

TRANSCRIPT

## Defense Writers Group

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### **Ambassador Ivo H. Daalder** **US Permanent Representative to NATO**

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**Ambassador Daalder:** — There was a strike that killed 24 Pakistani border guards and injured two. What we don't know is the sequence of events that led to that.

We have conflicting stories. On our side the story is still being investigated in great detail. General Allen took the responsibility immediately not only to investigate the story but to bring in both US, Afghan, NATO and asked the Pakistanis to participate in the actual investigation in order to get to the heart of what it is.

I don't know the sequence of events. There may be people who do know but so far they haven't come to any conclusions. The best thing to do on this is to let the facts speak for themselves. However those facts will come out we will then learn lessons from that. The most important lesson we already learned and that General Allen instituted is that he ordered the troops to not approach, to create a buffer zone at the border in order to reduce the chances that something like this would happen in the future. But we will have to look at exactly what happened, why what happened happened, and draw the appropriate lessons from that about communications we need both internally among the forces that are on the Afghan side of the border and with the Pakistanis, and that will take some time before we can get to that point.

In the meantime it is clear that the relationship with Pakistan has not improved because of this. The relationship has been on the US level difficult for some time. We had the arrest of Mr. Davis, we had the Osama bin Laden raid, we've had other incidents, and of

course this particular incident just escalates a set of differences that are real.

Our challenge, and this is a US challenge that in fact we are trying to work together with NATO as well as with other countries, is while understanding that this is a major problem for us we need to find ways to continue the cooperative effort with Pakistan. We have no choice but to cooperate with Pakistan given that the terrorists are a threat to all three of our countries—a threat to Pakistan, a threat to Afghanistan, a threat to us. Indeed, they're a threat to the NATO coalition and as such effective cooperation will remain essential which is why we started at the highest levels. General Dempsey [Army Gen. Martin E. Dempsey, Chairman, Joint Chiefs of Staff] talked to his counterpart. General Allen [USMC Gen. John R. Allen, ISAF commander, Afghanistan] has been talking to General [Ashfaq Parvez] Kayani [commander of Pakistan Army] and others. Secretary [of State Hillary] Clinton reached out to the Foreign Minister. Ambassador [Cameron] Munter is reaching out to all varieties of people across the government to try to find a way to get together and to continue the cooperation.

The most immediate issue for NATO is the fact that the logistical lines have been closed. This is not the first time.

This is not the first time the logistical lines have been closed. It's not the first time that has happened. Last time they were closed for ten days. It's a planning assumption that you never can rely on whatever logistical line you have. You need to have many more, and we do. In fact the majority of material coming into Afghanistan does no longer go across Pakistan, it goes across a variety of northern distribution network lines, and we are not at this point in a situation where our operations are hampered by the fact that this has been closed, but we will work together to find a way to reopen those lines as soon as possible. They're important. They're important to Pakistan. They are a source of income. They are a source of cooperation with Afghanistan. There are major routes for non-military goods as well that are important. And if the roads are locked, the trucks with military equipment and the exports of fruits and vegetables and whatever else comes into Afghanistan from Pakistan can't go forward either. So we're working that situation to the best we can.

**DWG:** I'm sure we'll have some additional questions on this topic but let me shift gears before I open things up here and ask a little bit of philosophical budget question, if there is such a thing. [Laughter].

The US is facing declining defense budgets probably beginning next year. It's a situation many of the European nations have already found themselves in. And in a nutshell, what is NATO going to do about this and how will it continue to meet its requirements with less financial resources available?

**Ambassador Daalder:** This is literally the \$64 million question. If there ever was a time in which the United States could always be counted on to fill the gaps that may emerge in European defense, that time is rapidly coming to an end. As I remind my colleagues, the US current plans for reductions annually are larger than any single ally

spends on defense itself. So it's a big deal in that regard. That on top of the fact that the Europeans, with very few exceptions, and the exceptions are smaller countries who are valiantly trying to reach the two percent level. The Norwegians are increasing their defense spending; the Estonians are actually getting to two percent of GDP which is a remarkable achievement. But with some exceptions like that, most other governments are finding that they too need to cut their defense spending.

Coming on top a rather long era of declining defense budgets, the last 10 to 20 years defense budgets have declined in Europe. It used to be the United States accounted for about 50 percent of NATO defense spending; now it accounts for 75 percent of NATO defense spending. Part of that is because we increased our defense budget quite extraordinarily over the last ten years post 9/11, but part of the reason also is that the Europeans are declining. We saw the British defense cuts. The French are cutting. Everybody else in this climate is looking at defense.

So that's the challenge. It's a reality that I think everyone is confronted with. The question is how do we deal with it?

There are two ways in which we can deal with it. One is the right way and one is the wrong way. The wrong way is for every nation to say, to look at its own defense budget to see where it should cut and make those cuts no matter what their neighbors are doing, and decide to reform and retool their own defense budgets without regard to the fact that they are members of an alliance, and more importantly, without regard to the fact that others are relying on their capabilities just like they are relying on others' capabilities for their security.

The right way to do it is to look at these defense cuts within the context of the NATO planning, defense planning apparatus writ large and to say okay, if you are going to cut let's say ships because they're expensive, then let's make sure that some others will retain that capacity so that in totality the NATO alliance can do what needs to be done to fulfill its obligations.

So far this is a mixed bag. We are increasingly aware that countries need to think about their defense budgets within the context of a larger construct of spending within the alliance, but there is still a temptation to look at this within national defense ministries, and certainly within national finance ministries to figure out how to reduce that.

The effort we're undertaking is to try to minimize the national thinking and maximize the alliance wide thinking, and particularly when it comes to procurement decisions, to look at how can we look at investments in the future that add value to the totality of the alliance.

So take a country like The Netherlands which has significantly cut its defense spending. It also decided at the same time to keep a portion of its investment budget, 250 million euros, for upgrading its L-Band band radars on the Kronen Class frigates. What that will do with that relatively small investment is double the rate of capacity of the ship-

borne missile defense system that NATO is now deploying. We have four Aegis cruisers. These radars are similar to Aegis cruisers and have a similar capability, and all of a sudden we have four extra radars running around the Mediterranean and the North Sea which can be queued and plugged into a NATO missile defense system. So that's the kind of wise, what the Secretary General of NATO likes to call smart defense spending. It makes no sense to upgrade those radars without the knowledge that you can plug them into the joint command and control system and that you have interceptors sitting somewhere else that can be guided by and queued by those radars. It's those kinds of things that we need to think about.

If you think only in national terms about what it is that you need as a nation to do investment wise, you're just not going to get there. You need to do it increasingly, and in cooperative terms. That can be alliance-wide, or it can be a sub-group. For example there are 13 nations who are purchasing what's called the air/ground surveillance system which is a Global Hawk Block 40 capability, which they will then make available to the alliance for ISR — intelligence, surveillance and reconnaissance purposes — in the expectation that the alliance will pick up and common fund the infrastructure and operation and maintenance of this system that is being provided by [inaudible]. Another way in which you gain for the alliance a capability that doesn't exist nationally except for very few countries like the United States. And for a relatively small investment by individual countries you get the real capability that's necessary to conduct operations.

So that's where we need to go. If we don't go that way, we're not going to be able to have the capabilities necessary to fulfill our obligations.

**DWG:** A follow-on to the missile defense question, Mr. Ambassador. If I can get your assessment of what is going on with those rascally Russians in what Mr. Medvedev said a couple of weeks ago. For this discussion let's posit that American policy is right, and that the European architecture is not a threat to the Russian strategic nuclear arsenal, and let's also posit that the Russians are smart enough, as they are, to understand that. So tell us why on earth is Medvedev making incredibly destabilizing threats?

**Ambassador Daalder:** I'll stipulate the first, but I can't necessarily stipulate the second, which is to say it is true that the NATO defense system is both the right system and it is not designed to and in fact does not have the capability to pose a threat to the strategic deterrent of Russia.

I'm not convinced that everyone in Russia believes that. I do think it is fair to at least assume that there are significant forces within Russia that particularly when it comes to phase four which after all is the phase where we would deploy an interceptor physically designed to intercept an intercontinental range ballistic missile from Iran. That's the purpose of phase four.

There are people who believe that that may have a capability against the strategic nuclear potential, particularly ICBMs, from Russia once directed against the United

States. That's part of the problem. We are trying to convince them both that we have no intent, which is more difficult to do, but it is a discussion that we can have, and therefore, are not designing and have a capability to defend against Russian ICBMs by deploying interceptors in Europe. If we really were intent on doing that we wouldn't deploy them in Europe, we would deploy them in the United States. From the pure physics of missile defense interceptors, it is easier and better to approach an incoming missile from the opposite side than it is to try to chase it down. That's the way it works.

That said, we have been unable to convince them so far that in fact it is neither our intent nor do we have the capability to pose a threat to their strategic deterrent. They have gotten themselves quite hung up on our unwillingness to put this in legally binding — Our explanation of why we are unwilling to do that is because we are not convinced that it is necessary to put it on paper in a legally binding commitment; nor are we convinced that if we do so it would be ratified by the US Senate. Nor should the Russians be convinced that even if it were ratified by the US Senate, we wouldn't necessarily at some point walk away from it. After all the one ballistic missile defense treaty that we did sign with the Russians and was legally binding, we walked away from in 2001. The ABM Treaty.

Instead what we have said is why don't we cooperate? Why don't we cooperate first on reducing the threat so that the nature of the deployments that we envisage can be affected by the nature of the threat. Our system is adapted to the threat. If the threat is less than we foresee it, then maybe the system will be adapted to that lesser threat. But also to cooperate and to demonstrate through cooperation that that system is not designed to deal with the Russian capability. They have expressed interest in cooperation in theory, but in practice have made it clear they wanted a legally binding agreement before they cooperate.

**DWG:** Is there any sense on your part that Medvedev's comments were for domestic consumption? They have parliamentary elections on Sunday. Is part of it their view of the zero sum game, that even if the system isn't aimed at them, as we become ever more closely bound to countries along their periphery, that it's a loss for them diplomatically?

I take it there are some elements in Russia who see this as a threat, but there are other elements who are very smart and very sophisticated and this kind of rhetoric has to be for some other reasons.

**Ambassador Daalder:** I think the timing of this is probably not coincidental. With November 23<sup>rd</sup> for the speech and on December 4<sup>th</sup> we're having elections. It may benefit the president, the leader of United Russia to emphasize differences he has with the United States over this issue as a basis for that election. That's for him to decide. For us to decide is how to deal with that reality.

If you look at the speech, he hasn't said anything he hasn't said before. More importantly, everything they plan to do or said they would do in the event we wouldn't reach an agreement, and it's important that as much of the speech was about how

Medvedev wanted to have a dialogue with NATO and the United States to try to get to a solution as it was about what he would do if that failed. But the measures laid out have long been planned, are not new, and even the most specific threats, the deployment of offensive systems near lines, borders and in Kaliningrad, have been mentioned many times before, so again, nothing particularly new there. In that sense I think timing of the speech is probably more driven by what's happening at home than anything else.

Our reaction to the speech will be the same as it was if there were no speech, which is we are committed to trying to find a way to cooperate with the Russians on missile defense. We have put forward many ideas. Many of those ideas are actually based on Russian ideas including ideas of having joint missile defense sensors that would do joint early warning and look at operations and planning together in order to make sure that their system and our system can cooperate as effectively as possible. And we're committed to continuing that dialogue as are the Russians.

Indeed, I'm going back tonight to Brussels and will have a meeting with Dmitry Rogozin [Russian envoy to NATO] next week in order to begin, to continue the process of trying to find a resolution.

**DWG:** Mr. Ambassador, how has Libya changed NATO?

**Ambassador Daalder:** This is the kind of question that you love to get and then you can spend the rest of the time talking about it.

**DWG:** In a nutshell. [Laughter].

**Ambassador Daalder:** There are two very important positive lessons. Let me focus on those because they would help drive the future.

Number one, it demonstrated for really the first time that NATO is a very different alliance than it was during the Cold War, and even in the immediate decades after the Cold War. I call it NATO 3.0.

NATO 1.0 was a Cold War deterrence collective defense based alliance that was about the defense of the territory, the deterrence of attacks on the territory. That ended with the fall of the Berlin Wall.

NATO 2.0 was about the export of security in Europe, primarily through the process of enlargement and the prospect of becoming a member led to the transformation of major European countries which together with the European Union still is the most extraordinary revolutionary change in democratization the world has ever seen, through the non-use of force by the way.

NATO 3.0 is an operational alliance. At the height of the Libya conflict we had 177,000 Sailors, Marines, Airmen, and Soldiers under NATO command in three continents in six operations. And not only are they very busy operations in the way that until the Bosnia

conflict in 1995 we had never done. But we also have adapted ourselves to the common and operational lines. So the most remarkable thing that happened is that within ten days of the UN Security Council Resolution, when frankly almost no one thought on that day the 17<sup>th</sup> of March that NATO would take on this mission, ten days later NATO had taken on responsibility for this entire mission. Those ten days were heavy going diplomatically, in capitals as well as at NATO, but we did it. And not only did we make that decision we were with that decision able to execute the plans that had already been put into place within a very short period of time.

The total planning margin was less than four weeks for taking on this operation. The US as the major guy on the block, it was able to provide a lot of input to those plans, but it is an alliance that could take it on. So lesson number one, this is a very different alliance that can take on operations very rapidly in places that are totally unexpected. And frankly, there's no other organization aside from the US military that could have done what NATO did.

Lesson number two is that NATO is a force multiplier, particularly for the United States. Because of the big difference of this operation with any other operations, that our contribution was limited to those things that we uniquely could do, and thereby enabled everybody else to do what they could do. From the mundane, air-to-air refueling, we had 75 percent of all air-to-air refueling. That meant that French and British and Italian and Belgian fighters could be loitering and looking for targets because they didn't have to come back to base for refueling, they could be refueled in the air. And were much more efficient as a result.

ISR, we provided about 80 percent of ISR effectiveness in theater. And the targeting capacity. Very few countries had the ability to take real time information, turn them into targets and generate the kind of precision targeting that we saw in Libya. But it was that foundation which was indispensable that then allowed other countries from the French and the Brits in the first place, but many others, too, to participate in an operation and in a way they frankly couldn't have done. If we had done it all ourselves, they wouldn't have been able to contribute in that way. The statistic that nailed that one is in Kosovo, 90 percent of all PGMs dropped in that entire war were American. In this war it was 10 percent. Ninety percent were dropped by — they were American-made, by the way, in many ways, but they were dropped by non-American aircraft. A good chunk of them by such stalwart major military powers as Norway, Denmark and Belgium — the three of them together destroyed as many targets as the French.

**DWG:** That says more about the French than it says about —

**Ambassador Daalder:** No, actually it doesn't. It says a lot about the Norwegians who were operating at a tempo that no one was operating at. They were able to not only generate sorties, but actually generate strike sorties and striking [inaudible] beyond what anyone else was doing. The Danes similarly, the Danes with four aircraft struck ten percent of all the targets. So it's not just the French. It's a real, it's flying F-16s, training with American pilots, a whole system of systems that enabled them to do that.

But the lesson for NATO is you can actually have a major intervention in which the United States doesn't have to do the bulk of the fighting. It's the enabler, and that's what NATO allows you to do.

There are some negative lessons including the fact that these critical capabilities are only provided by the United States, but that gives us an idea of what we need to do in the future. But I think in terms of what this did for NATO is it demonstrated we could act quickly and we could act in a way that shared the burden pretty fairly across many countries.

**DWG:** It was prior to this — Has this emboldened NATO? Is there a certain mental swagger —

**Ambassador Daalder:** No.

**DWG:** — to the alliance that didn't exist before —

**Ambassador Daalder:** You're talking about Europeans.

**DWG:** — done this?

**Ambassador Daalder:** I think there's a quiet satisfaction, a quiet pride — these are Europeans. They're not swaggering kind of people in most instances, certainly when it comes to military capabilities. But there is a satisfaction that this alliance took on a mission which was a difficult mission. It was difficult to decide to take it on. And seven months later could say we did what we were supposed to do and the results are evident on the field and for the first time in the history of the alliance we not only started an operation, we ended it. We just quit. We terminated on October 31<sup>st</sup> an operation and left the rest to the people in Libya and other international organizations.

I don't think the lesson here is we can do this anywhere, any time. This was very costly for many countries in terms of expenditures, in terms of capabilities, so it's not something we'd like to do again, but it does give them confidence that if another circumstance arises when you would like the use of force in some manner that NATO now becomes a matter of choice. Some Europeans who might have preferred to have gone to the European Union, have learned a lesson that that doesn't work for these kinds of operations. If you're in a high intensity combat operation you go to NATO. You don't go to anywhere else. That's a good thing for NATO and it also places a huge responsibility on the alliance

**DWG:** Sir, I want to go back to Russia for a second. It's a subject that's a little bit below the radar. But several years ago Putin made a big show out of reanimating that country's long-range bomber [inaudible] in the Pacific.

**Ambassador Daalder:** Not just in the Pacific.

**DWG:** Exactly. That issue's sort of been below the radar for a while. However, [inaudible] reports of intercepts as far as [inaudible] Europe [inaudible]. I just want to ask you, what do the allies think about this [inaudible]? Is it [inaudible]? What's their opinion of all this?

And B, what is NATO's opinion about this? A willingness for Russia [inaudible]?

**Ambassador Daalder:** Yes, it's being noticed. Two, it has frankly no impact. So if there is a desire by Russia to try to do this to intimidate people, it's not working. And in fact gives air defense capabilities good training to get up in the skies and fly.

One of the reasons the Norwegians, for example, decided to pull out their fighters as of August 1<sup>st</sup> in Operation Unified Protector, is they said we have this huge coastline that we need to protect and they do an awful lot of coastal defense flying, in part because there's a lot of traffic there. Much more than there was four or five years ago.

But it's not seen as a change in the Russian direction, it's seen more as their training their guys, and people sometimes wonder does this really mean that they think that we're not a threat as they keep on saying, and how consistent is this with the notion that we are strategic partners? But it doesn't get raised to a high political level. Some countries are perfectly, certainly some air forces, are perfectly happy to be able to scramble their fighters and go up in the air and actually do something for real once in a while, but to figure out what's going on. It has no strategic or political impact in that sense.

**DWG:** What do the Russians say [inaudible]?

**Ambassador Daalder:** Just training. And we fly our bombers. And we understand that they have a strategic nuclear capability. They're modernizing it, they test it, they test their missiles that they fly their airplanes. It's understandable. They are trying to modernize their strategic capability. We have good insight into it through the START agreement which is why START One, New START was so important. I think we understand that's what's happening. We don't have a particular problem with it. Ultimately what we'd like to do is to reduce the role and the number of nuclear weapons, and we'll work with them to try to figure out how to do that. But in terms of day-to-day impact, it's happening, but it has not strategic or political impact.

**DWG:** Mr. Ambassador, I wanted to shift to the Hill real quick over this debate in the Defense Authorization Bill. The Chairman of the Armed Services Committee in the Senate sort of ratcheted up the pressure again about basing US bases in Europe and basically saying he wanted to take some kind of action either in this bill, which probably didn't happen, but possibly in the MilCon bill, to start to try to shut down some facilities and bases and what not in Europe, to try to pressure this. The rhetoric has been growing on Capitol Hill. It's almost like it's considered a fait accompli that we'll see this. I wanted to know how is that rhetoric playing in the alliance? What kind of impact do you

think it might have on the alliance if the United States, if the Congress starts to force closures in Europe?

And I wanted to add one other thing. You gave us lessons, positive lessons, from Libya. I wanted to hear a little bit more about some of the lessons learned that actually you would start to fix, things you see as problems.

**Ambassador Daalder:** In terms of the Hill, we're not seeing, certainly the Europeans are not seeing the kind of congressional based pressure that we saw in the '70s with respect to large-scale reductions in US based forces in Europe, in part because the numbers are not the same.

So the concern in Europe isn't really yet focused on the Hill, forcing the administration to — The concern is as the US considers how it's going to cut close to \$500 billion out of its defense budget over the next ten years, what is that going to do to the posture in Europe? Good question. Frankly, the answer to that is not clear. No decisions as far as I know have been made with respect to that.

But whatever decision is going to be made we'll have to work closely and consult closely with our allies, a process that I assume will start quite soon as we get closer to the final budget numbers and their own thinking inside the administration.

I don't know the dynamic between the Hill and the administration with respect to who's going to make the biggest push for changes. As someone who sits on the other side, on the executive side, it's our role to figure out what it is that we can do to fulfill our commitments under Article 5 of the North Atlantic Treaty. We will do whatever needs to be done to fulfill that commitment.

We have made a number of decisions with respect to force deployments that address 21<sup>st</sup> Century threats including for example the basing of four Aegis cruisers in Rota, deployment of a new radar in Turkey, all of those deployments are going to continue as far as we can see. And with respect to the entire force structure, it's TBD. We will have a discussion.

I think our allies recognize that when you're cutting \$500 billion in ten years there are going to be changes in your posture. Part of those changes are going to be driven by the fact that we in less than 20-some days will have no more troops in Iraq. Some of those troops may in fact not go back to their home places, but they may disappear out of the force over time. The same is true as we're drawing down in Afghanistan. We've had on a regular basis for the last eight-ten years only about two BCTs in Europe. The rest have been deployed elsewhere. So how this all will play out we will need to see.

I'm not going to make news here. I don't know what the decision is going to be in that sense. I really don't know. But I do think that in the end it will be a decision that the administration will drive working with Congress to get it implemented. I don't see the kind of political pressure that we saw in the '70s coming back where Congress really

drives this debate in the way that becomes highly destructive of the alliance. We're working it together.

**DWG:** I never heard anybody put it quite like that, that we only technically have two BCTs in Europe. We had Hurling here maybe a month and a half ago and he had three, you know what I mean? But he was saying —

**Ambassador Daalder:** Formally today we have four. There are four BCTs that are part of EUCOM's order of forces. Of those four, two have tended to be rotated out into theater. We have decided in February that — The Bush administration in 2004 had decided to take two BCTs and send them to Texas, both to Texas, to redeploy back stateside. Last year we decided to reverse that decision and said that at the end of the Afghan deployment, at the end of 2014, 2015, we would keep one BCT that was going to be withdrawn in Europe, so we'd have three. That's where Hurling's three comes from. I'm not saying that we're going to go down to two. That's not what I'm saying. I'm saying that if you look at the actual deployment since 2003 in Europe, there have been many many months in which there have been only two. Some where there have been three. Virtually none where there have been four. So it's the reality of the force generation. And as you cut the force, where are you going to cut is the question the big guys on the other side of the river are trying to figure out. Whatever that decision is, we'll work it with the allies.

But from a European ally perspective, they understood in fact that having three BCTs was, in some ways, a net increase over what was there for the period in which many allies were allies. They only joined the alliance in 2004. So that's why I think a conversation with them, which recognizes that we live in difficult economic times, which is hardly news to anybody who lives in Europe, is not going to be that difficult. What would be difficult is a politically driven who cares about the Europeans let's just pull out kind of discussion, but I don't see that happening.

On lessons learned, I think the two big lessons is one, the European under-investment in defense over the past decade really did show itself up in the sense that their munition stockpiles ran out very quickly. This was a critical operation, but it was a very small operation. It was one-fifth the size of Kosovo, which no one ever thought was a big war.

**DWG:** Measured in what way?

**Ambassador Daalder:** Measured both in total aircraft, so about 1250 total air vehicles in Kosovo versus 250 in Libya. And in sortie rates. At the height of the Kosovo war there were 850 sorties a day. We were generating about 160 in OUP. The 160 and 250 was enough. It's not like if we had more sortie rates and more numbers we would have changed the outcome of the war, speeded it up. This was an appropriate level for the effort.

In terms of effort it wasn't a major, a really major air campaign, and it stretched them in a significant way. So they need to think about how do we have and stockpile the

capability and be ready to generate the forces for this kind of or even a larger kind of conflict. I think that if current trends continue, ten years from now it's not clear we could do this campaign. That's warning number one, so we better listen and learn what we do. For example, let's stockpile munitions. Not nationally, but maybe internationally. Let's have a PGM stockpile stewardship that NATO could run, that people could then draw on as necessary. We have that today. It's called the US government. There may be other ways in which to do that that are more sensible.

A second related lesson is because you don't have the financial wherewithal to provide the capability that nations need nationally, you really need to invest more in multinational programs. So the PGM program is one of those. Why not, rather than having everybody go and get their 150 PGMs and put them in some place they may never use them, I believe this is true, this is the first time the Norwegian Air Force actually dropped ordnance. So you're not planning to do this on a day-to-day basis. Therefore, you're not stockpiling to do that. All the more reason to say why don't you have a consortium to put stockpiles in a variety of different places, but you pay into that consortium, as one example.

ISR is the other big one. We had a huge ISR problem. Without the United States we wouldn't have been able to do this campaign, and that's where AGS, the Air Ground Surveillance system becomes so important. Five Global Hawk Block 40 capabilities with the most sophisticated imaging and radar capability is an absolute necessity to enable national ISRs to be targeted and used in an effective way. We just need to invest in that.

We could invest in air-to-air refueling capability. Again, a multinational effort.

So lesson number one, under-investment, we've got a real problem. Lesson number two the only way to solve this is to work together rather than individually because we're not going to do it individually.

**DWG:** One quick follow-up on this. NATO was engaged in essentially two different conflicts when Libya occurred. They obviously were pretty engaged to a certain degree in Afghanistan.

**Ambassador Daalder:** Engaged in six different conflicts. There's some shooting going on in Kosovo these days, too. They have 6,000 troops there.

**DWG:** Right. But does this show — Earlier the question was are they pumped up and happy, but it seems to me that this showed a real weakness. This is a pretty permissive environment in Libya, relatively speaking. And yet they were running out of munitions, they were having difficulty early on generating sorties, the US was carrying a heavy load in the very beginning. So I'm just wondering if this isn't a wakeup call or is this, not a death knell, but it doesn't look great on its surface in some of these ways. If you run out of munitions at 150 sorties — That just seems a little shocking.

**Ambassador Daalder:** It is a wakeup call. That's why one lesson is you can do this;

the other lesson is you have to have the capacity and investment over time to make sure you can do it again. Clearly, that is one of the clear lessons here. As I said, at current trends I'm not sure you could have done this in the same way ten years from now. Just because the cuts will over time affect the capacity of individual countries to do that. But that doesn't mean all is lost. It also means there are ways out of this. And thinking smartly about how you would invest in the future over the next five to ten years to regenerate the capacity and do it in a smarter way.

Another lesson here is for a country like Denmark, they're not going to do this on their own. Ever. It's just not going to happen. So don't plan on the basis that you're going to be in a major air war as Denmark, and they don't. Which is why they got out of the business of having submarines. They made the fundamental decision that they weren't going to be in a naval conflict without the Brits and the Dutch and the Norwegians and probably even the Swedes, all of whom have great submarine capabilities so why have that? Why not use that money to invest in what they now have, the most deployable army, as a percentage of the force in Europe. So they can generate that capability. That's the kind of thinking we need to encourage. That's easier for a country like Denmark or even The Netherlands than it is for a country like Germany or France and the UK, all of whom want to have a complete force package for reasons that they in fact can envisage using force by themselves. And it's working that altogether in a single system that gets you to the right end that is the challenge. But Libya demonstrates that it's not undoable and in fact that it's necessary.

**DWG:** Mr. Ambassador, two quick follow-ups. One, on the question that was asked about the pull back of troops from NATO. You mentioned the Aegis ships to Rota. That already is creating heartburn here because instead of pulling back this would be sending troops and families there. How important is basing those ships in Rota for PPA as a rotational deployment which would be less politically damaging here in the States?

**Ambassador Daalder:** To generate the same capacity for EPAA of those four ships you'd need ten stateside.

**DWG:** Ten?

**Ambassador Daalder:** Yeah. It's called smart spending.

**DWG:** You talked about the need to pool resources for NATO. Was this a decision made the EU was going to do more a combined defense operation. The question in the past, is the EU defense capability deteriorating, contracting from NATO? Or is it in some way a contribution? What's the impact on reaching an EU decision that they were going to [inaudible] combined defense capabilities. How does that affect NATO on what you want to see for the alliance?

**Ambassador Daalder:** I don't know which decision you're referring to.

**DWG:** There was a story yesterday that the EU —

**Ambassador Daalder:** — operational headquarters?

**DWG:** There was a story in the paper yesterday, the EU ministers had made some important decision to increase their —

**Ambassador Daalder:** Their pooling and sharing of — OK. We certainly have no problem with the European defense industry pooling and sharing, and European countries, pooling and sharing their defense capabilities within the EU. We don't see the EU and NATO as competitors. Our number one requirement is that capability be enhanced. If that's done through an EU hat or a NATO hat or some other hat, that's fine. In the end of the day that capability needs to be there and available to conduct military operations. And if some European countries think it is easier to do it with an EU hat rather than some other hat, fine. As long as it generates new capability. And that capability would then be available for operations. One of the lessons from Libya that the Europeans have learned is that when it gets to serious military operations you don't go downtown Brussels, you go to what we call [inaudible] which is where NATO is located, in order to make those decisions. That includes those most supportive of the EU common security defense policies. They now realize it took the EU three or four months to come up with a plan for the deployment of a humanitarian force during which time NATO was conducting air operations over Libya. And they kind of got that that doesn't mean there aren't circumstances in which the EU could and should deploy military capabilities, but they're not the high end military operations of the kind that only NATO and the United States could do.

So great if you want to increase capabilities, and if you want to do it in the EU under the European Defense Agency, rather than in NATO, no problem as long as it leads to improve capability. And we can use this.

**DWG:** The long-term impact as to [inaudible] in NATO. Has there been any immediate impact with the current European economic situation, be it contributions they've had to [inaudible]?

**Ambassador Daalder:** I just don't know, to be honest. There probably have been, but I wouldn't know any specifics of it.

There are countries that are suffering pretty badly. Greece, Portugal, countries like that. The impact of this crisis on their ability to do a lot of things is severe. On the other hand, their contributions to NATO operations isn't that high. They're small to begin with.

**DWG:** Who is more difficult to negotiate with? Russian officials or GOP Senators?

**Ambassador Daalder:** [Laughter]. I don't negotiate with GOP Senators so it makes my life easy. [Laughter].

**DWG:** What I really wanted to ask you about was the NATO training mission in Iraq. We don't know that the troops are going to leave this week, the US troops, and this was over the issue of immunity. Now there are reports that despite that Prime Minister [of Iraq Nouri al] Maliki has requested that the NATO training mission in Iraq be extended until 2013. The ongoing negotiations are held up over this very same issue. Immunity and legal protections for NATO forces left in Iraq. What's the current state of those negotiations? What's your view on whether or not immunity is needed? What form it's needed? And what's going to happen here?

**Ambassador Daalder:** Negotiations are still ongoing. Some form of immunity is necessary. If we are to stay — We are in NTMI as well. So if US contributions are to stay in NTMI we will need privileges and immunities. And so will other allies.

It is true, however, that Maliki has repeatedly asked NATO to stay. He likes the mission. He's mentioned it many times including after the decision by the United States to end its troop presence by the end of the year. So we are trying to find a way to make that desire for NTMI to stay a reality by having the right privileges and immunities for our forces. We don't have the option of having a NATO operation serve under Chief of Mission Authority of a nation because it's a NATO operation, it's not a national operation. So we're working it, and time is running out.

**DWG:** Time is running out, so what is the deadline?

**Ambassador Daalder:** The current privileges, immunities for NATO is expiring the same day as the US ones, the 31<sup>st</sup> of December.

**DWG:** Of course the problem with the administration was that they required this immunity to go through the Iraqi parliament, the council of representatives, which everyone at this table knows is totally impossible. So I'm wondering if NATO has that same requirement, in which case we can already predict that this is never going to happen and we can just stop talking about as if it's a reality.

**Ambassador Daalder:** We're trying to find a solution that is efficient for NATO to accept a continuing presence in Iraq.

**DWG:** So not necessarily —

**Ambassador Daalder:** Without going into the details of what that solution would be, we're trying to find one. But it would have to be a solution that satisfies all the members of NATO.

**DWG:** One of those members being the United States.

**Ambassador Daalder:** One of those members being the United States.

**DWG:** And it's one of the United States' requirements that it go through the court,

that's a question that —

**Ambassador Daalder:** Again, I'm not going to negotiate here what we're trying to negotiate in Baghdad. But we will have to have privileges and immunities for the NATO members in order for NATO to stay beyond December 31<sup>st</sup>. How we're going to get that is something we're addressing right now in Baghdad.

**DWG:** We have about ten minutes left and many questions. We'll get through as many of these as we can.

**DWG:** Let me recast some of the questions that have come. NATO has struggled to change the government of a place slightly smaller than New York City; we have recast our strategy looking to the Pacific; we're going to cut at least \$500 billion from our defense budget. How much does NATO matter for US policy over the next three to five years? And how are we managing these expectations with our NATO allies?

**Ambassador Daalder:** NATO didn't struggle to overthrow a government because it never tried to overthrow a government, number one. That's very important.

The purpose here was to save the citizens of Libya, did a pretty darn good job. If in the end Qaddafi also disappeared, that was fine with a lot of people. On what it tried to do, it did it extremely well.

I think President Obama has made very clear what he thinks of NATO and its importance which is that we live in a world in which virtually everything we do requires partners. We need other countries to help us. With all the economic problems and defense cuts and everything else that are out there, our partners of first choice and second and third choice are in Europe because they're more capable, they are better aligned with what we want and what we need, and they will continue to be more capable than partners anywhere else. That doesn't mean that we don't value other partners, and we do, and they're important and they're critical. We're also increasingly seeing NATO as an enabler of those partners — the strongest participation by a non-NATO member right now is Australia in Afghanistan. The NATO/Australian relationship is evolving very rapidly and in a very positive direction. New Zealand is now the leading Task Force 151 in the Indian Ocean as part of a counter-piracy operation in which NATO has a big piece. This is the way of the future. We work together with other countries. Having a standing organization with integrated command and control capabilities, with jointly owned capabilities, facilitates that cooperation a way that if you didn't have it, you'd want it.

So in that sense NATO is part and parcel of a larger engagement with the world which may not always be focused on Europe but needs to be part of how we focus on the rest of the world.

**DWG:** I want to follow on the US reducing and Europe having to increase their share of things there, and the timing of all that happening. We already know that there's \$500

billion over ten years, it could be more. But I'm hearing from you and elsewhere that the US is barely getting started to think about what they're going to do in Europe. Europe's also just starting to think about and waiting for the US to make a decision. Is there a problem here where the US may have to accept a lesser amount of defense for Europe because it's going to pull out before Europe steps into its fair share? Is that balance being worried about?

**Ambassador Daalder:** To answer that question would presume that I know the answer. [Laughter]. What is the nature of the American commitment to Europe going to be? I don't know what that is going to be.

**DWG:** Is it realistic to think that, given everything you've said about Europe's economy and all these partnerships they have to make, and not being national, being more alliance driven, all of those things having to happen at the same pace or some similar pretty close pace to the US to pull out of Europe, whatever it may be —

**Ambassador Daalder:** Remember, one I didn't say the US was pulling out of Europe. I don't know what the decision is going to be. I don't think anybody does. That's number one.

Number two, what on paper is in Europe hasn't been in Europe for a very long time. And as you transfer from what is on paper to what is there in reality, it may be that the delta is not very large. Until we know the final decisions, we don't know how big the delta is, and the delta may be zero. That's why I'm saying I don't know the answer to your question because I don't know what the actual configuration of the US presence in Europe is going to be. As a result, I don't know what the balance is going to be and whether there will be an imbalance. But the reality is there have been less forces in Europe for an awfully long time than there should have been on paper. Therefore, our ability to conduct operations and to maintain our deterrent commitments including Article 51, have been there all along, and in that sense may in fact not go down at all, may even go up. Again, I don't know what the answer is because I don't know what the final decisions are.

In a larger sense, yes, we really do want to figure out how as an alliance our decisions on reducing forces and reducing capabilities because of defense cuts feed into each other. That's how I started off. Having national decisions made within the context of a larger alliance I think is a very important thing, and we are committed to doing that. And our commitment should and will entice others to do the same thing. But as they think about cutting they do it in the context of the alliance rather than in the context of their national capabilities.

**DWG:** Going back to Afghanistan and Pakistan, General Kayani has said that his troops don't need any permission to [attack] if there is similar incident on this or a violation of the airspace. In view of that do you think there will be further escalation of tensions between the two countries?

Secondly, Pakistan is not attending the Bonn Conference, so how effective the decisions can be taken? If a decision is taken at the Bonn Conference, how effective that can be with Pakistan not being party to it?

**Ambassador Daalder:** In terms of Pakistani ROEs, I'll leave the impact of that to General Allen. He'll have to assess what that does for our own ROEs and what it does for the situation.

The non-attendance of Pakistan in Bonn is regrettable because of course the future of Afghanistan ought to be something of great interest to Pakistan. And we think Pakistan is a central and important player in helping to shape the future of Afghanistan.

But 85 countries are coming. This is an Afghan-chaired, owned, operated conference, and whatever decisions are made are going to be made in support of Afghanistan and they will be made ultimately by the Afghan government which is a sovereign, independent state. Again, we would prefer to have Pakistan there and be a participant in the operation, but the Bonn Conference will not only continue, it will I assume have the same outcome it would have otherwise.

**DWG:** Sir, just on the munitions you were talking about. Is that at this point just an idea of pooling and sharing that NATO is [inaudible]? Or is that something that's actually advancing and agreed [inaudible]?

**Ambassador Daalder:** It's an idea that we're trying, that some people, including the Secretary General, are putting on the table as an example of how we can do better. In my view, it makes sense.

**DWG:** A second question, I think I know what your answer is going to be but I have to ask it. On Syria there's some talk in Turkey and elsewhere about a humanitarian corridor. Is that something that's even being discussed within NATO?

**Ambassador Daalder:** So far it is discussed only in national corridors, not in headquarters, to coin a phrase, rather than NATO corridors.

**DWG:** The missile defense meeting that Ellen Tauscher is having this week, or next week, sorry, with her Russian counterpart —

**Ambassador Daalder:** That's not on missile defense. She's doing strategic stability talks which are much larger than just missile defense.

**DWG:** Can you talk a little bit about what you would expect to get out of that, and were you caught off-guard by Medvedev's statements? Or was there any chance you all got a heads-up that that was coming?

**Ambassador Daalder:** I'll let Ellen Tauscher talk about what she's going to do with the talks, but they're not directly related to the missile defense talks with the Russians,

which are happening in Brussels as opposed to bilaterally. She's doing a much larger conversation about what constitutes strategic stability, of which missile defense is a part, but it's a larger —

**DWG:** Let me turn that into something that you can address more directly.

**Ambassador Daalder:** In terms of your question, Medvedev had been saying from the moment he left the meeting in Honolulu that he was going to have a statement on how Russia would respond if there was no — And the statement was just putting together everything they have been saying before into one set of ideas. So we didn't have a heads up but there was nothing surprising in what came out of it. The timing was previewed for about two weeks publicly by Medvedev himself.

**DWG:** Related to the strategic situation between the US and Russia and in a larger sense between NATO and Russia, NATO members could save a whole lot of money on nuclear weapons by further cutbacks. How realistic is that politically right now in the next year or so for example?

**Ambassador Daalder:** As you know, President Obama has committed to another round of negotiations with the Russians to cover strategic and non-strategic weapons as well as deployed and non-deployed. Part of the discussion that Ellen Tauscher is going to have is to find out what's the framework for getting that going. We are committed as a government and I think NATO as an alliance is committed to reducing the role of nuclear weapons and we are committed to doing so through negotiations. When it comes to nuclear negotiations, those are US-Russian, they're US weapons. NATO is not going to negotiate about our weapons. We will consult, of course, with our allies on those issues as the President said he would, but so far we haven't come to an agreement with the Russians to start those negotiations. Part and parcel of these talks is to decide how to get that started.

**DWG:** As a direct follow-up, would you take one more question?

**Ambassador Daalder:** Yes.

**DWG:** Do you think that the United States should or would go through with all four phases of the EPAA [European Phased Adaptive Approach] regardless of any Russian objections? If so, why?

**Ambassador Daalder:** The Russian objections won't be a driving force in what we do. The EPAA has four phases. It's adaptive. It's adaptive to the threat. What will drive the deployment of the system is the evolution of the threat. In the two years since the President announced the EPAA, September 2009, our estimate of the threat has gone up, not down. It is accelerating. This is the Iranian Global Missile Threat. And becoming more severe than even we thought two years ago. Under those circumstances, we're deploying all four phases in order to deal with that threat. Whether Russia likes it or not. We're about defending NATO-European territory against a growing ballistic

missile threat. We will adapt timing and the details to that threat which is why the focus of our joint effort ought to be about how to figure out how to reduce that threat, rather than trying to threaten the mentality for deployment that has nothing to do with Russia and has everything to do with —

**DWG:** And how important is it to have Russia —

**DWG:** We are well past your time here. We do appreciate your thoughts. Thank you for coming.

**Ambassador Daalder:** Absolutely. My pleasure.

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