

MR. ISAACSON: Thank you, Sidney, thank you very much. And I think that's the point of the Ideas Festival, where we're having, like instead of a poetry slam, it's a charm slam, where you got Bill Clinton and Karl Rove to see who can charm the people on the other side most easily, so --

MR. ROVE: Clinton.

MR. ISAACSON: Yeah, I am betting on Clinton.

(Laughter)

MR. ISAACSON: My money is on Clinton, he was pretty good.

MR. ROVE: Yeah.

MR. ISAACSON: But I do thank you for coming, I know it's a long trip and I know you are not exactly coming into the heart of the base or whatever here in Aspen.

(Laughter)

MR. ISAACSON: And it is very kind of you to come.

MR. ROVE: So yesterday, I am driving in, and I come over Fremont Pass and over Independence Pass and I -- on the way, I stop for a cup of coffee in Twin Lakes, and I walk in at the Nordic Inn, I am Nordic, I am a Norwegian, so anything that says Scandinavian, the Nordic peoples, we stick together. So I go in and try and get a cup of decaf and the owner comes out and he says, "You won't remember me, my name is Charles Grady (phonetic)." He said, "I was the last Democrat state representative from East Dallas, before you all ran us out."

(Laughter)

MR. ISAACSON: (inaudible).

MR. ROVE: And we had a chaotic kind of conversation about mutual friends, most of who were defeated democratic politicians in Texas.

(Laughter)

MR. ROVE: So I said, while he is making the -- while he is having somebody rustle up some decaf, I said, "Can I use your facilities?" And he said, "Right around this side," so I go use the facilities. I am coming back, there is a guy at the front desk there, and Grady is telling him; he says, "You won't believe, who is here." He said, Karl Rove is here, and the guy says, "I would like to hit that son of a bitch."

(Laughter)

MR. ROVE: And Grady says, "He's right behind you."

(Laughter)

MR. ROVE: I knew I was getting close to Aspen.

(Laughter)

MR. ROVE: So I get checked in last night, and I am still on Washington time, so we got dinner at the Maalox (phonetic) and it's going to be a little while, so I go to the -- down the front desk to see if they have got a snack bar, you know, some place you can get a candy bar or something and of course they don't, they got the \$9 little thing, with a very cute thing, there at the bar, but I don't know what it was, but it is only about this size, one chip, one thing, I don't know.

So I am walking out, and there's a guy in the Land Rover, the very expensive Land Rover, and he has got a car full of people, takes one look at me, a scowl on his face and says, "Go home."

(Laughter)

MR. ROVE: So as he was driving off, I yelled at him, "I am."

(Laughter)

MR. ROVE: I was born in Denver, and the first place I ever lived is about 20 miles away here, Cucamonga -- well, it is no longer here, it is Cucamonga, Colorado, it is south of the Climax mine -- excuse me, north of the Climax mine, it is now about 200 feet under the surface of the tailing spot. I wanted to run after the guy and say, "When the hell did you come to Aspen, I was here in 1951."

(Laughter)

MR. ROVE: Who is he -- go home yourself, go back to whatever wealthy enclave on the far eastern coast of the United States or the far western coast where you fly from on your jet.

(Laughter)

MR. ROVE: Unfortunately, I didn't figure that all out until afterwards, so I mean, I did, I live here, don't be so mean to me.

MR. ISAACSON: Yeah, well, you saved it for us. In fact, your dad was a geologist here, right when you grew up in this area. Tell us a little bit about your connection there with your father.

MR. ROVE: My dad was a hard rock geologist Colorado school of mines, and started off working uranium projects for the U.S. Geological Survey when he was in school on the Western Slope, out here in Fruita, and Grand Junction and down in the (inaudible). And then, when I was growing up, we lived here until I was 10, about 9-and-a-half or 10, and then moved at another, we lived at Cucamonga, and then Nevada, and then we moved to the great metropolitan area of Sparks, Nevada. But he was a hard rock geologist and spent a lot of his time here.

MR. ISAACSON: Well, let's leap right in, we were talking to Colin Powell, you heard what he said here, next year are we going to be withdrawing troops from Iraq and redefining that mission?

MR. ROVE: My sense is, yes, we will be redefining the mission, because the goal of the surge was to get us to a place where we could redefine the mission, to take it to something close to what Baker-Hamilton says, which is, you know, our goal is to be in a place where the United States' principal role is to help protect the territorial integrity of Iraq. To hunt down al-Qaeda and Jihadist elements, to assist and train the Iraqi army and to provide force protection to our assets there and the object is, how do you get there?

And we were getting there in '05, and '06, until the Samara bombing, and which set off a wave of sectarian violence that plunged Baghdad into disarray, and made it impossible for the government to take steps towards reconciliation, and even to control its own territory, so the surge is an effort to get to a place, it is not a -- the goal is not an infinite number of American troops there for an infinite number of years. The goal is to get the country stabilized in place where we can begin bringing U.S. combat troops home and reconfiguring to a different mission.

MR. ISAACSON: So even if they don't have a good political stability under al-Maliki government, it's about time to say let's focus on the Baker-Hamilton mission, which would mean perhaps what, one third of the troops?

MR. ROVE: Well, look first of all, Baker-Hamilton, read the report carefully, page 72 for example, says, we could support a surge of troops if it was necessary and thought by

the commanders on the ground to be prudent, to stabilize Baghdad. Because the Baker-Hamilton commission recognizes that you cannot have the kind of stability we want in Iraq, if the capital city that's one quarter of population is unstable, and the purpose of the surge was to do two things.

One is to take Anbar, which six months ago people were declaring was lost, and to make it not lost, and to stabilize Baghdad, so that the government will have the space with which -- in which it could take steps for political reconciliation, and you know, look -- well, the troops have now been there for three weeks, all of them have been there for three weeks, the major operations have been underway for two weeks, we've got a lot of time yet to go before we know what is going to happen.

Petraeus says, September is the point at which he thinks he will have the first inkling of what the long-term ramifications are. But we know -- we already know a couple of things; we know first of all that the level of violence against our troops and the level of IEDs, big IEDs, going off against the civilians is up.

We know that sectarian deaths are down, whether those are long-term trends -- what's the reaction is going to be in August or September or October, where -- we have to see, but we're starting to see something. And Anbar is probably where we're seeing the most remarkable turnaround. Who would have thought six months ago, that Anbar, which was considered to be lost, we now see the vast majority of the Sunni tribes, joining with the central government of Baghdad, in an effort called the awakening, in which the Sunni tribes are staffing up the police and providing personnel for the military, also in Anbar and outside Anbar in order to confront the foreign fighters in their midst.

MR. ISAACSON: You know, I was reading Secretary Bob Gates, and then President Bush's July 4th speech, both of which seemed to be pretty clear that we're now thinking what is the post-surge strategy, what was the President, what was his main message on July 4th, because it got many different reporting done.

MR. ROVE: Yeah, well, look he has been this thing about our goal is not to have troops there and definitely in the combat mission that they're in today, but to get to a point where our mission, our footprint is smaller and our mission is being redefined, he has been saying that for months. But the July 4th attempt was to say, on a day when not too many other players are out there, at an Air National Guard Base in West Virginia to say in essence that, and instead they picked up on the paragraphs that said there will be a lot more sacrifice called for in the months ahead as we --

MR. ISAACSON: But the main point is that we actually will be withdrawing troops down by next year, probably.

MR. ROVE: Well, aspirationally, our goal is to put in a different place, I'm not going to say when the date is that the American troops -- troop levels begin to go down, but the goal is to do exactly that. To put ourselves in a place where the U.S. combat footprint is smaller, I mean, the idea is if the surge doesn't last indefinitely, the object of the surge to clear and allow the Iraqis the time to get everything in there to properly hold and to do enough damage to the infrastructure of the enemy that it is hard for the enemy to come back, and you know --

MR. ISAACSON: I am sorry, who is the enemy, specifically, Al Qaeda, Sunni --

MR. ROVE: Well, you got, you got essentially three, you got Al Qaeda in Iraq,

which is -- our intelligence is that 80 to 90 percent of the bombs going off are AQI, so the object is to get after them in order to deal with that. Then there are Sunni insurgencies they're at war with the government, and the object is to take on those. Now, some of those groups that had problems with the government like the 1920 brigade, have now said okay, there's now a political space in -- that we can now operate in, so we will now turn on, those who are not willing to play inside that political space.

And the third frankly, are just criminal elements. I mean, there are listed a lot of -- some of what we see over there is just, you know, okay, there's a middle-class Iraqi, let's go grab him and hold him for ransom or there is an enterprise underway let's go steal it.

MR. ISAACSON: You know, we have a forth problem which is on the Iraqi Shia militia, who are extremists Shia.

MR. ROVE: Well, I put them in that third group, because I mean that you know -- from the beginning one of the interesting things is this began with Maliki coming to the President in Amman, Jordan, saying I need help in order to take on the Shia militia and the foreign fighters, the Shia militia, because the absence of what he calls a one-gun policy, there ought to be one centralized security force in the country, not competing armies of private militias. This is making it difficult for us to establish control, create political reconciliation, and take on foreign fighters, whose object is the end of the regime.

MR. ISAACSON: If you were Maliki's campaign manager, maybe you should be because he is having some problems; are we sure we can get his -- he can get his act together?

MR. ROVE: Well, let, first of all, let's be clear about this; how long has this guy been in power? One year and less than two months, and --

Mr. ISAACSON: He could have invaded Iraq by then. No, I mean, it's awhile.

MR. ROVE: Well, but he has been in well, mainly, but he is in a country, which is not democracy and has no democratic tradition.

MR. ISAACSON: And you are saying, yes, you have faith in Maliki.

MR. ROVE: Yeah, you know, you've got to, if you -- otherwise what it is -- your option is to say we should either just walk away and let whatever happen, happen, or we ought to do what was done during the Vietnam war, when you know, the U.S. government in the -- mid '60s expressed dissatisfaction with the leadership in Vietnam and unilaterally made the decision of replacing an elected government, and I am not certain we necessarily want to go down that path again.

MR. ISAACSON: Immigration, you ended last year with a great peroration, I think it was, the need for an immigration reform, comprehensive and wide -- it is the soul of what this country is about; what happened?

MR. ROVE: Politics got in the way, it is still -- it is even more important that we do this, and we better as a country, face up to the problem that we have. And look, I understand the strong emotions about this, I understand a lot of people wake up and say, I am worried about America, not being America. I understand people who say, I don't like people who came here illegally and why should they get something, and I know people saying we should not repeat the mistakes in 1986, when we passed an immigration reform law that basically said if you came here and you are illegal, and you want to be a citizen raise your right hand.

Now, what happened between last year and this is that McCain-Kennedy got

defeated and then some of the opponents of McCain-Kennedy took a sober look after the election, and said is this the problem that we need to confront? And if so, what is it that we most care about in this battle, and some of those opponents came forward -- in fact, ironically enough -- you know, Congress is a formal institution, but a lot of this happens informally, part of this, sort of, sounding each other out back and forth, took place during a hunting trip, in which two of the opponents of it said, we were opposing McCain-Kennedy, because we were worried about the future flow, how do you remove the magnet, the attraction for future flow of illegal immigrants.

You can't remove it entirely by having a temporary worker program? You can only remove the magnet by making it impossible for somebody who is illegal to get hired. So we're willing to engage in discussions about a grand compromise in which we get border security, temporary worker, resolving the status of the 12 million, or 8 million, whatever number it is, and as long as the component of that is employed verification in a way that makes it likely that we will not have this repeated again 10 years from now.

And thus began all the discussions about that -- that ended up in the grand bargain in which, you know, for months, Secretary Chertoff and Secretary Gutierrez met quietly with a wide variety of people on the Hill, Democrats and Republicans, just to basically serve as honest brokers to provide facts, encourage the conversation, and we came together with this piece of legislation, they did, and we backed them in doing so.

And frankly, you know, you can take any single element of this thing and be unhappy about it, but taken altogether as a package, it will put America in a very positive new direction on immigration. First of all, it locked into place the things that we're doing on border security, which I want to come back to in a minute, secondly, you have created a temporary worker program where, willing workers could be matched with willing employers for jobs that Americans are not doing. And believe me, we're getting tougher on the border, so that it's getting harder for people to get here and as a result, we're seeing some impact on our labor market.

In the early '90s, as I said last year, you could get yourself a Coyote for a \$100 or \$150 bucks to get you across the Texas-Mexico border today it is now \$2,500. Last year it was between the range of about \$1,500 and I think \$2,200 and that has continued to escalate. October of '06, at count Texas and Oklahoma for AG labor reporting statistics as one market, and they gave an annual number, October over October, October of '06, over October of '05, there are 23 percent fewer farm laborers in Oklahoma and Texas than there were in '05 and wages are 7 percent higher. Now, I don't think there are one quarter fewer farm workers because we are growing one quarter fewer cows and crops. It's getting that much harder to get across the border. So willing worker matched with a willing employer and a temporary worker program. Employer verification, which was one of the elements that allowed us to bring people across from no to yes and what employer verification said, was look we've got a lot of very good corporate citizens in America trying to do the right thing.

But it is impossible for us to do this with the system we have now in place. A woman came to me with a landscaping company and said I hire 12 or 13 people a year I don't count on me to be an expert in document fraud. And we saw a clear example of this in the Swift Meat Packing plant case. One of the things we have done as an administration is we said we are going to have a policy of deliberately going after people who knowingly hire illegal aliens. Now, Swift did not knowingly hire illegal aliens but we stumbled on to the backend of a process

that was involved in providing fraudulent documents to people to go get a job with Swift. Now, Swift was a good corporate citizen; they had an HR department that asked the right questions.

They had lawyers advising them so they went up right to the line. They did everything they possibly could to advertise widely for workers as broadly as possible and give training programs and so forth so that there was no excuse. If somebody wanted the job at the 16, 18, 20 bucks an hour in little towns across America where they had plants they had a chance to apply. And yet when we went in and went through five of their plants between a quarter and 40 percent of their workers were illegal. And they were able to get jobs because they showed up with driver's licenses, birth certificates and other documents, which to the eye of a very highly trained human resources department look like legitimate documents. So the employee verification part of this was really, really important. And then finally the issue of resolving the situation of the 12 million. We did repeat the mistake of '86 where it said, you know, raise your hands you are now a citizen of the Estados Unidos.

We said, if you want to become a U.S. citizen you got to serve us. And the first thing we are going to do is we are going to take your 10 fingerprints and while you are sitting there we are going to check those 10 fingerprints. This may surprise you, you know how many fingerprint checks are done every day in America? On average 3.2 million. So doing a couple of hundred thousand more fingerprints checks because it is all electronic. Just put it on the pad, it takes a picture, runs it against a database. So we can find out, did you do something bad while you have been here. We're going to give you a card and over the next two months we are going to then go do more background checks on you.

And if you then want to stay in the United States as a temporary worker you pay a fine and a processing fee. And you pay an impact fee, a fee to help relieve some of the local governments of the cost of health and education. You get to stay for four years, at the end of four years if you want to stay another four years you would have to pay another fine and fee, you stay four more years. And then if you want to adjust your status and get in the line to get a green card you have to go to a U.S. consulate outside the United States pay another processing fee to pay the whole cost of the whole project and then wait up to five years to get your green card in order then to become a citizen.

During this whole process at the beginning you have to demonstrate that you either have English proficiency or you are enrolled in a class to help you learn to read, write and speak English. And at the end of the process before you can become a United States citizen you have to show that you can read, write and speak English and take a civics test that is more than, where is the capital of the United States? A, Washington B, Buffalo, C, Aspen.

Now, this was a good bill. It had flaws, and I could point to, you know, there are things in it that we didn't like or things that everybody didn't like. But it put us on a rational course. It also did a couple of other things that were really important for the future of the country. We have an immigration system today that says there is a priority for you coming into the country based on whether you are related to somebody already here. If you are an uncle, or an aunt, or a mom, or a brother, or a sister, niece, or nephew you get more points and get a higher priority. This drove the system away from that to say the priority is now on the three Es; do you have education, employment history, or English skills that would certainly indicate that you'd be a positive contribution to society.

We still kept family in there but rather than being dialed dominantly towards family we moved it so that it was more towards -- the majority was now towards the three Es.

The other thing we got is a system in which people who want to become a US citizen wait forever to become a US citizen. And as part of the grand bargain we said that everybody who stands in a line today is going to be processed in the next eight years. Some of those people would have to wait 20 and 30 years to come into the United States legally if the system continues as it was. Now, it is a good system but it is -- I readily admit a contentious and enormously, you know, it is something that is deeply emotional to people. Now, I will also suggest to you that it is based on a lack of information about the thing that scares them the most. And that is what is being done to secure our borders.

I've had an unusual experience the last couple of months going around the country doing some -- mostly Republican Party things to sort of you know relieve the sentiment, you know, in order to let them be heard about it. And of course I always had the ugly question about immigration. So I got in -- I want you to participate in a little mental exercise with me. I want you to think about last year and I want you to get fixed in your mind the number of people that you think we apprehended at the border and returned back outside the United States of America. Now, I suspect you are not the normal audience that I have been talking to recently about this.

So you might have a slightly different number. But everybody get a fix on the number. Anybody want to suggest to me what your number is? 10,000? 50,000? 1.3 million? In fact once you go to slide --

MR. ISAACSON: Karl has brought some PowerPoint so look at the screens on each side.

MR. ROVE: Let us go to slide 12. Last year we had --

MR. ISAACSON: Is that up on the screen, please? No, it is not. Can you put it up on the screens there?

MR. ROVE: Last year we had 1.3 million that we apprehended and returned across the border. Nearly a million of them were Canadians or Mexicans who get apprehended and returned literally either the same day or within 24 hours. We also returned 280,000 people who had to go through some formal removal process; 95,000 of them had committed another crime. We put a special emphasis on seeking out aliens inside the United States who have committed a crime. So we've kicked out 95,000. We got 81,000 who are OTMs; I love the immigration lingo. OTMs are Other Than Mexicans.

MR. ISAACSON: It is up on that screen there. So don't worry about the other screen. I think that is what we're going to do.

MR. ROVE: I will draw you a word picture don't worry about that. The --

MR. ISAACSON: (inaudible) the visual system as well as the audio system.

MR. ROVE: There are 81,000 that are OTMs, Other Than Mexicans. That is actually an official term in government lingo.

MR. ISAACSON: Other Than Mexicans? Oh, no!

MR. ROVE: Now, the reason is because if you are a Canadian or a Mexican we have the legal authority to basically toss you back across the border. If you are an OTM we have to have an agreement in place with your home country as to how we will process you out of the country. This is the group that heretofore has been subject to catch and release. If we caught you we released you and we gave you a little piece of paper and said here is your immigration court hearing, please show up. And for the last 30 years 92 percent of them have not shown up. And I'm not certain it is in the interests of the United States to retain the other 8

percent. And then we had 37,000 that had previously had formal -- previously had a so-called removal order against them. This may surprise you, of the people who were here illegally in the United States today one third of them came here legally. They came here on a visa and overstayed.

So this latter category are people who overstayed their visa. We knew when their visa was up at some point long after their visa was up we went to court and sanctioned them so we had a formal removal order waiting for them. Now, I think, you know, when I go out most of the people who are most concerned about this issue have absolutely no idea; like the fellow here in the front row did, of what the number is. They had no idea. I get a thousand -- I was in a group of talk radio guys and we had them go through this exercise and then ask them -- I said let's start, who's got, you know, anybody with, you know, 10,000 I wanted to -- we got up to half a million and they started hooting at the guy who said half a million. And the number is 1.3 million. And these are the guys talking about the issue. So there is a lot --

MR. ISAACSON: That may be a problem in way haven't you stoked up that talk radio divisiveness/partisanship and now it coming back to bite us.

MR. ROVE: Yeah, that was my plan in 1988. You know, yeah, I personally stoked it all up. I've got a vast army of talk radio hosts that I have personally recruited. I have engineered the financing for them. I actually did that with Al Franken because I thought that was a nice countermove to get him out the other side.

MR. ISAACSON: I thought that worked very well.

MR. ROVE: Yeah.

MR. ISAACSON: But you know my point that the -- that somehow we had gotten into a -- you said this was --

MR. ROVE: I got CNN to hire Lou Dobbs that was my most (inaudible) maneuver. I thought that was really --.

MR. ISAACSON: Let us not go about it. All right let's move on to other contentious issues.

MR. ROVE: Can I say one other thing. Let us go to this next slide just for the heck of it.

MR. ISAACSON: Thirteen, yes.

MR. ROVE: This shows it -- I asked this to be tracked. If you don't measure you can't solve it. So we started tracking in '04 the gap between those that we caught on OTMs and those that we removed. And it was big and pretty consistent. So we tried an experiment in 2005 with DHS called operation Texas Hold 'em. Because Brazilians came across the border primarily in the lower Rio Grande valley sector of the border. And also to a lesser extent the Laredo but that is -- virtually every Brazilian who enters the US illegally comes there. So we said okay we are going to take whatever amount of resources are necessary and grab every Brazilian and we're not going to let a single one of them go.

And we're going to do whatever is necessary in the way of extraordinary resources to house them, hold the hearing and process them out of the country and see if this doesn't have a result back in Brazil. So the message is you come up, you get on the plane from Rio, you get yourself to Mexico City, you get on the bus to the border, you hire the coyote, you get across the border they grab you, and you no longer -- you know what they call the immigration hearing notice in Brazil. A permisso -- a permission slip. So no longer will you get the permisso instead you will get put in a cell. You will get processed and put on a plane

back to Rio. You know we did this and it cost a lot of money. But what we found is six weeks later apprehensions of Brazilians coming across the border in Texas had dropped 90 percent.

Now, the reason wasn't that they were getting a lot smarter and getting across, it was that the message got out. We're going to get caught and get returned. So this -- we then began we had been putting resources into it. We've got 40 percent more beds to hold these people. 7,700 more beds to hold people plus when we came into office it took 93 days to process them out of the country. It now takes 19. So if you got 40 percent more beds and you process them through there four times as fast you are certainly able to get to this place -- you see the gap -- the solid line are the apprehensions, the dotted line are the releases -- I'm sorry are the detentions, the top line is the guys we arrested, the dotted lines are the ones that we held on to.

And as you can see the week of, ironically enough, July 17th, the last year they crossed and we literally now, if you are an OTM you don't get released. You get processed back to the country from which you came. Now, it is costing us a lot of money to do that. Plus it is \$97 a day for three squares and the cost of supervising you. Not the capital cost but just the cost of clean bed sheets three squares a day and whatever resources we have to -- particularly if you are a family, we got to make certain your kids are getting some kind of education and attention. We got to provide some modicum of healthcare to you. So it gets -- it is costly. But it is really vital that we do this in order to have people have confidence that we are serious about controlling the border. Because if we don't if people think that we got this -- and we've had this for 30 years, Republicans and Democrats alike have tolerated this.

And it has been corrosive in people's attitudes towards the border. Just is. It is not giving people confidence that their government is on their side when it comes to the border. But this isn't enough to solve the problem, we better work on all the other problems there is assimilation, resolving the status of the people that are here illegally, worker/employer verification, and temporary worker program or this is all not going to matter. Because they are going to be -- you don't have enough resources to control the border if people are desperate to feed themselves and there is a job in the United States of America that allows them to feed their kids. Just aren't.

(Applause)

MR. ISAACSON: Last year we talked about the Valerie Plame Wilson case you said you were still under adjudication, hard to talk about. I bet Scott McClellan at one point came out and said you had nothing to do with any of that. But it turns out that you did it and others did. What were you --

MR. ROVE: Actually what he said was I didn't have anything to do with reviewing with her name. Now, look, this is still in a civil case which is -- motions are pending on. But my contribution to this was to say to a reporter, which is a lesson about talking to reporters, the words, "I heard that too."

MR. ISAACSON: They were a lot of people in the administration putting your name out, it seems. And they were doing it to discredit Joe Wilson and it seemed like a concerted effort and nobody came forward and said --

MR. ROVE: I disagree.

MR. ISAACSON: Well, why didn't you come forward and say, yeah, I said it and here is why I said it?

MR. ROVE: I did.

MR. ISAACSON: No, I mean publicly before Matt Cooper --

MR. ROVE: Because the FBI said don't say anything about this.

MR. ISAACSON: Okay, it seems like a lot of people kept quiet in the administration having put her name forward causing a whole rigmarole that probably could have been prevented.

MR. ROVE: I don't agree with you a whole lot. In fact, the record pretty well shows that it is one user name.

MR. ISAACSON: Scooter or Armitage.

MR. ROVE: Armitage. And Scooter uses it after the story has already been largely picked up and written by Novak.

MR. ISAACSON: Why did people put her name out?

MR. ROVE: Look, here is a guy who goes and says in his article the Vice President of the United States sent me -- the Vice President of the United States raised questions so I was sent apparently at the insistence of the Vice President to go check it out and I came back and reported it. I would only recommend you read the July 11th, statement by the Director of the CIA who says he was not sent at the direction of the White House of the vice President, he was not sent at the direction of the director of the CIA. He did not come back and give a written report. He came back and gave a verbal report, which was considered to be neither conclusive nor dispositive. In fact, he didn't come back just proving that Iraq had attempted to acquire uranium yellow cake from Niger, he came back with a previously unknown incident where they tried to do exactly that.

MR. ISAACSON: Well, why didn't you all just openly just say that? Instead of, off the record, using the name of his wife.

MR. ROVE: We did. We did. In fact that is my conversation with Bob Novak is largely about that and my only contribution is when he says I have talked to -- she is, she had something to do with it. And I said, "I've heard that too."

MR. ISAACSON: And Matt Cooper said?

MR. ROVE: Matt Cooper -- I don't remember the conversation with Matt Cooper but even his own notes of it are it is an off the record conversation on Friday morning when I know that Novak's column has been written and it's going to be published. And that the CIA is coming out with a statement that Joe Wilson was not sent at the direction of the CIA or the CIA director or the vice President. It was not dispositive, not conclusive. In fact added to the case it didn't detract from the case. And was suspect because of the methods that he used to collect the data. And I'm trying to tell Matt Cooper by his own notes you are not to be writing -- don't get ahead of yourself on this. Don't be writing about this thing for Time magazine.

MR. ISAACSON: Were you involved in the discussions about commuting Libby's prison sentence and what did you think of it?

MR. ROVE: No, and look, I think the President -- the President's statement was absolutely -- hit the right term, which was respectful of the decision that he was guilty of misleading the grand jury but with no underlying offence excessive in its application of the penalty.

MR. ISAACSON: We heard a lot about energy this week both in terms of energy security like why have we allowed the price of oil to go from \$10 a barrel to \$70 or \$80 and we're sending all of that money to Ahmadi Nijad and the Saudis and people are going to use it against us. And also about the carbon and what it is doing to our problems with global

warming. Is there is a sense that you could do something dramatic in this next year to really try to reduce both our dependence on foreign oil more than the 2012 is it plan --

MR. ROVE: 2010.

MR. ISAACSON: -- and reduce the emissions of carbon.

MR. ROVE: Yeah, let us take the fuel first. Yes there is something. And let me see here what -- which one -- why don't you go to --

SPEAKER: Can we get a back on that?

MR. ROVE: Let us go to slide five. 20 and 10 is a proposal the President laid out in the state of the union address, which a supreme court decision then said we had authority under existing authority which we didn't think we had, but they said we do have to in essence put the 20 and 10 plan largely in place by regulatory structures. 20 and 10 basically aims to reduce our petroleum use by 20 percent in the next 10 years. And the object is that 20 percent represents about the percentage of our oil supply that we get from the Persian Gulf. Now, the reason that oil prices are high is that world demand is high. Particularly, because of the escalation of demand in China and India. And if world production is relatively flat and if the demand is rising then you're going to get an increase of price. 20 and 10 is -- there are four lines over there. The yellow line at the very bottom represents what the current cafe standards mandated under law would lead to. Now, there is an odd thing in cafe standards. Under the law the Department of Transportation is allowed to regulate cafe standards for light trucks. And we do, we have a very aggressive reform of light trucks, which I think has now been in place for 2.5 years, which is having a significant impact on improving cafe among light trucks. Cafe for passenger cars is bigger in a different way and is set by Congress.

Congress literally plucks a number out of the air and puts it in and it's a fleet-wide number. And as a result has a bunch of weird perversions in it that work to the disadvantage of US companies and to the advantage of foreign companies and drive fleets towards the production of smaller vehicles to offset their big vehicles. And it has all kinds of distortions. What we would like to do is take and apply to passenger cars what we do with light trucks, which is our reform was to say, "We're not going to allow you to have a fleet wide number, what we are going to say is, is that they're going to be bench based on the weights." So if you've got a light truck that is a small light truck you're going to be forced to make a fuel savings compared to all other small light trucks. And if you got a big honker you got to have a fuel efficiency improvement versus all other big honkers. So we look at the fuel efficiency standards of vehicles in a light weight class and say you've got to have constant improvement in each one of these bench towards an annual target of in this instance nearly 4 percent.

We want to do that for other vehicles as well for passenger vehicles. So that if you've got a small car, or a mid-range car, or a luxury car you don't get a value add on the basis of the entire fleet mix. So if you are able to sell a bunch of small cars it allows you to have no improvement in the big car. Or if you got no big cars it allows you to have a smaller improvement in your little car. Instead we are going to say we are going to compare all of these weights of passenger cars to each other and require there to be 4 percent improvement per year. Now, that is a long way of saying we want to get something we haven't yet gotten.

If we leave things the way they are the fuel standards are going to improve along that yellow line. If the fuel standards go up as are -- go up as are currently written under the house bill they will be the line on the extreme right that is to say you can see that it takes a lot longer to get up --

MR. ISAACSON: Red line. Right?

MR. ROVE: I'm sorry the red line. As you can see it takes a lot longer to get from where we are to where we -- to where they want to be which is 35 miles per gallon. You get there in about 2025. Under the Senate Bill which is biofuels only you get from where we are today to 36 by 2022. If you take the President's proposal of 20 and 10 and do the reform that requires improvement in all weight classes for all classes of vehicles you get to 35 in 2015. Now, that makes you -- some of you think that the President should be arguing for lower standards taking longer. But we think technologically this is possible and doable but only if we change the way by which we monitor and measure the standard. And instead of saying, "Toyota gets to compete with a fleet definition that is much narrower than GM and GM has to find a way to make lots of cheap small cars and give them away in order to hit the fleet wide number.

Instead everybody's got to improve in every class you actually get there faster by doing that." Now, we don't have the authority to do to the cafe standards in 20 and 10 but we do have the ability to do all those stuffs that we wanted to do with setting standards for renewable and alternative fuels, which will allow us, which is going to be the principle driver in allowing us to get to 20 percent reduction of where we would otherwise be in 10 years.

MR. ISAACSON: I understood the general theory of relativity, I'm having trouble with this, which is why not--

(Laughter)

MR. ROVE: Green is Bush. I will make it simple Walter. Green is Bush it is better, orange is Senate and not as good. And red is the House and not good at all. Not acceptable.

MR. ISAACSON: I couldn't understand it. Why not something simpler just saying let's have higher tariffs on foreign oil that a company that from, you know, Venezuela, Saudi Arabia, Iran why not have carbon taxes and why not take that money and plough it back to the people, whether it is a Montana ranch or whatever gets -- let the market take care of it --

MR. ROVE: Look, the market is taking care, a lot of this by having sustained higher energy prices.

MR. ISAACSON: Well, that we will just send in the money to Ahmadi Nijad.

MR. ROVE: Frankly, tell me how we are not going to sending money to Ahmadi Nijad if we -- first of all we don't buy from Iran.

MR. ISAACSON: Well, it is on the world market.

MR. ROVE: There we go, there we go I wanted you to make that admission so I can use it against you later on.

MR. ISAACSON: Thank you.

MR. ROVE: But look there is no way -- if you're going to say we're going to have higher energy prices brought about by a carbon tax or by a tariff and then we are going to try and sort it out so that the fact that it applies less to somebody who lives in a highly congested metropolitan area with relatively well-developed Metropolitan transit authorities is going to have a less of an impact than somebody who lives in a more rural part of the country. And we're going to somehow try and figure out how we can ameliorate all that. You know -- not easy to do.

MR. ISAACSON: You know I was with you last night, so I have on absolute authority that you were not in Linkin Park singing along with the Al Gore Climate Change

Concert.

MR. ROVE: We are the world.

MR. ISAACSON: How much do you worry about climate change? Is it overblown, is it a real worry?

MR. ROVE: Yeah it's a real worry. The question is you've got to buy an insurance policy. We don't know, you know, I have labored through the intergovernmental panel on climate change report. Not just the very short introduction but the all god-danged 800 pages of the thing or whatever it was.

MR. ISAACSON: 777.

MR. ROVE: Yeah, there is a lot we don't know. We are putting a lot of money into climate science. We put \$37 billion climate research since we came into office. We put more and the United States put more into climate research than the rest of the world combined. And there is a lot that we don't know. But we've got to do -- our view is what we ought to -- it is prudent to begin to reduce the growth rate to stabilize and eventually aim, by the middle of the century, to be in a position where we can begin to reduce. And we need to do this in a way in which all the players are at the table. One of the problems with Kyoto was all the players were not at the table. And we got to do it in a way that we don't impede economic growth. Because economic growth is the way that we are going to be able to put in place the technologies necessary to deal with greenhouse gas emissions.

MR. ISAACSON: And you know if that green technology will promote economic growth in this country compared to other countries. That is a Tom Friedman argument we heard of --

MR. ROVE: I'm going to point this at Greenspan who I think depicts this as an accounting question. But I'm not going to -- nobody suggests look if it was economically advantageous for everybody to adopt these technologies today they will be adopting them because in essence efficiency means that you are using what you have got. The energy source a heck of a lot more efficiently means you're using more of it -- using less of it to get more out of it.

MR. ISAACSON: If you're actually paying for all of the cost of emitting CO2.

MR. ROVE: What is the cost?

MR. ISAACSON: The cost is the future generation.

MR. ROVE: Well we don't know what the future cost is. So the question is do we say, "Okay, we've got to put the brakes on economic growth. We got to put the brakes on bringing people up out of poverty in the developing world. We've got to change dramatically the way that we do things here in America and impose it upon people because we are fearful of what might be 50 or 100 years out. Or do we begin to take prudent steps now." We are in the prudent steps camp. For example, look, one of the big worries we've got is China. Their economy is 1/5 as large as the United States and this year will pass us in order to be the world's biggest emitter of greenhouse gases. Think about that 1/5 our size and they are putting out more greenhouse gases than we are.

MR. ISAACSON: Are we leveling off on greenhouse gases?

MR. ROVE: Yeah, in fact -- thank you for asking that question.

MR. ISAACSON: In order -- the Valerie Plame discussion.

MR. ROVE: Let us start first with -- I think at Greg Easterbrook if you haven't read some of the stuff I highly recommend it to you. It is really important to get the right frame

for thinking about the environment in America. So I have stolen a Greg Easterbrook chart that was bastardized by the EPA. Chart 1. Now, this is sort of a complicated chart it has as its starting period 1980 -- 1970 and the object here is to check the relative change in certain things to each other. The top line there is the grey line at the very top is the change in the gross domestic product, which over these -- since 1970 has risen 185 percent in real terms in the United States. The second line is vehicle miles traveled you all are driving far too much, 167 percent improvement. I can see this as somebody who has a car -- I brought a brand new car in March 2001 I have driven 30, 889 miles on it. So I'm driving less than you.

And that makes me better and morally superior because I am greener than you. The red line is energy consumption. We have increased our energy consumption by 47.5 percent. We have increased our population by 45 percent, so our population and energy consumption have gone up roughly together. Our CO2 emissions have gone up 41.5 percent our -- what is called criteria air pollution emissions think of it as pollution has gone down 52 percent. So we have shown over this period of time despite the fact that the economy has grown pretty dramatically, the population has grown pretty well, we are driving a heck of a lot more at least when it comes to pollution we have done a much better job of reducing the bad stuff that is coming into our air.

Now, what about CO2. Well, first let us take a look at the decade of the 90s. Because in the decade in the 90s when the world starts to begin to get serious about measuring this -- now this is a change in the CO2 emissions from 1992 to 2000. Now, Russia is the only country in the world that has significant reductions. That is because the economy goes to hell in a hand basket. Now, the EU 27 the broader definition of the EU, which includes most of the former Soviet bloc also has a decline but again driven by the same thing that a lot of particularly, you know, gooky heavy industrial plant used to sustain the Soviet regime now go away. But as you can see between 1990 and 2000 the United States is down there with 17.7 percent increase in emissions while our economy is growing 38 percent. Europe has a 25 percent increase in its economy and a 1 percent increase.

Now that is the decade in the 90s. But we begin to set in place starting with the 1990 Clean Air Act and other things that begin to have an impact and we also have investments in technology that begin to have an impact. Let us go to number three. This is the trend in CO2 emissions from 2000 to 2004. Russia grows its economy by 26 percent and gets a 1 percent increase in CO2. Our economy grows 9.6 percent and has a 1.7 percent. As you can see the rest of the world ain't doing as good as the US is doing at that point. And a large part of this is because and it is not just the Clean Air Act and the Clinton administration policies. It is also by and large the investment of private industry in new technologies that make the use of energy more efficient. Now, I don't have the slide for this -- actually I do. Let us go to slide four.

This is 2005 and 2006, which I didn't put on a chart.

MR. ISAACSON: I think three more right?--

MR. ROVE: No, four. '05, we slowed the growth even further and in '06 the United States of America, which is the only major industrial country in the world to see an absolute decline in the greenhouse gas emissions. 2006. We are the only country in the world. Since 1990, CO2 emissions have increased on average about 1.1 percent annually that is while our economy has been growing at -- over that period of time at a larger rate. 2005, CO2 emissions were 0.06 -- 0.6 and we have grown the economy at 3.2 percent and then in '06 they decreased 1.6 percent and we got an economic growth of 3.3. Now, it is not just because of the

policies and it is not just because of the investment, it also has to do with the weather patterns.

But nonetheless, it does show that there is a reasonable and prudent policy, which will allow us, if applied universally, to stabilize and then begin to reduce greenhouse gas emissions without hurting the economy. Now, what we've got to do is we laid the predicate for this a couple of years ago with the Asia-Pacific partnership, where we said let us get together with Australia, Japan, China, Korea and India and anybody else in the base that wants to participate with us and let us talk about ways that we can attack climate change problems by reducing barriers to the transmission of technology, whether it is the barrier of a tariff, or the barrier of a lack of resources, or whatever the barrier is.

You give them these technologies that reproduce greenhouse gas emissions into the hands of people who need them in order to use the fuel that they got more efficiently. How can we make this a good business decision for people to begin doing. And we have been working at that in the Asia basin for the last three years. The interesting thing about G8 said let us restart the Kyoto process. We said, no why don't we take the model that we had of co-operation, progress in the basin and make it international. Let us get everybody, all the major emitters to use that same process that says we will set a national goal for stabilization and ultimate reduction and we will examine those policies that keep us from adapting technologies that will allow us to do that.

MR. ISAACSON: Why don't we publicize that is the question?

MR. ROVE: I just did.

MR. ISAACSON: Like I said why didn't we find some version of a Kyoto-like agreement in which we could have said we are doing this so we --

MR. ROVE: Well, that is our object. Our object is we have our first meeting this fall the G8 bought off on this, much to their chagrin they had to have something and this was something. But we got our first meeting this fall with all the major polluters, all the major emitters they are not called polluters because we don't -- nobody ever -- everybody agrees that it is a pollutant -- they agreed it is an emission. So, we got all the major emitters together for the conference this fall. And look, I know how tough the work was in the Asia partnership but I also know that it has set in motion a whole series of things that are going to be very positive with regard to -- if you get people focused on the question of efficiency. How are we using the energy that we got efficiently. Certainly it costs the Chinese to say, you know what is it worth us to have a giant German diesel sitting behind every production plant because our transmission grid is so bad.

Does that make sense or does it make sense to put some money into making the transmission grid better? And suddenly you go -- it doesn't make sense. And some of these decisions take decades. UK is now getting into a place where the UK is stabilizing and making sure they will be able to flat-line and reduce its greenhouse gas emissions. And you know why because in the 1970s Margaret Thatcher to the back of the coal union and said I'm putting Britain on a path to nuclear power.

MR. ISAACSON: Why are we getting on a path to nuclear power?

MR. ROVE: We are, we have 21 or 22 licensed applications in process to bring back nuclear power. We've got a major project involved in funding the next generation of nuclear power plants. And we are looking at ways to reduce the amount of stuff that comes out of nuclear power plants by removing the policies adopted under Carter that prevented reprocessing. So what we can do is take the spent nuclear fuel reprocess it, use it again, take out

more of the energy, reprocess it again it has something to do with that book you wrote; $E=MC$ squared.

And reduce the amount of stuff that we actually got it then that we got to store. And look we are also doing clean coal. And I can't remember all the numbers but we got hundreds of years of coal. And most of our power, 50 percent of our electric power comes from coal. So the question is what can be done to make that stuff burn cleaner.

MR. ISAACSON: You would have that carbon clusterization.

MR. ROVE: Carbon clusterization -- but we also, look there are a whole bunch of coal plants today that exist that if retrofitted would put out a lot less carbon. That is good that is where our biggest bang for the buck is. And what we have done is we issued -- we take the approximate cost of that that industry agrees -- is approximately \$10 billion. And under the energy bill we passed several years ago we got the ability to put out tax credits.

We put out last year, \$1 billion in tax credits. This year we will put out 650 million more to offset part of the \$10 billion the industry is putting in to again make their plants more efficient which thereby has less NO_x, SO_x and Mercury and less greenhouse gases while at the same time they burn their fuel more efficiently. So we're trying to make this a good economic decision. We recognize that tax credits are a distortion of the system. But, you know, most of our emissions come from automobiles but the emissions that we can do something about in a rapid fashion are the power plants and industrial facilities.

MR. ISAACSON: Look guests, I'm going to repeat questions if you will just stand up and ask? Yes, Andrea.

MS. MITCHELL: Thanks very much. The New York Times reports today that the Pentagon aborted an attempt to go after Al Qaeda in the Waziristan -- the tribal areas in Pakistan in the winter of 2005 after there was good intelligence that Al Qaeda leaders were present. Now, there may be a legitimate military defense but the risk was too great; this apparently would have amounted to an invasion of Pakistan that Musharraf could have been destabilized. But I was wondering what you say to criticism that the administration has not been aggressive enough against Al Qaeda. Has deferred too much to Musharraf especially given the administration's criticism of the Clinton Administration.

MR. ROVE: No, I think you need to examine -- I think you need to examine our record. We were very circumspect in our comments about our predecessor on this issue.

MR. ISAACSON: But go straight to the -- the question was about the front page story in the New York Times today that Andrea has a doubt.

MR. ROVE: Look -- this is way outside my line so I can't help you on this. I do know there is a sensitivity about the United States taking actions that would destabilize, that would destabilize Musharraf. And there is also the United States has concerns about taking unilateral action in a sovereign nation without their approval. And so this has always been a difficulty we have with --

(Laughter)

MR. ROVE: -- unless of course there is Saddam Hussein.

(Laughter)

MS. MITCHELL: Is Musharraf being supportive --

MR. ISAACSON: Is Musharraf being supportive enough of that?

MS. MITCHELL: And if we got intelligence that - Zawahiri or Bin Laden were -- in these regions would we go after them without referring to Musharraf?

MR. ROVE: Is Musharaff an ally in the war on terror? Yeah. In fact, yesterday they tried to knock him off for whatever it was the fourth on the fifth time. So, yes he is and they have been. Now, are there instances where we would like him to do more? Sure. But we also have to recognize that the tribal region of Pakistan abutting Afghanistan has been no man's land, Wild West for almost since the beginning of the country. And it's difficult for the central government to project its authority there. They are doing a heck of a lot better job today than they were doing before 2001, steadily, we think, making improvements.

Could they do better? I bet. Am I a person who knows what they have done and what they should do? No. Sorry, can't help you on that.

MR. ISAACSON: General Powell.

MR. ROVE: Powell can tell you up through early '05 but I can't.

MR. ISAACSON: General Powell?

MR. POWELL: I was not there in '05.

Laughter.

MR. POWELL: I just want to add a comment to the Plame issue for clarification. Karl rightly said that -- my deputy Rich Armitage who spoke to Mr. Novak -- conversation and Mr. Novak sort of led the question but you know about this Armitage said I think she works for the CIA that is about the extent of it (inaudible). When in October Mr. Novak heard another call that suggested who the source might be. At 6:30 that morning Mr. Armitage called me and said it is me. I said I can't be sure. It is me. We spent a couple of hours making sure it was him because of the seriousness of it. I called my legal adviser and we called the FBI and told the FBI we had information relevant to this investigation that the President has given me. The next morning on October 2nd or 3rd, the FBI came to the State Department interviewed Mr. Armitage, interviewed me, interviewed my legal counsel William Howard Taft IV and they knew everything about Mr. Armitage's involvement. We then called the Counsel to the President, Alberto Gonzales and said to him we have contacted the FBI we are giving all the information we have, is there anything else you want to know about it right now? And the answer was no but the FBI handled it. And so the FBI knew on day one of Mr. Armitage's involvement yet two months after that the FBI kept investigating.

They kept investigating to see who else might have been involved and when they finished their investigation they couldn't furnish it and therefore a special counsel was bought in Mr. Patrick Fitzgerald, who spend another two years starting, the day he started he knew what Mr. Armitage's involvement was and he still went for two more years. The reason for that was that there were others involved. And a lot of others. And they couldn't get all the answers needed to bring this to resolution. And if everybody who had any contact with a reporter during that period had done what Armitage had done I think this would have ended early on and not drag out the way it has.

MR. ROVE: Let me just add one comment to that. A lot of people visited with the FBI including me before October 2nd. So you are right. Right from the beginning people came forward and said here is the contact we had.

MR. ISAACSON: But the implication is if everybody had come forward right away said, "Here is what I did and why I did it." We wouldn't have gone through this.

MR. ROVE: I'm not certain that is accurate I think everybody did. And the question was did they question --

MR. ISAACSON: Dick Cheney?

(Laughter)

MR. ROVE: I think the question then became checking everybody stories against each other. Remember the underlying offence of Armitage talking to Novak there was no indictment. There was no violation there. This really became a question of, at the end of the day, comparing everybody's statement to everybody else's statements and seeing are there any inconsistencies.

MR. BUTTS: Mr. Rove is absolutely right no crime was committed.

(Applause)

MR. ISAACSON: For those applauding I can tell word Butts is about to come.

MR. BUTTS: No crime was committed in my judgment as a lawyer but as somebody watching it I knew the first week there would never be a crime established. Because nobody knew Plame, the word was Wilson at that time. Novak explained that none of us knew at that time -- some of us were not (inaudible) Mr. Armitage but not just for talking to Novak that Plame was a covert name. And so they had knowledge it was a covert name. There was no way for this ever to have been a crime under the existing laws and Mr. Fitzgerald kept pulling, pulling, pulling to see whether there was a crime and they found at the end of the day there was no crime and nobody was indicted for that and that was the right answer. Mr. Libby got into trouble for an entirely different set of reasons and circumstances.

MR. ISAACSON: Jim -- Jim is it Jim Steyer.

MR. STEYER: Mr. Rove, how personally responsible do you feel for the tragedy that has occurred in Iraq over the last five or six years and specifically though for the packaging and selling of that war and the way that has been packaged, the world's view of our country and even today your comments about Al Qaeda being the single biggest factor in Iraq? How do you feel about that -- the consequences today?

MR. ROVE: Yeah, look, it's a fact that 85 to 90 percent of the IEDs going off in Iraq are AQ.

MR. ISAACSON: Al Qaeda.

MR. ROVE: Al Qaeda. And look, I make no apologies. It was the right thing to do. The world is better off with him gone. We all thought he had weapons of mass destruction; the whole world did. He didn't. But I will tell you this; go back and read the Dulfer and the Kay reports both of them say the same thing. Which is, that while they found that he did not, they did find that he kept in place the experts, and scientists; the knowledge base if you will to recreate these weapons. He kept together the dual use facilities, which could be for biological and chemical weapons put back into operation relatively quickly and he kept the desire.

He wanted the world to think that he had them. Remember this guy has his entire country under 16 UN resolutions over the decades over the 90s saying you need to live up to your commitment made in the aftermath of the Gulf War to disclose and cough all this stuff up. He could have gotten rid of that onerous regime of regulation by the United Nations by simply saying, "You know what I got rid of the stuff, I don't have it any more and here is what I did with it." But instead he wanted the world think that he had it. Now, the world is better off with him gone. Now, in the aftermath of the withdrawal -- of the removal of the regime, Al Qaeda decided to make its stand in Iraq. And we have got to, in my opinion, fight them and win them and beat them there, otherwise we are going to face them someplace else.

And if we don't fight and beat and win there they are going to have not

Afghanistan with very little in the way of natural resources stuck far out in the periphery of the world, from where they struck us on 9/11, they are going to have a hot A country in the heart of the Middle East with the third-largest oil reserves in the world. It is, unfortunately, the challenge of a generation to engage in a worldwide struggle against terror. And I think General Abizaid was right, "Iraq will either be the beginning of the end of the global war on terror when we win, or it will be the beginning of the beginning of the war on terror if we lose.

MR. ISAACSON: Jane Harman?

MS. HARMAN: Karl, I want to go back to what Andrea just asked you. The New York Times story today if true is enormously disturbing. It is absolutely right because of massive intelligence failure we got many of them. But if most people believe that we had Osama bin Laden cornered in Tora Bora in Afghanistan. And because our legal authorities about how to respond were not absolutely organized he escaped to Waziristan. Most people think he is there now and his top deputies are there now. And that at least symbolically, I think, also operationally it is very important to get them, to capture or kill them. If it's true that the CIA was about to launch an operation to capture or kill Zawahiri and that may be true. And it was stopped by Rumsfeld in the Pentagon. I think that that not only contravenes our authorities but I could suggest to you that it's -- it was a very counterproductive or really disruptive activity. And Rumsfeld is gone now but the question to you is, is this administration seriously focused on getting the top Al Qaeda people or is it not?

MR. ROVE: Well, obviously we are. But as you know, and you know better than most, the question of -- the questions of the quality of the intelligence is -- you are in a better position to know about it, about the quality of the intelligence in the incident involved than I am. But there are subjective judgments about the quality of the intelligence as to whether or not Zawahiri was there or not, what is the quality of it. We also have issues of the assets from the Defense Department, if this was a CIA operation were they depending on -- how did Rumsfeld get involved? Was he involved because he had to provide assets for it, in which case he has a seat at the table to say is this an operation that I feel confident we have a, good intelligence and leave this to believe that this is likely to be true. And two, have we taken the steps necessary to get our ally, presumptive ally here, involved in this.

And three, do I believe that this is appropriate and proper use of the assets that is to say do we have a chance of succeeding. I wasn't at that table you weren't at that table. Those are subjective judgments that we need to rely upon the people sitting around that table make. And I'm not going to jump to depicting a story in the New York Times as being the end all, be all on a sophisticated intelligence operation like this. Like this may or may not have been.

(Applause)

MR. ROVE: About through the Golden Horn (phonetic) I have got a couple of people I have seen over here too.

SPEAKER: Karl, would you care to comment on Iran in order to immobilize that part of the world to (inaudible) as part of sanctions what do you --

MR. ROVE: Yeah. First of all let me --

MR. ISAACSON: I am going to repeat it real quickly because he's such a soft-spoken gentleman. It is about Iran basically, what do we do about Iran?

MR. ROVE: Yeah, and sanctions. First of all I want to thank, Joe has been leading a very effective, well we haven't gotten it done yet but Joe has been a very passionate

advocate. As you would know one of Joe's staff members is one of the five Americans being held by the Iranians under completely bogus charges. And this is a sign of, we think, of the weakening of the regime that they are doing things like this. Look, this is a country with a fragile economy. They import -- 40 percent of their gasoline comes from India. They take the oil send it to India, refine it into gasoline and bring it back.

They've got -- they depend for most of their food on imports. They grow very little of their food. Their consumer goods are almost entirely imported. They make very little in the way of their consumer market goods internally. They are a very vulnerable economy. We have been working through our partners the EU5, Russia, etc -- look, we played our sanction card in 1979. There are other sanctions little itsy bitsy sanction cards that we could conceivably play. Some of them are being played by state legislatures, where they are saying that their retirement systems have to divest of any investment in a company that does a certain amount of business in Iran i.e., a foreign company -- can't invest in the French Petroleum Company for example. But we played our big card in 1979. Our object now has got to be to get the rest of the world to be serious about playing their cards and convincing them that they would have a problem that requires them to join with us in playing the sanction card and I think we are getting -- that process has been long, involved, complicated but it has been moving along.

In fact I thought it was an interesting, you know, the Russians are building the atomic power plants for Iran and then when they got most of their money and the contract was largely fulfilled, it was the point at which they started to say, "Okay, we're not going to provide you the fuel for the plants until you bring yourself into compliance. And even then we are going to deliver the fuel and take away the fuel. So as time has gone on and particularly as we have seen changes in Germany and in France we have got greater hopes that we will be able to bring about a serious international regime that will help force Iran back to the table suspend their program and get them back to the table.

SPEAKER: I should know this but were you in a Kennebunkport when Putin was there?

MR. ROVE: I was not.

SPEAKER: Do you know what he agreed to that -- on that Iranian fuel plants?

MR. ROVE: I ain't saying.

(Laughter)

SPEAKER: Okay. So you didn't get an agreement?

MR. ISAACSON: All right Thoet (phonetic) well you introduced yourself too?

SPEAKER: Yeah.

MR. MUTAMBARA: Arthur Mutambara from --

MR. ISAACSON: Opposition leader, who was jailed after he came here last year in Zimbabwe. And we want to applaud him because he got out of jail.

(Applause)

MR. MUTAMBARA: What did you do that you can serve the climate change challenge in America without addressing HIV/AIDS in Africa, without addressing global poverty, without addressing the poor in Zimbabwe, are you satisfied that the Bush Administration has done enough for the poor or HIV/AIDS in Africa or Zimbabwe and also for the poverty and travesty of justice in the ghettos of America?

MR. ROVE: Look, the President feels very passionately about what HIV/AIDS

and malaria are doing to the continent of Africa. And as a result we have undertaken an initiative -- and I want to publicly thank President Clinton for acknowledging our efforts yesterday. Because he has been a good partner and he has been, you know, this President has been the recipient of a couple of phone calls from him saying what can I do to help to get this through Congress.

But our PEPFAR initiative, which is \$15 billion in AIDS relief in Africa is having an amazing and miraculous impact. I think the number -- I might be off a bit there might be an expert here in the audience who knows the numbers better than I. But I think like something like four years ago, before the program, there were a grand total of some 40 or 50,000 people in Africa getting the antiretroviral drugs, most of them in South Africa. Today, they are approaching a million. And whole villages have -- I have seen the Lazarus effect where people who literally were dying now are up and around and living lives of value and worth because the United States partnering with willing governments in a program that has standards.

We require certain things of the governments in order to participate. And we focus our resources. We are leading the way and working with NGOs that are able to provide the ongoing assistance to make certain the people get the medicine and take the medicine. And, you know, I got to tell you it was an eye opening experience because at the same time that this was going on there was a global AIDS challenge. And we put the first money into it and a year later, I think it was Finland was the only other country that had given money. And so that was when the President said I'm not waiting around for the rest of the world, we are going on our own and that is what we came forward with PEPFAR and after that happened guess what?

The global AIDS fund filled up and it has begun now to spend the money though not at the same rate as our government is. Nor do we think as effectively as our government is. We are now beginning an initiative -- a similar initiative on malaria. Because look, the world is not going to be a stable place if the continent of Africa melts down because of disease and all the instability that, that brings into societies. So we're going to have a malaria initiative that is going to be matched with an education initiative primarily aimed at young girls. Because again in Africa the odds of you being HIV and malaria stricken and uneducated and a woman are very high.

And this is something that we as Americans ought to be very proud of because it is done in a quintessentially American way. We're not waiting for the rest of the world we are going to do it. And we are going to have standards. We are going to say we're not going to just throw things at the problem. If you're going to -- if you're willing to be one of the countries that participates in it here is how you got to have skin in the game. And then we say anybody who wants to participate in this come and do it. If you are an NGO all you got to prove is you got a hard capacity to deliver and a willingness to be measured. And as a result some really amazing things are happening in Africa.

MR. ISAACSON: Darfur?

MR. ROVE: Darfur. First that you are going to honor in a couple of weeks a man who did valued work in helping solve the challenge in the south of the Sudan Jack Danforth who as the President's special envoy on the Sudan helped bring about an agreement that ended most of the violence between the north and south. It then moved to the west and I will tell you this. You go to these international meetings and the President is passionate about Darfur and passionate about North Korea and passionate about human rights and the rest of the

major players are not that interested in it. But he has made Darfur and you remember about six weeks ago the President said I'm satisfied with the progress of the United Nations activities and of the world communities efforts and we're going to step up the sanctions efforts and we're going to go to the UN and seek a resolution Ban Ki-Moon asked us to hold of doing that immediately.

This week announced that we would take those steps. We gave him a reasonable period of time to effect change nothing happened and so we're putting -- we're moving forward on that. This is a genocide. Pure and simple. The destruction of a people on pure hatred. And it is sanctioned by Khartoum. It is a deliberate policy of Khartoum. The world has turned a blind eye to it. And the African union has been willing to put troops in. They need authority to do so and the support of the world community and assets in order to move them in. And the United States is taking the lead and saying enough is enough the world community must act --

MR. ISAACSON: So we will use military assets to help the OAU move in?

MR. ROVE: Well, I'm not certain that the United States may do that or the United States may work with partners -- we're not the only people in the world who have C-130s. We make them for a lot of people around the world. But -- some with logistic systems in particular will be able to move in and out of the country.

MR. ISAACSON: And I think the last part of the question was inner-city poverty in America the intractability and the, I guess, growing inequality?

MR. ROVE: Look, and again I know you talked with Margaret Spellings about this. You know the President feels passionately about what he calls the soft bigotry of low expectations. He believes that a lot of the pathologies of America's inner cities and a lot of the disparity between affluence that we have and we do have affluence I mean even a lot of people around the world would go to what is a poor house in America and be amazed at what we consider to be, you know, sort of impoverished. But nonetheless there is a gap and the gap is going to grow wider on the basis of education if we don't do something about it. We were in Harlem with Charlie Rangel recently and Rangel said less than 40 percent of the students in his high schools in his district in Harlem graduate from high school.

MR. ISAACSON: Less than 40 percent?

MR. ROVE: Less than 40 percent. And I mean how can we as a country in which we are increasingly a knowledge-based society hope to have everybody moving ahead if we aren't able to graduate black, brown, poor kids from high school and give them a chance to go on to college. Now, there is a lot going on in America that is very positive. More people are going to college today in history as a percentage of the kids graduating from high school and as a percentage of all young people we've got -- we are at record numbers and they are getting a quality education.

May not be at UCLA but it's at their community college and maybe they gone to the four year institute -- state institute but they are getting a quality higher education. Our problem is K1 through 12 where there are gross disparities across this country and it is on the basis of a system that does not function. I tell you it -- I was in New York City on that same visit and we went to -- I was with Joe Klein who is --

MR. ISAACSON: Joel.

MR. ROVE: Joel. I'm sorry. Who is doing an incredible job. I mean the guy has a heart as big as the city that he represents. I mean it is really remarkable what he's doing.

And we went to a school in Harlem in which the number of students was enough that they only needed three floors of the school. So they gave the fourth floor of the school over to a charter school. And I got to tell you it was inspiring. There was this -- I sat in this classroom it was a math class for fifth and sixth graders. And I think they were researchers on Walter's book, seriously. I mean these kids were doing math I couldn't comprehend. What is this the fourth child radius --

MR. ISAACSON: That makes a black hole.

MR. ROVE: Okay, good. Thank you. Just checking. He understood his own book it is really remarkable. But anyway, we are sitting there in this classroom -- we're sitting in this classroom and there is the guy who is a janitor. He is a janitor in an office building in Manhattan. And he is there with his daughter. And the guy is -- the guy is painfully, awkwardly dressed. And I got talking to him and he talked about the sacrifices to get his daughter to this chartered school. He brings her to the charter school he comes across he lives on the West side he brings her over, packs her lunch, and I think he is a single dad from what I could piece together. He brings her there he arranges to pick her up takes her to work with him after school she waits there for him then they go home together. And I said, why -- and talks about the sacrifices he had to make and he said I want her to have a chance to go to college. And I said, have you been thinking about college? She says, yeah, I'm going to Harvard.

And after talking to her, she's going to be at Harvard; one way or another, she's going to be at Harvard. I talked to their teacher. The kid went to Harvard. After he got out of school, he said, I'm going to work in a public school system as a teacher, science teacher. And he worked in the public school system, and he said, I hated it. So he joined, I think it's, Teach for America and is teaching in the school.

And I said, well, what do you hate about public education? He said, I hate the unions. He said, they make it impossible for good teachers to succeed, they breed mediocrity, they took good teachers and drag them down. The system has got to be blown up and the only way to blow it up is through charters and choice, and that's why I'm here.

I got to thinking about this incredibly bright, articulate math major from Harvard and what this kid could be making in our marketplace, as a -- you know, I mean, what good kind of future has that guy got? And that guy is devoted to teaching on the fourth floor with no elevator at a school in Harlem.

Now, it says something about people's willingness to tackle this problem. It says something about the challenge that we face because it's not just Harlem, it is Dallas, it's New Orleans, it's -- you know, it is rural Colorado. We have a system that is not based upon majoring every child, identifying whether having high standards, measuring children against those standards, asking whether or not the system is getting them taught what they need, providing extra help to get them up to speed. That's what No Child Left Behind aims to do, but -- and it's starting to have an impact.

And Margaret may've talked about this when she said, it blows me away that even as we start to put this into place, and we got a lot of things that we got to work out, we have kinks to work out in it, and we rely upon the states setting the standards. So we got States to say, oh, yeah, our standard is see Jane run and others say it is what it ought to be. But even though where it's imperfect, we've seen more improvement in reading and math course in the last five years since it was adopted, K 1 through 12, than in the previous 28 years combined.

I mentioned earlier on immigration, if you can't measure it, it doesn't get done.

Well, if you can't measure your progress in teaching every single child, you're not going to make certain that you teach every single child. And the only way we're going to be able to get that is to put an accountability system on our public schools and inject enough choice and enough competition whether it's public school charters or its vouchers or whatever it is at the local level to get just enough competition so the public school oligarchy says, we better get our act together or we're -- or there's going to be somebody else who's going to take our job.

MR. ISAACSON: Just a small doubt for the Aspen Institute, which is when the No Child Left Behind reauthorization became controversial, both the Congress' Secretary Spellings and the Ford Foundation came to us to say do a commission. And there was Roy Barnes of Georgia and Tommy Thompson of Wisconsin that we asked to lead it.

MR. ROVE: Yeah.

MR. ISAACSON: And we did come up with, what I think is, a new reauthorization --

MR. ROVE: Yeah, this is going to be one of these really weird laws that as we fight -- well, first of all here's the weirdest thing; we don't need to reauthorize it. If it gets reauthorized with improvements, great, but if it doesn't get reauthorized, the book -- the law stays on the book. So our object is to improve it. And if they won't improvement it, then we're not going to let them water it down.

But we're going to be -- this is a Bill that's going to be hit with an odd conglomeration of people on the right and people on the left, all doing the bidding of the teacher unions who do not want assessment. And you cannot tell whether or not a child is learning unless you are testing to see are they learning.

MR. ISAACSON: Right here, one question. Quick.

SPEAKER: The Supreme Court disagreed to hear a case regarding Gitmo and your --

MR. ROVE: Yeah, Guantanamo. I should've asked you that, yeah.

SPEAKER: And it raises the question after they had decided not to hear it, and the speculation is that Justice Kennedy came onboard because it was reported that they're basically a sham, and this is just related to the spate of reviews that the administration has received for --

MR. ISAACSON: This is a question on Guantanamo.

MR. ROVE: Yeah.

MR. ISAACSON: I'm sorry we're going to really have to wrap it up, so let me let him get to it. And, of course, the President a year ago said, let's close down Guantanamo. I think the President will finally close down Guantanamo.

MR. ROVE: Yeah, well, we were talking with Congress about what comes after Gitmo because, you know, I'm sure Pitkin County jail would love to have these people arrive here, but --

(Laughter)

MR. ISAACSON: Did that take that long to figure out how to get these people out --

MR. ROVE: Oh, not with this Congress, not with this Congress. Look, we didn't consider a review; we welcomed it. We think that it's important for the Supreme Court to be held -- to be heard from -- on the question of what do you do with enemy unlawful combatants.

SPEAKER: The reviews being undertaken --

MR. ROVE: No, no, no. look, look, I mean, we were told that U.S. citizen had a certain -- if you were a U.S. citizen being held down there, you had certain rights. If you were held on U.S. soil, you had certain rights even if you were an alien, not a U.S. citizen. So we're happy to have this clarified because we're -- look, in what other war have we faced an enemy that has not signed the Geneva Accord since the Geneva Accord has been around?

What country, what war, are we engaged in when we have people who don't wear a uniform, don't recognize a government and don't abide by whatever the commonly established rules of law of war are at that point? This is it. So we welcome the Supreme Court helping clarify this situation.

We would like to -- the president would like to close Gitmo, but we need to close Gitmo by doing two or three things. One is by getting countries to (inaudible) their nationals so that they can make a decision about what to do with them. Second, by making decisions about each one of those individuals as to whether or not they represent a continuing threat, and thirdly, having a process in place, the military commissions and whatever else there is after that, that allows us to try these people and hold them. Now -- and remember, this is, sort of, unusual. I don't remember this kind of hubbub in World War II when we had Arizona filled -- Arizona and the New Mexico filled with camps full of Nazis. But we got to --

MR. ISAACSON: But, well, we feel bad about the interment camps of the Japanese in World War II --

MR. ROVE: Yeah, but anybody who suggests that the Japanese interment camps in which U.S. military personnel were killed, starved and tortured compared to Gitmo, which is overseen by regular visits of the International Red Cross in which our principal health problem down there is gain of weight.

MR. ISAACSON: Yeah.

MR. ROVE: We feed them so well. So we go to extraordinary --

MR. ISAACSON: So, like, right, you know this will close, don't you?

MR. ROVE: We go to extraordinary -- look, I think Gitmo is a necessary component of the war on terror. Let's find something else, but let's have an agreement on what that is because, look, it may not be Gitmo, but it's going to be the Brig in Charleston, South Carolina or it's going to be the Pitkin County Jail, it's going to be the Florence, Colorado, federal Maximum-Security Facility. We got to hold them some place. These are bad people.

MR. ISAACSON: Right.

MR. ROVE: These are people who threaten the United States of America --

MR. ISAACSON: We got a constitution and habeas corpus. We can hold bad people.

MR. ROVE: We have a constitution that applies to U.S. citizens.

MR. ISAACSON: Okay.

MR. ROVE: We have habeas corpus that applies to U.S. citizens. We have an international code that applies to all the signatories of that code with regard to how you treat military prisoners and prisoners of war. And guess what, I don't see Mr. Zawahiri or Osama bin Laden's signature on that document nor have the way that they handled people like Daniel Pearl been in keeping with the international code of war.

(Applause)

MR. ISAACSON: Let me wrap this up by saying -- by asking you, when we

look forward to the next election, there are five or six major issues; Iraq, terrorism, education, global warming or environment, whatever, energy policy. What do you -- do you think Iraq will be the major issue? And as you do that, could you give us a sense of where you see the four or five republican candidates standing and the three or four democrats.

MR. ROVE: I'm going to disappoint you vitally. I'm not going to comment on the individual candidates next year. I think Iraq may or may not be the big issue. It depends on where Iraq is by March or April or May of next year. I think it's likely not to be the dominant issue because I think -- because my assumptions about where it is, where I think it's likely to be.

I think it may also be less of an issue because if you're a democrat, you do not want to be in a place where on January 21, 2009, if you, a democrat, gets elected president, the Democratic president faces the likelihood -- there'll be U.S. troops in Iraq. And so you want the issue to be torn down because you don't want to be in a place where on January 21, if you're a democrat and you get elected, you face one of two options. You bring them home precipitously and everybody, virtually everybody, agrees the country dissents to chaos, and that's on your watch, or that you keep them there in a reasonable configuration, redeployed, and in which case a large part of your party is angry with you.

So, I think this is, sort of, like Korea in 1952 and '53 where Eisenhower made a comment which led people to believe that he was for change, "I'll go to Korea," but in essence kept in place the policies of Truman after the election. And for republicans, I think, again, similarly, they'd like to be able to talk about taxes, spending values, national security but in a broader context, national security in a broader context in just Iraq.

But I'll tell you this, it is going to be a barn burn of a race. It's going to be a barn burn of a race because the process is so jammed together that the country, I think, is going to ill-serve the candidates and ill-serve the country, but, you know, you have within the space of less than two weeks, Iowa, New Hampshire, South Carolina and Florida. Now, we had Iowa, which we won, and 8 days later, New Hampshire, which we lost, and 19 days later, South Carolina where we were able to climb back and win.

What happens when you compress four major primaries into essentially 10, what is it; it's going to be, 12 days. And as a result what's going to happen is, we're going into uncharted territory as to how -- is the early win on Iowa going to affect New Hampshire or the early win on New Hampshire going to affect South Carolina? It did last time. Iowa didn't affect New Hampshire, but New Hampshire affected South Carolina.

We went from being 16 up in South Carolina the day before the New Hampshire primary to 6 down 24 hours later. And is that going to -- you know, somebody going to win some place in a way they grabs the national imagination? We also are going to have a contest. Think about this. We're on now the 8th of July. In 1999 George W. Bush had made his first campaign appearance on June 16th, 22 days ago. He'd had his first campaign fundraiser on the 19th of June. On the 30th of June and a \$1000 a clip, he reported a grand total of \$37 million.

We've now got candidates who began running at about -- you know, John McCain, I saw this week, had 150 staff members. We had, in the '99-2000 we had a 150 campaign staffers, I think, on or about September 2000, over a year from now. So these guys have all been -- I mean, we've already had how many debates? I mean, too many. Oh, no, no one and three. We got three on the democrat side alone. I mean, six, eight, something like that? I mean it's --

MR. ISAACSON: 1.3 million I think was the annual --
(Laughter)

MR. ROVE: Yeah, 1.5.

MR. ISAACSON: 1.5 million.

MR. ROVE: 1.5. I mean, these people have been running flat out since last November. They have a campaign -- you know, they were appearing last November and December at a pace that was equivalent to what we were appearing at in November and December of '99, and January 2000. Now, is that healthy? No. Because first of all, they're going to be exhausted by the time they get chosen, and then they're going to go into a bone-charring general election and that's going to take more of them.

So they're -- somebody is going to get elected president and be completely exhausted. And they will not have time to think for two years. We're part of what they're doing. You know, when Obama goes to the debate on healthcare in Nevada in February and stands up and says, I don't have a healthcare plan, but I'll have one by next January, it shows that the pace of this thing is outrunning the substantive process.

People are not having time to sit down and think and walk these things through and put the numbers together and listen to interesting minds and be challenged and develop what it is that they want to say, that is something beyond the press guy coming in and saying, here's your sound bite for this afternoon. And that's really problematic and not helpful for the country.

MR. ISAACSON: Karl, thanks for being here.
(Applause)

SPEAKER: Walker -- can I just -- everyone, can I get your attention just for a second. Okay, we are a few minutes behind schedule, so if we can all synchronize our watches. It is 10:15. We had plenaries that were supposed to start at 9:45. We're thrilled about Mr. Rove. Could you please go directly to your plenary session and move your schedule back 30 minutes today?

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