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# America's Moment to Alter History's Course

**H**ere we are in late September 2005, nearly 16 years after the Berlin Wall began to crumble, brick by brick, and it's just over four years since 9/11. People in my business continue to call this period of history, since the fall of the Berlin Wall, since 1989, the "post-Cold War world." And the only reason they call it the post-Cold War world is that they haven't figured out what it is. We call things "post" because it's easier to date, but we haven't figured out what comes next or what this is. There's a great line, a 30-second line in the Broadway musical *Spamalot* directed by Mike Nichols, and King Arthur at one point turns to the audience and complains "Why do they call this the Middle Ages?" which is a pretty good point if you think about it from King Arthur's point of view. Anyhow, we live in the post-Cold War world and the reason that we call it that is that this period of history has yet to reveal itself.

The personality or character of this period of history is not here, and the reason is that we live in this global age. By globalization I mean a world in which tremendous amounts of "stuff"—and everything from people, to drugs, to computer or human viruses, to financial closed investments, trade in goods and services, you name it—tremendous amounts of stuff at great volume, great velocity, go across borders with impunity. Governments can't control it and often governments don't even know about it. And that's what makes globalization what it is.

Now, some of this stuff is good—the ability to travel, the e-mails, the tourism, the investments; and some of it's obviously awful—the terrorists, the guns, the drugs, the viruses. It is this mixture of positive and negative that captures the era. But the real reason we still don't know what to call it is that these positives and negatives are in tension and until one gains the upper hand, until this period of history finally does gain a clear personality, we'll probably continue to call it a post-Cold War world. It's obviously in the United States' interest that the positives gain the upper hand. We'll eliminate the negatives, but it's obviously very much in our interests that the positive side of globalization dominate.

The good news, and the reason I call this book *The Opportunity*, is that the opportunity exists to do just that—to see that a positive side of the coin, the positive aspects of globalization, will prevail. Now, to say it's an opportunity is not to say that it's automatic or inevitable. The book is not called *The Inevitability*, and the

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reason it's not, besides that it's hard to pronounce it, is that it's not inevitable, history could play out either way. So what is it I want? How do we make this opportunity to create a world that is relatively peaceful and stable, prosperous, not just for the majority but where most, if not all, of the world's people do enjoy a life filled with choice and a decent standard of living and freedom from fear? How should we do it? Well, the key is for the United States to work with other centers of power—in particular China, India, Japan, the European Union, and to some extent, Russia and other countries, be it Brazil, South Africa, Korea, to essentially partner with them and to try to build arrangements around the world to bolster existing arrangements, set rules, essentially to work together to meet these global challenges which are the real challenges of the day.

The reason that we have this opportunity to "integrate" the world, to deal with these problems, is that at the end of the Cold War, the end of the 20<sup>th</sup> century marked one of those fundamental turning points in history, and it's this: for the last few hundred years history has largely been about the rivalry, the competition, and also too often the conflict between and among the major powers of the day. Think about the last century. The 20<sup>th</sup> century had two World Wars and then a Cold War and endless fighting between and among Germany, France, Japan, Russia, the Soviet Union, the United States and others. What's so interesting about the world we live in is that this is no longer the principal dynamic in the world.

Right now, when we look out we do

not worry. The president of the United States has a lot on his plate, God knows, to worry about, but the one thing he doesn't have to worry about, which is fundamentally different than, say, the 15 or 20 presidents who preceded him is that he doesn't have to worry about the United States getting involved in a war



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with another major power on his watch. Indeed, I would suggest that the chance of a major power war involving the United States and China, India and the rest is remote. That is an extraordinary development in contemporary history, and the reason it's so important is not only are we, therefore, less likely to get involved in something that's expensive and dangerous, but also that it frees us up, liberates, the United States to focus its energies on the defining challenges of this era, things like the spread of weapons of mass destruction, nuclear weapons in particular, terrorism, diseases, infectious diseases such as HIV/AIDS, or flu pan-

dem, and issues of trade. You try to create a world in which goods and services can move around freely to the betterment of the world, to do something about the fact that the climate is changing. Essentially, we have now have the luxury, and it really is a historical luxury, to devote the bulk of our time, the bulk of our money, the bulk of our energy, not to dealing with world wars or wars against countries of comparable size. It is important also to focus on this opportunity because it may not be permanent. To get ahead of myself, the goal of foreign policy, the challenge of foreign policy, is to make it last as long as it can. It's in part because of American power—the United States is so strong and the difference, the gap, between American power and that of others is so pronounced, that for another great power it's simply a fool's errand to take on the United States. It's not a very attractive competition. Very rarely does a kid walk into the schoolyard and challenge somebody who's a lot stronger and bigger.

The reason we don't see the rest of the world, despite the significant degree of anti-American sentiment, banding together to gang up on us, is that a lot of what the United States seeks to do in the world is not opposed by them. If you take the same list of things I say we ought to be doing—working to stop the spread of nuclear weapons, working against terror, working to promote trade, working to deal with the climate—none of these things is uniquely or narrowly pro-American, none of these things is good for us and bad for them. So the result is that if you're the leader of China or the leader of India or in Europe, when you get up in the morning you put your feet on the floor, put on your trousers and lace up your shoes, your first thought is not "how can I frustrate the United States?" Your first thought is really "What can I do to generate economic growth here at home? Or what can I do possibly *with* the United

States, to deal with some problem that affects both of us?" Recently we've seen an example of that with China and the United States, dealing with the North Korean nuclear challenge. It's a very different world. Again, the opportunity, but also the challenge, for foreign policy is to lock this in.

The reason I'm so interested in this is that I think it's not yet locked in, and there are things that we need to do in order to make sure this opportunity does become reality. We have to stay active in the world. There is no invisible hand in international relations; there is no invisible hand that adds structure and order to what you might call the political and military market place in the world. Someone has to do it and that means the United States has to take the lead because there's no one else willing and able to step up to that responsibility.

We can't retreat behind our borders. Isolationism is simply not a serious alternative in a global world. It's almost the opposite of Las Vegas. What happens in the world won't stay there, it will come here. We saw that with 9/11, we see it with disease; we see it with any number of the phenomena that make up globalization. Things come across our borders that could be to our detriment. So isolationism—putting our head in the sand—is not an answer. But nor is going to the other extent. We can't do it by ourselves. Unilateralism is also not the answer. The nature of these challenges, the nature of global problems, is such that no individual country, no matter how powerful, could handle these problems by itself. Look at the lesson of 9/11. All it took was Afghanistan providing refuge to the Taliban, and that became a base in which a group, Al Qaeda, could map the sort of horrific terrorist attack they did against the United States. Or, if North Korea or Iran does go ahead and develop nuclear weapons—North Korea for all we know already has them—it could mean all sorts of obviously negative things for their

parts of the world, but also they could become a Wal-Mart of nuclear material brokers, and they could become an onward supplier of nuclear material for others. If you don't have almost total global involvement on the positive side you've got a real problem in a global age. Holes in the net, can have tremendous consequences in this day.

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The other reason we can't do it alone, besides the fact that global problems or challenges really do require global responses, is that the United States, for all its power, does not have unlimited power. There are still ceilings or limits on American resources. There are limits militarily. Right now, for example, we have roughly 135,000- 140,000 American servicemen and women in Iraq. In order to sustain 135,000 or so American servicemen and women in Iraq it actually takes twice that amount basically another 130,000-140,000 getting ready to go there, and 130,000-140,000 who have been there, who then have to recover so that then they can do something else. So, we're tying up somewhere between 350,000-400,000 of our people in uniform and then we don't have a lot left over to do a lot else.

Economically, we don't have the resources to do a lot else; diplomatically we don't have the support to do much

else. It's not clear politically at home that we have the energy to do a lot else. Things like Katrina have resurrected this age-old debate about how much we should be doing at home as opposed to how much we can afford to do abroad. So, the lesson I take from all this is that the United States has to avoid the two extremes of isolationism, which is simply not viable in the global age, and unilateralism which is simply not sustainable given the nature of the problems and the limits to our power.

What else do we have to do? One, we have to use all of our tools. We can't rely on military force alone. Indeed, in the war on terror it turns out that while military force is important—sometimes you have to kill people before they kill you—more important is probably intelligence—finding out about potential attacks before they happen. Also important though, are things that we do not even think of as foreign policy, like education policy. Whether it's allowing young men and women from overseas to come here and be educated—something we don't do as frequently as we should any more, or make too difficult because of our visa requirements—or through aid we give to schools in parts of the Arab and Islamic worlds that can actually teach people how to use their minds, how to inquire rather than simply to learn by rote. We can give them some of the skills they need to function in a global world so maybe they'll want to live their lives rather than kill for it. So, we need to use a full range of tools.

Also, foreign policy has to involve our own domestic policy. As I said in the beginning, one of the reasons we have this opportunity is because of American power, because that's the capacity to do things and it also discourages competition from the other major powers. The problem right now with the United States is we are doing things which are ending and diminishing the foundation stones of our power.

Let me just highlight three: One is the twin deficits. We now run a fiscal deficit, of \$500 billion or so. This means essentially we're mortgaging our future to pay for our present, and this happens against the backdrop of a trade deficit, or more technically a current account deficit, of something like \$600 billion or \$700 billion a year. So, essentially what we're doing as a government is spending far more than we're taking in, importing far more than we're exporting, and we're getting the rest of the world to finance our spending habits. This means that central bankers in places like China and Japan are accumulating massive hordes of dollars—and at some point the world will not continue to do this. Herb Stein, Mr. Nixon's economist, used to say, "That which can't go on forever won't." This will not go on forever. This will come to an end. The question is when and how. Is it soon or not so soon? Is it sudden and causing crises, or is it a gradual and less painful adjustment?

When it happens, and it will happen, we will be forced to jack up our interest rate because that will be the only way we will be able to attract the necessary flow of foreign funds to support our habits. When we jack up interest rates things happen that will ultimately lead to a slowing down of our economy. It will also have implications for housing and so forth. With the high amounts of spending on domestic needs or causes, spending has gone up something like 35 percent over the last four or five years. This is on both entitlements and non-entitlements. It's a level of spending increase that is unsustainable. Secondly, foreign policy spending is going up. If you add up all the spending on defense and homeland security and intelligence, that's gone up dramatically. And, thirdly, tax rates have gone down. This triade is simply not going to be sustainable. We cannot have this level of spending at this level of national security effort and this level of taxation. Something has to give. That's one thing we have to do: fix that

balance among those three stools.

Secondly, the United States now imports roughly two-thirds of the petroleum it consumes. This is distortive of American national security. This makes us way too dependent upon the stability of places that are inherently unstable, be they in the Middle East or Venezuela or Nigeria. This amount of imports exacerbates all the economic problems I just talked about. A big part of our import bill is because of the energy we import, and all the oil we're using obviously contributes to global climate changes. So the fact that the United States does not have an energy policy or strategy that is designed to decrease imports, decrease the amount of oil we use and, over time, our dependency on oil, is nothing less than a national scandal. We cannot sustain our ability, our position, as a great power if we allow this to continue. We have to do something that increases the efficiency with which we use oil and ultimately decreases our need to use it. We need an energy strategy, and this has been, alas, one of those areas in which people are always decrying the lack of bipartisanship. Trust me. This is an area where there's too much bipartisanship. We need people from both parties to stand up and say, we have to change things, and the single and best thing we can change would be to gradually raise the fuel efficiency requirements for passenger vehicles in this country. That means automobiles and light trucks. SUVs need to be classified not as light trucks but as cars, and they need to be there for cover or capture by so-called Corporate Average Fuel Economy stands. It's something we have to do and again. Until we do it, we will have our national security policy distorted and our economic policy weakened.

Thirdly, in addition to dealing with the budget situation and dealing with the energy situation, we have to deal with the educational reality in this country. Tom Friedman in his recent book called

*The World is Flat* basically deals with the decline in American competitiveness. It's the idea that we are living in this global world where the Indians and the Chinese are now graduating tens of thousands of extremely well-educated engineering students and we're not. And what Tom is worried about, and I am worried about—and at the Council on Foreign Relations we're launching a big project on American competitiveness—is that five, 10, 15, 20 years from now, our ability to hold our own is not going to be what it was, is or should be.

Historically we've always been willing to lose jobs at the lower end, less technical jobs because the feeling was we could always more than compensate for it by holding the lion's share of the more technologically advanced jobs. The problem is that this will not happen automatically in the future because other people around the world are going to have the skills they need to compete with us at every level of the ladder. If we are going to compete successfully we have to get better at preparing our people to live in a global world where there really is a global marketplace and global competition.

Just last night I was in Texas speaking at a university and I said, "It's great that you're all here now, but what you have to get used to is the idea that you're going to be plugging into universities or other forms of learning over the next 30, 40, 50 years. The idea that education—using an energy analysis—that you get your tank filled when you're 22 and you drive the next 40 years on that tank, that idea is obsolete. We have to get used to the idea that you may hold ten or 15 jobs in the course of your career and maybe five, ten or 15 times you will have to be retooled for those new jobs in order to do things to compete successfully in this order. "Education needs to become a lifelong phenomena. We have to make it possible for people to do that in this society, and this means certain types of

economic assistance, tax breaks, training opportunities. So essentially, education and training will become a lifelong, not a front-ended, phenomena. If we are going to do well in this world, again, we need to fix our budget, fix our energy dependence and do something about our competitiveness—which brings me to my last two points.

One is that opportunity won't last forever. Windows close and there are different possibilities, but why is it that the United States tries to do too much by itself, doesn't look to its competitiveness, doesn't fix its economic situation? Sooner or later we will grow weaker relative to others and then the idea of challenging us will become something that is no longer a fool's errand but will create temptations for other countries. We don't want to do that. We'll also be less effective in the world, less able to act if we don't find ways of working with other countries, and if we treat them as adversaries rather than as partners—that behavior can become self-perpetuating and can actually happen.

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We need to be as creative as people were after World War II. Harry Truman's Secretary of State, Dean Acheson, wrote his book, and it was an immodest title, *Present at the Creation*, immodest but also fair. It was an extraordinarily creative time. You had the creation of the U.N., of NATO, IMF, the World Bank, and all sorts of international institutions. We need to be as creative now as we were

then. Possibly with new institutions, possibly adjusting or fixing existing institutions, finding new ways to cooperate in these very new geopolitical circumstance. We need to be no less imaginative, no less creative. We need a doctrine to guide the United States in this period. In that era it was George Kennan's idea of containment, the idea of essentially frustrating the spread of Soviet power and international communism, and creating conditions where ultimately it would die of its own contradictions. Kennan proved to be prophetic. The Soviets and communism were largely frustrated. For the most part communism ceases to exist and where it does, it's not a particularly meaningful alternative.

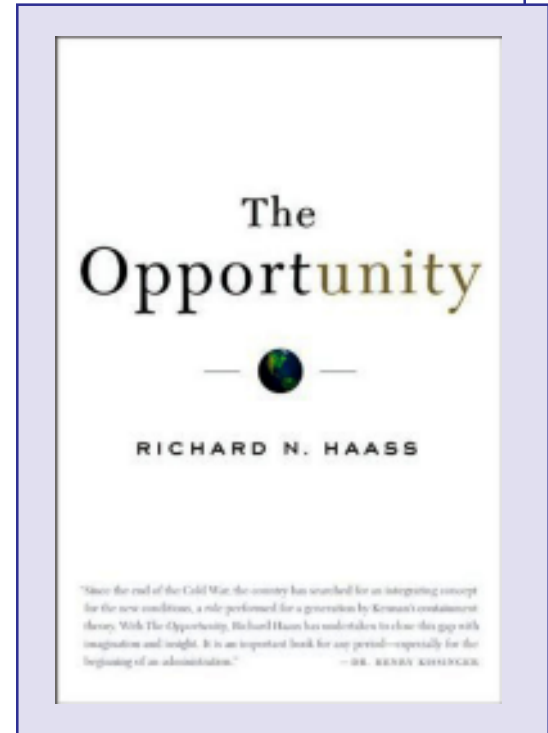
We need a foreign policy to guide us in this world. My idea is integration, the idea that the United States tries to work with the other major powers, bring them in as partners, tries to set up new global rules and institutions to deal with the global problems of this era, takes steps to integrate the billions of people around the world who are not participating in modern society, the two billion people—one-third of the people on the planet—who are living on two dollars a day or less; tries to integrate the so-called rogue states like the North Koreans and Irans to get them to pose less of a threat. This to me is the sort of unifying concept we need to guide American foreign policy in this global world, and as I suggested, we need not simply develop a foreign policy that matches this world, but we need to make sure we have the domestic strength that we'll need to act on it.

We call this the "post Cold-War world," as I said, because it's not clear what it is or what it's going to be. Well, I can't predict what it's going to be, but I think I can lay out the choices. I'm pretty confident that history is going to play out in one of three ways. One is the way I've clearly advocated. If things go the way I'd like them to I think we could end

up with a world that is relatively stable, where great power competition or conflict does not resume, where we gain the upper hand against the dark side of globalization, take advantage of many of its positives, find a way to help the development of the billions of people who are living in real misery, so forth. This would be an extraordinary period for mankind. This sounds positive but this is by no means a pipedream, this is not Pollyannaish stuff.

The three alternatives, alas, are not nearly so positive. In one United States, the dominant power of the day, gradually but inexorably finds itself caught up in a competition with China, which is the most likely alternative arising power of the era. This is what history suggests could well happen; this is what the last two hundred years are about. And when in ten, 20, 30, 40 years we find ourselves at loggerheads with China, essentially locked in a cold war with China we would look back on 2005 and say, "Hey, we didn't know it then, but we were living in the inter-cold war period between the U.S.-Soviet Cold War and the U.S.-China Cold War. A lot of history suggests that it could happen. Cold wars are dangerous, they're expensive and they're distracting because all the effort and all the energy the United States and China put into competing with each other or clashing would be energy that could be put into dealing with the world's real challenges—the challenges of globalization. So that is one alternative, needless to say, one wants to avoid but it could happen.

The third [alternative] is actually even worse: where essentially 9/11, those sorts of things, happen again, possibly with nuclear material or biological agents, where what's happening in the Sudan now—those kinds of genocides—proliferate and countries fail. Rather than getting people out of poverty, more and



more slip into it, in large part because we're not able to come up with a new global trading machine that gives them the trading opportunities that we need, where a flu pandemic or other diseases continue to spread—a flu pandemic happens where global climate change is not arrested, or rather gradually continues—and so forth, in which case this becomes something of a modern Dark Ages. We could try to become a gated country in that circumstance, but it won't succeed and we will find that our quality of life, our security, our prosperity, our humanity will all suffer.

The reason I wrote this book is not that I'm predicting either of these two fairly bleak futures happening, but you can't rule them out. The good news again is that there is a far brighter one, there is this opportunity, but you can't take it for granted. We live in a time, we live in a country, where citizens such as yourselves are interested enough in foreign policy to be a member of an organization such as this, and are interested enough on this beautiful sunny day in Los Angeles to be inside this room and hear a

person like me talking about the things that you obviously care about. My plea for you is that you stay involved if you are, plus get involved if you're not, because more than anything else what will determine which way history plays out will be the behavior of the United States. So the good news is we have it potentially within our destiny to shape history in wonderful ways; the bad news is that we may not get it right.

Thank you very much.

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