

IISS PRAGUE DEFENCE SUMMIT 2024

CONCLUDING PLENARY SESSION

SUSTAINING THE LONG WAR: MONEY, MANPOWER AND PUBLIC SUPPORT

SUNDAY, 10 NOVEMBER 2024

QUESTIONS AND ANSWERS SESSION

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Now we have about 45 minutes for discussion. And as always, I take the first round of questions and then return to the second round. First on my list is Eduard de van der Schueren from the Netherlands.

Air Commodore Eduard de van der Schueren, Director of Plans, Ministry of Defence, Netherlands

Thank you, Ben. Thank you to all the panellists for your speeches. I have a question to Admiral Bauer, of course, a reference to support to Ukraine.

Yesterday, we had an interesting first session in which the German commander of the Multinational Corps Northeast asked us two questions. He said, do you think the European countries would have won the Second World War if the US only supplied equipment to the European countries? He did not answer the question, but I think the answer was no.

The second question he asked was when we are willing to fight in Afghanistan because we say our security starts at the edge of Europe, why are we not willing to fight in Europe when the threat is in Europe? He did not answer the question.

You referred to COVID, and you were absolutely right. We were able to handle that problem. But COVID attacked our countries. It was in our country, in our cities, in our houses. If COVID would only be in Ukraine, I am sure this summit [would be] about face masks, hand gloves, and IC capability. You as a Navy officer know that when you have a man overboard at sea, you can throw a rescue buoy, and you can call three times 'swim'. But eventually you have to turn the ship, you have to launch a rescue boat, and you have to deploy a rescue swimmer into the water to save the man or the woman.

So my question is, do you think it is time to do more than only supply equipment, intelligence, and training to Ukraine in order to help them? And maybe that might be a trigger to the investors and the industry and to society that more is needed for our safety and security. Or are we going to wait for 20th January for President Trump to solve this problem in 24 hours?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. Next on my list from the IISS Asia office, Julia Voo.

Julia Voo, Senior Fellow for Cyber Power and Future Conflict, IISS-Asia

Thanks, Ben. Thanks, panellists. That was very interesting. I am the head of Cyber from the IISS. As we are discussing a whole-of-society approach to sustaining the long war, I would like to hear more about the efforts being made, both domestically and internationally, to strengthen societal resilience against adversarial interference and influence that persists across competition, crisis, and conflict. This seems to be a vital component of maintaining public support. And, Philip, I think you touched a bit about this, STRATCOMS that Germany is doing. But it would be valuable to learn more about this from all the panellists, ongoing efforts, how much of a priority it is, and what challenges do you foresee in building collective cognitive resilience.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you, Julia. And from the United States, Richard Grove.

Richard Grove, Partner and Chief Executive Officer, Rutter Associates, President, US Friends of the IISS

Thanks very much, Ben. Thanks very much to the panel. Excellent remarks. My question is for Oliver Cusworth. I was interested in your remarks about the shareholders of the EIB loosening the restrictions, but the concern, the constraint being the investors in EIB's bonds. And the question I have is, to what extent is that concern, those pension funds, institutional investors, who have ESG constraints that prohibit them from having any investment in the defence sector? And how much of the concern is those investors who might have geopolitical concerns about funding European defence capabilities? I am thinking in particular about investors in China.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

From Sweden, State Secretary Berggren.

Johan Berggren, State Secretary to the Minister for Civil Defence, Ministry of Defence, Sweden

Thank you. Two questions, one to Mr Cusworth and one to Mr Krämer. You mentioned infrastructure improvements across Europe, and I think you gave an example in Denmark, a port facility or a docking facility. Now, obviously, there are huge needs across Europe. To what extent do you take a whole-of-Europe approach when you prioritise those kind of large-scale infrastructure improvements?

To the member of parliament, you talked about some of the challenges with supporting Ukraine, particularly in eastern Germany. You are entering an election year. To what extent do you feel the parties will reflect that opinion versus the parties trying to change that opinion and trying to change the view on why we need to support Ukraine?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

From the United Kingdom, Tim Willasey-Wilsey.

Tim Willasey-Wilsey, Visiting Professor, King's College, London

Thank you very much, Ben, and thanks for three very interesting presentations. I must say I, for one, found Admiral Bauer absolutely inspiring. And if only decisions were taken by people with that military clarity. But as we know, they will not be. They will be taken by politicians with all other factors on their minds.

I wanted to briefly ask the question, how are we going to stop a repeat of Afghanistan? And just to remind everyone what happened in Afghanistan, President Trump came to an agreement with the Taliban called the Doha Agreement in February 2020. It was a pretty hopeless agreement. It was done behind the backs of the Afghan government. But to be fair to it, it had all sorts of conditionalities that if the Taliban engaged in terrorism, it would be called off. But they did engage in terrorism. Lots of Afghan women judges, for example, were assassinated.

And the Afghan government were put under pressure by the United States to release 5,000 terrorist prisoners. Then Biden came in, in January 2021, so exactly four years ago we are talking about, and briefly wondered whether to re-examine the Doha Agreement, but decided that it would be too difficult to unravel it and went ahead with the evacuation. And we know what happened in August 2021, that humiliating evacuation.

Now, my point really is about the next phase. At no stage did Europe put up any serious objection to the American action. So the UK had lost 457 soldiers, Canada 159, France 90, Germany 62, and we can go all the way down, Denmark 43. I think pretty much every nation in this room lost soldiers in

Afghanistan. We just took it. We just took it that the US had taken this decision unilaterally, had done nothing.

So my question is, how do we stop that happening again over Ukraine? How do we get a place at the table? How do we maybe decide? As John Chipman said yesterday, do we even consider going it alone without US support?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

From Germany, Dimitrios Argirakos.

Dimitrios Argirakos, Advisor to the Chief Executive Officer, Hamburg Messe und Congress GmbH, Associate Fellow, European Security and Defence, IISS

Admiral Bauer, it was inspiring listening to your remarks, in that sense, and out of my role as a private investor, there is just one thing there where I really do not agree. I think right now it is not about prioritising security investments over others, but rather about activating more private capital that we have in the European Union and in the US and other democratic countries for the future.

So in that sense, I have a panel question, but most likely to Oliver. The Americans invented the liberty bond during the First World War. In that sense, could a European liberty bond be an effective way to engage not only institutional investors, because we are talking about institutional investors all the time, but also citizens in addressing key challenges like climate change and energy security, digital things, and defence? And might such a bond, supported by tax incentives across member states of the EU and maybe across NATO members, because there are 31 members, such as exemptions from capital gains taxes and tax-deductible contributions, encourage broader participation while providing citizens with a solid return? Because at the end of the day, it is all about the economy and money.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Last for this round, Fenella McGerty.

Fenella McGerty, Senior Fellow for Defence Economics, IISS

Thank you, Ben. My questions are primarily for Mr Cusworth. Thank you for the interesting and informative remarks. In terms of supporting SMEs, given the structure you described, that distribution framework, how will the outcomes and successful investment be monitored centrally? And if you could perhaps speak more about that process of working with the EDA to assess the viability of the project. Will that criteria be publicly available? Will that process be transparent? How fast will that process be?

Finally, given that you mentioned that the mandate comes from individual finance ministries, are there countries that you can highlight that are driving this shift towards enabling funding in defence in the private sector, which need to do more work as well?

And perhaps to Admiral Bauer, what can NATO do more to encourage that shift in attitude and mentality towards defence, more than it is already doing? Or is it up to individual countries and their finance ministries to make that shift themselves?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you, Fenella. So, a lot of good questions. I think we go in the same order. So maybe, Philip, if you want to start in addressing some of these questions that were directly posed to you, but maybe also picking up on some of the broader points about societal resilience, what can we do more? But also this

pertinent question, are we going into another Afghanistan? And should we now do much more to prevent that from happening, and really being willing as Europeans to assume more of the burden that is coming down the road?

Philip Krämer, MdB, Member, Defence Committee, Alliance 90/The Greens, German Bundestag

Thank you very much for the questions. Because the first question I would like to address is what will happen in Germany now, because we have no budget for 2025, so it will be very hard to get new, bigger projects to get financed in the future or in the next month.

The new governments will be elected in possibly May or June, and a new budget for 2025 will take place in September, I guess. So we have got about nine to ten months until we get a new budget in Germany. And this is very hard, but we can do other things now. I think we will have a lot of meetings next week with the conservatives, the opposition, and maybe Germany can be a political leader in Europe.

For example, we could show a path to NATO for Ukraine. Nowadays, Germany did not make or did not focus on this aspect. Maybe we can change it. We could allow Ukraine to attack also Russian territory with Western weapons. I think this is very fundamental.

And another aspect could be to deliver weapons systems which are already bought in Germany. For example, we talked about the deep-strike capabilities. This could be a good aspect to do so. There are possibilities to act, but I think there must be more political leadership on this point.

Second question, what about our population? I think it is a problem in the whole Western world that we have problems to talk and to show our population why we are engaged in Ukraine, why we are engaged in other regions in the world. It is not very easy because we have a lot of our own problems in our countries, for example, social problems, economic problems. And this is a very big competition for the future to work on.

But I think, like in the other aspect, we need more political leadership. We need to work on our strategic communication. We need to show our people that the Russian aggression or Russian attack on NATO territory is more expensive than spending the money now on Ukrainian military and Ukrainian weapons systems.

And on the other hand, it is all about freedom. I think we need to talk to our people that the Ukrainians are defending freedom and democracy for us, and they are killed on the battlefields, and we are in our warm houses at home and just have to spend money. I think this could be an option to talk about.

What about Afghanistan? To be honest, in Germany we did not talk a lot about Afghanistan. Within the 20 years we were engaged there, we said we do some projects for women, and this is very helpful for democracy in Afghanistan, but we do not talk about security issues which are related to our engagement in Afghanistan. This was a very big problem, because nowadays we cannot relate to Afghanistan, we cannot relate to other engagements in the last 25 years. Because before Afghanistan, there was also Yugoslavia, we were engaged in Kosovo, and this was very successful for the German army, for the German Bundeswehr, because we brought peace to this region until today, 25 years of peace in this region. And maybe it could be an example for our engagement today. I think this was a very big mistake, that we did not talk a lot about Afghanistan.

But what should we do? I think the main problem was that there was no strategy for Afghanistan since 2003, since the US was also engaged in Iraq. I think this was the point where our success or the

behaviour in Afghanistan has changed, because there were less soldiers of the US than before, and this had a big impact on the security in Afghanistan in the years after 2003.

I think what is very important is that the Western world is talking about the strategy for the next years in Ukraine, and also for the next decades in Ukraine, not just a small time, but a very long time, because I think this will not be over within the next five years or something like that. I think we must be very true and very honest on this point, so we will see.

Hopefully, there will be a good cooperation to the US, and there will, quickly, be a new government in Germany so that we can make more leadership in Europe, in the EU, to be in solidarity with our middle and eastern and northern and north-eastern friends and partners.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. Let us hope that this political paralysis does not really last until next autumn, because I think we all agree that we simply cannot afford that in the current situation. Admiral Bauer, lots of questions directed to you, very easy ones. Please go ahead.

Admiral Rob Bauer, Chair, Military Committee, NATO

Let me start with a couple of remarks before I answer the questions. I think it was fascinating by you, sir, in the back when you said, in the end, it is all about the economy and about money. I think that is part of the problem, because over the last 30, 40 years, we have changed from a more strategic approach to security, in a more holistic way, towards getting rich, focusing on earning money, selling our mines to the Chinese because we wanted to get rich, just in time, just enough. Because everyone focused on efficiency and accountability and all the other '-ilities', and nobody talked about effectiveness anymore.

A lot of the things that have brought a lot of money to a relatively small group has now led to strategic problems. And therefore, we should not focus on solutions through individuals, but to talk about what is society. Society is not the sum of all the me's.

On a scale from me to we, we have gone completely to the me side. It is about my privacy, it is about my happiness, it is about my rights. Everything is about the individual. And even the EIB, I hear talk about the individual investors, and they decide whether they go for the ESG fund. And that is true, but it is part of the problem. We need to talk about the importance of what is society. It is not the sum of all the me's.

Society is more than that. We need leaders that explain to all the me's why they need to contribute to the we. Nobody wants to die in a war. If you now do a survey in a country, would you like to die for NATO? The majority will say no. Of course is that the answer, because they compare it to what they have now. Of course you do not want that. Is that then proof that NATO does not work? No.

The surveys they did in Ukraine before 2014, young people said the same. And then the war came. And then people changed their mind, because they start to understand that if they do nothing, they will lose their country. We have been in an extremely luxurious position for 80 years. All the people in our countries, all the businesses have been able to get wealthier and have a beautiful life without anyone actually realising that the foundation for that security and stability came from NATO.

The economic models in all the nations disregard the defence organisations. Why? Because they do not add value to the economy. As a result, politicians were cutting budgets of the defence organisations very easily because it did not have an effect when these economic models were used.

But everybody forgot that if the foundation is not there for stability and security, there is no economic activity. Ukraine lost 40% of its GDP on day one of the war. There was a lot of private money there as well. People now still do not understand we need each other to solve this problem. And it is not only about me, but also about the we, that we will never solve this problem.

We have to understand this is not only the job of politicians. This is not only the job of the military. It is the job of all of us. That is what I am missing. We talk about whole-of-society approach, but it means that everyone understands that they need to contribute. And if you earn a little bit less money because you invest in the defence industry – by the way, I think there is a lot of money to be earned for the next 20 years, so it is stupid if you are a pension fund and you are not investing in it, I think. But because you think it is not ethical or because it is against the sustainability goals. But it actually makes our society stronger, our democracies. That is not measurable in money. But if we do not do it, we will destroy our system.

I think there is much more at stake than we understand. The rules-based international order, which was set up by China and Russia as well, so do not believe them if they say it is a system of the Americans. They were part of the setup after the Second World War. Why? Because it was two devastating wars with more than 20 million people killed. All of us said, never again.

Now the Russians say, 'We do not care.' If you look at the numbers, more than 400,000 Russian soldiers killed and wounded. That is huge for a society. They do not care. We would have a serious, difficult discussion in our parliaments when there is 100 soldiers per day dying. In Ukraine, 1,000 Russian soldiers get wounded and die per day. Now probably Korean soldiers as well.

We have to understand it is not cheap, it is not for nothing. It is not a cost. Defence is not a cost. It is an investment. And if we do not do that, then the Russians and the Chinese will slowly eat us away because they use our weakness. And our weakness is our strength because our openness of our societies is what they use. They first closed their societies and now they attack our openness.

And we have to understand that it takes money and courage and work, and it will not be cheap. Indeed, we will have less money for holidays and the second car and the second holiday and all the things we have. We are rich. We are.

People that say there is not enough money to pay for all the things that defence needs, it is nonsense. EUR500 billion was paid by the EU in two years' time to make sure the citizen in EU could keep their heating system on the right temperature. EUR500bn went through the chimney in two years' time, literally, to keep our citizens comfortable.

People say there is no money. It is not true. There is loads of it. But we should be willing to spend it on our security, our freedom.

Now, how far are we going, to the Commodore's question, in terms of are we going to fight in Ukraine? Because you did not say it, but I think that was the question. Everything is possible. But if you fight in Afghanistan, that is not the same as fighting the Russians in Ukraine. The Taliban did not have nuclear weapons, and the Russians do. And again, I am not saying it is impossible, but we take a risk as an alliance, and it is a political discussion to take that risk.

Militarily, one could say you can do things, of course, in Ukraine to help the Ukrainians. We can. But it is a political question, not a military question. Are we willing to take the risk? And afterwards, it is always easy. I will never say that it is an easy discussion politically.

Afterwards, everybody says, 'yes, but the red line wasn't the red line, so why did not we give those weapons earlier?' If you are looking at the problem in the future, like the question is there, and you do not necessarily understand the consequences, then it is much more difficult. Afterwards, you are going to say, 'the tanks and the F-16s and HIMARS' and, 'actually, nothing was the red line, so why did we not do it earlier?'

But President Biden and his team, and in Germany and in other nations, have that discussion up front before knowing the answer. It is always simple to look back and say, 'but that was stupid.' But if you have to take responsibility for that risk, then it is a different discussion. And you can say they should have done something else, that is true, but that is a political discussion. I am absolutely sure if the Russians did not have nuclear weapons, we would have been in Ukraine kicking them out. We would have. But they have nuclear weapons, so it is not the same as in Afghanistan.

To your point, sir, when it comes to, are we making the same mistake when it comes to the peace deal in Ukraine? Because I guess you are pointing at that. For me, there is a big difference between Afghanistan and Ukraine. Actually, Afghanistan was never of strategic importance. If we are really honest, Afghanistan was not of strategic importance. We spent 20 years there, we did a lot of things and people lost their lives. But if you ask the question, was it of strategic importance, Afghanistan? The answer is no. Is Ukraine of strategic importance? Yes. Because it is connected to the rules-based international order discussion. It is connected to being in the heart of Europe. It is connected to the ambitions of Russia and indirectly the ambitions of China.

If I look at what President[-elect] Trump says about the 24 hours, which is probably more metaphorically than 24 hours, but let us say very soon, then I cannot imagine that it is in the interest of the US States to allow Putin to come out of this conflict as a winner. It is not in the interest of the US.

Secondly, the US, I think, should look at North Korea as well, because they are now not only directly involved in the war between Russia and Ukraine, but they also get support from Russia on nuclear, on ballistic missiles, on space. All these things that will improve their capabilities is a challenge and a problem for the US as well in the Indo-Pacific.

And then there is China that supports Russia to remain in the game without selling weapons, but selling basically everything you need to build weapons, so China plays a role here as well. So you cannot solve Ukraine without looking at all these other players as well, because otherwise the US will hurt itself.

Then on the question of the lady, I think, over there on cyber and resilience. I think it is a sensitive topic to talk to our own people, information towards our own people. Very quickly it becomes propaganda, and that has a reason. But the Russians talk to us. They lie, they lie openly. So they lie also to their own people, but they do not care. We have an agreement that we do not do that. What we say publicly, our people will check it. There is a number of people in our nations that will basically check if the government says something. That is not necessarily the case in China and Russia.

In terms of disinformation and cyber attacks and all the things that are happening, influencing elections, I think it is a serious problem. I think the use of social media is basically amplifying everything that is being done by bot factories. I am very much in favour of freedom of speech, but I am not necessarily convinced that what Mr Musk is doing on X is the right approach. I am very much in favour of freedom of speech, but there is a lot of things on Twitter that is not helping our societies at all.

Again, it is the me and the we discussion. Everybody says, 'it is my privacy'. Now everybody has given away everything to the tech companies in the US by saying 'yes, yes, yes' when you wanted the app of Google and everything. If the government says, 'can I see your phone for 10 seconds?', there is a

revolution. But we have given away everything already, so it is a ridiculous discussion on privacy in many ways.

I think we have gone too far in many of these things. We should look a little bit less to the individual and a little bit more to what does it mean for the group, for society.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

We have lots of people who still want to come in for a second round, so if you could give a crisp response to these very many questions, please.

Oliver Cusworth, Senior Policy Officer, Security and Defence Office, European Investment Bank (EIB)

It is hard to follow such an articulate plea with the bean counting. I will do my best to respond. To the questions, how much is the concern about bond issuance about China versus ESG investors? Well, the EIB is not able to disclose which individual investors or even which governments are buying our bonds for confidentiality reasons. But I will note that, I said at the beginning of my presentation that we spend EUR90bn a year into the economy, and so that means we have to raise EUR90bn a year. That is a big number. And to reach that number, you need confidence of global investors.

What we do disclose is a breakdown of regions. I think it is about 20% of EIB bonds are sold in Asia per year. I think it is about 40% are sold to ESG investors, so it is a fair chunk. But whether the geographical destination impacts the policy, I do not think so. China buys bonds from the US, from the Commission, and other sources which have defence activities. I do not see that.

For us, it is important that we have a diverse investor base also for currency risk spread, and for the fact that investors have to have a choice of which bonds to buy. If they do not buy an EIB bond, they can buy another multilateral development bank bond. So there is a little bit of a need to stay within the market parameters.

How much does the EIB take a whole-of-Europe approach? Well, we are open for projects. We do project finance. My plea is, if you have a project, an infrastructure project or another kind of project, come to the EIB, and we are very welcome to appraise it, and from all over Europe. We have an office in every single member state capital. We have also a mandate to support every European member state. It is not that we have specific preference or focus for certain member states or projects.

The liberty bond, that is difficult for me to comment on because it is a very visible and topical issue at the moment and it is not something which EIB has a competency in. We do project finance with capital. We are probably not the right organisation to issue a liberty bond. But I will note that the financing gap for defence is the numbers which have been talked about, EUR500bn, EUR900 billion, EUR1 trillion. It is not capable to reach those numbers with current instruments.

I heard that this pan-European missile defence project alone would cost EUR500bn. So it is clear that the policymakers are going to have to come up with something quite large if they want to reach those kind of numbers. It was done after COVID for the next generation EU, a bond was issued for the RFF instrument. But as I said, it is not for EIB to comment on that option versus other financing options.

SMEs in the supply chain, how do we monitor the outcome? Well, we have a target of trying to reach EUR8bn by 2027. It is fair to say that a material chunk of that should go to the SME sector because that is where the financing gaps are. And we are working with defence associations in the countries, in Brussels, to see how effective that lending is. And of course, we work with the partner banks to see, are

they dispersing the money that we pass on to them? They are not just using it to boost their own balance sheets. That is a monitoring process that the EIB has running throughout the cycle.

More on the work with the European Defence Agency. Well, it is governed by a MoU, a Memorandum of Understanding, which I think is public, so please have a look at that. It gives more details on how we are working together, knowledge sharing, and the various new initiatives we have.

Which countries have what view on defence in our Board discussions, I cannot comment on because our Board discussions are confidential. But, as you can imagine, the question of how far to go to support the defence sector, given the complexities we have, it is contested in various forums, both inside and outside the bank. And it is something we are trying to balance while going as far as we possibly can, because we are very aware of the political priority, which has been articulated so well today, for the EIB to do more.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. So we now have 10 minutes left and quite a few people still wanting to come into the conversation. Please keep your questions and comments short and precise. The first on my list from the Czech Republic and the Ministry of Defence, Jan Jireš.

Jan Jireš, Director, General Defence Policy and Strategy Division, Ministry of Defence, Czech Republic

Well, thank you very much. I have a question for Mr Krämer. You spoke about the collapse of the German government, obviously, and what impact it might have on the future of German politics and leadership in Europe. But at the same time, actually, what we see is an accelerating collapse of the traditional German economic model. I think I do not need to go into detail what it is about. That is obviously something that may be way more important than the moves and shakes in politics. What is your assessment of how the current and future state of German economy may impact German role and leadership in European defence and security?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you, Jan. And from Germany, Matthias Gebauer.

Matthias Gebauer, Chief Correspondent, *Der Spiegel*

Admiral Bauer, you have been talking about a possible Ukraine deal and you warned against that Russia would end up as a winner in this. I just imagine that many European countries share this position and many NATO members. But how could they make their voice heard or their position, given the fact that it seems very much that the new US administration has very much decided already that they will negotiate alone with Ukraine and Russia about this?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. And from France, François Heisbourg.

Professor François Heisbourg, Special Adviser, Fondation pour la Recherche Stratégique, Senior Adviser for Europe, IISS, former Chairman of the Council, IISS

Yes, building on this question, I assume that feelers are already being extended between the Americans and the Russians and possibly between the Americans and the Ukrainians. Whatever the role of Europe may be, I also assume that the Ukrainians will extend feelers to the Europeans to ask us, 'Would you be ready to substitute for the Americans if the deal which is being concocted between Trump and Putin

were to prove inimical to the sovereignty, the freedom, and the territorial integrity of Ukraine?' Would Europe be ready to invest the more or less US\$50bn a year, which the US is currently spending on the defence of Ukraine? Should we respond favourably to such Ukrainian feelers? Because if we do not respond positively, the Ukrainians, I assume, will simply have to fold in the face of Trump and Putin.

Just an additional little point. One of the seriously pro-Ukrainian people in the Trump entourage is not going to get a job in the new administration, and that is Mr Pompeo. My scenario here looks very, very probable. Western politicians, Mr Krämer, had better start thinking about their answer now, not in two weeks or three weeks. This is going very, very quickly.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you, François. And from the UK and the IISS, John Raine.

John Raine, Senior Adviser for Geopolitical Due Diligence, IISS

Thank you, Ben. A question for Admiral Krämer and Oliver Cusworth.

You said you would give us hope, Admiral Bauer, and you did, on an unexpected element for me of the set of problems that we are dealing with, and that is the financing of defence. We have had a number of presentations over the last few days about the need to revolutionise all aspects of defence procurement, industry, and deployment. I get who is leading on all of that.

The question for both of you, really, is can you give us some idea who, what institutions in government, what gatherings are leading this approach? Your own formidable advocacy is really welcome, I imagine, on this, but is it being institutionalised? The effort to recruit Western financial power at the level of financial institutions and also possibly private equity, this is no easy task. It has to be staffed out and pursued with the same amount of rigour as the other revolutions that we are trying to bring about in defence procurement. Who is it that owns this and will deliver on it?

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. We only have four minutes left, so time for one more before I unfortunately have to close this list and it goes to Bastian.

Dr Bastian Giegerich, Director-General and Chief Executive, IISS

So two quick points. The first one, and it is really directed to the EIB. I am not sure I understood whether preserving your lending capacity is primarily a problem of policy or a problem of perception, because when you spoke about the market response, it sounded like a perception problem, largely. My question is, do you actually need a change in policy and regulation on ESG or on other things? Or do you just need people to buy into Rob Bauer's argument that defence is not a cost but an investment and a place where money can be made, and it is worth doing for all sorts of reasons? I am just not sure I understood where you come down there.

And then just one quick note to make sure we all hold on to Rob Bauer's statement that if Russia did not have nuclear weapons, we would all be there kicking Russia out of Ukraine. And just let us weigh that statement and understand the full implications of it.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. So all the admirals on the panel will now have one and a half minutes each. I start with Philip Krämer.

Philip Krämer, MdB, Member, Defence Committee, Alliance 90/The Greens, German Bundestag

I am just a member of the Homeland Security, not the marines. But I will try to answer some quick questions. I do not agree that there was a low impact on strategic importance of Afghanistan. We fought back the international terrorism, especially in the first years. I think this was very important. But afterwards, I agree, after 2007 or something like that, it changed.

Second thing, I think we need to talk about two things. First of all, what is our strategy if there is a breakthrough of the Russian forces in Ukraine? What is the answer of Europe? What is the answer of the Western world? What is the answer of Germany? Because in my opinion, in this scenario, we need to talk about boots on the ground in Ukraine, which could be another option to fight for the Ukrainian state. This is the first thing.

The second thing we need to talk about is, do we want to spend more money on Ukraine, especially when Trump says, 'no, we have no more money for Ukraine, but you can buy American weapons and deliver them to Ukraine, but you need to pay for it'? I do not know if it is possible.

As you can remember, we talked about 10 systems of air defence for, I think, about 12 months now, and I think Ukraine got eight or seven or something like that. So you see, it is a very hard discussion with our partners, and I think everyone needs to engage more in this aspect.

The collapse of the traditional economic model in Germany. Yes, for us, it is not very easy, because we have a big transformation in our whole society. We try to build up our renewable energy system. We need to build a new economic system. As you mentioned, the times of cheap energy from Russia is over, and to export our cheap goods to China is over, too. Our automotive economy, which is very important for Germany, is in a big crisis. We need to talk about what are our strategic goals in economy in the future, and I think it is all about alliances in the Western world.

So we need to produce goods, especially for the Western world, but this is a process, and we are just at the beginning of this process. Without a government, it is not easier to solve this problem or to make a new strategy on this point.

Admiral Rob Bauer, Chair, Military Committee, NATO

I cannot talk about Europe's role. Honestly, that is a political question. Much more than I can talk about it in terms of ideas. But I think Europe needs to play a role. If Europe takes itself seriously, they should play a role. But the question is, will they be allowed? And part of that is the money question, as was brought up. And of course EUR50bn is a lot, but if you look at the sum of all the European nations, EUR50bn is not necessarily a lot. We have to be realistic here, and we have to be much more strategic in so many subjects.

Philip, you talked about renewable energy. That is the next problem. We were completely dependent on fossil fuel from Russia. We thought we had a contract with a company, Gazprom. We thought for many decades that if you are mutually economically dependent on each other, then we will never have war again. Well, that was proven wrong.

We did not have a contract with Gazprom. We had a contract with Putin, and he said, 'close the valve.' That was not in the contract. And so now we are moving towards renewable energy. We want to save the planet, and I am not cynical about this. We want to save the planet. We want to go away from fossil fuel. Great.

Then, okay, what is the next option? Nuclear energy. We are scared of that, so we do not do that either. I think it is wrong, but I think that is the general feeling, so let us go to solar and wind. Great. That is good. More than 75% of the raw materials that you need for renewable energy is in the hands of China, because we sold the mines, because we wanted to get rich. And now in five to seven years, if we switch to renewable energy and Xi says 'close the valve', then you cannot cook, then you cannot drive, then you cannot produce, then there is no light in your house. How smart is that? We have saved the planet, but we cannot do our work, we cannot live anymore.

Then people say, well, the rare earth materials are not necessarily rare. That is what the CEO of RAND Corporation told me. Why? Because they are actually available in countries like Canada, Sweden, Finland, and Norway. Yes, but then we have to dig a mine. That is also against nature and the climate. Okay, it is good, but let us at least have these discussions before we basically from only one angle give an answer.

Talking about the money, I am not a banker. I think the EIB gentleman is much better suited for that. But let us not forget, in the Cold War, we spent 3-6% on defence. You talk about private money for spending on the weapons systems. In the not too long history, we paid for it with public money because we believed it was more important than spending it on other things.

But there is alternatives. I have been fighting the biggest pension fund in the Netherlands, ABP, where my pension is, by the way. And then I say on television regularly, so I said, it is strange that my pension can be there with them, but they are not willing to invest in the stuff that I need to do my work. I did it so many times that the Chairman of the Board phoned me and said, 'You have to stop doing this.' I said, 'I am glad I have you on the phone. I talked to him.'

I said, 'this is ridiculous. I get a folder as a client that the only two problems we have is climate change and biodiversity'. I said, 'Are you awake? There is a war ongoing in Europe. If we do not solve that, we do not even come to solving the climate problem'.

So for 20 years, we have been driving ourselves into the climate discussion, which is important, do not get me wrong. But there is a new problem now, ladies and gentlemen, and we have to solve that first. That is the reality of the world. It is not a nice place. Too many politicians thought about it as they would like it to be, not as it was. And that is the wake-up call on 24 February 2022.

So I think everybody now says, yes, the private sector has to fund the armed forces. I do not think that is right. Because all the people want more security. It is the people. It is us that want more security. Then we have to pay for it, and we have to provide the people for the armed forces, by the way. Because you can have fantastic professional armed forces. After three days in the war, a lot of them are killed, a lot of them are wounded. A lot of stuff is destroyed. We are running out of ammunition, so we need to do something. And it is not someone else that will do that. It is us.

I am coming back to the me and we. We have to solve this problem.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you, Admiral. When you were speaking about the EUR50bn, I was reminded that the German government, after February 2022, and Philip knows this much better than I do, within a stroke did not just release the EUR100bn Sondervermögen for defence, but two relief packages worth EUR100bn each to mitigate the rising pressures on costs for energy. That was done with a blink of an eye.

The German government alone released EUR300bn and plus in funding. So if we are talking about EUR50bn as this, we have to put these things in perspective, I think. 95 seconds.

Oliver Cusworth, Senior Policy Officer, Security and Defence Office, European Investment Bank (EIB)

I think it would be a good idea if defence and finance spoke to each other more. Who in this room is from a finance ministry? Who in this room is from a bank or another investor? Okay, thank you. But I think one of the issues we have is that an investor sitting in the city of London or Wall Street does not necessarily care too much about the latest EU communication, that defence is sustainable. It is a societal issue, and that is where politicians have to have the lead.

For EU defence instruments, really, the power ultimately lies with the member states. And when there are elections going on, that makes it more difficult.

In terms of whether the problems that we have are perception or for lending capacity, I think it is a bit of a circular argument, because the EIB, we say we need our investors to change, so for us to change. And sometimes our investors say we need the EIB to change for us to change. So it is a little bit of chicken and egg. There is a theory that it is a political signal that is required, and whether the EIB is the right organisation to give that, may be, but not only us. And I think we are trying to go as far as we can.

The point remains that there is just too much lack of understanding between the worlds of finance and the worlds of defence and industry. I think at the next conference like this, it would be good to invite a few more investors and a few more private equity or banks to join the conversation, because they are the ones who need to hear these messages. The defence ministries, I think, are pretty aligned on it. Thank you.

Dr Ben Schreer, Executive Director, IISS–Europe; Director, Defence, Technology and Future Conflict, IISS

Thank you. A point well taken, and we will take that into consideration as we plan for the next summit. Please first join me in thanking this excellent panel, which was, I think, a call to arms to go back to the basics from the 'me to the we'. There is enough money around, but we just have to unlock it, while we are waiting for Germany to hopefully, shall we say, get its act together politically and return to implementing that leadership role that it has described for itself. So please first join me in thanking our really excellent panel.

This leaves me to conclude our inaugural Prague Defence Summit, which we believe, and I am hoping that you all agree, has been a very, very successful event. It has been focused on, as we said at the start, on doing the hard work and focussing on the practical challenges related to European defence capability.

I came away with the glass half full, half empty. I think we said several times that there is now this temporary sense of urgency with political leaders, with defence industry leaders, with the military. Most of all, there is more money that has been spent. And defence industries, not just in Europe, but also the US and beyond the US, are willing to step up their engagement to help us achieve these monumental tasks.

At the same time, I think there is still this window of vulnerability in Europe that if we do not keep up that sense of urgency, if we think that, oh, let us do away with this Ukraine problem somehow, then we go back to where we were. I think that is still a serious challenge, and it is on us, the European powers, to prevent that from happening.

Thank you for these very animated, focused discussions on these key questions over the past two and a half days. Just to give you some figures, we had 215 delegates in the room from 31 countries, representing also four international organisations. We have had engagement across our social media challenges, inviting our global audiences to participate in vital conversations. We have seen over 3,000 engagements across countries, including the UK, the Czech Republic, the US, Germany, Switzerland, Sweden, Ukraine, Estonia, Poland, France, Singapore and Canada.

We have also, and we are very pleased with that, seen significant engagement with the IISS Strategic Dossier, which we launched on Friday and which has already been downloaded hundreds of times in the last 24 hours, interestingly also in countries such as India, Japan and China. I am not sure what they make of it, but we might find out. Just reminding you that it is available free to download from our website, as are all the sessions from the event. We have also welcomed media representation from the Czech Republic, Germany, the UK, Italy, Singapore, Switzerland, New Zealand, the US and Saudi Arabia.

Now to end, I just would like to express our sincere thanks to – this is a rather long list, but bear with me – again, the government of the Czech Republic, and particularly the Ministry of Defence. Without your support, as the Chairman has mentioned, and hospitality, we would not have been able to organise this summit and we have laid a very good foundation for renewal, if possible.

Secondly, our thanks go to all the speakers and delegates who played such a vital role in the success of this event. We really appreciate that you took so much time out of your schedules, including on a weekend, to travel to Prague and share your insights.

Our sponsors of this event, whose support is critical to enable us to combine rigorous, impartial analysis with world-class convening such as this one. The hotel staff, the local AV company, the police, military police and other security and services providers, without whom we could not have done this.

And finally, to our own colleagues in events, communications, editorial, digital production and research across the entire IISS. They really have worked tirelessly to pull off an excellent event under significant time constraints, and we simply could not have asked for more, and we are truly indebted to them.

With that, I would like you to join me in giving everyone a big round of applause. Thank you.