Allen: And so, if you look at the base of what makes trading economies work on a global basis, it is ultimately rule of law. A collective set of agreed rules creating predictability for industry, and allowing industry then to place its bets on innovation and technology and where the future is going to go. And that's ultimately what we should be most excited about in this room. How is innovation going to change the story of defense? How is innovation going to meet that number one threat that you all put in the cloud; cyber? How are we going to take digitization and deploy it across our platforms? How are we going to use the digital reality that's in front of us to move from being hardware companies to software companies that can translate that into massive savings on the support and sustainment side of defense? It's not just about platform sales. But when you radically reduce the cost of supporting and sustaining an aircraft or any other part of your defense fleet, what do you do? You create headroom for capital expenditure on other capabilities and other needs that will secure the environment.

Marc Allen: So to me, these are a few of the key priorities that we should have in mind as we have this conversation, because they will lead to, I think, the strongest, healthiest, Transatlantic security environment that we can imagine. Thanks, Kim.

Kim D.: Thank you. You raised two issues that jumped out at me. That you wanted more openness and you wanted stability of the rules. We've just had a change with some of the rules in terms of tariffs on steel and aluminum. Does that make it harder for you to do your job?

Marc Allen: Our job, of course, is premise, as I said, on delivering capabilities, best value to companies ... I'm sorry, to governments. More for less is the rule of the land for all of us. And at the end of the day, that means our focus is on innovation. Will we be more or less successful in innovation is really one of the most important things to focus on. And there's no doubt, and I think Bob Zoellick hit it

beautifully earlier this morning, that a world that had broadly lower barriers to conductivity and trade is a world that creates more efficiencies, and thus prosperity and thus innovation. Higher barriers across the world go the other direction.

Marc Allen: But right now, the real question is how will we as a collective set of governments and industry, have the conversation broadly about getting to an even playing field that everybody agrees to. We have to get to that.

Kim D.: That helps me segue to a question I wanted to put to Ambassador Kay Bailey Hutchison. I did warn her that I might call on her. We've spoken here about European reinvestment, PESCO. You had some pointed comments about PESCO at the Munich Conference that, from my understanding of the comments, you were worried that investing in Europe defense could mean icing American companies out of the competition. So I wanted to give you an opportunity to expand on that as the Ambassador brought up PESCO, and also to answer some of the issues raised by the Chairman about U.S. leadership. I do have to point out, she's here, speaking at this. That is one side of leadership.

Kay Bailey H.: The other thing I will say to our friend from Germany about America's commitment to European security and leadership, part of that is the appointment of me, a very strong NATO supporter throughout my term in the Senate, and certainly this was an ambassadorship that I happily took. And the Secretary of Defense and the Secretary of State are also very pro NATO. And I think the President has reiterated his support of NATO. I think he has said right up front, I campaigned, I talked, and here is what I now believe firmly about our leadership. America is here, it is going to be here. We are a bound North Atlantic European alliance. We couldn't do by ourselves what we do in NATO, and the Europeans could not do in the EU what we do in NATO. We are connected.

Kay Bailey H.: And I want to say to my friend, the Congressman, he talked about the PESCO and how this was all going to work. And he said the most important thing with EU cooperation in NATO is military mobility. And that is a key thing that we can do better with EU help to assure that if we do have a crisis that we can get the troops where they need to be, where the crisis is.

Kay Bailey H.: PESCO is something that we have questions about. There's no doubt that we question how that's going to work. Because some of the things that were said early on were that the Europeans would have an advantage in any kind of a bid for products or equipment. What we want is transparency and openness. As our friend from Boeing said, if we know the rules, and if the rules are abided by, and everything is in the open, we'll compete. Everybody should have the ability to compete on a level playing field. Non EU members should be able to compete for the military equipment as well as EU members, without a favoritism that would go to one or the other.

- Kay Bailey H.: But when you say, "What is a European product," "What is an American product," that's a pretty fuzzy question right now, because the American product is partly made in Europe. There are manufacturing lines on the F-35 in European countries. I'm sure Boeing is doing, as you said, many things in Europe that go into a 747 or any other piece of equipment. So, yes, we want to see what the administrative rules are. If it's open, if it's transparent, if it's fair, this will be a great alliance and partnership. Thank you.
- Kim D.: Thank you very much. Chairman Rottgen, does that solve the problem?
- Norbet R.: Perhaps I would like to comment on one aspect, and this is PESCO, because honestly I was surprised by sensing a kind of reluctance on the NATO defense minister summits two weeks ago, and also coming from Washington, a critical voice. Is PESCO a path Europeans should go? I was very surprised about this reluctance, as you expressed also to some degree in your comment now, because we consider PESCO as a really small, tiny baby at the moment, which we want to flourish and to grow. But it should be considering as a starting point for developing more European cooperation or integrated defense activity.
- Norbet R.: So we consider this to be something what the Americans particularly have always urged the Europeans to do. Now we start, and we are at the very, very beginning of the start, and we hear a statement from the Secretary General and from others; we want to make clear that European security is the only matter off NATO. Of course it is the only matter of NATO, and PESCO is not considered to be a competitor of NATO, but it is considered to be a stronger European contribution within NATO. And so I was surprised that this initiative was not warmly welcomed and appreciated on this NATO defense minister summit.
- Kim D.: Can I just interject a footnote. For those who haven't followed PESCO closely, it's permanent structured cooperation. It's a way to enable investment by Europeans in European defense. And it's been around for a while, but this new initiative reinvigorates it?
- Norbet R.: It has been long debated and now there has been taken the former motion to establish this permanent structured cooperation in a very inclusive way. 25 member states of the European Union are participating. Additional to that, we see and hear and have the proposal of the French President who has launched a European intervention initiative. Something different to that, so we have a variety of European initiatives now. But you can criticize the details, but in general, it should be considered as making a start with more European defense contribution within NATO.
- Kim D.: I've got all three Americans who want to speak. I will let you go first since I've stolen you away from the side and roped you into the panel.
- Kay Bailey H.: All I can say is that we do welcome having more contribution from Europe into NATO. That is on its way toward being a much more robust alliance. But we

have to have the capability as you do, if you are competing for a product that is made in Europe to be sold in America. You would expect a fair trade practice. You would see the rules and we would abide by the rules.

Kay Bailey H.: The early indications of PESCO when it first came out was there had to be a variance in order to take an outside EU bid. If you have to have a variance to take an outside EU bid, that's not open and fair and transparent. So I think it's all in the details. The devil is in the details. And if it is open and the competition works, and then that's going to be great, because we do want more contribution from our allies, as Congressman Turner said. Because that's a real alliance. And the two percent/20% that we've talked about so much is not some arbitrary number. That is how NATO has assessed the risk and what it will take to assure that we have the capability, the capacity to address the risk. That's the two percent with the 20% capability in that score.

Kay Bailey H.: And there will be, hopefully, with the EU defense fund and the PESCO, an ability to determine, really, what is needed and where there are vacancies that a European bid could step in and handle. I think the devil's in the details, and hopefully it's all going to open, transparent, and fair. Thank you.

Kim D.: We've just gotten a little view of some of the conversations that will be going on behind closed doors. Marc, do you see PESCO as an opportunity? What are some of your questions?

Marc Allen: Yeah, and I'll repeat what I said earlier, which is we welcome it. We think it's great to see the Europeans saying that this is a responsibility to be shouldered by the nations of the community.

Marc Allen: Let's be very pragmatic here. It's one thing to welcome a bid from a company that's going to export a product to you, it's another thing to welcome a bid from a company that has built a local indigenous operation in your home environment. And to see that is building up the capabilities and the human resources, the human capital of the industry within your borders. Those are two different scenarios.

Marc Allen: I think the great concern would be that from the very outset, the explicit language of some of the activity. I think the EDF more than PESCO, was built around precluding even the second category of progress from being made, meaning that the border was closed to, what are really now global actors, from being able to build local indigenous business that could compete on equal terms as local companies. And you see that in the best environments. If you look in Australia, if you look in the U.K., what you find are places that are inviting these global actors to build up local businesses, become a part of their framework, and to, as a result, really be a contributing member of both the economy locally, the prosperity imperative, as well as providing capability to the defense sector.

Marc Allen: To my mind, there's a pretty clear playbook here. There's no doubt it will drive the efficiency, the innovation, and ultimately the defense and security success that Europe wants to ensure that they proceed that enables that local development.

Marc Allen: Obviously, I think broadly speaking, receiving exports on a fair and equal basis also ought to be the coin of the realm, but I'm pragmatic, so if we're not going to have that, it's very important that you have the second one to me.

Kim D.: Got it. So you see opportunity. The NATO ambassador sees where she's going to have to fight on behalf of U.S. companies. Congressman, where do you come down on this?

Michael Turner: I just want to make a couple comments about what the Chairman has said. I do think there was unfair characterization of the Trump Administration. That may have been the correct characterization of fears of the Trump Administration during the campaign, but I don't think it's correct characterization of what we've seen from the Trump Administration. As the Ambassador has said, our U.S. ambassador to NATO, we've actually increased our funding for NATO under the Trump Administration greater than actually our NATO allies.

Michael Turner: You made a statement, you said under the Trump Administration the U.S. is withdrawing from international organizations, multilateral organizations. That's not actually the case. This is not BREXIT. There's no BREXIT that the United States has undertaken. We're still there. Now the President has said I don't want to stay in deals or agreements that are bad deals for the United States. And I think that's what anybody should say and do.

Michael Turner: And certainly for the Iran deal, the President's made it clear, this is a bad deal, and even the United States Congress believed it was a bad deal. That's why President Obama didn't send it to the Senate for ratification as a treaty because he wouldn't have gotten the votes. There were three major flaws to the agreement; an insufficient inspection regime, the limitation of its term, and the fact that missiles were not included. Those remain flaws in this agreement, even though everyone says Iran is complying. That's an incidence of a bad deal becoming a better deal because Iran is complying. But as allies, we have to come back together, as the President has rightly identified, and renegotiate that deal to make it a good deal. And that is making sure that it's not limited in its term, that it does include missiles, and that we certain have a very robust inspection regime.

Kim D.: To our European friends, do you think the Iran deal's going to get renegotiated?

Norbet R.: We would like to do that, but we can't expect our negotiation and agreement partner to be ready to do that. And I think we have to make one thing quite clear, this nuclear Iran agreement is not an agreement that covers all political

aspects of Iranian behavior, particularly not in the region. It's a one-issue agreement-

Michael Turner: But I do have to jump in here. It does not include missiles, and if you're pursuing an ICBM program, you're not doing that for conventional weapons. And that's why the agreement does need to include missiles.

Norbert R.: ... it was one topic. It was deciding an alternative. Either you make that agreement to postpone the ability of Iran to acquire the nuclear bomb. And everybody knows that. Or, there would only have been a military option of military destruction of the Iranian nuclear infrastructure.

Norbert R.: So you have either the diplomatic approach or the military approach with all the implications, ramifications, of a military action in the Middle East. This is resolved, perhaps not perfectly, but it has been done, and perhaps more achieved than could be expected. And then we have very many other different aspects of Iranian behavior, particularly in the-

Norbert R.: ... different aspects of Iranian behavior, particularly in the region, and we have to address it, yes, but not by unraveling or canceling and putting into question the reliability of us as agreement partners in international relations.

Michael Turner: We're in agreement, but just for one topic.

Dozier: If Niels was here, would he say the same thing?

Norbert R.: Pardon?

Dozier: If Niels was here, your counterpart, do you think he'd say the same thing?

Norbert R.: Yes.

Michael Turner: We're in agreement except for-

Norbert R.: This is a topic where completely agree.

Dozier: Okay.

Michael Turner: We're in agreement except for one area, and that is the issue of do we negotiate now or do we wait until the eighth or ninth year, because actually the US perspective is, if we wait until the eighth to ninth year, we have no leverage. This is something we need to address together and we need to address now.

Dozier: And that's [crosstalk 00:46:41]?

Norbert R.: I would say we should negotiate, but not renegotiate.

Diana Janse: Yeah. I think it would be very unfortunate whether, first either if we start up renegotiating it, I think it would be unfortunate, because it was a long, it was massive work behind that deal, and that was the best we could get. It's not perfect, but I think it's good. It's as good as it gets. I think also, the alternative of the death by a thousand cuts would be equally unfortunate.

Diana Janse: I think also one should do a parallel to North Korea here. I think if we want to negotiate with North Korea, or you Americans, for them to back down, I think they will look at Iran and see how credible we are to actually stand up for that agreement later on.

Dozier: Before we turn to questions from the crowd, where I know a bunch of questions that I still have in my mind I'm sure you will bring up, but I just wanted to ask about, now Sweden is a NATO partner, but you have an election coming up where that could change.

Diana Janse: It's not really that simple, but ...

Dozier: A journalist may think something black and white?

Diana Janse: My party, the moderate party, is pro-NATO. We would like to see Sweden as members of NATO, and so are the three other parties that we hope to form an alliance with. That's all good, but the obstacle here is, and the reason I would say why we are not already NATO members, since we're close partners and there is a solid support for this close partnership with NATO, and we've been taking part in all NATO led missions, et cetera, et cetera ... The reason is that the Social Democrats that have been a strong force in Swedish politics over the decades, they are against. While that's a riddle to me, how they can end up in that conclusion, but that would not change with the elections, I think. At least we'll, hopefully, we have a government that will try to really do its utmost to move this question forward.

Dozier: Stay tuned. With that, I'd like to open up the questions to the audience. If someone has a question for Chairman Roettgen first, since he's going to be leaving us shortly. Yes? Okay. I just need a microphone. Thank you very much. If you could introduce yourself.

Kevin Baron: Hi, I'm Kevin Baron. I'm the executive editor of Defense One. I'm a reporter. I cover the Pentagon. I've covered NATO for over a decade now, and I'm on my fifth Defense Secretary who has had the same message, the US wants more spending from the non-American NATO partners, but it just doesn't seem to happen. I want to know if you could talk a little bit about why that is.

Kevin Baron: It seems that there's a big divide between the amount of security and the amount of spending on security that America wants for all of NATO, versus what Europe itself wants over here in Europe. Why is that? Is the threat different for the countries? Is it not seen as seriously for the countries? Where do we go

from here, because it hasn't changed in 10 years? Even with these incremental promises and the 2%, the 20%, the 4%, it doesn't seem that it's going to change really dramatically.

Dozier: Thanks. Who wants to dive into that one?

Norbert R: Unfortunately, I suppose I have to.

Dozier: Since Germany is at 1.19% GDP per year right now?

Norbert R: We have been stagnant at round about 1.22 or so. I'm a critical voice of this in my home country, and I'm advocating for doing more, spending more on defense for security reasons and as an underlying capability for our foreign policy. I am really convinced that unless we develop more and give evidence that we're really serious on contributing and doing more on our own security, we are not taken seriously neither in foreign policy, in Washington and in Moscow. So it's not only a defense and security topic only, but it's really the necessary underlying element of doing serious foreign policy, which we have also to develop as Europeans.

Norbert R: Why is it not going to happen? If I now try to advocate the other position I'm not advocating at home, I would say we have done some steps into the right direction. We have improved and increased. We have now a military spending of around about close to 40 billion euros in our budget. This is something, perhaps not enough, but it's something and has been increased in the former years quite significantly. We have to catch up.

Norbert R: We have to adapt particularly our mentality. Over the years, over the Cold War and then the peacetime after reunification, there is a strong, I would dare to call, strong pacifist mentality among German voters, who are not used and are not educated in doing foreign policy. There was no need, no call, for Germans to participate actively in foreign policy. Of course, after the catastrophe, not. During the Cold War, not. Then we had the peacetime in Europe, and as a famous saying was in Germany, we are encircled by friends, so do we need all this military stuff?

Norbert R: It's only four years since Putin started his assertive, aggressive, Nationalist policy. That we have to get used to a new security environment around us, and it takes some time for electorates, for political leaderships, to make people familiar with some uncomfortable facts. We are trying. We have made some steps into the right direction, but we should push harder and more clearer for this, what is essentially in our interest.

Dozier: Chairman, thank you very much.

Speaker 4: [inaudible 00:53:18]

Dozier: Yup. It's been great having you on the panel.

Norbert R: Thank you. I'm a part time German refugee for some hours. Thank you so much. I appreciate it very much. Thank you.

Dozier: Thank you very much. Thank you.

Dozier: Congressman, he explained why it's hard. Are they moving fast enough?

Norbert R: Thank you I would have-

Michael Turner: I think we need to change-

Norbert R: I would have forgotten the time.

Speaker 4: The-

Norbert R: Yeah.

Michael Turner: We need to change the perspective of the dialog. Even the ambassador said, "The American guarantee." NATO is not an American guarantee. NATO is an alliance where each member has guaranteed to the other. What we've allowed the alliance to become is viewed as an American guarantee.

Michael Turner: I've had many NATO Parliamentary Assembly members say to me, who, mind you, are more military and security focused, because it's why they're in the NATO Parliamentary Assembly, that when they go to their parliaments and try to advocate for increased military spending, the answer they get is, "Why should we spend more? We're in NATO." As if NATO's just a guarantee.

Michael Turner: Well, the answer should be, "We have to spend more, because we're in NATO." I think that's where we're getting to, and that is the issue of it's part of the responsibly. It's part of the membership. It's part of the collective. It's a mutual guarantee, and everyone needs to step up to the plate to be part of that.

Norbert R: Ambassador Janse?

Diana Janse: Yeah, I don't know if I need to comment, but as I said, I agree with the fact that America carries an unproportionate burden when it comes to NATO spending and NATO capabilities and, again, capabilities and capacities to be spent and used in the framework of NATO. I can only agree, and I really think that Europe needs to step up to the mark and do it as quickly as possible. It's in our own vital interest. Yeah.

Dozier: Would Sweden have trouble meeting that investment goal?

Diana Janse: It depends on who's governing. No, I mean, I have to say, Swedish defense spending is a sad chapter. I would argue it's anorectic. It has been for quite some time. We settle in for the internal peace, and it didn't appear, and here we are. I think from, as the Chairman was saying before he left, there takes some time before people realize the realities and faces new security threats, and realize that that already have budgetary consequences. I think we're reaching that. I think the whole dialogue in Europe on these issues is pretty clear, that countries are stepping up.

Dozier: So the more speeches from President Vladimir Putin, like the most recent one where he claimed that they were bringing out all of these new weapons, does that help your cause?

Diana Janse: Well yes, it does. That's the threat we're facing, and we need to meet it.

Dozier: Sir, if you could stand up in introduce yourself.

Speaker 5: Thank you very much. [inaudible 00:56:22] from Nikkei newspaper, Tokyo, from Tokyo. My question is about the possible cooperation between NATO countries and US allies in the Pacific region, because in Europe, NATO is facing Russia, a more assertive Russia, and in Asia Pacific, Asian allies and the US also facing rise of China, an increasingly assertive China. Of course, there is a limitation with geography. If Russia is bear, Asian countries are looking at the tail of bear, while Europe is facing the teeth of bear. If China is dragon, we are facing the teeth of dragon, and European countries are looking at the tail. But I think that there is a common threat emerging, due to the great powers' rise, that is a more disruptive [inaudible 00:57:20] warfare or information warfare, and also cyber or a threat to space, so I wonder if there is more room for NATO countries and Asian Pacific countries or US allies to cooperate each other.

Dozier: So we have the image of the dragon and the bear. Who would like to take that one?

Michael Turner: I can just say something quickly-

Dozier: Yes.

Michael Turner: ... and that is that I think that our NATO allies do work with us on Asia issues, and I think one of the great examples of that is the sanctions that were placed on North Korea. NATO is a way in which we all sit down with our transatlantic allies, where we have shared values, but we reconstitute ourselves when we sit down again as the United Nations. I think if we take those values with us, and you can see that, I think, in some of the policies that we've been able to get out of the United Nations, with the transatlantic alliance being a lead in imposing those sanctions.

Dozier: Thank you. I have a question from this side of the room. Sir, if you could introduce yourself.

Jack Chains: Yeah, Jack [Chains 00:58:20] from Washington. Congressman Turner, question to you. Couple days ago, the President complained once again that Germany wasn't paying enough into NATO. Sometimes what you say and how you say it gets misinterpreted. Countries are paying into themselves for their budget, not necessarily to a NATO account in Brussels. Sometimes I think it would be better to make that point rather than the point that he's making.

Jack Chains: But I wondered if also you could address the issue that the, I guess, now past foreign minister, Mr. Gabriel, used to make, and you heard it in Munich, that maybe we should count some other things into that 2%, humanitarian aid, and you just made the point that it would be great if they could do some infrastructure help in Europe. How about that? Do you buy into that?

Michael Turner: I'm glad you raised that issue, because when PESCO was raised as an issue, and the reinvigoration of looking at the EU as a defense cooperative, why is there skepticism that's raised? Well, there's skepticism that's raised because we have a really strong to do list that's not getting executed, and when you bring up a new initiative when you haven't done your foundation initiative, there is a point of debate.

Michael Turner: In a lot of our allies, not only are they not meeting the 2%, but if you look at actual readiness of the troops that they do have, the capability is not there. That's one of the areas where they need to reinvest.

Michael Turner: We need to be able to reach even past that to new capabilities. When we hear Putin's speech and what he's claiming that his modernization efforts are for Russia, and remember that's an economy, Russia's economy's somewhere between either Spain or Italy, but has a military that can rival all of Europe, clearly that should be the point at which the electorate in Europe steps forward.

Michael Turner: On what we count, no we should not count humanitarian. We cannot count infrastructure. I think infrastructure's a responsibility, but if we build infrastructure in the United States, we don't count that in defense. Defense is capability that can lead to the deterrence of an adversary, that can avoid conflict, and that can apply force to the extent that there is a conflict, to protect all of us.

Dozier: Unfortunately, there are 10 or 12 hands I've seen up, and I have just been given the high sign that we have about two, I'm going to take three minutes. I'm going to give each of you a minute, lightning round.

Dozier: The point of this forum, as past forums, is not just to talk about a problem, but to come up with a solution. So I would love to hear from each of you a solution to a problem that we've discussed today.

Diana Janse: Okay, I think I would bring with me from this session, I think Europe needs to think a bit on how we explain PESCO, because it's not seen as a tool to, or an add on so we do not fulfill other things on our long to do list. It's really meant to be a way of helping us doing the things we need to do in a more efficient and cost effective manner. I think if this misunderstanding is there, and as the Chairman said earlier, this is just a baby. We are working on this now, with the details.

Dozier: So you want to come up with a way to message what PESCO is so that it reassures rather than stirs fear.

Diana Janse: Yes, exactly. Thank you. Exactly. Thank you.

Dozier: What would you like to see come out of this?

Marc Allen: I think the conversation we just heard is a stark reminder to all of us that there will be no easy answer to 2%, even as there's renewed commitment to move that direction. From our perspective in industry, I would say that the key watchword here is duplication. Make sure that every euro spent, every Deutschmark spent, every franc, every pound is so clearly focused ... I'm sorry, I know, you're [inaudible 01:02:22]. Make sure every euro spent is focused on delivering a capability that's necessary and not duplicative, because a duplicative spending would just lead to greater inefficiencies, and inefficiencies will just reduce the net effect of whatever percent the spending climbs to.

Dozier: Congressman, would you like to be able to apply that to the Pentagon?

Michael Turner: Yes, absolutely. I think one of the things that ... I've been coming to these for years, and German Marshall Fund has been a great forum for people to talk about what the topics of the day are. I think what's important about what we're doing now is we're not talking about what we should do, we're talking about what we have to do. Vladimir Putin has changed the shift of our debate. It's not what we should do, it's what we have to do.

Michael Turner: Why would Vladimir Putin be violating the INF Treaty? There's nothing that the United States or the European allies have done that would cause Russia to feel insecure and violate the INF Treaty. Why would he say that we wants a weapon that's of a size to wipe out the entire United Kingdom? Why would he invade Georgia and then subsequently invade the Ukraine? Well, obviously there's been a fundamental shift in what we now see that Russia is. It's a real risk. There's a real threat, and we are now to what do we have to do, not just what we should do.

Dozier: What's the one thing that you say we would have to do, that you would like to see pass next?

Michael Turner: It's both rebuild, I mean there's really two things. It's both rebuild and reach to the military that we're going to have to have, knowing that our adversary is going to modernize.

Dozier: Got it. I was hoping you'd make an announcement about troop deployments or something that you'd like to see.

Michael Turner: No, no.

Dozier: Got it. With that, I want to thank everyone for a terrific discussion. Now it is approaching the dinner hour. Karen, shall I turn back over to you?

Karen: [inaudible 01:04:10].

Dozier: No? No. Okay. In that case, we can all head out and thank you very much. See you all at dinner.

Speaker 6: [inaudible 01:04:20].

Dozier: Exactly. Go to your break out dinners.

Speaker 7: Ladies and gentlemen, please stay in your seats. Mr. Richard Lui will come back on stage to wrap up today's session.

Dozier: Lui. That's who we need.

Richard Lui: All right, you all, I know you do want to get out there and get some eating, but very quickly. Who's had a great day? Yeah? You can raise your hand, that works best. I want to find out also, in the four minutes that they've given me, because I want to stay clear to the charge here that we stay focused on action and ideas, how you think we've done so far, and an idea that you might have learned today that you might be able to implement or take home with you next week. I'll start right over here. Five seconds.

Speaker 8: Five seconds. More communication.

Richard Lui: More communication.

Speaker 9: Better understanding and more communication and more innovation thinking.

Richard Lui: Great. What do you want us to discuss tomorrow?

Speaker 10: A little more on Russia and exactly what direction we anticipate taking.

Richard Lui: More tomorrow, what do you want?

Speaker 11: New ways of negotiating.

Richard Lui: How about you?

Speaker 12: Sorry, I was not listening.

Richard Lui: What would you like us to do more tomorrow?

Speaker 12: More on China.

Richard Lui: More on China, fantastic, and I'll head right over here.

Speaker 13: Focusing on US reassurance.

Speaker 14: More on China also.

Richard Lui: How did we do today?

Speaker 15: Great.

Richard Lui: How did we do today? You're a [inaudible 01:05:51], aren't you?

Speaker 17: Mm-hmm (affirmative).

Speaker 18: Yeah.

Speaker 17: I think we did a great job having hard conversations.

Richard Lui: What stood out to you today in the conversations?

Speaker 19: I found that there was an interesting disconnect in the definition of humanitarian intervention, so defining our terms before we debate would be helpful.

Richard Lui: What didn't work for you today?

Speaker 20: Well, clearly Chairman Roettgen is not a substitute for Niels Annen, but what did work for me, or it made clear that there needs to be more dialog, because there were misunderstandings that were cleared up in the room today.

Richard Lui: What did you like today?

Speaker 21: I liked the opportunity to have dialog, but like [inaudible 01:06:30], I think we have to have more dialog on explanation on PESCO, because PESCO is nothing against America industry and you have to know that.

Richard Lui: Great, thank you. Ian Lesser now will tell you where you need to go to eat, but I think have the room is already out the door. So they won't know where to go.
Ian.

Ian Lesser: Well, unfortunate two words [inaudible 01:06:47] ... done something just a little bit differently-

Speaker 22: There you go.

Ian Lesser: ... which is [inaudible 01:07:08] dinner.

Speaker 23: Your microphone's no good. Microphone's no good.

Ian Lesser: You get to do it with a different microphone. Rather than going outside, because it's raining, we have people with signs outside that you will see. Having had this wonderful day of discussion, I'm sure everyone's looking forward to the break out dinners. There's really a great selection of them. You'll find staff with numbered placards outside. They are not in the normal order. They're sort of in the order of departure. But anyway, you'll find them out where you were having coffee out in the lobby. They will absolutely-