

Canadian NATO
Parliamentary Association



Association parlementaire
canadienne de l'OTAN

**Report of the Canadian Parliamentary Delegation
Visit of the Economics and Security Committee and the
Sub-Committee on East-West Economic Co-operation
and Convergence**

Canadian NATO Parliamentary Association (NATO PA)

**Washington, D.C. and New York, U.S.A.
June 23-27, 2008**

Report

The Canadian NATO Parliamentary Association has the honour to present its report on the visit of the NATO Parliamentary Assembly's Economics and Security Committee, led by US Congressman John Tanner, and the Sub-Committee on East-West Economic Co-operation and Convergence, led by Kurt Bodewig (Germany). The delegation visited Washington D.C. and New York, NY, June 23-27, 2008. Canada was represented by Mr. Leon Benoit, M.P.

THE WORLD BANK

The meetings opened at the World Bank where several senior staff briefed the delegation. The World Bank has undergone a number of changes that have largely corresponded to the evolution of economic and social development theory. The Bank's budget began to rise in the mid-1960s and, while funding for middle income countries began to wane, International Development Association (IDA) funding for the poorest countries rose substantially. Whereas IDA was once a side project for the Bank, it now lies at the core of its work. The Bank continues to work closely with middle income countries, although it does not loan a great deal of money to them.

The World Bank's president, Robert Zoellick, has introduced a new vision for the Bank. He has made the construction of an inclusive and sustainable globalization a Bank priority. This means that the focus should not be solely on poverty reduction, but should also include other kinds of challenges and other countries in addition to the very poorest. Moreover, if middle income countries can become global players they will be positioned to help the very poorest countries, in part, by sharing their own experience.

The Bank is very engaged on the problem of fragile states and has begun to engage with NATO and the United Nations Development Program (UNDP).

The Bank is also looking closely at rising world food prices and this was the central topic at the spring meeting of the Bank. The linkages between food prices, biofuel, trade and climate change are compelling and need to be fathomed. If people cannot afford food, then the likelihood of serious social and political instability will grow exponentially.

The Bank has also been active in Afghanistan and depends on core strategic cooperation with other actors in order to carry out its mission. This coordination has not been as good as it should be. There are many parties involved including 62 donors, some of whom prefer to act bilaterally. The Bank's mandate does not allow it to get involved in political affairs. It has conducted a dialogue with the International Security Assistance Force (ISAF) in Brussels, and Bank officials have sat in some North Atlantic Council meetings to help the Alliance understand the development challenges in the country. The Bank has also looked at security sector matters, such as public finance challenges, and has also offered its expertise on money laundering and corruption matters. The Bank is currently providing \$270 million a year to support the Afghan government budget and is the single largest supporter of that budget. It is also administering the Afghanistan Trust Fund which supports the state budget with money from other donors. There are currently 28 donors to that fund and they have collectively

provided \$2.5 billion since 2002. The problem is that so many donors continue to provide assistance outside of this fund, and this has reduced aid efficiency significantly. The Trust Fund does provide a vehicle for providing coherent support to the Afghan state, but many donors, for various reasons, do not want to work through it. There are also countries that do not want the Bank to play a larger development role in the country than it already is.

The Bank is also very focused on providing rural development support to Afghanistan. It has been suggested that roughly \$2 billion is needed to underwrite rural development and that this should be a pillar of the effort to move the country away from poppy production. The problem is that a great deal of that effort is focused on poppy crop eradication; this approach simply does not solve the related development challenge and risks alienating the base of society.

Several members agreed that there should be a debate within the Alliance about aid effectiveness strategy, particularly as failure on this front can undermine the position of NATO security forces operating in countries like Afghanistan.

RUSSIA

The Russian economy was also discussed in several meetings in Washington. Russia is currently riding on the crest of the energy price boom and investments in that country are soaring. It is attracting significant capital inflows which are further bolstering Russian economic growth. Russian authorities have sought to manage very significant oil revenues through the oil stabilization fund. This has helped prevent excessive real appreciation, although the Rouble's value has certainly increased. The conventional wisdom has been that Russian growth is simply an oil and gas story. But there are other areas of the economy that are growing substantially and there have been important changes in the policy environment. Inflation has doubled in Russia over the past year and there are signs of bottlenecks in the labour markets. Wages are now growing at roughly 15% a year. Fiscal policy has tended to exacerbate demand pressures and this has been the source of some political discussion within the government. Monetary policy in recent months has also tended to be highly accommodating, and efforts to resist Rouble appreciation are feeding inflation even further. A number of monetary economists believe that the money supply needs to be tightened.

Russian growth over the last eight years has largely been driven by productivity growth and higher capacity utilization. The conventional wisdom has been that Russian growth has been strictly due to oil and gas prices. This is misleading. The use of labour and capital has improved substantially in a number of sectors where Russia has reaped important productivity gains. The agricultural sector has also benefited from improved organizations and investment, although it is growing from a very low base. But from this point forward, Russia will need to improve the investment climate in order to sustain productivity growth. Indeed, there remains a great deal of catch-up potential in the Russian economy. The labour market, for example, is currently hampered by the lack of workers' housing. Many prefer to stay where they are rather than move to areas where jobs are being produced simply because the housing prospects are so difficult. This will require a new approach to housing. Civil service reform will be critical to future growth

because so much of the civil service undermines rather than advances productivity, and parts of it are simply parasitic.

CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

At the Center for Strategic and International Studies (CSIS), Frederick Barton, Senior Adviser for the International and Security Program (ISP) and Co-director of the Post-Conflict Reconstruction Project (PCR) discussed the program's work on Afghanistan and Pakistan. His team has examined how the international community measures progress in Afghanistan and has concluded that much of the analysis is self-serving. The CSIS project involved over 1000 interviews with regular Afghans, daily news monitoring and other analysis, and produced a very different view of the situation. According to the CSIS report, between 2005 and 2007 the situation worsened in Afghanistan, with declining security and a growing sense among the Afghan population that the international community was not serious about helping them. There is a perception "on the street" that international aid money has not been reaching ordinary people and has been squandered by corrupt officials and highly-paid foreigners. The project also involved exchanges with representatives from Allied capitals. Here, too, a myriad of reasons have been given for the deteriorating situation on the ground. The final recommendation of the PCR project on Afghanistan included the following: 1. a call for a greater concentration of efforts in the south; 2. development of enhanced rapid (15 minutes) response capabilities, especially airlift, to support Afghan and coalition forces operating in hostile terrain; 3. a greater focus on the opium problem directed against traffickers rather than ordinary farmers, and 4. greater and more effective support for rural development.

There are some areas in which improvements are evident: the situation for women is improving, as are macroeconomic conditions. However, much work remains to be done. For example, there has been virtually no improvement in the justice system.

It will be at least a decade before Afghanistan can stand on its own. In the meantime, the US will have to learn to trust Afghan decision makers and contribute to the development of a new generation of leaders. Reconstruction and development work remain a challenge for the international community. Basic freedoms and economic opportunities are needed to sustain long-term development. Parliamentarians were particularly interested in the problem of corruption within the Afghan government and the ways to tackle it, as well as the most efficient methods for financing development projects, including the merits of a trust fund managed by the Afghan government versus bilaterally administered aid. There was also much concern among delegation members about fading public support for the mission and the need for measurable achievements. There was agreement that the key to sustaining public support is demonstrable progress, as well as fair burden sharing among Allies. Another issue, and one which resonated throughout the visit whenever Afghanistan was discussed, was the problem of poppy and its profitability to Afghan farmers in the face of a lack of the kind of rural infrastructure and market access that would allow them to cultivate alternative crops.

CAPITOL HILL, DEPARTMENT OF DEFENSE BRIEFING

Christopher Straub, Deputy Assistant Secretary of Defense, painted a somewhat optimistic view of the situation in Iraq, noting first the falling civilian and military casualties. He attributed this to the coalition forces' operations against Al Qaeda and Prime Minister Miliki's quashing of several rebellions in Basra, Sadr City (Baghdad), Mosul and Amara. He noted that nine out of eighteen provinces are under government control, and the Anbar province will soon follow. Al Qaeda has alienated many Iraqis; and some former insurgents are now even joining the Sons of Iraq and the Iraqi Police.

Political reconciliation and economic development are the keys to stabilization.

The former is already happening on a local scale, facilitated by British and Italian forces/civilian employees. Mr. Straub noted that there have been some economic improvements in Iraq, but that most ordinary Iraqis do not yet feel much improvement in their personal lives.

The discussion focused on the parallels between Iraq and Afghanistan and whether the success in transferring power between the international coalition and the state in Iraq be repeated in Afghanistan. Mr. Straub noted that the Americans conduct cross-analysis and send senior people between the two countries to share lessons learned. General Petraeus himself is moving to Central Command, which covers both theatres. On the economic front, Iraq cannot continue to rely on oil exports for 90% of revenue, and the country will need to invest in agricultural productions.

Daniel Fata, Deputy Assistant Secretary of Defense for Europe and NATO, opened his remarks by reviewing the achievements of the Bucharest Summit. The ISAF strategy document provides the essential steps to help Afghanistan become a self-sustaining state. In Bucharest all 26 members affirmed the value of the ISAF mission.

Fata also suggested President Sarkozy's commitment to reintegrate France into NATO's command structures as a very welcome sign. He argued that finance ministers should meet periodically within the NATO framework to consider defense budget challenges.

Mr. Fata suggested that the 60th anniversary summit will demonstrate that NATO continues to play a central role in its members' security. The US is looking forward to a membership invitation to the former Yugoslav Republic of Macedonia*, progress on missile defense and fruitful discussions with Russia's new president.

Scott Schless, Principal Deputy, Central Asia Affairs, then provided an overview of the situation in Afghanistan and Pakistan. He stressed that every institution in Afghanistan has had to be built from scratch. A well developed mentoring program is emerging between western institutions and their Afghan counterparts. The guiding philosophy of the coalition in Afghanistan today is "clearing, holding, building". Police sector reform is the biggest challenge in Afghanistan, as currently there is no reliable internal security mechanism in place to hold on to territories recaptured from the Taliban. Similarly, although there is a good counter narcotics strategy on paper, the weakening of the justice system renders it largely unenforceable. On the coalition side, Schless identified two types of challenges – the capabilities shortfall; particularly lift capabilities, and

operational caveats guiding national forces. Better coordination is now crucial to the success of the effort in Afghanistan.

Mr. Schless concluded by suggesting that the public needs to be better informed about Afghanistan and why the NATO effort there is essential – not only for international security, but also for human development.

UNITED STATES TRADE REPRESENTATIVE OFFICE

Jim Sanford, Deputy Assistant US Trade Representative for Europe and the Middle East, suggested that his staff is working out the modalities of the Doha negotiations. Agriculture remains the key challenge. The structure of trade talks has not evolved, although the economic context has changed dramatically, with new economies such as India, China, Brazil, etc, playing an ever more significant role on the global stage. These rising economies have been reluctant to cut industrial tariffs, and there are also problems in services negotiations. By 2015 the emerging economies will account for 50% of world trade, so they will have to make concessions to ensure a degree of reciprocity. This is not a north versus south issue. Many middle level developing countries (Malaysia, Chile, Thailand, etc) are pushing for concessions from these rising economies as well. The rise of protectionism was the central theme of discussion. Trade has become an easy target for those concerned about globalization, and politicians have to do a better job conveying the argument for freer markets.

UNITED NATIONS HEADQUARTERS

Colonel Eric Heeze, NATO liaison officer, outlined the working of the UN-NATO liaison office in New York. He revealed that the NATO liaison office consists of just one person – himself. He noted that NATO officers interact primarily with UN commanders in the field, not at the headquarters. Colonel Heeze described the role of his office at the UN headquarters as educational, and his main tasks as meeting with representatives from Russia, China, Cuba, etc, to educate them about NATO, its missions, transformations, etc. Because NATO will begin to develop a new strategic concept, there will be a need for greater interaction with the UN.

The UN is increasingly engaged with the EU, the World Bank, the IMF and other organizations. The fragile states unit within the World Bank is a key partner in post-conflict issues.

Wolfgang Weisbrod, Director of the Asia-Middle East Dialogue (AMED), UN Department of Peace Building Operations, gave a briefing on the peacekeeping situation in Afghanistan (the UNAMA mission). He indicated that the security situation in Afghanistan has not been improving. The insurgency is more resilient than originally thought, and the government has little capacity to deliver services to its people. Although tactical successes are evident, there is no sign that a strategic victory is imminent. The insurgency cannot win, but it is not losing either, and this is sapping the international community's will. It weakens investment and the reconstruction effort, and the international community's leverage itself remains very weak. The international community also requires an improved dialogue with Pakistan, which needs to understand that stability in Afghanistan is in its own interests.

This has been a year of profound reflection among coalition forces and civilians involved in Afghanistan, and this could help the global effort here. UNAMA plans to move outside Kabul and will open more district offices.

Mr. Weisbrod suggested that Eide has the qualifications, experience and personal qualities to be an excellent coordinator for the international community. However, he can only make a difference if he has the right tools. If 80% of foreign aid is administered bilaterally, success will be elusive. There is little recognition among Afghan officials that corruption is endemic. In fact, many believe it is a western issue. Kai Eide's chief task will be to change that perception, but he needs support from leaders at the highest level. The Paris conference was likely the last major donors' conference, and donations to that country will likely begin to diminish soon.

For several months now, many leaders in Afghanistan have been in the "electoral mode", and are less focused on policy. At the same time, the electoral infrastructure is not in place, which is worrying. UNAMA is working to ensure successful elections.

Ambassador Zahir Tanin of the Afghanistan Mission to the UN outlined the government's view on the developments in his country. He noted that NATO operations are limited to the interior of Afghanistan, while terrorists simply ignore borders. That said, NATO operations in the south have enjoyed some success and many Taliban leaders and fighters have been killed. Negotiations alone will not solve the security problem but when negotiations do take place, the other side must be able to envision its own stake in the future. Ambassador Tanin indicated that seven years ago there had virtually been no Afghan state to speak of. He said that the government is determined to work with the outside world and increasingly recognizes the need to tackle corruption, but a degree of realism is essential given the woeful capacity of the judicial system. The ambassador also suggested that it is up to the Pakistani government to tackle issues such as border control and extremism in the NWFP. He argued that an important lesson from the history of Afghanistan is that the international community should not lose patience.

Ambassador Tanin agreed with the parliamentarians that if corruption and the opium problem are not tackled, progress will be slow and public support in the West for the Afghan intervention will evaporate. But he also pointed out that corruption is linked to insecurity, so the insurgency will have to be defeated first. The United Nations Office on Drugs and Crime (UNODC) estimates that there will be a reduction of opium production and an increase in the number of poppy-free provinces. He defined Afghan leadership, international support and institution building as the essential ingredients of anti-corruption and anti-narcotics efforts. The short-term focus should be on improving immediate security and economic opportunities for the Afghan people rather than on more ambitious projects.

The ambassador answered questions regarding the situation of women and the educational system in Afghanistan. 28% of seats in the parliament are occupied by women, and women are serving in ministries and in the police. Further progress here will not be possible without improvements in the security situation. The ambassador also pointed out that there are more than six million young Afghans in school now. More than 300 schools have been built, and now teachers are being trained. Kabul University

is now back in operation and several more have opened. There is an education strategy in place for the next ten years. The hope is that the educational system will not only bolster basic reading and writing skills, but also develop skills relevant to today's labour market. This is an essential element of state building.

Colonel Ian Sinclair, the Chief of Staff of UN Department of Peacekeeping Operations (DPKO) Office of Military Affairs, discussed the evolution of peacekeeping from an earlier focus on interethnic conflict, such as in Cyprus, towards peace enforcement, maintenance and multilateral approaches (coordination, institution building).

Colonel Sinclair noted that building a rapid reaction force is very important, though costly. The UN has a standby reaction system, through which troops can be drawn on short notice, although there is never a guarantee that these forces will be available. NATO might consider making the NRF available to the UN on a case-by-case basis. But this has not yet been decided. The UN does have an agreement with the EU to use its Battlegroups to prepare ground for a UN deployment within three months. This solution, however, is not always going to be appropriate as a Battlegroup deployment can be seen as too European. The UN provides a truly multinational character to peacekeeping that can be more acceptable.

EARTH INSTITUTE, COLUMBIA UNIVERSITY

Dr. Klaus Lackner of the Earth Institute's Lenfest Center for Sustainable Energy opened his remarks by suggesting that the world will not run out of energy for hundreds of years. That said, it is crucial to develop technologies to reduce carbon/fossil fuel use. Dr. Lackner suggested that fossil and nuclear energy use will decline, while hydro energy and biofuels will intensify the fight for land, divert land from food production, and create environmental problems. Politicians should not subsidize biofuel use. Ultimately, high fuel prices will burden the very poorest people. Wind power can be helpful but cannot generate sufficient energy to cover all of society's needs. Geothermal energy, on the other hand, has great potential if certain technological solutions are found. It is especially efficient and cheap for home use.

Governments, producers and consumers should bank on all energy sources, so that if something goes wrong on one front, there is a fallback. The world needs, and will inevitably have, an energy sector revolution with zero emission energy production.

Dr. Lackner stated that carbon capture technologies are not terribly expensive. He said that oceans should not be used for storage, as this transfers pollution from one place to another. Injecting carbon gases underground offers a better solution, but the problem is limited space. Another option is to pump it under the seabed or use the mineral sequestration technique. The bottom line is that it is critical to develop a good method and start doing it.

Dr. Lackner also expressed his hope that within the next ten years there will be sufficient political will, especially in the US, to deal with the carbon emissions problem. However, he cautioned against advocating major lifestyle changes, such as suggesting that people drastically reduce the use of cars, as this would only diminish public support for green initiatives. Instead, the government should start gradually by putting a price on emissions and developing a proper regulatory framework. The costs of carbon should

be evident all the way up stream, while pilot projects for the storage of carbon are developed even before regulations are laid out. Governments should encourage solar and wind energy. All of this will help garner public support for recognizing the problem and working from there.

Respectfully submitted,

Mr. Leon Benoit, M.P.
Chair
Canadian NATO Parliamentary Association (NATO PA)

TRAVEL COSTS

ASSOCIATION	Canadian NATO Parliamentary Association (NATO PA)
ACTIVITY	Visit of the Economics and Security Committee and the Sub-Committee on East-West Economic Co-operation and Convergence
DESTINATION	Washington, D.C. and New York, U.S.A.
DATES	June 23-27, 2008
DELEGATION	
SENATE	
HOUSE OF COMMONS	Mr. Leon Benoit, M.P.
STAFF	
TRANSPORTATION	\$1,805.14
ACCOMMODATION	\$1,397.75
HOSPITALITY	\$0.00
PER DIEMS	\$335.42
OFFICIAL GIFTS	\$0.00
TOTAL	\$3,538.31