Using American Power Smartly: Advice to the Next U.S. President

By Joseph S. Nye, Jr.

A Pacific Forum CSIS
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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Pacific Forum CSIS Board of Governors Dinner
Introductory Remarks
by Ralph A. Cossa, President, Pacific Forum CSIS

Good evening honored guests, ladies, and gentleman,

Welcome to the 2008 Pacific Forum CSIS annual Board of Governors dinner and Young Leaders fund-raiser. It is my pleasure to serve as your host tonight and to introduce our guest speaker, Dr. Joseph Nye, who will be giving the "L.W. 'Bill' and Jean Lane Lecture in Diplomacy" this evening.

We are sorry that Bill and Jean Lane could not join us this evening. Bill called today and asked that we extend a warm aloha to all their many friends here in Hawaii. I know many of you in the audience know the Lanes well and are familiar with all they have done for Hawaii. We are especially grateful to Bill and Jean for their continuing support to the Pacific Forum and for helping to make tonight's Lane Lecture in Diplomacy possible.

Before introducing our speaker, let me say a few brief words about the Pacific Forum. We are a non-profit foreign policy research institute, founded 33 years ago by RADM Joe Vasey. We are pleased and honored to have our founder with us this evening. Last week Joe celebrated his 91st birthday and we wish him continued good health. Seated next to Joe is the founder of the Center for Strategic and International Studies, Dr. David Abshire, currently president of the Center for the Study of the U.S. Presidency. In 1989, Joe and Dave sat down together and arranged the merger that brought our two institutions together and we are deeply honored to also have David Abshire with us this evening.

The Pacific Forum, since its founding, has sought to raise awareness in the United States of the importance of Asia and to raise awareness in Asia of the value of maintaining a close partnership with America. In 2007, the Pacific Forum ran 16 international conferences in 13 different cities in 8 different countries, along with more than a dozen roundtables here in Hawaii featuring a broad range of international experts and officials. Through our Young Leaders program, we also were able to bring over 100 up-and-coming young professionals from around the globe to sit in on our senior-level conferences, to experience first-hand the foreign policy debate process. We also published a quarterly journal (*Comparative Connections*; available for free on the Internet: www.pacforum.org), 79 1-2 page *PacNet* commentaries on critical issues and developments, 17 *Issues & Insights* research studies and conference reports, plus a book on East Asia multilateral cooperation. We did all this on an annual budget of just slightly more than half of what it cost for a single 30-second commercial at last Sunday's Super Bowl, or about the same amount each of the major Super Tuesday candidates each spent each day in the past few weeks on TV advertising alone.

Thanks to the generous support of so many in this room, we look forward to expanding our efforts in the coming years, especially our Young Leaders program, which will be the direct beneficiary of the funds raised this evening. As tonight's video (available on the Forum's web

site) clearly demonstrated, we have brought together an extraordinarily talented group of young men and women from around the globe, including a terrific group from right here in Hawaii, many of whom are here with us this evening.

Tonight we are in for a special treat. Dr. Joseph Nye is an internationally recognized scholar and expert on international affairs. He is the former dean of the John F. Kennedy School of Government at Harvard University, where he remains as Sultan of Oman Professor of International Relations. He was Assistant Secretary of Defense for International Security Affairs during the Clinton administration and is best known internationally for coining the phrase "soft power," which he defines as an important tool for getting others to do what you would like them to do, by providing so attractive an example that others willingly seek to emulate it. Soft power is derived from a country's culture (when it is attractive to others), values (when there is no hypocrisy in their application), and foreign policies (when they are seen as legitimate in the eyes of others).

Together with former Deputy Secretary of State Richard Armitage, he also heads a program aimed at promoting an effective combination of American soft and hard power, which they have termed "smart power." He will speak to this subject this evening, as he offers some advice to our next president. Let me add in closing that earlier today, David Abshire was speaking about the same general topic. One key bit of advice he offered to the next president was "listen carefully to the 'teachers,' to the truly wise men (and women) of our generation who have much wisdom and insight to impart." The first "teacher" mentioned by David Abshire is tonight's speaker, Dr. Joseph Nye, Chairman of the Pacific Forum CSIS Board of Governors.

Using American Power Smartly:
Advice to the Next U.S. President
Keynote Speech by Dr. Joseph S. Nye, Jr.
Pacific Forum CSIS Board of Governors Dinner
February 5, 2008

Thank you Ralph for that overly generous introduction, particularly with David Abshire's endorsement. It is a great pleasure to be back in Hawaii and to be associated with this wonderful organization and a personal honor to be giving this year's Lane Lecture in Diplomacy. Our thanks go out to Bill Lane for helping make this evening possible. We're sorry Bill and Jean can't join us in person but know they are with us in spirit.

Having sat through the Pacific Forum's Board meeting this afternoon I can't think of any organization that does more with fewer resources than the Pacific Forum CSIS. And among the things it does is produce an enormous amount of soft power for the United States, and with a very small investment. It also does a terrific job with Young Leaders. Ralph asked me to talk to them in San Francisco last March at a Pacific Forum U.S.-Japan conference and boy were they good. They were so sharp and so smart they made me proud to be associated with this organization. So my hats off to you and to your staff and for the wonderful people who've supported this organization, may it continue to go forward as it has thus far.

My job tonight is not to merely say what a terrific job the Pacific Forum is doing, but to also say a little bit about smart power and the war on terror. That basically is a tough topic but one that is very much on our minds as we approach the next election. If you think about the last seven years, the main theme of our foreign policy has been a global war on terrorism. But there are serious problems with the idea of a war on terror, much less making that the theme for foreign policy. For example, Britain has recently told its officials not to use the words "war on terrorism." Americans have a rhetorical tradition of declaring war on abstract nouns like drugs and poverty, but the British have focused on concrete opponents. The basic British concern lies in a different analysis of the problem. When interrogating arrested terrorists, British officials have found a common thread. Al Qaeda and affiliated groups use a simple yet effective narrative to recruit young Muslims to cross the line into violence. While extreme religious beliefs, diverse local conditions, or issues like Palestine or Kashmir can create a sense of grievance, it is the language of war and a narrative of battle that gives recruits a cult-like sense of status and larger meaning that leads to action.

Al Qaeda has been extremely adept at focusing on communications. It's learned how to use modern media and the internet very effectively and its potential recruits are told that Islam is under attack from the West, and it is the personal responsibility of each Muslim to fight to protect the worldwide Muslim community. This extreme version of the duty of "Jihad" or struggle is reinforced by videos and internet websites that show Muslims being killed in Chechnya, Iraq, Kashmir, and Lebanon. This grotesque message uses the language of religion as justification, but its real dynamic is like an ideology that seeks to harness the energy from a great variety of grievances. And what British officials concluded is that when we use the same

vocabulary of a war on terrorism, we essentially are falling into their trap. They don't hear it as war on terrorism, they hear it as a war on Islam. And the vocabulary that we use simply reinforces al Qaeda's narrative and helps their recruiting efforts.

Donald Rumsfeld, when he was Secretary of Defense, once asked "what's the metric that we should use to measure success in a war on terrorism?" He concluded that success depended on whether the number of terrorists that we were killing or deterring was greater than the number that the other side was recruiting. By his metric, British and American intelligence officials have estimated that the results of our war on terror are not encouraging. While there have been tactical and operational successes in the near term, we are losing the longer generational struggle because the number of new recruits has been increasing rather than declining. That's a problem. In that sense, Rumsfeld was not alone in his conclusion. In fact, it's interesting that the State Department sent a memo to the White House a couple of years ago suggesting a shift in vocabulary. But President Bush rejected the change, and when reporters asked a State Department spokesman about American reactions to the British decision to ban the phrase, they were told, "it's the president's phrase and that's good enough for us." But a phrase that may be helpful in rallying popular support inside the United States is not good enough for us when we are trying to win the hearts and minds of mainstream Muslims outside the United States. "War on terror" cannot be the main theme of the next president's foreign policy.

Some pundits and analysts have argued that no matter who wins the 2008 election, he or she will be bound to follow the broad lines of President Bush's strategy. Vice President Cheney has argued "when we get all through 10 years from now, we'll look back at this period and see that liberating 50 million people in Afghanistan and Iraq did represent a major fundamental shift, obviously, in U.S. policy in terms of how we dealt with the emerging terrorist threat – and that we'll have fundamentally changed the circumstances in that part of the world." President Bush himself has pointed out analogies to how President Harry Truman suffered low ratings in the last year of his presidency because of the Korean War. And today, the president points out, South Korea is a democracy protected by American troops. But this is a rather simplified version of history. Because by this time in his presidency, Truman had build major cooperative institutions like the Marshall Plan and NATO.

The crisis on September 11, 2001 produced an opportunity for George W. Bush to express a bold new vision of foreign policy. But, a successful vision is one that combines inspiration with feasibility. And it's not clear that we've got that combination right. Among past presidents who have been able to combine inspiration and feasibility in an effective vision, Franklin Roosevelt was quite good, But Woodrow Wilson was not. My colleague at the Kennedy School, David Gergen, has described the difference between the boldness of FDR and the boldness of George W. Bush: "FDR was also much more of a public educator than Bush, talking people carefully through the challenges and choices the nation faced, cultivating public opinion, building up the sturdy foundation of support before he acted. As he showed during the lead-up to World War II, he would never charge as far in front of his followers as Bush." President Bush's temperament has been less patient. As one journalist put it, "he likes to shake things up, and that was the key to going into Iraq."

I think the next president is going to have to learn from these lessons of the past. In my new book, *The Powers to Lead*, I argued that a key skill for the next president will be contextual intelligence. And this would be true whether it be a Democrat or Republican. Contextual intelligence is the intuitive diagnostic skill that helps you align your tactics with your objectives so that you get smart strategies in different situations. Ronald Reagan and George H.W. Bush were very good at contextual intelligence. And what we need to see now from the next president is an ability to understand the current context of American foreign policy and where we stand in the world.

Understanding America's position in the world is something we haven't done well as a people in the past. For example, two decades ago if we were to ask about where people thought the United States stood in the world, the conventional wisdom was that the United States was in decline, suffering from "imperial overstretch." A decade later, with the end of the Cold War, the new conventional wisdom was that the world was a unipolar American hegemony. And some neo-conservative pundits drew the conclusion that the United States was now so powerful it could do whatever it wanted and others had no choice but to follow. For example Charles Krauthammer, the columnist for *The Washington Post* and *Time Magazine*, wrote a column celebrating this view as "the new unilateralism." That was a very strong, powerful theme of the first years of the Bush administration.

This new unilateralism was based on a profound misunderstanding of the nature of power in world politics. Power is the ability to get the outcomes you want. And whether certain resources will produce power or not depends upon the context. Contextual intelligence means that you have to understand the strength and limits of American power. We are the only superpower, but our preponderance is not empire, it can influence but not control other parts of the world. In fact, if you want to understand power and its different context in the world today, it helps to use the metaphor of a three dimensional chess game, in which you play on a top board, a middle board, and a bottom board, both horizontally and also vertically. On that top board of military power among countries, the United States is the only superpower, and nobody is about to replace us, I would argue, for at least a couple of decades, and that includes China or whoever else you want to nominate for that position. On the middle board of economic relations among countries, the world is already multipolar. We cannot get what we want in trade, antitrust, or other things without the European Union, China, Japan, and others cooperating with us. And on the bottom board of transnational relations, things that cross borders outside the control of governments, whether it be pandemics, climate change, drug trade, or transnational terrorism, this is a situation where power is chaotically distributed. Nobody is in charge; nobody has control.

To call that American empire or American unipolarity is nonsense. It's taking a theme which fits the top board and applying it to the bottom board. And yet ironically, it's that bottom board where some of our greatest threats now come from. After all, it was from the bottom board that we got 9/11. And in that sense, if you're playing on a three dimensional chess board you have to realize that the instruments that you use have to be appropriate to the board you're playing on. What we did nationally was focus so heavily on the top board and our preponderant military strength, that we thought that was going to solve things on the middle board and the bottom board. And in fact it didn't. Understanding the context of foreign policy – the

contextual intelligence that I'm talking about – requires a president to know when and what instruments to use in what context so that we will understand the limits and sources of American strength.

The second thing the next president must understand is the importance of developing an integrated grand strategy that combines hard military power with soft attractive power. In the struggle against terrorism, you need hard power against the hard core. But you need the soft power of attraction against the mainstream that you're trying to attract away from being recruited by the hard core. And if we misuse our hard power, as symbolized by Abu Ghraib or Guantanamo, we can actually create more terrorist groups and more terrorist recruits than we kill or deter. And what's odd is that in our country today, we do not have an integrated strategy for combining hard and soft power. Many official instruments of soft power, such as public diplomacy, broadcasting, exchange programs, development assistance, disaster relief, and military to military contacts, are scattered about the government. There is no overarching strategy or budgetary process that allows you to fit them together.

For example, we spend 500 times more on the military than we do on broadcasting and exchanges. Is that the right proportion? How would we know how to answer that question? There's no point in the government at which you can judge that. We have more people playing in military bands than we have Foreign Service officers. Is that the right proportion? I'm not against military bands, when I served in the defense department I loved them, but have we got the proportions right? Do we even have a process in the government to ask that question or to go about answering that question? The answer, alas, is no. And in that sense we don't know how to make trade-offs; we don't know how to integrate things into a smart strategy. We don't know how to include the nonofficial generators of our soft power – everything from Hollywood to our universities to the Bill and Melinda Gates Foundation – much of it emanates from our civil society. But we haven't figured out how to put it all together or how to think of it together.

A third aspect of contextual intelligence for the next president, of whichever party, will be recognition of the growing importance of Asia. President Bush's theme of a "war on terrorism" has led to an excessive focus on one region, the Middle East. We have not spent nearly enough time on Asia. If you think back historically in the year 1800, before the industrial revolution, Asia was three-fifths of the world's people and three-fifths of the world's product. By 1900, after the industrial revolution in Europe and America, Asia was still three-fifths of the world's people but only one-fifth of the world's product. Today it's recovered to more than two-fifths of the world's product. By the middle or end of this century it will be back in proportion to where it was in 1800. This is a huge question for us to cope with in a foreign policy strategy. It's a key context and a unilateral or single-minded focus on the Middle East that forgets about the extraordinary importance of the rise of Asia is a mistake in understanding the context of foreign policy.

Now true, there are alarms that are rung from time to time about the rise of China and the threat that produces, but that's not the right way to think about it. The way to think about it is managing this transition in a way in which China can be brought in as "a responsible stakeholder in a larger institutional framework," to borrow a phrase used by former Deputy Secretary of State Bob Zoellick. A century ago Great Britain managed the rise of American power successfully but

the world didn't manage the rise of German power successfully, with disastrous results. One of the key things for the next president is to not let the urgent – the immediate crisis in the Middle East – drive out the important; we must have a serious strategy for Asia that integrates China, India, and Japan into an international institutional structure with the U.S.

As we think about the war on terrorism or the struggle against terrorism, it's also worth noticing that the Bush administration has drawn analogies between the war on terrorism and the Cold War. The president is correct in one sense: it's going to be a long struggle. What we know from history is that most outbreaks of transnational terrorism in the past century took a generation or so to burn out. This is not something which we will escape quickly. But another aspect of the analogy has been neglected. And that's the fact that we won the Cold War by a smart combination of our hard coercive power which deterred Soviet aggression and the soft attractive power of our ideas. When the Berlin Wall finally went down in 1989, it did not collapse under an artillery barrage. It was brought down by hammers and bulldozers wielded by those who had lost faith in communism; they had been attracted by our soft power of ideas and values.

In the information age, success is not merely the result of whose army wins, but also whose story wins. The current struggle against extremist jihadi terrorism is not a clash of civilizations, it's a civil war within one civilization, that of Islam. We cannot win that war, to use that terminology, unless the Muslim mainstream wins. While we need hard power to battle the extremists, we need the soft power of attraction to win the hearts and minds of the majority. Polls throughout the Muslim world show that we are not winning this battle, and that our policies are the problems. It's not that they hate us for our freedom; they hate us for our policies and what we do. And this has been shown consistently in poll after poll.

So we have a definite and real problem. There is an analogy with the Cold War; we are going to be involved in a long struggle against terrorism and a particular version of terrorism. But we also have not yet learned the lessons of the Cold War: that you need to combine your hard and soft power into a smart power strategy. Of course I'm not arguing that soft power is the solution to all our problems. Clearly it's not. A North Korean dictator like Kim Jong-il likes to watch Hollywood movies, but that's unlikely to affect his nuclear weapons program. And soft power got nowhere in attracting the Taliban government away from its support for Al Qaeda in the 1990's. It took hard military power to end that. But other goals, such as the promotion of democracy and human rights and winning over the mainstream Muslims, are much better achieved by soft power. What we have learned is that coercive democratization has its limits.

It's time for the United States, whoever becomes president, to rediscover how to be a "smart power." That basically was the bottom line conclusion of the study that former Deputy Secretary of State Richard Armitage and I co-chaired. A group of Republicans and Democratic members of Congress, former ambassadors, retired military officers, and heads of non-profit organizations, half Democrats, half Republicans, was convened by the Center for Strategic and International Studies, to look at the question of how we can regain our capacity to be a smart power and regain our standing in the rest of the world. What we concluded was that America's image and influence has declined in recent years, and that the United States has to move from exporting fear back to inspiring optimism and hope.

The Smart Power Commission was not alone in this conclusion. Defense Secretary Robert Gates gave a very interesting speech about two months ago, in which he said that the U.S. Government had to commit more money and effort to soft power tools including diplomacy, economic assistance, and communications because the military alone cannot defend America's interests around the world. He pointed out that military spending totals nearly half a trillion dollars annually, that's without the wars, just the basic spending, and that is to be compared with a State Department budget of $36 billion. In Gates' words, "I am here to make the case for strengthening our capacity to use soft power and for better integrating it with hard power." He then went on to acknowledge that for the head of the Pentagon to plead for more resources for the State Department was as odd as the story of man biting dog, but he said these are not normal times.

Smart power is the ability to combine the hard power of coercion and payment with the soft power of attraction into a successful strategy. By and large, as I mentioned, we managed that combination during the Cold War, but more recently we have had a tendency to over-rely on hard power because it is the direct and most visible source of American strength. Or putting it a little differently, if you go back to my three dimensional chess board, if you're way ahead on one of the boards, you're likely to think that's the board to play on. So we thought since we're miles ahead of everybody else on hard power at the military level, and accounts for more than half the world's total military expenditure, its best to play on that board, rather than this bottom board which is all chaotic. But guess what? If you're really involved in a three dimensional chess game, and you play on one board only, in the long run you're going to lose. And unfortunately what we've shown as a people – this is a policy question way beyond administrations – is that we're not up to playing three dimensional chess. We're not up to learning how to combine our resources in these different boards into an overall effective strategy.

The effects of 9/11 and the terrorist attacks have thrown us off course. Since the shock of 9/11, we have been exporting fear and anger rather than our more traditional values of hope and optimism. Guantanamo has become a more powerful global icon than the Statue of Liberty. The CSIS Smart Power Commission acknowledged that terrorism is a real threat and is likely to be with us for decades. But we also pointed out that over-responding to the provocations of extremists does us far more damage than the terrorists ever do. One way to think about this is to see terrorism as a little bit like Jiujitsu. The weak player wins when he is able to use the strength of the strong player against himself. And we have fallen into that trap all too often. So what the commission argued was that success in the struggle against terrorism means finding a new central premise for American foreign policy to replace the current theme of a "war on terror." It doesn't mean we drop the struggle against terrorism, it means we become smarter in our struggle against terrorism.

The United States could become a smart power by once again investing in global public goods – providing things that people in governments in all quarters of the world want but cannot attain absent leadership by the biggest country. And we are the biggest country, and we have to play that leadership role. By complementing American military and economic might with greater investments in soft power, by focusing on global public goods, the commission argued, the United States can rebuild the framework that it needs to tackle the new challenges.

Specifically, we recommended that the new president focus on five critical foreign policy areas to set a new theme rather than be caught in the old theme.

First, we should restore our alliances, partnerships, and multilateral institutions. Many have fallen into disarray in recent years of unilateral approaches and we need a renewed investment in institution building.

Second, we felt that global development should be a much higher priority. Elevating the role of development in U.S. foreign policy can help align our interests with that of people around the world. We recommended that a major public initiative on global public health would be a good place to start on that.

Third, we argued that we should be investing as a country much more heavily in public diplomacy. And that public diplomacy should include, but not exclusively, broadcasting. In fact, it should invest more in face to face contacts, education, and exchanges that involve our civil society. Our civil society, with all its freedoms and contradictions, is an enormous source of strength that we should be building upon. In fact, we recommended an idea that we picked up from David Abshire which is a new foundation for international understanding that could help support more of these contacts between members of our civil society with others. The video you saw tonight about the Pacific Forum's Young Leaders Program is a perfect example of the type of thing that we had in mind. (Young Leader video is available at www.pacforum.org)

Fourth, we recommended that we promote economic integration. It's essential that the leading country in the world resist protectionism. We must continue our engagement in the global economy. It's necessary for growth and prosperity not only at home but also for peoples abroad. Maintaining an open international economy, however, will require our attention to the inclusion of those that market changes leave behind, both at home and abroad.

Our fifth and final major recommendation or cluster of recommendations centered on the need for the new president to take much more of a lead on energy security and climate change. These are global goods where we failed to take the lead, that will become increasingly important in the agenda of world politics in coming years. A new American foreign policy should help shape the global consensus and develop innovative technologies that will be critical in meeting this important set of challenges.

Implementing such a smart power strategy will require a strategic assessment of how the United States government is organized, coordinated, and budgeted. The next president will have to consider a number of creative solutions to maximize the administration's ability to organize for success, including the appointment of senior personnel who could reach across agencies to better align resources into a smart power strategy. This will require innovation, but we have been a smart power in the past and we can become a smart power again. It is time for the U.S. to once again export hope rather than fear, and that must be the agenda of the next president, no matter which party wins in November.

Thank you very much for your attention and again thanks to Bill and Jean Lane for making this lecture possible and to the Pacific Forum CSIS for its continuing effort to build

America's soft power and to make us all smarter through its thoughtful programs and publications.

Questions and Answers

Question 1:

Could you critique Russian President Vladimir Putin's use of power?

I think the interesting thing about the Russians is that Putin has done something which makes him quite popular at home. He has replaced the chaos of the late Yeltsin years, and returned Russia not to communism, but to Czarism. And that has made him quite popular. The irony is that he could win an election if he were standing for election again.

On the other hand, he has not been very smart in the way he has used that power. A lot of Russia's power right now is based on one major factor, and that's the rise in oil prices and energy prices. He's used that to essentially bully his neighbors, to get a stranglehold on gas pipelines to Europe, and this has led to a great deal of mistrust of Russia. You might say it doesn't matter. Well, as long as oil prices are over $100 a barrel, it may not matter so much, but we should not overlook the fact that Russia has enormous problems at home. It has feet of clay. If you look at Russian demography, not only is it shrinking in overall population, but it has an extraordinary public health problem. The average life expectancy of a Russian male is 59 years. That is unbelievable in the developed world. Japan's is probably about 78 years or so now. This gap between their posturing externally and the real problems that they have at home means that they're going to be vulnerable at some point in the future. In addition, they haven't developed a broad-based infrastructure of entrepreneurship in a rule of law which encourages a diversified economy.

So Putin has been clever in his use of power in the short run. He's brought domestic order, which has given him a certain degree of internal popularity, and he's beat up on his neighbors and used this to essentially assert Russia back into what he sees as its great power status. Is that a smart long-run strategy? I doubt it. He's not dealing with some of the real problems at home, and in the meantime he's making people very afraid of him in the neighborhood.

Question 2:

Do you feel that the United States policy toward Taiwan's sovereignty is an effective utilization of hard and soft power or do you feel that a change in the United States policy of providing military assistance to Taiwan, to protect its sovereignty, is in order?

I think that the American policy on Taiwan is basically correct. We have a couple of objectives that we want to accomplish and, as so often in foreign policy, you have to make trade-offs. One objective is that we do not want to be involved in a major war with China; we want to manage the rise of China. The other is that we don't want to see the democracy and market economy of Taiwan undercut; they have accomplished something important. So we have set a policy which, cutting aside the fancy verbiage that you have to use when you're in government, I can express in simpler terms – no independence, no use of force.

Why then do we give some arms to Taiwan? Because we want to make credible the fact that Taiwan cannot be easily conquered. But why do we make strong statements as the administration recently made after Taiwan President Chen Shui-bian announced a referendum about Taiwan having its own seat in the UN? Because we want to be clear that we're not going to support independence in a *de jure* sense. So roughly speaking the policy is on the right track. What we want to do in addition to that is encourage more ties across the Taiwan Strait – people, investment, and so forth, and more discussion of ways in which you could find formulas in which Taiwan can preserve the values that it has created – democracy and an open market. At the same time we want some formula – whether, one country, three systems, or what ever it will be – which allows China to be able to say its sovereignty has not been broken apart by splittists and so forth, but not to take over Taiwan and undercut the values that we think are important. The question is whether you can manage over time to achieve both objectives. Thus far we have been quite successful but it's something that requires day to day watching so that you don't wind up with a surprise that you suddenly can't manage.

Question 3:
My question has to do with soft power and the free trade agreements with South Korea and Peru. I just returned from Lima and there's a great excitement about the free trade agreement there and the changes both economic and political that can happen. Likewise there was a very important presidential election in South Korea with new promises of disbanding the old economic structure that favored chaebol. On the one hand, economic soft power seems to be working in South Korea and Peru. But what do you think U.S. leadership owes its own citizens to live up to promises that we have made to those very important partners?

That's a good and important question. It's worth remembering that economic resources can produce both hard and soft power. They can produce additional wealth for various purposes to buy or purchase things. Openness can also produce a great deal of attraction. So I would like see such agreements go forward and I hope that they will be ratified. One of the problems is that the hardest time to deal with these types of things is in the midst of a presidential election campaign, and we have to hope that, after the November elections, the Korean agreement in particular will be ratified. But in general, standing for an open international system is good in terms of direct economic benefits and also good in terms of how the United States is seen as an attractive provider of the public good of openness. So I think both of the cases you cite are important and hope that our system is able to pull them off.

Let me note one footnote to that thought, which I mentioned quickly at the end of my talk, and which is dealt with in more detail in the *Smart Power Commission Report.* Our ability as a democracy to preserve the capacity to maintain an open international system requires us to make sure that those who suffer from openness don't lose everything. In other words, when you think of trade adjustment assistance, unemployment compensation, and so forth, these are instruments which help to ease the pain. It's true that open trade is good for the country as a whole, but it's not necessarily good for each person in the country, or each group in the country. And those who benefit have to help those who don't benefit so we keep the ability to keep an open system. And we have to pay a good deal of attention to that as well.

Question 4:
Whereas hard power is basically a government monopoly, soft power is produced largely through civil society. And because of that, we are a soft power superpower. And because of that, there's a tendency on the public's part to take soft power for granted. That leads me to a couple questions. How do you get the public to understand more that there needs to be government programs that are not just PR for the administration but are true public diplomacy programs? As a practical issue, how would you integrate the hard power strategy with the soft power strategy, and even the various soft power strategies with each other? What kind of mechanism do you think the new administration will produce?

It's true that if you think of attraction, which is the basis of soft power, a great deal is produced by our civil society. It may be that most people in the world have more contact with the United States through Hollywood movies or through entrance to American universities or desire to enter American universities or through contact with American brands than they do with the American government. And that's important.

But it's also true that the government still has a role. One role is to make sure it stays out of the way. For example, after 9/11 we put through a draconian visa policy which means that the number foreign students in the United States went down. This was shooting ourselves in the foot in terms of soft power. But the Homeland Security Dept. was thinking "just protect the people," and there was nobody else who was saying, "but wait a minute, we also want to keep our soft power." So you need integration of that sort.

The other thing is that there's still a role for promoting America's message as a collective. If you leave it to Hollywood, or if you leave it to commercial television, you're going to have some values promoted and not others. It's often not economic, from a commercial point of view, to broadcast in certain languages. Or if you're trying to sell a movie, violence sells and certain other values may not sell. So, there is a role for the government is terms of having a broadcasting board of governors, or having a visitors exchange program, or that the government runs public libraries of American books overseas and so forth. And we spend about a billion dollars a year on it in the United States. It's interesting that Britain or France, which are a fifth our size, also spend a billion dollars. So by that comparative measure we're underinvested.

Now how would you put all this together? What we recommend in the *Smart Power Commission Report* is that the president create a deputy national security advisor who would be double hatted with the Office of Management and Budget. In other words, he or she would have the capacity to approve agency budgets, so it's not just policy, it's dollars as well. This person would also do something like a Quadrennial Defense Review that we do in the Department of Defense, but do that for smart power. It would put our hard and soft power together. That combination of actual planning plus budgetary capacity to affect agencies' resources could make quite a difference in terms of integrating these instruments.

Question 5:
In the most recent edition of Foreign Affairs, David Hale, the economist and energy specialist, wrote an eye-opening article on China. In it he stated very clearly that while we look at the China through the prism of our trade deficit, there is an equally difficult problem for them since

they have a long list of countries with whom they have trade deficits. Components coming from Japan and Korea which are then put together in China create figures that aren't clear. Given the strategy that you have laid out, do you see that embracing the dragon and using these particular areas to deal with it is something that will go ahead and be a progenitor of soft power with China?

It's a good question. I think the one problem is we don't know how to measure very well when we look at our economic relations with China. On the one hand, if you look at the estimates in the past where we used purchasing power parity we often exaggerated China's strength. We redid those calculations recently and China lost 40 percent of its economy. Obviously that didn't happen. What happened was in our minds. And the same thing is true with David Hale's point that when we measure China's trade surplus with the United States, we're aggregating a lot of pieces and parts and components that come to China which are regarded as a deficit for them. But because China is the exporter to the U.S., it looks like China owns all the surplus. In fact some economists have made estimates saying that if China were to revalue the *renminbi* by 25 or 35 percent, as Sen. Charles Schumer and other senators have suggested, it really wouldn't do much good. If the RMB appreciated to that point or if you put tariffs up against China to a level that would prohibit its goods coming in, you'd wind up buying them from other countries that otherwise were shipping through China. So there's a lot of misunderstanding in the numbers as you suggested as we try to understand the relationship with China. That's important because if you go back to the underlying problem we have with a large fiscal deficit, which has basically cut American savings, our government is dissaving and China is saving more than it should. Basic economics 101 tells you that when one country has insufficient savings and the other country has too much savings, capital flows. If we want to get back to an economic balance with China, we've got to get our own house in order, after the current recession is over; over the long term we've got to get back to having budgetary discipline at home and we have to persuade the Chinese to develop more consumption inside China. That rebalancing will do more for regressing some of this trade deficit than probably any other measure. You can get some adjustment through currency adjustment, but you're not going to solve this simply by currency adjustment.

So as we think about China and U.S. economic relations with China, the thing to keep in mind is that sometimes people say, "my heavens, China has gotten so powerful that they, with over a trillion American dollars in reserve, could dump those or change them and bring us to our knees." But people forget that they would also bring themselves to their ankles if they did that, and that when you have a high level of economic interdependence of this sort, it's going to require management of both sides. Treasury Secretary Paulson has tried to make a good start on that but given the fiscal policy problems at home, was not able to solve it in the level that I was talking about, which most economists say is the biggest part of the puzzle.

So understanding what's going on in the numbers and the underlying balances is the first step toward understanding how to deal with the economic relationship with China, which in the larger picture is good for both of us. It's good for the U.S. and it's good for China, if we manage it well. But we haven't always thus far.

Question 6:
What is the role of Congress in the use of soft and smart power? Do you really see an effective role for Congress itself?

It's going to be critical that Congress buy into these changes. Without Congressional buy-in, nothing is going to happen. A president can send a budget to Congress with suggestions, but unless he gets key Congressional committee chairs to agree with it, it doesn't matter. I was pleased to see that President Bush's latest budget calls for an increase in foreign service officers. Late, but better late than never. But unless the president is able to work with the Congress to get its support for that, it's not going to work. We haven't seen the kind of leadership that we need to explain to the people and to Congress why it's important to make these investments. The reason that CSIS President John Hamre asked Rich Armitage and me to cochair the Smart Power Commission, which included two Republicans and two Democrats of the Congress, was to try to get a basis for educating the public and the Congress about why this is so important. Rich and I testified before the House Government Affairs Committee and it was interesting to see that we not only got a good turn out, which isn't always the case when you testify before Congress, but also got good support on both sides of the aisle. So I'm hoping that with more understanding of the situation of what makes a smart strategy, we can get the kind of Congressional support that the next president is going to need to implement something like this.

Ralph: You saw a video today of our Young Leaders Program. Last year we had a fundraiser for our Vasey Fellows. In addition to bringing people for meetings from around the world, we also bring young people to study with us at the Pacific Forum. Our newest Vasey Fellow, who arrived from China yesterday morning, has the next question.

Question 7: (Shanshan Wang)
I think many Americans and people from other countries are overestimating China's power. I think the dragon is domestically very weak and fragile. We Chinese are talking about, or are concerned about, China's trade deficit and these kinds of things. The Communist Party in China today, with the spring festival coming, is very concerned about how to deal with our huge population of migrant workers who want to get back to their counties and hometowns in rural China. Premier Wen Jiabao flew to Guangzhou train station to try to comfort the migrant workers who were stuck there. This is the real China. I mean that the leadership is facing a lot of challenges domestically. And so Dr. Nye what are you expecting from China? Can you give the Chinese government some suggestions about how to develop and use its smart power? Thank you.

That's a very good question and I would also preface my answer by saying I agree with your description. China has done a fabulous job over the last three decades of taking 400 million people and raising them out of poverty. That's the good news. The bad news is there are another 400 million to go. And that's a huge problem. We sometimes have this image of China as totally centrally controlled from Beijing. Everything I've seen from students who've worked there and people who studied about it suggests that Beijing doesn't have the levers you might think it has in terms of solving these problems. It reminds me when I was sitting as an observer at a summit conference between President Clinton and President Jiang Zemin in the '90s. President Jiang leaned across the table and he asked President Clinton, "do you want a strong China or a weak

China?" President Clinton said, "you know, we thought about that, and we think we have a lot more to fear from a weak China than from a strong China." I think that remains true today.

Let me give you one concrete example. China and carbon dioxide. China for energy security reasons, as well as economic reasons, has a great incentive to use its enormous coal resources. But as it uses that coal, it is now in the position where it is a greater CO^2 producer than the United States. And China is producing between and 1 and 2 new coal-fired plants every week. And usually they're built with the oldest, dirtiest technology because it's the cheapest. You go to Beijing and you say to the ministries, "you've got to get cleaner coal-burning plants." The ministry sends an order down to Wuhan or Nanning or wherever and says, "only clean technology," and the local entrepreneur who's building the plant who wants the cheapest plant, makes a deal with the local official and you get another dirty plant. How do we deal with that? We can threaten to bomb China. Not very effective. We can put up tariffs against Chinese products for reasons I mentioned earlier – not very effective. Or we can say we have to deal with China in a way which creates economic incentives to supplement the market so local entrepreneurs in China want to put in a cleaner technology. That means developing some sort of a fund to supplement market forces to speed up the advance of cleaner coal technology in China. That's what I mean about instruments that are appropriate to this bottom level of transnational relations which are just totally different from what you do with the first two levels of power. And that is the type of thinking that we're going to have to do if we are to have a smart strategy.

I notice that China has become much more interested in soft power, which is smart for a rising power. What you want as a rising power is not to have other countries fear you. So if you develop appreciation for Chinese culture through 200 Confucius institutes or you bring in more foreign students to Chinese universities or increase your broadcasting, or change your diplomacy (which China has been doing): this helps to increase your soft power. Hu Jintao, I am told, said at the 17th Party Congress that China had to invest more in soft power. That's a smart strategy. Sometimes people say, "is this our loss?" Well, no. If you have common objectives, power is not a zero sum game. An increase in Chinese soft power and an increase in American soft power can be good for both. If we have common objectives.

So, I would argue that China has embarked on the right path, but I think that the biggest problem that China has before it succeeds on this path is it has to open up and liberalize more at home. I was asked to give a speech on this in Bejing in December. I said look at the Chinese film industry and look at the Indian film industry, just for an example. China, with its enormous market and with its talented cinema graphic arts, censors these films, controls them, restricts them and the net result is that China should have a huge domination in world films, and it doesn't. India's Bollywood does. Why? Because Indian film makers can do whatever they want. If China is to succeed with its soft power strategy, it's gotten off to a good start. But it's going to have to combine it with much greater liberalization at home.

Question 8: (Young Leader)
My question is about the use of soft power in North Korea. I know we were joking earlier about how Kim Jong-il watching Hollywood films isn't going to change his regime but is there a use of soft power to deal with North Korea? What would that look like or would soft power not work for a country that is as closed as North Korea?

I don't think soft power has much of a role to play in the North Korean case, at least in the short run. It's going to be the hard power of economic incentives – both negative incentives and positive incentives – that is going to be most important. And the key on that is largely going to be China. It's the extent to which China decides that it is going to use the power it has over the so-called pipelines to North Korea: it can get North Korea's attention better than anything else. Over a longer term, once North Korea begins to open up South Korea's soft power can be extraordinarily important in terms of getting North Koreans to open their minds and to want changes in their system. The total isolation of North Korea allows Kim Jong-il to maintain control over his population. So what we need to do in the short-run on the nuclear issue is use the hard power, particularly economic hard power, and over the mid- or longer-term, use soft power, particularly of South Korea, to try to speed up changes in the North.

Thank you all very much.

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.