

**IVO H. DAALDER**  
**U.S. Ambassador to NATO**

**Royal United Services Institute**  
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**AS PREPARED**

Thank you. It's wonderful to be here with so many old friends.

It's been two years since I spoke to you at the first Global Leadership Forum, where we talked about how the world in globalization required partnership and how the need for partnership had been abandoned in the previous administration. And there was a hope that partnership might renew.

Today, with a new administration, the situation is quite different. So I want to talk about what has changed in the transatlantic community with respect to the leadership that has come to Washington, as well as what has changed in terms of the leadership here in Britain and in Europe, and how that has moved us into a new direction.

From day one, from the very first day, that Barack Obama became our new President, he made renewing partnership with the rest of the international community and strengthening the bonds with other nations a founding principle of his Administration. In fact in the first minutes of his inaugural address, he identified that new security threats would "demand ever greater effort, even greater cooperation and understanding, between nations."

And from the very beginning, the Administration has consulted with Europe. Three Summits, several visits by Vice President Biden, and countless other high-level consultations have improved, over the past days and months, relationships with countries on this side of the world, helping to forge what I think is a new consensus among Allies and Partners.

The United States has reaffirmed that commitment in our new *National Security Strategy*, which calls for strengthening and modernizing alliances that have served us so well, building newer and deeper partnerships and relationships in every region, and strengthening international standards and international institutions.

As the strategy makes clear, President Obama's approach is not partnership for partnership's sake. It is about partnership and a single purpose: to resolve the challenges of our times.

That's why the topic of today's Global Leadership Forum – renewing strategic partnerships – is so timely and so appropriate. And as the US ambassador to NATO, my focus is on renewing the transatlantic alliance.

So in that vein, let me focus my remarks on three things. First, why we must renew our security institutions, which has to do with the nature of the environment. Second, how we can build on the momentum of renewal to strengthen our collective security, despite the austerity of today's financial climate. And third, what, from an American perspective, that renewal might look like over the coming months and years, particularly when it comes to the transatlantic alliance.

I'll tackle the why first.

We live, quite frankly, in what are extraordinary times, in which the winds of uncertainty reach our doorstep from anywhere on the planet. As a result, we're experiencing a global security environment filled with unprecedented complexity – one in which the precise nature of our future security challenges include many unknowns. Or – as my predecessor at NATO Don Rumsfeld once put it – yes, at one time, he was the U.S. permanent representative to NATO – we live in a world of many unknown unknowns.

The greatest threat to 20<sup>th</sup>-century Europe, the threat of a conventional conflict, has largely subsided. In fact, I would argue that today Europe is now less vulnerable to conventional conflict and more at peace than at any time in its history. As Secretary Clinton said in Paris about the newfound prosperity and stability, “the bitter divides of the Cold War have been replaced by unity, partnership and peace.”

NATO's role in this remarkable achievement is well-celebrated, so I won't dwell on it here. Because the question is not what NATO has done in the past. Rather, the question is what NATO will do today, and tomorrow. Because the century we live in is a very different century than the century we left behind.

In fact, at the dawn of this century, we learned that new threats were no longer looming on the horizon. They had arrived.

The attacks of September 11, 2001, in New York and the Pentagon took the lives not just of Americans, but of citizens of 90 countries. And the economic aftermath affected not just the East Coast or even the United States, but was felt around the globe.

Later in Madrid in 2004, and in London in 2005, countless other foiled or deterred events followed those events.

Transnational terrorism – egged on by its cousins of social, ethnic, and religious strife – had reached across our threshold, striking at the very heart of our shared transatlantic home.

And the uninvited guest of transnational terrorism and extremism unfortunately didn't arrive alone. There are other sources of instability making their way towards the neighborhood, coming from darkest corners. Threats that affect all countries equally – and from which no nation in Europe, or around the world, including the United States – is immune.

Proliferation of elements that can contribute chemical or biological weapons and their means of delivery, for example, is increasing. Cyber networks introduce new vulnerabilities to commerce

and national security. Climate change is not just cracking open the Arctic ice, but it is affecting ways of life. Criminal networks that traffic in weapons, drugs, and people cast long shadows across our international borders. The uncertainty of energy supply has the potential to disrupt the livelihoods and commerce on an unprecedented scale.

Arms control regimes have frayed at the edges, and they require expert repair. For several countries, the transition to democracy proceeded in fits and starts, including some of our close neighbors. Cooperation in post-conflict environments is usually more fragile than anyone would like. Weak states, which were a problem in the late 20<sup>th</sup> century, continue to have a problem with controlling their borders today and providing security for their people.

So although the North Atlantic neighborhood is today peaceful and stable and more secure than ever before, new security challenges with unpredictable outcomes are now knocking at our door – all of which are more complex and pernicious than those we confronted in the past.

And now we have something else to add to this complexity: an economic crisis of historic proportions which rides atop everything that it touches. At the same time we need to reorient our security institutions – that we need to reinvest our capabilities to deal with new threats and new challenges – we -- we also need to rev the engine of economic recovery. One or the other would be much to ask of any community -- the security threats on the one hand, dealing with the economic crisis on the other hand. Now we have to do both at the same time.

So given this setting, we can hardly be surprised that in order to fulfill its core purpose – to protect our population and territory from harm – NATO now must engage on a vast array of security concerns that didn't exist before. Nor should we be surprised that NATO is extremely busy, and that in fact, the “new normal” for NATO is to do things it didn't do before.

NATO, for example, didn't use military force until after the Cold War in 1995. Now it uses military force in faraway places. NATO is currently engaged in the largest operation in the history of the Alliance – over 140,000 troops fighting a violent insurgency in Afghanistan and training local security forces under a NATO-led umbrella. These forces operate at a strategic distance that the Alliance would have once considered inconceivable, over 5,000 kilometers away from NATO headquarters in Brussels. And they are trying to set the conditions for a more secure and stable future for the Afghans and indeed thus, for ourselves.

But not only do we have 140,000 troops in Afghanistan, NATO is still also present in the Balkans – an area that I spent a lot of time thinking about 20 years ago. And I didn't realize how much I'd be thinking about that same area when I came back to NATO. We still have 9,000 NATO troops in the Balkans today, trying to maintain stability in an area that once did explode and could explode again.

And off the coast of East Africa, we're dealing with something that we thought had long disappeared: piracy. Once, this was a nuisance that no one paid any attention to. Now it involves NATO, the European Union, and the navies of every single power around the world in order to protect the means of trade across the high seas.

Interestingly enough, every single one of these NATO-led operations – stabilizing Afghanistan, ensuring peace in the Balkans, and countering pirates off the coast of Somalia – involve not just forces from NATO countries, but forces of other countries. Forty-seven countries now contribute to the International Security Assistance Force in Afghanistan, and several other partners including Japan and the IMF are helping to strengthen Afghanistan’s institutions and its economy. Similarly, nearly 20 percent of all the forces that operate in the Balkans under the NATO umbrella come from non-NATO countries.

All of these countries recognize that their security interests align increasingly with the security interests of NATO, and that by working together, we can share the burden and reap the benefit of a safer and more prosperous world.

Moreover, these NATO-led operations are just examples that point to a larger picture, one with profound implications for our transatlantic community. The North Atlantic area is not an island. It is part of a globally integrated world system.

President Obama, as he usually does, put it best: “Our shared dangers today cannot be contained by the nearest border or the furthest ocean.” Events anywhere around the world can have an immediate and often devastating effect right here at home.

Take for example the Gainesville preacher. Who would have ever thought that this man could have exploded onto the world stage. That’s the world we live in. One guy, a fringe actor, all of the sudden can spark violence in a place like Afghanistan where people were killed as a result.

In a world where fringe and frustration located thousands of miles apart can connect in mere milliseconds -- in a world where Britons in Manchester, Americans in Chicago, Lithuanians in Vilnius, Germans in Hanover, and Italians in Rome all feel the same tremors from a security crisis -- renewing and strengthening partnerships, especially the transatlantic partnership, isn’t just nice talk. It’s vital to our security interests.

So if we dispense with the question of why we should renew partnerships, then the question next becomes “how,” especially when the global financial crisis means that every reasonable person is trying to figure out how to extract greater value from nearly everything we do.

First, we need political commitment to share burdens, and to share benefits. That’s a first principle of international relations.

No country can confront the myriad of challenges and capitalize on new opportunities that exist on its own. Not even a country as strong as the United States. Indeed, as President Obama has said, “America cannot meet this century's challenges alone; the world cannot meet them without America.” We are bound together.

And it won’t be enough for Europe and America to look just to each other. We must also look to others. NATO should be a regional hub in a global security network, providing the context, structure, and modality for cooperation with other countries and organizations.

Second, we need to realize that political commitment is not enough. We must also resource that commitment.

Resourcing is easier than it sounds. Because the more capacity we build together, the less capacity each of us needs to produce on our own.

And NATO is the key. Because we have NATO, 28 countries -- not just the United States, but all 28 Allies -- can field forces that can operate together in any security environment, field an integrated military command structure to control operations anywhere in the world we have troops, and field core capabilities that few Allies could buy by themselves. These are precisely the kinds of assets that make NATO an alliance as opposed to a mere coalition of the willing.

And NATO does this in a remarkably cost-effective way. In fact, NATO is a bargain for its members.

The commonly-funded part of the NATO budget amounts to just 0.3 percent of defense spending of NATO countries. That means 3 pennies for every \$10 spent on defense is being spent on NATO. For the largest European countries, including this one, a contribution of about 10 cents will buy you a dollar's worth of defense, because the other 90 cents are being paid by other Allies.

So defense doesn't need necessarily to cost more, so long as we can spend it together. This is something we should realize. I don't betray any secrets if I say that this is not necessarily realized by all countries throughout the Alliance, that the first thing they cut is what they spend on NATO, that 0.3 percent, and the last thing they cut is what they spend at home. We ought to think about turning that one around. We need to understand when it comes to NATO doing the same, or doing less, does not work.

And this gets to the last of my three points that I mentioned earlier. In other words, what, from a U.S. perspective, does renewal look like, especially when it comes to NATO?

As I said, NATO was a tremendous success in the 20<sup>th</sup> century. But for all the reasons I outlined at the beginning of this talk, in order for NATO to be relevant and successful going forward, NATO needs to be a 21<sup>st</sup>-century organization. It is vital to ask how these institutions that have worked so well in the past can adapt to change and work well to meet the challenges and the opportunities for the future?

Here's how I think about it. NATO is a house, a big house, a sturdy house. It has a foundation. The foundation is this community of allies. It is what brings the 28 nations together each and every day. Because we share the same values, and we face the same challenges.

On that foundation, we have built two very sturdy pillars. These are our core tasks. One is the pillar of collective defense that says an attack against one is an attack against all. It's the foundation of the original Alliance and remains the foundation of the Alliance today. The second is the pillar of cooperative security. That is to say that it is not just enough to be ready to react to the threat that might occur, but that we need to shape together the security environment

so that threat does not occur. The pillar of cooperative security where we work together not only among the 28 but with our Allies and Partners around the world to build security.

What brings it all together are our common capabilities, common intent, and common vision for the transatlantic area. The question is: Is that house still going to be the foundation, the bedrock, for the 21<sup>st</sup> century? How do we change and adapt an organization that many ways still lives in the 20<sup>th</sup> century but now needs to live in the 21<sup>st</sup> century?

To start, we'll have a new Strategic Concept for NATO leaders to adopt at Lisbon that will describe how our Alliance will work in the future. How this pillar of collective defense is ready to take on the challenges of the 21<sup>st</sup> century while maintaining capabilities and meeting the challenges that have existed before. How the pillar of cooperative security is expanded and enlarged to create more security so that we don't have to confront the challenges of collective defense.

But vision won't be enough. It's also important to have an organization that can execute that vision.

So we're looking at command structure-- to make sure there remains a common command structure that is lean and flexible and more importantly deployable than it is today. Today, we have a large command structure that is largely static and unable to move. Tomorrow, we need a smaller command structure that still is commonly funded, still is commonly organized, and more able to deploy.

We also need to look at how we organize our agencies and how we organize NATO Headquarters. How do we do that?

What we need to do is to streamline, to get more bang for the buck, to put it in colloquial terms. To make sure that agencies that have done the work they were supposed to do pass away and make room for others to deal with other questions that come to mind.

And as we reform the organization, we need to do the most important thing. We need to acquire and field the capabilities that allow the Alliance to deal with threats, not just of yesterday, not just of today, but of tomorrow. The United States has proposed an initiative that stresses the importance of funding ten capabilities that will assist our operations in Afghanistan now and in the future. That will enable us to operate more effectively together -- both in the NATO area and outside -- and will provide new capabilities to counter new threats.

Let me in conclusion just focus on the latter.

We see three big threats coming down the pike. One is terrorism, and the Alliance is dealing with that. Second is proliferation of weapons of mass destruction. And the third is that of cyber attack.

At Lisbon, we'd like to see NATO decide that it is capable and willing to defend the territory and the people -- not just fielded forces -- but also population and territory -- against new threats

starting with missile defense. The Obama Administration put forward a new plan for a Phased Adaptive Approach to the deployment of missiles, believing that the previous proposal was misguided, and that it was too small to deal with a threat that was too far away and not capable of dealing with the threat that was there today – the threat of short and medium range missiles that today threatens NATO territory requiring a response.

Indeed next year, 2011, the United States will begin the deployment of systems that will provide the initial capabilities for managing short- and medium-range missiles that threaten the territory of NATO countries today and will continue tomorrow. And over time, we'll expand that system to cover all of NATO territory as the threat evolves. It will be phased. And it will be adaptive.

What we want NATO to do is to embrace the system, not to pay for it. We'll pay for it. You don't have to pay for it. But NATO will embrace the system by continuing to fund and continuing to build the common command and control capability that allows the system to operate, not only under national auspices but connected through a NATO framework. This is a system that will protect all of us, all 28, and indeed beyond to other nations, including Russia, which is equally threatened by the same ballistic missile threat that we now face and who we hope will cooperate in a missile defense framework.

Cyber, finally, is the second area that we need to start thinking about as a common threat. The United States cannot protect its cyberspace alone. Nor can the UK protect its cyberspace alone. We can do some things alone, but we need to do more of it together. So we are pushing the Alliance to start thinking about how we improve the protection of our cyber space. How do we make sure that threats that are out there are dealt with? How do we do this together? We can't just do it alone. We can't just do it in small groups. We need to do it together.

We need to build a perimeter of defense so we know what's coming into our networks, not only in the United States in the dot-mil network, but also in Estonia or other NATO countries. We need to invest not a lot of money, but some money, to provide the capability for that. And we need an organization to be committed to defending our networks actively.

If there is an intrusion, we need to go after it to make sure that that intrusion doesn't do incalculable damage to our network. Because this Administration is deeply committed to making cyber security a reality, not just for the United States but indeed for the North Atlantic Treaty Organization. We will be looking towards our Allies to find ways in which we can improve with the help of other cyber space than we could by ourselves.

NATO, a new NATO, is necessary for the 21<sup>st</sup> century. We cannot deal with threats that are out there by ourselves. It requires work with others. Our best option is to work through institutions like NATO.

Today indeed there is an opportunity for renewal, an opportunity for us to discuss why we must renew our security institutions, how it can be affordable, and what sort of issues we need to confront as an alliance today.

Lisbon is just nine weeks away, which is tomorrow in NATO terms. It's a special opportunity for trying to renew the transatlantic partnership. It's special in that NATO leaders won't just discuss why we need to do something, but they will in fact decide how and what to do. They will decide there that NATO is an institution for the 21<sup>st</sup> century and not just for the 20<sup>th</sup> century.

We have every hope that they will succeed in making those decisions. Because at Lisbon, we have a chance of bringing the North Atlantic Alliance closer to the place where it was created in 1949 to be able to see a threat and successfully deal with that threat over the next 40-plus years, to face new threats of the 21<sup>st</sup> century.

With that I thank you, and I'd be happy to take a few questions.