



The Future of Power
By Joseph S. Nye, Jr.

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L.W. "Bill" and Jean Lane Lecture in Diplomacy

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Based in Honolulu, the Pacific Forum CSIS (www.pacforum.org) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

Lane Lecture in Diplomacy

The Ambassador L.W. 'Bill' and Jean Lane Lecture in Diplomacy honors the contributions and accomplishments of long-time Pacific Forum CSIS supporter and Board of Governors member Ambassador Bill Lane and his lovely wife, Jean. Bill Lane is former U.S. Ambassador to Australia and Nauru (1985-1989) and former Ambassador at Large and Commissioner General, Japan (1975-1976). A member of the *TIME Magazine* Board of Directors, he served for many years as publisher and chairman of *SUNSET Magazine*. His association with Asia dates back to World War II, when he served in and around the Philippines as a U.S. Navy gunnery officer aboard a troop ship. His interest in East Asia continues to this day. He founded the Pacific Area Travel Association and is a Pacific Basin Economic Council Trustee.



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The Future of Power

Keynote Speech by Dr. Joseph S. Nye, Jr.
Pacific Forum CSIS Board of Governors Dinner
March 2, 2011

Let me tell you what a pleasure it is to come back here in Hawaii to the Pacific Forum. Unless you think those are the typical insincere words that every speaker gives I should tell you that I left Monday in an ice storm and there are two feet of snow in my back yard. So when I say that this is a pleasure, I mean it.

But before I talk a little bit about more serious things let me say a word about how impressed I hope you all are with the Pacific Forum. That little film we saw was really a extraordinary illustration of what this organization does. Basically every couple of weeks they are organizing another meeting on extraordinarily important topics, whether they are nuclear or environmental or economic, around the world, and you have these 300 wonderful Young Leaders who are brought together as you saw on that film and it's a beehive of activity and it's done with a staff of about a dozen total and a budget of about \$2 million dollars. And when I see that film or when I listen to the reports at the board meeting I am tempted to think of a paraphrase of Winston Churchill, which is "seldom have so few done so much with so little." But it is an extraordinary organization. It does an enormous amount of good with very economical use of resources. So I am delighted to be here as an enthusiast for the organization and delighted to be addressing a number of people who I trust will be equally enthusiastic in their support of this organization.

Let me talk to you a little bit tonight about the topic of the future of power. Not just because it's the title of the book that I have just written but because it really represents something that all those young global leaders that you saw are going to have to cope with which is there are two huge shifts going on in power in this century.

One of them is what I call power transition which is a shift if you want among states, and you might think of it as a shift from west to east. The other power diffusion which is a shift of power away from all states to nonstate actors, whether East or West. And these two huge changes are occurring, and I think will dominate this 21st century.

Let me take a minute and say on this power transition of the shift from west to east, what do I mean. Well if you think back and took a picture of the world in 1800 you would see Asia was more than half of the world's population. And more than half of the world's product. And if you fast forward to 1900 Asia would still be more than half of the world's population but only 20 percent of the world's product. And what we are seeing in this century is a catching up if you want, to normal proportions. Some point in this century Asia will be half of the world's population and half of the world's product. It actually starts in the last century with Japan, it goes on with Korea with the smaller Southeast Asian countries. Now the focus on China, but with India approaching 8 percent growth it will be India and more or less what we will see in the course of the 21 century is a shift of the heart of the world economy and power relations from the west if you want, centered in the Atlantic, to let's say centered in the Pacific, which should be

very good news for people in this particular location. So that's power transition. And it's relatively easy to understand, it's something we have seen historically in the past.

Power diffusion is different. It is new and we haven't really begun to understand it. The best way to understand power diffusion, the movement of power away from governments and states to nonstate actors is to think of what information technology has done and how its changed in the last 20-30 years, and how that's affecting the world.

In the period of the last quarter of the 20th century the price of computing power declined a thousand-fold. That's a very big number and it doesn't mean very much unless you were to say, suppose you applied that to an automobile. If a price of car had declined as much as the price of computing power declined you could buy a car today for \$5.00. Now anytime something becomes that cheap the barriers to entry goes down. Anybody can play in the game so in 1970 for example if you wanted to have the capacity to communicate simultaneously from Honolulu to Beijing to Moscow and Johannesburg all at once, you could do it technologically but it was very expensive. You had to have a big government or a big budget that went with the government or a big corporation to be able to do it. Now anybody can do it basically by going into an internet café and if they have Skype it's free. That's an extraordinary change in terms of what has happened in terms of things that previously people were priced out of participation in politics and now all of a sudden they are in.

And we are seeing this in many ways. One way we see it is the events in the Middle East today. The conventional wisdom used to be that if you looked at a country like Egypt there was no choice. You either had to support the autocrats like Mubarak or you wound up with the religious extremists like the Muslim brotherhood – that was your choice. What we hadn't realized is this extraordinary cheapening of the price of information, was creating an extraordinary flow of information into countries like Egypt which basically grew a middle class. And so there was something in between these two extremes of the autocrats and the religious extremists. And what's more, this new information technology allowed them to have devices to coordinate with each other. Whether it's Twitter or Facebook or what have you. It wasn't a Twitter revolution it was an information revolution that then was an enabled by Twitter or Facebook. And we're only beginning to come to terms with that, to understand it.

Similarly there are all sorts of nongovernmental organizations which are empowered by this in the terms of, if you want good organizations like Oxfam that are trying to reduce world hunger and there are bad organizations like al-Qaeda, which are trying to basically use force to impose their restricted view of religion on others. And in that sense it's worth realizing that these bad organizations empowered by information can do an extraordinary amount of harm.

Look at what happened on Sept. 11. It's worth noticing that al-Qaeda, a nongovernment, killed more Americans on Sept. 11 than the government of Japan did here at Pearl Harbor in 1941. That you might call the privatization of war.

So this change that we're seeing in the information revolution leading to a diffusion of power is something we are only just beginning to get our minds wrapped around. When people think about power they generally think in relatively old fashioned terms. The terms of hard

power of military or economic power, and they don't realize that that's not enough to cope with this new kind of world. It's classically the case that you think of power or the way the famous Oxford historian AGP Taylor put it, "a great power is a country that has the capacity to win at war." Now winning at war still matters but it's not the whole story and may not even be half the story.

There is also the question whether in an information age while it's important whose army wins it's almost equally important whose story wins. And that question of what's the narrative, what's the way in which you appeal to people to move them by attraction and persuasion becomes critically important and plays a larger role in the mix than we've had in the past. But we really haven't wrapped our minds around that very well. We haven't gotten to an understanding of the fact that to succeed in this new kind of world you have to have enough hard power to deal with the military in Cairo but you also have to have enough soft power of attraction and narrative to appeal to the people in Tahrir Square and you have to do it simultaneously. Not an easy task for a foreign policy in this new world of diffusion of power.

Let me go back now having talked about the problems of diffusion of power to power of transition because we also don't understand that very well. If you look at power of transition we tend to say it's a story of American decline and the rise of China, but this is also mistaken. I think it's mistaken on two fronts. One is when we talk about the rise of China, you have to remember in what I've said earlier about the shift from west to east was a shift of Asia not just China and China's only part of Asia. You have a number of other crucial countries as well. In addition to that I don't think that the metaphor of the United States being in decline is a very accurate description of what's happening in the world.

If you think about the question of is the United States in decline obviously there's a wide spread view now that it is. Particularly after the 2008 financial crisis it became a new conventional wisdom that this is the end, the Americans have reached their peak, they're past their peak and they're in their final phases and so forth. The trouble with this is nobody knows what the life cycle of a country is. Life cycle of a human being – we've got a pretty good idea – anybody who looks at me knows that I'm in decline. But life cycle of a country is not so clear. For example in the 18th century after Britain lost its North American colonies the British statesmen Horace Walpole said, "Woe is Britain, we're now reduced to a miserable little country like Sardinia or Denmark." What he didn't realize was that Britain was on the eve of its greatest century, which was because of the new industrial revolution. And even if you try to think about the classic case of Rome, yes, there was eventually a decline and fall of Rome but it took three centuries after Rome had reached the peak of its power.

So we have no idea of where the United States is in terms of its power cycle at this point. It's true that if you took a public opinion poll you will get a majority of Americans now thinking that the US is in decline. You will also get a majority of Americans thinking that China is larger than the US economically. That's simply false. But public opinion polls register moods, they don't register facts. And we've been through this before in the United States. After Sputnik the Soviets were 10 feet tall. In the 1980s the Japanese were 10 feet tall. Today the Chinese are 10 feet tall after the 2008 crisis. But I suspect we will outgrow this and then we will begin to have a more realistic sense of what power relations look like.

One question of course is will China become larger than the United States. And if one thinks simply in economic terms the answer to that is probably yes. Indeed Goldman Sachs has even put a date on it, 2027, the year in which the Chinese economy will be equal to the size of the American economy. Well, that's plausible, even though one should be skeptical about any precise projections about the future. The idea that a country of 1.3 billion growing at 10 percent a year would be equal in size of the American economy is plausible. But even when China equals the United States in total size of its GDP it won't be equal in composition of its GDP. China will still have enormous pockets of poverty, enormous pockets of backwardness, and a better way to measure the composition of an economy is by per capita income. In most projections that look at per capita income see that China will not reach the American level until somewhere in the 2040s or more if then.

So economics alone in terms of size of GDP doesn't show that China is necessarily larger. What's more is many of these projections of China taking over the world now are based on one dimension. They look at the question of economic size. But if you look at military power and you look at soft power then in fact it turns out that it's unlikely that China will equal the United States in the next couple of decades or more. Yes, China is building an aircraft carrier, the big difference between a carrier and 11-carrier battle task forces. And similarly in soft power Hu Jintao properly told the 17th Communist Party in 2007 that China needed to invest more in its soft power, that's a very smart strategy for a country whose hard power of economic and military strength is rising. If your hard power rises, what happens is you scare your neighbors and your neighbors form a coalition against you. But if you can combine this rise with your hard power with an increase in your soft power of attractiveness it makes it less likely that you're going to have these coalitions form against you.

So in that sense Hu Jintao's advice to the 17th Party Congress to increase soft power for China was a smart power strategy, smart power being the combination of hard and soft power. The problem is that China has a very hard time accomplishing this. And the reason isn't because they aren't spending money on it, they are, billions of dollars on Confucius Institutes and broadcast systems and so forth. But there's an unwillingness to unleash civil society and a great deal of soft power or attractiveness comes from civil society not from governments. Government broadcasting is often mistrusted, it seems like propaganda. But in civil society contacts you have something which is much more credible. And the problem that China has I think is that it's very difficult with the political system now to unleash civil society.

I was giving a lecture in Beijing University and a Chinese student asked me, "How can we increase China's soft power?" I said, think for a minute about the comparison of China and India. India has Bollywood which produces more films than Hollywood. And why is it that India dominates the international film market this way and China doesn't? Is it because India has better directors, better actors? I suspect not, it's because India doesn't have censors. And I think the answer for China if it wants to really develop its soft power is it's going to have learn to ease up and let go. But that is very hard advise at this time in China's history.

So if I look ahead at the total question of power over the next decade or two in East Asia and I ask is China when its economy equals the size of the US or so sometime in the 2020s, will it be more powerful than the US? I think not. I think in fact the US will remain more powerful.

It's worth noticing something. What I'm telling you is not that China won't do better. China is doing better and it's getting closer to the US. So in relative terms the rise of the rest not just China but others, means that the Americans are not going to have the same lead that they've had in the past. But does it mean that others will be larger or more powerful than the US, the answer to that I think is probably no. You could say "so what, why worry about this, who cares, this is just bragging about who's number 1?" It's like the Green Bay Packers versus the Chicago Bears in the Super Bowl. And the answer is no, it matters not because power is good per se, it's not. Power is like calories in your diet. Too little of it then you expire, too much of it and you become obese. The problem with power is to understand what's the right amount you need and how does it relate to the amounts that others have. And if you make mistakes about that you can have quite disastrous policies.

There's a classic story that is told by theorists of international relations which is a story of what happens when one power grows stronger and creates fear in an existing great power. And this was first described by Thucydides in his description of the Peloponnesian War which is the war in which the Greek city state system tore itself apart. And it was caused by, according to Thucydides, the rise in the power of Athens and the fear that created in Sparta. And many people say that was the story of the 20th century, when the European state system tore itself apart in World War I because of the rise in the power of Germany and fear that created in Britain. And there are some who say that will be the story of the 21st century. But the rise in the power of China and fear that creates in the United States will create a great conflict. I think this is wrong. I think it's bad history.

For one thing, Germany had already passed Britain in economic strength by the year 1900. And if I'm correct about my earlier assessment China is not likely to pass the US for another couple of decades if then. But why does that matter? What matters is if the Chinese develop the view that they are passing the US and they're rising and the US is in decline it can lead to hubris, to a more assertive Chinese policy which can make it very difficult for the American's to compromise as they try to deal with China. Because every time the American's offer a deal or a compromise the Chinese say, "oh just what we thought, they're in decline, they're weakening so push even harder."

The other half of this danger of misunderstanding the relations of power forces is on the American side. If the Americans' think oh the Chinese are just about to pass us and we'd better stop them now before it gets too late, that development of fear can itself be a self-fulfilling prophecy. So that Americans who generate fear of China then find that they are creating a self-fulfilling prophecy. And we wind up with a clash between the United States and China because both sides misunderstand the true correlation of forces. This would be a pity because in fact the United States and China have much more to gain from cooperation than from competition.

There are all sorts of problems today that we're going to face in this century. Growing out of that earlier diffusion of power that I described, the role of these nonstate actors where we're going to need cooperation with other states. For example if you think of problems of climate change, financial stability, cyber terrorism, or transnational crime, these are not things which you can solve with military power. These are things which you could only deal with by

cooperation. We have to think not just of power over others in the classical sense but power with others.

There are aspects of power which are positive sum, win-win, as well as zero sum. And unless we begin to readjust our thinking, to understand that you need to use soft power to get people into this cooperative framework and you have to think of it in a way in which both sides can win we may create conflicts which are not necessary.

It doesn't mean that this will be easily done. The management of the US-China relationship I think is extremely difficult. In the last two years we've seen an example. The Obama Administration came into office with one of its highest priorities was to engender greater cooperation with China. But in that period right after 2008 many people in China were writing articles both in academic journals and a newspaper saying the Americans are in decline. And what you saw from 2009-2010 was a much assertive Chinese foreign policy. The net effect of that was China's relations today are worst with the US, Japan, Korea, Vietnam, and India than they were two year ago.

So this extra assertiveness that comes from a belief of one's rise and another's decline and prove very expensive and can make it very difficult to get this positive win-win attitude in place. So in that sense I think what we are going to need is to have a much better understanding not just in the US but also in China of the way power is changing in the 21st century. We are going to have to realize that we're obviously going to have the classic relationship of transition between states. But we're also going to have a way to deal with this diffusion power away from states, which is going to require greater cooperation. Managing to do both those things at the same time is a very difficult foreign policy to pull off, whether it be in Beijing or in Washington.

The good news I think is that there are increasing number of people who are aware of this. When Hillary Clinton talks about smart power she is talking about this problem of combining the instruments of hard and soft power. It is good and interesting that China, you find a lot discussion of soft power. If Chinese soft power increases in the United States that's good for China, and it's good for us if we want to try to avoid a conflict with China, and vice-versa. So I think there is some prospect that we may develop a better understanding of how to approach power in this century but I suspect it will be that younger generation of people that we saw in the film that was shown before dinner will have to deal with this understanding. And let's hope that they indeed learn what smart means because they are going to have a huge task trying to deal with this problem of both power transition and power diffusion at the same time.

So more power to the next generation and I should say to the Pacific Forum for helping to bring them together and educate them on the problems that they and we will face. Thank you all very much.

Questions and Answers

Question 1: *How do you see the regional architecture of Asia evolving?*

Well you now have a ASEAN plus one which essentially is the free trade agreement with China and ASEAN. I was in Hanoi about a year ago and met with the prime minister and talked about this. It's a mixed blessing. The ASEAN nations are pleased to see the opportunities for increased markets. They're also worried about whether the Chinese will take over their markets. So I think there will be a closer relationship here, but I don't think it's going to be a takeover. As one thinks about the larger questions of architecture, what kinds of organizations and institutions there'll be in East Asia what we're going to see is what's sometimes been called in Europe "variable geometry": you're going to have ASEAN plus one, ASEAN plus 3, ASEAN plus 6 with different names to them, East Asian summit, or whatever you want to call it, but that's good – there shouldn't be one organization for all of East Asia. Having several different frameworks is healthy, at least for our interest.

Question 2: *What's Russia's role likely to be in all of this?*

Well the Russian question is something of a puzzle. If you look back, say the period of the late 1980s, there was a general feeling that Russia was a key player in East Asia. Vladivostok was going to be a central power, a focal point, and so forth. Now in fact you find that Russia is preoccupied with Europe and Central Asia and has not really played that much of a role in East Asia. If you look at the number of Russians who live in the Asian part of Russia, it's something like 6 million. It is tiny. And the Russians have a puzzle: they very much want to have good relations with the Chinese because they're concerned about the Americans. They also want to make sure that the Chinese don't control Central Asia through the Shanghai Cooperation Organization, and they want to sell military equipment to China but they don't want it to come back and hurt them in the future. They want the profits now but they don't want the threat later. They also have a concern about selling oil and gas eastward so the Europeans depend on them more because it means that the Russians have another market, but they don't want it to be something where the Chinese have control. They rather have it go to an LNG terminal so that it can go to a variety of different sources.

So the Russians are profoundly ambivalent for all these reasons about how they play their hand in East Asia. And I would argue that so far it's not been a skillfully or powerfully played hand.

Question 3: *I have two questions. First, what should US policy be in regard to institution-building in the Asia Pacific region? Second, you have recently made a powerful case for greater policy relevance among academics. I was wondering if you could offer some thoughts on the role of the Pacific Forum Young Leaders program in this regard.*

I think the United States has an interest in keeping APEC going: it's becoming somewhat sleepy in recent years. But APEC signals the American role in the Pacific – that we're a part of it and that we can think in trans-Pacific terms and not just in terms where the Americans are excluded. So I would hope the Americans will continue to focus on APEC. There is an argument that can be made that the Americans should also spend more time on the East Asian Summit, which you

might call the plus 6. We've decided not to join that. Having Australia, New Zealand, and India as part of it essentially protects our interests. But it's an open question about whether we might want to become part of that as well. I think the major concern is to make sure that you don't have a situation or architecture in East Asia where China becomes dominant to the point that other countries can't do much about it.

In the second question you asked about Young Leaders and how academic and policy issues interrelate. I've long held that one of the problems is that when academics get too divorced from policy issues or when policy makers don't spend enough time thinking about longer-term questions that academics sometimes raise, both sides suffer. And so the talk that you heard in New Orleans last week was an indication of that. It seems to me that the nice thing about the Pacific Forum Young Leaders is that it includes both.

Question 4: *What is your view of the recent arms sale to Taiwan?*

Well I think our policy toward Taiwan should be, and this is pretty standard, no formal declaration of independence, and no use of force and, within that, no force by the mainland, no independence by Taipei, that you leave the two sides to bargain out the type of relationship they're going to have. I think that means that we have to provide enough arms so that China cannot feel that it can have *a fait accompli* by military force and I think what arms we sell to Taiwan under the Taiwan Relations Act, has to be in terms of that, what's inside that box that I described. That has to be assessed each time you look at the balance across the Strait. You'll see what it would take to make sure that Taiwan couldn't be quickly taken over by military force. I think that is the basis for which we make a decision. Whether in a particular circumstance we need or shouldn't sell *F-16s*, I would leave to an assessment at that particular time. In other words I don't think there ought to be an automatic formula. I think it's going to take judgment of what is necessary to make sure that Taiwan can protect itself from a sudden take over militarily from the mainland so that there is then an incentive for Beijing to negotiate with Taipei.

About the Author

Joseph S. Nye, Jr. is Chairman of Pacific Forum CSIS, and also the Sultan of Oman Professor of International Relations, John F. Kennedy School of Government, and Distinguished Service Professor at Harvard University. Prior to assuming that post, he was Dean of the Kennedy School from December 1995 through June 2004. He has also worked in three government agencies. From 1977 to 1979, Mr. Nye served as Deputy to the Under Secretary of State for Security Assistance, Science and Technology and chaired the National Security Council Group on Nonproliferation of Nuclear Weapons. In recognition of his service, he received the highest Department of State commendation, the Distinguished Honor Award. In 1993 and 1994, he was chairman of the National Intelligence Council, which coordinates intelligence estimates for the President. He was awarded the Intelligence Community's Distinguished Service Medal. In 1994 and 1995, he served as Assistant Secretary of Defense for International Security Affairs, where he also won the Distinguished Service Medal with an Oak Leaf Cluster.

