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A POST-ELECTION ANALYSIS

THE DIRECTION OF U.S. FOREIGN POLICY

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P R O C E E D I N G S

MR. STEINBERG: Good morning, and welcome to Brookings. I'm glad to see that you've all been able to brave the rain and the travails of the Red Line to join us in our first post-election briefing here at Brookings. We've got a lot of ground to cover this morning--talk about both the reaction in the world at large to the election and some of the challenges that President Bush will be facing in his second term.

I think it's fair to say that the conventional wisdom about this election was that if there were a global popular vote, that President Bush would not be elected to a second term. But I think the reality was always far more complicated than that, not only in terms of global public opinion but in particular in terms of the relationships with other countries, other key countries. I think a nice metaphor of that was the fact that as the votes were being counted here in the Washington, Prime Minister Berlusconi and President Putin were meeting together, and I think this was certainly a gathering of two leaders who were not unhappy at all to see the results that took place here in the United States.

And so today to look at these questions about how the world is reacting to events here in the United States and what the president will have to deal with in the months and years ahead, we have three of our most distinguished fellows here at Brookings to look at the key--

MS. HILL: Four.

MR. GORDON: Which one of us do you--

MR. STEINBERG: Well, because we have a fellowette.

MS. HILL: Oh.

MR. STEINBERG: We'll begin with Phil Gordon, the head of our Center on the United States and Europe, to talk about the European reaction. Then fellowette, senior fellowette Fiona Hill--

MS. HILL: I like that title.

MR. STEINBERG: --to talk about the reaction in Russia; followed by Martin Indyk, head of the Saban Center, on the Middle East; and Richard Bush, the head of our Center for Northeast Asian Policy Studies. I hope you appreciate that we have our geographical coverage of all our key centers here to talk about these issues. There are obviously other important parts of the world, including South Asia, Latin America, and Africa. I'll probably say a word just before we turn to questions on those parts of the world and throughout.

So, Phil?

MR. GORDON: Okay, thanks, Jim.

Let me begin by going way out on a limb and suggesting that President Bush's reelection was not greeted with great unrestrained joy across the European continent. Other than the examples you gave, I think--Berlusconi in Italy and Putin in Moscow--it's probably fair to say, certainly among public opinion, that it was greeted with regret and even, one might say, dismay.

I had one indicative e-mail from a friend in a European country that doesn't need to be named talking about mourning for a "*certaine idée de l'Amerique*." Again, I don't want to name the country that the e-mail came from.

[Laughter.]

MR. GORDON: But it was indicative, I think, in the sense that there was a hope--and maybe it was naive, but there was a hope in a lot of European countries that the first Bush administration was an aberration, that it was sort of an accidental victory in 2000, and he

went into a direction that Americans wouldn't support; and once we had a chance to vote again, America would come to its senses and put the country back on the track that a lot of Europeans wanted it to be on. And when they woke up after the election, I think they woke up to a reality that, no, in significant parts of America, in fact, the administration did represent the America that exists and not the one of European dreams. So I think there's a process of acceptance that is going on in Europe now as they realize that this is the case.

My own view is--and I always thought this would be the case after this close election--is that there would be a certain amount of "over-interpretation" going on, that, whichever way it came out, people would conclude that America has moved in one direction or another. And I think that may be happening now, that somehow this idea that America has totally moved in a conservative direction overlooks the fact that we're in fact still deeply divided. Nonetheless, the reality is Europeans have woken up to a reality that Americans broadly supported the Bush administration and wanted it back.

So much for the reactions. What about the relationship and the implications of this? I think it goes without saying that this is not a good thing for the prospect of transatlantic reconciliation after the crisis that we've gone through over the past several years. I say that for several reasons. First, simply the reality that there's so much baggage there between the Bush administration and the Europeans. The past several years have been really filled with acrimony. President Bush, rightly or wrongly, is deeply unpopular in Europe. He's demonized in the press in many European countries. And that just simply is going to make it harder for Europeans to work with the administration.

I'm afraid that the European reaction to this--and partly, again, an example of over-interpretation--will be to conclude, okay, we get it, America really is different; Bob Kagan was right, Americans are from Mars, Europeans are from Venus, they just confirmed that this

week, and we'll draw the consequences from that. I'm afraid that that's going to be the inclination, rather than, as I think many in the Bush administration hope, that they'll conclude, okay, now we know what we're dealing with, let's get on with cooperation. I fear that the tendency will rather be to say to themselves America is different, we get it now.

I also think it's harder politically, because the Bush administration coming back makes it harder for Atlanticist politicians in Europe who would be inclined to work with the United States, to do so. Those that want to do so inevitably have to go to their public and say we are working with the Bush administration that we know is very unpopular. It's just a constraint on the degree to which they can cooperate with America.

Many of them would like to do that in Central Europe, the so-called New Europe, but it's harder for those leaders to do it. We saw Prime Minister Aznar in Spain was already punished for being close, in part, to the Bush administration; it's more difficult for Tony Blair. So it's a constraint on the Atlanticists.

At the same time, it's a boon for those in Europe who want to see Europe move in a different direction. Nothing is easier, if you're trying to make the case that Europe has to be separate, distinct, and autonomous, than to be able to demonize the Bush administration and say, well, because we come from different planets, we, Europe, have to be separate and move in a different way.

And then finally, it's not good for transatlantic cooperation because it's a convenient excuse for those Europeans who don't want to help us Americans with some of the difficult tasks of global management. In Iraq, it makes it very easy to say, well, we don't have the troops and the money because we don't want to support an administration that's unpopular here. A Kerry victory would have put the ball in Europe's court and made it more difficult for Europeans.

So for all of those reasons, I think there are some real challenges in the transatlantic relationship ahead.

Now, am I too pessimistic? What about the thesis that you sometimes hear that this could be analogous to the Reagan administration? First administration, Reagan deeply unpopular in Europe, people protesting missiles in the streets, anti-Americanism rising; and then a second term, which is much more moderate, peacemaking, Reagan becomes more popular in Europe.

I just don't buy that. The big flaw in that analogy is the lack of a Gorbachev. Ronald Reagan didn't change his hawkish view in a vacuum and just decide that in a second term he wanted better relations with Europe so he was going to pursue a different policy. The world changed on his watch and, to his credit, he changed with it.

But unless Martin's going to tell us that a Gorbachev is going to emerge in the Middle East that President Bush is going to reach out to and work with, I think the prospect for fundamental change in American foreign policy is exaggerated in that view. Indeed, I think there couldn't be a greater misreading of what to expect of the second term than to believe that somehow, now that he's reelected, Bush's emphasis is going to be on pursuing a different course. Because one thing this president does is what he says he's going to do. He has made very clear what his world view is, and I don't think anybody should think that somehow he's going to put great priority on changing that world view for the sake of the relationship with Europe on anything else.

The Bush administration absolutely believes it's on the right track, and I think there's good reason to believe that they're going to stay on that track. There are obviously constraints in the international system--having our army bogged down in Iraq and big budget

deficits that will put a limit on what they can do--but nobody should think that the instinct of George Bush in his second term is going to be to dramatically change course.

So in conclusion, then, I think thatthere are going be real challenges for this relationship. I still believe personally that the United States and Europe profoundly need each other and continue to have common interests. All of the challenges we face, whether it be in Iraq or in the rest of the Middle East or on global issues like the environment, the United States and Europe need each other and both sides realize that.

So I would still say that it would be wise for leaders on both sides to try.Europeans need to accept the reality of the Bush administration. At least we've taken away their dream that there would be some deus ex machina in the form of John Kerry to make things better. They have to accept the reality and try to work with the Bush administration. And similarly, I think the Bush administration has to take seriously the fact that it is deeply unpopular in Europe and the world and that's not going to change unless more is done than a speech about why we want allies. I think serious things would have to be contemplated on Middle East policy, including Israel-Palestine and on issues, like environment, that Europeans care about.

The reasons to work together are there, but I think it's going to be very difficult to actually pull it off.

MR. STEINBERG: Phil, before I move on to Fiona, I just want to push you a little on Blair and the U.K. There's been an argument around that there's an advantage to Blair in the reelection of Bush, first because Blair's made a major investment in the relationship with Bush and in some senses that decision is vindicated by the fact that he's going to have a partner who is going to have gratitude for, respect for Blair's willingness to stay with him. And second, that in some respects Blair would be kind of left out hanging all by himself on Iraq if Bush were repudiated here and the American people in fact voted no on the Iraq war.

How do you think this is seen in Downing Street, and what's the strategy there going to be going forward?

MR. GORDON: I think, as you suggest, it's both good and bad for Blair, but in my view more bad than good. What's good is, obviously, that Blair's not hung out to dry as the last leader who thinks that the invasion of Iraq was a good idea. I'm exaggerating a bit, but he would be pretty isolated on that. And if you could have imagined him working with John Kerry, he would have to work with someone who won the presidency in part based on the notion that Blair's view of the world was wrong and that his invasion of Iraq was a "colossal error of misjudgment". That wouldn't be the greatest basis for a partnership.

That said, I think the removal of the Bush administration would have been very good for Blair politically and would have removed a sort of ball and chain around him, which is Bush's unpopularity in the United Kingdom. Bush is deeply unpopular there, and one reason that Tony Blair is unpopular, which he is, is his close relationship with George Bush. And now that relationship is going to go on for several more years. And all of the things, I think--as I think, Jim, you've pointed out in other contexts--Blair would now like to pivot on this agenda, not to walk away from the task in Iraq but to start tackling a number of problems that are of importance to his population--as I mentioned before, the environment, he'd like to make an initiative on climate change; AIDS; debt relief in the Third World. This is the agenda I think that Tony Blair would like to turn back to satisfy, in many ways, some of his Labour Party constituents. And that's just harder with a relationship with George Bush than it would have been under other circumstances. But the reality is the reality, and he'll make do with it.

MR. STEINBERG: Fiona, they're popping champagne corks in the Kremlin?

MS. HILL: Well, I'm not quite sure about that. I obviously wasn't there to see. But perhaps. Maybe a nice bottle of Italian wine might have been opened if Berlusconi was there, too.

Well, obviously, President Putin is in a lot happier position today than poor Tony Blair in Britain, given Phil's analysis. And Putin feels very comfortable at home right now in spite of all of his travails of the last several months. His own personal popularity has been dented a little, but not really by that much. And he obviously felt comfortable enough to give, as we've already heard from my colleagues, a rather extraordinary endorsement to Bush in the run-up to the elections.

As many Russian commentators made very clear, this is the first time that a Russian president has actually come out and quite clearly--you know, it was pretty unambivalent in its clarity--has quite clearly expressed support for a U.S. president in rather a historic election. And to some degree, that could have been seen as a risk. This was a very tight race, as we all know, and Putin I don't think had any special predictive abilities better than the rest of us. But he was obviously making a calculated gamble that was also a signal, I think, to a Kerry administration.

Why was Putin so eager to endorse Bush? Well, obviously, there's the comfort that most foreign leaders have, except in this particular case, with the incumbent. We've heard from Phil that this was certainly not the case in most European capitals. Putin, of course, is quite confident that he will be in office, too, at least until 2008. There's a big debate about whether that will be longer. But he's looking forward to another four years with at least the same approximate team here in the United States.

If you look back to the beginning of the Bush administration, you also have to remember that Russia doesn't do well in transitions from one administration to another,

irrespective of the administration. Russia had a very rocky start with the Bush administration when it first came in, in 2000. We had spy scandals, we had the dispute about withdrawal from the ABM treaty, and other flashpoints in the relationship that obviously make the Russians somewhat nervous about any kind of transition. They don't have to be in this instance. And this for Putin means, at least in his analysis, that he's now got more of a breathing space to focus on his own domestic agenda, which has really been his priority.

Putin, at least in his analysis of the Bush administration, also is quite conservative in his outlook. He likes the status quo. He doesn't want to have any major changes. And he shares some broad political views with the Bush administration, especially in foreign policy. Putin has really taken a leaf out of the Bush playbook in terms of espousing also Russia's right for preemptive action, for use of force in particular flashpoint areas.

Now, if we look forward to the future of a U.S.-Russian relationship under a new Bush presidency, the fact is that Russia has actually been downgraded in U.S. policy. Although Russia tends to keep the United States somewhere pretty much high up in its hierarchy of international interlocutors, it is a fact as some of my colleagues have said in other settings, that Russia probably doesn't even make the top 10, or at least didn't make the top 10 of the key issues in the last Bush administration.

There has been, of course, a great deal of focus on pragmatic issues and cooperation with Russia on areas where there can be, after the flashpoint of Iraq. But when we really look at the U.S.-Russian relationship, although there's a great deal of stability in the relationship right now, and has been as a result of the first Bush administration, there isn't a great deal of substance. And that even applies to the flashpoints in the relationship. We've gone beyond ABM, and NATO enlargement, which were major flashpoints. For Russia, these are now irritants, but they're not major areas of dispute with the United States.

And the flashpoints that we do have now are much less significant than before, at least in their global dimensions, although they are quite important on a regional level, especially for Russia. Those are Ukraine--for example, we're right in the midst of a runoff now for the Ukrainian elections, where Russia has been playing quite an overt role. There's obviously Georgia, another area where considerable controversy is reigning, especially over Russia's attempts to manipulate the local elections in the secessionist republic of Abkhazia. That's also, obviously, another key issue.

So, in sum, the flashpoints for tension in the U.S.-Russian relationship are now more regionally focused in the area of the CIS, around Russia, rather than on a global scale. We seem to have found some kind of at least superficial agreement on some of the other big issues that were troublesome earlier--Iraq, Iran, and North Korea--although we'll have to see, of course, what's ahead and my colleagues are obviously going to be talking about the position now in East Asia and elsewhere.

But, of course, we see that there's a lot going on inside Russia that will still have to be dealt with by a new Bush administration even if the focus is not so much on Russia's domestic development as it might have been under a Kerry administration.

Putin's attempts to deal with the explosive situation in the North Caucasus that now goes beyond simply the ongoing war in Chechnya, which is about to enter its second decade at the end of this year, have raised a great deal of questions about how he is governing Russia and what that means in terms of future relationships with European Union neighbors. In fact, just as we see that, as Phil described, Europe is going to decide that the United States is in a completely different place, potentially, Russia is certainly in a very different place. In fact, the Russians themselves and President Putin have remarked that the United States is becoming more like Russia, "more like us," in its relationships not just with its European neighbors, but in the

kind of broader conservative strokes that at least the Russians perceive to be in United States politics.

So the question that we have facing us is where do U.S.-Russian relations go from here? We have stability but not much substance. There are some things that certainly concern the administration and will have to be of concern to the administration looking ahead, particularly this prospect for much broader conflict in the North Caucuses in a very sensitive area that we're already concerned about on the borders of the South Caucuses, on the border of Georgia, which is already a potential flashpoint in relations, and of course very close to the borders of Turkey and Iran.

But frankly, the U.S. has very few levers now in dealing with Russia. Russia is no longer the supplicant pariah that it was in the 1990s. The Russian government is quite confident that, thanks to high oil prices and the continued growth in the economy, that Russia can position itself as a new kind of power in the region--in Europe and Asia, most certainly--as a sort of new oil superpower and, potentially, much further afield. So Russia is not really perceiving its new position as leading, then, to further accommodation with the United States or particular concern about criticism from the European Union about its management of its own internal affairs.

There are real tendencies in discussions within the Russian government now of even pulling out of some of the key institutions that Russia joined in the 1990s, like the Council of Europe, and the OSCE and other organizations, for their continued criticism of Russia, and more of an attitude of, well, if they're going to criticize us, why do we need to be part of this, because we can really now settle our own affairs; we don't need to be kow-towing to Western institutions in the way that we did before.

Russian oil companies and other major industrial companies in metallurgy and chemicals and other extractive industries are very keen to play now on a global stage, to play big and to expand in the same way that they see U.S. and other multinationals expanding. There's going to be a very different discussion, I think, about foreign direct investment in Russia while oil prices stay high and Russia's flush with cash--which, again, gives much less traction, not just for the United States but for other countries. Foreign investment was one of the carrots for Russia for a closer relationship with the U.S. in the past.

The big issue ahead, then, just simply remains Russia's entry into the WTO, which is where Russia still needs to have engagement with many of its partners in the West, China, and the United States. But that in itself doesn't suggest that there will be any major changes.

The one thing to bear in mind, though, as we're looking at the U.S. and Russia as Bush enters his second term with promises of even more engagement on key issues, Putin has already got the second-term blues. Putin's only been in his second term since the beginning of this year, but we're already seeing a ratcheting down in the momentum of reform. In fact, economic reform has largely stalled. In part that's due to some of the recent upheavals in Russia, but Putin seems to be focusing more on bureaucratic fixes, technical fixes, to problems like the North Caucasus and the economy--setting up more commissions, more layers of governance, and throwing more money at issues--rather than thinking of innovative solutions. So there's a real focus on simplicity rather than creativity now in Russian politics, and this will make it very difficult, I think, for the U.S. to have a very productive dialog with Russia even if a second Bush administration decides to prioritize Russia in some way looking forward.

So Putin thinks that the U.S. is more like Russia now, more confident--just to sum up--in the nature of the relationship, seeing stability there. But we could also be heading,

sadly, for stagnation in a relationship that still remains very important given Russia's regional extent and Russia's increasingly important role as a player in world energy markets. Russia is not a country that we can afford to ignore, but I am somewhat doubtful that the U.S. administration will put Russia back into the top 10 priorities, or even put it higher than it is now, particularly given what Phil just said about a real reluctance to do anything dramatic in foreign policy.

MR. STEINBERG: Thank you, Fiona.

Martin, there's been a poll in the Middle East. There's at least one well-know red state, Israel, where both the leadership and, from what we've seen in public opinion polls, the public supported the reelection of President Bush. Clearly, a lot of blue states. Interesting question about countries like Saudi Arabia, how they might have seen this, how they think they've come out on this, but clearly also a focal point for where the administration is going to have to focus its energies.

So what's being said in the capitals and what do they expect to happen there?

MR. INDYK: Thanks, Jim. I think you've probably summarized the broad brush strokes quite well in terms of the fact that the Israelis are happy and the Arabs are unhappy. But I think within that broad context one can see a very different mosaic of opinions.

Israelis who would like to see a more active American administration take advantage of Arafat's departure from the West Bank, and his potential death, to move the peace process forward and regenerate a new Palestinian partner, are not thrilled at the idea of a continuation of Bush's disengagement. Arab democrats, those in the Arab world who are finding their voice now in the context of George Bush's very strong demand for political change and the pressure on their governments to do so, actually, I think, are happy with Bush's reelection and

like the way in which it is beginning to create some political space for them within their own societies.

But beneath all of that, I think that there is a general concern, in the Arab world in particular, that is much more about the instability that has been unleashed in part by the policies of the first Bush administration, in part by policies of their own governments, and in part by Osama bin Laden and his fellow travelers. But that instability and the potential it has for strengthening the Islamist extremist forces is something which is actually concentrating the minds of leaders in the region far more than the reelection of George Bush.

And you see an unusual phenomenon that began before the election here, which is the Syrians finally understanding that they're more threatened by instability and chaos than they are by American preemptive doctrine and are now seeking to find a way to come to terms with the United States. And the Iranians in an initial official reaction somehow seem to be welcoming Bush's reelection. And they, too, I think, are looking to a rapprochement of sorts. I'll come back to that in a moment.

What was most notable about the president's statement yesterday, his victory speech, was the way in which he made clear that democracy in Iraq was going to be one of his principal objectives. Of course, the Middle East has a habit of forcing its own agenda onto every Americans president's. And on top of Iraq--which will have to be the president's agenda even if democracy there is not his most important priority, but the fact that we have 130,000 troops tied down there in an increasingly difficult situation inevitably puts that on the top of his agenda--but there are two other issues that will force their way onto his agenda, if they're not already there.

The first is a big danger, and that is the potential for Iran within the next four years to acquire nuclear weapons. And the other is a big opportunity; that is, that Arafat's departure from the West Bank--and he is now, as you may have heard, in a coma in Paris and

suffering from the failure of several vital functions--his possible death creates an opportunity for the United States to engage in an effort to help to promote a new Palestinian leadership that could resolve this problem of there not being a partner on the Palestinian side in a new effort to achieve Israeli-Palestinian--and even, I would say, Israeli-Arab--peace.

So I think the Middle East one way or the other is going to dominate the president's foreign policy agenda whether he likes it or not. And it's the three I's--Iraq, Iran, and the Israeli-Arab arena--that, on the one hand, hold out the most hope for a lasting foreign policy legacy--after all, the president is now in his legacy term--a foreign policy legacy of peace, stability, and democracy; and on the other hand, those three I's hold out the most danger of it turning into a legacy of bloodshed, instability, high oil prices, and exacerbated conflict and terror.

Let me just deal with the three I's in order, and quickly.

In Iraq, the first challenge is for this administration to take off the politically and ideologically driven blinders that have led the president to assert--understandably for political reasons during the election campaign--that everything is on track there. It isn't. Growing insurgency, a retarded reconstruction process, the delayed retraining of Iraqi security forces, the manifest insecurity and lack of jobs for the Iraqi people, the alienation of the Sunni Triangle--all of that combines with a broken inter-agency process back here in Washington and declining domestic support for the war, to confront the administration with the prospect not of halcyon days in which elections lead to democracy, a new constitution, new elections, and then American withdrawal, but rather the prospect of failure, perhaps even catastrophic, strategic failure in Iraq.

And the first issue that the administration is going to have to confront here is the question of the elections. Because holding the elections at the end of January could well be the last thing needed to help in this process of stabilizing Iraq and producing a government that can

represent the interests of the people and exercise control throughout the country. If elections add to the alienation of the Sunnis because the insecurity and ongoing battles make it impossible to hold elections in the Sunni Triangle, and if those elections instead result in the domination of the Shias in what is seen as an unfair election process, then it's going to be highly problematic for the overall American effort there.

But if they are to be delayed until the situation in the Sunni Triangle can be stabilized and elections can be held throughout the country, then that decision is going to have to be made very quickly. It is not a simple decision and the groundwork is going to have to be layed. In particular, Ayatollah Sistani, the spiritual leader of the Shias and probably their main political leader, has made clear that he wants those elections to be held on time. And in the effort to try to bring the Sunnis back on board, we might well alienate the Shias. So it's not a simple decision, but it's one that cannot be avoided in the very short term.

I think it's very important in this process to understand that elections do not equal democracy, that the process of building democracy in Iraq, just like the process of building a capable Iraqi army and police and security forces, is going to take time. If it is rushed, it can produce an exacerbation of the already difficult circumstances that we face.

On November the 23rd of this month, the United States will finally bring together a meeting in Sharm el-Sheikh of Iraq's neighbors. This is long overdue and provides the potential to help us deal with our situation there, in particular by working with Sunni Arab governments, like Jordan, Saudi Arabia, Kuwait, and of course Syria, whom we're now cooperating with. We can, on the one hand, help to shut off the external support for the insurgency in Iraq, and on the other hand use their contacts with the Sunni tribal leadership to try to advance the effort to bring the Sunnis back into the political process in Iraq.

At the same time, that Sharm el-Sheikh meeting should provide an opportunity for the United States to engage Iran, first of all, in an effort to get it to play a constructive role in Iraq, where it has much greater influence as a result of the chaos there than it had before Saddam Hussein was toppled.

But beyond that, it gives us an opportunity, finally, to engage in a dialogue with the Iranians, which will be very important, I believe, in the context of dealing with the second "I"; that is, the challenge of Iran's nuclear program. Here we've essentially subcontracted in the last four years the effort to stop Iran's nuclear program--we've subcontracted it to the Europeans. But we've done it in a very grudging way, and I think that the administration in the second term needs to bite the bullet here. It needs to confront the choice:

Do we want the Europeans to continue to take the lead in this process, where they will inevitably take a softer line than we will, inevitably try to do a deal with the Iranians that we will be less than happy with, in the hope that they'll fail and therefore we will get them on board for sanctions in the United Nations, which the Europeans will fight mightily against imposing?

Or do we want to engage the Iranians ourselves in an effort to try to forestall that nuclear program?

That is not a simple choice, but I do not think our current approach is one that's unlikely to produce positive results. It may be in the end that we can't stop the Iranians from acquiring nuclear weapons, and therefore the administration's going to have to start planning now for two other options:

One is the use of military force to try to delay the program. It's not at all clear that that is a viable option, but it's one that certainly needs to be looked at and the looking at it can increase our leverage with the Iranians in the diplomatic arena. And the second thing we

need to look at is how we bolster deterrence, how we deal with the potential very dangerous nuclear arms race that could be triggered by an Iranian program that actually goes nuclear. And in that context, we really need to look very hard at other options that can forestall that kind of arms race, perhaps the fairly controversial idea of extending a nuclear umbrella to the Middle East.

Finally, the Israeli-Arab arena, the third "I." Even before Yasser Arafat's departure from the West Bank because of his health problems, President Bush was talking about what he would do when he got reelected. He is reported to have told both the secretary general of the United Nations and the prime minister of England, Tony Blair, that if he's reelected, he would make a push to try to achieve Israeli-Palestinian peace. Perhaps that was election rhetoric, but they seemed to believe him. In particular, Tony Blair--just to add on to what Phil was saying--will hold the presidency of the EU in the second half of next year and the chairmanship of the G-8. And he has made clear that he intends to make Israeli-Palestinian peacemaking his top priority in that context. He feels that Bush owes him one in that regard.

But now, notwithstanding whatever the president might prefer to do, he actually is presented with an opportunity because Arafat's departure from the arena--and of course he's not quite departed yet and one should never rule out the prospect that he could make a resurrection--that happens in this part of the world--

[Laughter.]

MR. INDYK: --nevertheless, today, as I say, he is in a coma and the expectation is that he will not come out of it. Already Palestinians have looked into the future and, I believe, have seen that they can in fact live without their great leader, their icon of their national struggle for statehood. His departure from the West Bank did not lead to an outbreak of civil war; on the contrary, Palestinians found a way to come together and anoint, in an informal

way, Abu Mazen and Abu Ala to take control of the key functions of leadership of the PLO and leadership of the Palestinian Authority.

They, of course, are only de facto leaders. Arafat did not anoint either one of them, or anybody else, for that matter, and it's unlikely that he's going to have the opportunity to do so. But those two leaders do have the legitimacy of being in leadership positions within the main Palestinian political institutions of the PLO, the Palestine Authority, and indeed the Fatah national movement itself.

Nobody--not Abu Mazen, Abu Ala, Muhammad Dahlan, or any other Palestinian leader--has the legitimacy that Yasser Arafat had acquired over so many years of leading the Palestinian people. That legitimacy is only going to come, I think, from two sources. The first is the ability to deliver change for their people. And the second is through the mandate that they would acquire through elections. In terms of the legitimacy that would come from delivery, Abu Ala and Abu Mazen are in a position to begin to do that.

But they're only going to be able to do it if they are helped by the international community, by the United States in particular, and, of course, by Israel. This comes down immediately to providing financial support to the Palestinian Authority, which is about to go belly up. But secondly, in the process of a disengagement from Gaza that the Israelis are already putting into place, the extent to which that can now be coordinated with Abu Mazen and Abu Ala, and they can take effective control of Gaza from the Israelis as they exit, to that extent it will help them establish their leadership.

And in the West Bank as well, as the Israelis withdraw from the northern West Bank settlements, if they're prepared to fulfill their obligations to the United States to evacuate illegal outposts and relieve the pressure on the Palestinian population, particularly by removing

roadblocks, that too can create an environment in which Abu Ala and Abu Mazen seem to be able to deliver.

These are immediate steps that need to taken. I'm talking about within the next six months. And the United States has a critical role to play in that regard. President Bush has, almost from the beginning of his first term, called for the Palestinians to create a new leadership. But he has not been willing to help them do so. I think there was a lesson to be learned by both the United States and by Israel in what happened when Abu Mazen was appointed prime minister as a result of Palestinians responding to George Bush's initial call for a new leadership. The United States and Israel did not do enough to help show that he could deliver for his people.

In the Middle East you don't often get a second chance. And usually when you get a second chance, you blow it. But this does provide a second chance. Israelis have admitted, from the head of military intelligence to the chief of staff to much of the political leadership, that they made a mistake the first time around by not doing more to help Abu Mazen prove that his way, which is against terror and in favor of negotiations, can work. And that can provide a new challenge now for the United States and for the Israelis. Combining it with Gaza disengagement, using the Gaza disengagement in effect as a springboard to help create a new Palestinian leadership that is more responsible and capable of fulfilling its commitments, could then create an environment where, in the second year of Bush's second term, it would be possible to resume a negotiation between the Israelis and the Palestinians over the only issues that are left, which are the West Bank issues--that is, once Israel withdraws from Gaza.

In that context, I believe, it will be very important for the president, if he decides to make Israeli-Palestinian peace a priority, for him to fill out the Bush vision that he has already begun to delineate. The president has already said he supports two states for two people. He's already said that in that context Palestinian refugees should find their home in the state of

Palestine, not in the state of Israel, that settlement blocks along the green line should be incorporated into Israel. But he has not filled out the vision when it comes to what the territorial deal should be, except to say that the occupation that began in '67 should be ended, and he has not yet taken a position on the issue of Jerusalem.

But in the context of a successful Gaza disengagement and the reemergence of a Palestinian leadership legitimized through an election process, the filling out of the Bush vision could do much to give both sides, people on both sides, a sense of where this process could end up--what they have to give up, but also what they would get in return.

Finally in this context, I think that there is also an opportunity for the president to engage the Syrians and, after the Gaza disengagement, to promote a Syrian-Israeli negotiation. President Assad has made clear that he's willing to begin that process again without preconditions. And it would benefit one of the other parts of this process, which is, to bring the Arab states in in a much more active way--to endorse his filled-out vision, to support a new Palestinian leadership, to give them cover for the compromises they need to make, to convey to the Israeli people a willingness on the part of the Arab states to make peace and to end the conflict and to normalize relations with Israel. All of those things that the Arabs need to do for such a process to succeed can be facilitated if a Syrian-Israeli negotiation is also under way.

Finally, if one looks at all of these issues, whether it's Iraq or Iran or the Arab-Israeli arena, it's important for the administration to recognize something which it has denied in its first term, which is that there is a symbiotic relationship between all of them, that progress on one can promote progress on the other, and an effort to achieve progress on all can reinforce progress on any one of them.

There is no doubt that an effort to make Israeli-Palestinian peace a priority now that Arafat has quit the scene for all intents and purposes, along with an effort to stabilize Iraq,

and an effort to deal with Iran's nuclear program, could have beneficial effects all around, and in particular, beneficial effects in terms of that other challenge to the Bush administration that it was unable to achieve in its first term; that is, to bring the Europeans and Arab states on board for these three challenges.

Thank you.

MR. STEINBERG: Martin, during the campaign Senator Kerry was highly critical of the Saudi royal family particularly for what he characterized as lack of zealousness in dealing with the terrorism problem. Are the Saudis now relieved that they don't have a tough hand in the White House, or are they worried that the democratization commitments of the president, most recently reiterated, are going to be a problem for them?

MR. INDYK: I think that the Saudi royal family made its preferences known before the election took place; that is, that despite everything, they had a preference for Bush's reelection. And I think that faced with a choice between two evils, they prefer the devil that they know than the one that they don't know. They, I think, do feel that they have a kind of entree in the Bush White House and that, notwithstanding the president's push on democracy, that they have established a somewhat kind of working relationship and an understanding with the Bush presidency that they were very unclear that they would have with a Kerry administration. So in general, I think their comfort level is higher today than it was two days ago.

MR. STEINBERG: Richard, one of the few other leaders to endorse President Bush sits in your region, Prime Minister Koizumi. Presumably, there is a bet that they're grateful to see come home. On the other hand, you had the China Daily just last week with a very unusual and explicit critique of the Bush administration. Is this going to line up to red states and blue states in East Asia, too?

MR. BUSH: Well, thank you.

To get to an answer to your question, I would like to talk about who in East Asia is happy and who's unhappy after the election.. These are very rough judgments. We've only had one news cycle since the election, really, and all of these countries are quite pluralistic in their views on the United States.

In my first category, which is "more unhappy than happy," I would place, first of all, the South Koreans. I think that the Bush administration does present a known quantity to Seoul, but on the other hand its policy toward North Korea has, in the view of the majority of South Koreans, been overly rigid, and there has been a fairly explicit call for a more creative, more realistic approach. I think South Koreans will be watching very carefully to see if Secretary Powell stays, because he for them is the voice of reason.

The other place in the region that is more unhappy than happy, I think, is Muslim Southeast Asia--Malaysia, Indonesia, and so on. I think they felt that the Bush administration's single-minded focus on counterterrorism has been to the exclusion of other important things. They also feel that the policy in Iraq, the policy in the Middle East peace process does not help, either.

The group in the region that I think is quite conflicted this week are people in Taiwan. On the one hand, people in Taiwan tend to prefer Republicans over Democrats. You see an effort now to put the best face on the election and saying there's no change and there would have been no change, whoever won. There are all sorts of justifications being offered for this.

On the other hand, there are concerns about growing trends in U.S. policy. Secretary Powell's remarks last week in Beijing rattled people in Taiwan. There are lots of predictions on the island now that the United States will become more actively involved in cross-strait issues, and no small measure of anxiety about how. You also have already warnings from

scholars that Chen Shui-bian has to work hard to shore up U.S.-Taiwan relations if Taiwan's interests are going to be protected.

Now, in spite of the Qian Qichen article earlier this week, I would say that China is probably more happy than unhappy. I think the populace preferred Senator Kerry, but the government was hoping for President Bush's reelection. He was a known quantity. The movement in U.S. policy towards Taiwan has been favorable, from China's point of view, although they're still warning us not to send the wrong signals to Taiwan. The Bush administration has allowed China to increase its influence in East Asia at very little cost. I think there was an understanding also that if Senator Kerry had won, that Congress was going to limit his flexibility.

Yet even in the elite, it is clear there are concerns about Bush administration policy in general, and in some specifics. I think former Vice Premier Qian Qichen's view on the U.S. tendency to use force, on unilateralism, on preemption is not an isolated view. I think a significant element of the foreign policy community and the public is concerned about that. There are predictions that the United States will continue to see China as a threat. And China has also been clear that our approach on North Korea is inflexible. I think, on the whole, that the leaders of Chinese foreign policy look forward to working with the Bush administration in the second term.

In my "mostly happy" category I would put Prime Minister Koizumi and Japan. Prime Minister Koizumi did go out on a limb in supporting President Bush, and I think he's very glad at this point that the voters of Ohio and Florida didn't saw that limb off. As a result, I think we will see continuation of the broadening and deepening of security cooperation. I would say that in some quarters in Japan there is concern about the Bush administration's policy and a

feeling that we have damaged our reputation internationally, and a sense that Senator Kerry would have restored it.

Now finally I would say that the place in East Asia that is most happy about the Bush administration's victory --and here I will go out on a limb--is North Korea. This may seem like a bizarre thing to say, since North Korea was put in the axis of evil. But think about it. Think about the way that the Bush administration has put North Korea in a pretty decent position. The administration's rigid approach to six-party talks has divided the United States from our allies and friends.

Witness the treatment that Secretary Powell got last week in Seoul and Beijing . For all they say about their fears of attack, I think the North Koreans understand that force by the U.S. is not an option. I think they understand that even if the United States wanted to intensify the pressure on North Korea, they need to have Chinese and South Korean cooperation in that.

We're withdrawing our troops from South Korea. There is a certain amount of alienation towards the United States among the South Korean populace. And they continue to build nuclear weapons without paying any price at all.

In some ways, the North Koreans would have been more comfortable with a Kerry administration, but Senator Kerry may actually have pushed them to make choices that are very difficult for them to make. The second Bush administration is likely to leave Kim Jong-il playing a game that he knows how to play. He still has to play his cards--play a weak hand skillfully, but it is a game he knows how to play.

Now, what happens next? First of all, I think there will be intense attention in East Asia on personnel appointments, because some are very important. Will Secretary Powell remain and be a force of reason on Korea policy? Will Rich Armitage, who has been really the spark plug on the improving relationship with Japan, stay on?

Second, on North Korea, I think that the United States is probably going to move fairly quickly to test North Korean intentions. It will push for an early resumption of the six-party talks, which North Korea had absented itself from in the run-up to the election. There may be hope in some quarters of the administration that North Korea will reject this offer or delay responding or try to bargain for its return. If there is not rapid movement, I suspect that the administration will try to intensify pressure on North Korea on a variety of fronts. I'm not sure that will succeed, but I think they will try anyway.

On the Taiwan Strait issue, I think there will be two priorities: first of all, to probe to see if there is an interest on both sides of the strait concerning a more active U.S. role; second, I think the Bush administration is going to watch very carefully the process of constitutional revision in Taiwan, to make sure that it does not somehow unleash forces that will undermine stability.

Thank you.

MR. STEINBERG: Okay, Richard. And now in the interest of completeness, I will cover a few other continents.

One place which is clearly red-state is South Asia. I think it's fair to say that both governments welcomed the reelection of President Bush. For India, this has been a very constructive, positive period of four years. I think there was a feeling that the pages began to be turned with the end of the Clinton administration. Indisputably it has been a very strong relationship over the last four years between the United States and India. And even with the change of government in India, the Congress Party, which might have been expected to be somewhat more concerned and less ideologically comfortable with the Bush administration, there's little sign that that's the case.

Certainly on an economic level, to the extent there were any issues that concerned Indians--the issue of outsourcing is something that they feel is better handled in the context of a second Bush administration. And I think that the prospect of building not only a stronger economic but a strategic political and security relationship seems, then, to be enhanced by the election of President Bush.

But equally in Pakistan. President Musharraf has--there have been demands put on him by the Bush administration, but there's also been a clear decision by the Bush administration to back Musharraf as their best hope for dealing with the Bush administration's most pressing need, which is to deal with the problem of terrorism. And this is clearly a situation where, for both India and Pakistan, their concern about Senator Kerry's focus on nonproliferation and a risk of getting back in an era of sanctions or pressure has been relieved.

So I think it's fair to say, for the two major countries in South Asia, that this is an encouraging prospect.

In Latin America, the situation is more mixed. On the one hand, you can be fairly confident that, for the leaders of Central America, whose number one priority with the United States is the adoption of CAFTA, that this is a positive development. Senator Kerry had promised to relook at this. This was clearly something that the Bush administration and the USTR could have been enormously proud of. There are still challenges in the Congress, but they clearly have a champion in the White House who is committed to moving forward on an important economic issue for the Central Americans.

In Latin America itself, I think it's probably the case in Colombia, that has gotten good backing from this administration in its attempt to try to navigate both the diplomatic peace track and the security track in the civil wars going on there, that this is not an unwelcome development. But I think for the rest of Latin America the picture would be much more mixed.

Certainly in Mexico, expectations that began very high early in the Bush administration had been dashed as the security lens has overwhelmed all other perspectives on the U.S.-Mexican relationship.

And while the relationships with other key countries in the region, particularly Brazil, have not been awful between the Bush administration and Latin Americans, I think there there's a sense, one, that this is not something that matters very much to the Bush administration, and there are certain ideological and cultural issues that will make these continue to be fairly difficult relations to manage.

In Africa, the public sentiment, I think, is probably somewhat disappointed about the election of President Bush. But I think for most of the governments there the attitude is much more pragmatic. There have been a number of initiatives by the Bush administration that had been welcomed by African governments, including the reauthorization of the African Growth and Economic Opportunity Act, the renewed attention to AIDS and the like. And so I think that the feeling is that, while the up sides may be limited, and there are certainly not high expectations about what can be accomplished in the second term, I think it's not seen by most of the leaders in the region as something that they can't live and work with.

But the one place which is clearly and indisputably a blue state is Antarctica. For all the Antarcticans, the prospect of a significant reversal on climate change seems low and the prospects for the continued melting of the ice cap good.

So let me stop there and turn to your questions. Everything's fair game. We'll begin with Barry.

QUESTION: Mr. Indyk, you didn't speak much of the Iran terror link. Do you agree with the Israelis that the Iranians are gradually but steadily taking control of what some people call militant groups, other people call terror groups, and of course for no good, with the

aim of, of course, tormenting and killing Israelis? If that's true, wouldn't that be just--you know, your prescription sounded fit for the Clinton administration, but if terrorism--

MR. INDYK: Strange. I don't know why that would be.

QUESTION: Well, it sounds like we're revisiting the Clinton administration--very hopeful, very optimistic. But can terrorism spoil your, you know, good-natured, well-intentioned formula? And when you speak of--and I'm sure you don't want people to go out and write that Martin Indyk said they ought to consider force to stop Iran's nuclear program. Could you clarify your reference to force? Why did you bring it up? Do you think it's an option?--of course, you mean before the bombs start appearing off the assembly line.

MR. INDYK: Thanks, Barry. The Iranians have been the most aggressive sponsors of Palestinian terror throughout the period of the intifada, in particular through Palestine Islamic Jihad, which is a kind of wholly owned subsidiary of the Iranian intelligence services and the Iranian Revolution Guard Corps. And they have played a very destructive role through the intifada, trying to fuel it with explosives and rockets and other equipment that they've tried to smuggle in. But more importantly, whenever there was actually talk of a cease-fire or efforts to achieve a cease-fire, we saw the Iranian hand in new terrorist attacks that provoked Israelis reactions that made those cease-fires impossible.

And certainly in the last year, as Israel's actions against Hamas have become more effective, we see the Iranians through Hezbollah stepping up their support for the Al-Aqsa Brigades, in particular, which is not a phenomenon we'd seen before. The Al-Aqsa Brigades are part of the Fatah operation.

With Arafat gone, or almost gone, there is a really big question about who fills the financial vacuum left by him, because he was helping to finance some of these organizations, particularly the Al-Aqsa Brigades. And there is a very great danger that the Iranians will in fact

fill this vacuum, since they already have the basic infrastructure in place to do that. And that could create greater difficulties at a time of uncertainty about leadership, where other more moderate forces are trying to establish themselves and fill the vacuum left by Yasser Arafat.

That is why, by the way--I think it's another reason for engaging the Syrians. Because the Syrians have the ability to exercise influence over these terrorist organizations. In particular, it's interesting to note that they have already invited the leader of Palestine Islamic Jihad, Ramadan Shallah, to leave Damascus along with the leader of Hamas. They're no longer in Damascus, which is an important first step in putting pressure on them. But the most important thing the Syrians could do is vis-à-vis Hezbollah, in Lebanon. And that would be one way in which it might be possible to reduce the chances for the Iranians to play havoc in this difficult situation.

As far as the issue of Iranian--but let me just say on terror generally, I think you make a good point. There's no question that terrorism disrupts, constantly disrupts the efforts, whether it's to stabilize a situation in Iraq or to try to take advantage of the opportunity left by the vacuum of Arafat's departure. And therefore we obviously have to have a policy that deals with that as well.

The reason that I suggested that we need to look at the issue of preemption in the Iranian case is not a radical notion. If you want to hark back to the Clinton days, we looked carefully at the issue of preemption of a North Korean nuclear capability. I don't know whether the option exists. There are a lot of questions as to whether we could find out where the facilities are, whether taking out those facilities is possible, whether if you took them out that would significantly delay the process. All I'm saying is we need to--if we haven't already, the Bush administration needs to look at that option. And the process of looking at that option, as I

said, could also improve our leverage with the Iranians in terms of trying to find other ways of getting them to stop the enrichment of uranium.

QUESTION: Thanks very much. Another question about Iran for Martin. What would you advise the second Bush administration to do with the Mujahedin-e-Khalq? What's your understanding of their current status, and do you think that there is a potential of a bargain? I mean, we still have people like John Bolton, others who are militantly opposed to any kind of negotiation with the Iranians--presumably Dick Cheney also. Do you think it's realistic, and what would you do with the MEK? Thanks.

MR. INDYK: Well, as far as I'm concerned, the MEK is a terrorist organization. It's on our State Department list of terrorist organizations. There are good reasons for that. It's also in league with Saddam Hussein. It helped Saddam Hussein put down the Shia uprising back in 1991. And I cannot understand the logic of not reaching an agreement with the Iranians in which they give up the senior al Qaeda people that we need and want in exchange for our being prepared to give over the MEK. And I think that's being blocked for ideological reasons, but I don't think it serves our war on terror to continue that game.

I'm not for a moment suggesting a grand bargain. I never used that word and I don't endorse it. But I do think that there are places where we can begin to look at cooperating with Iran, in particular, vis-à-vis Iraq, where we have a big problem and they have considerable influence, and obviously on the nuclear issue, where we really have an urgent need to try to find a way to forestall their nuclear program.

QUESTION: Ron [inaudible], Kuwait News Agency.

Martin, sorry to keep picking on you. What--along the lines of Barry, if it doesn't turn out so nicely, the better- case scenarios over in Iraq, worst-case scenario--civil war,

continued chaos, elections are a flop, terrorism continues for years. What do you see this administration doing about it if that is what happens in fact?

MR. INDYK: I really am not sure. It will depend on at what point they come to recognize that they're courting disaster here. As I've suggested already, I think if they recognized it early, I think there are things that still can be done to forestall it. But if it's not recognized and we continue to make the kind of mistakes we've made over the last 18 months, then I'm afraid we're going to help to produce the failure.

And basically, to try to answer your question, the options are to try to focus on a stabilization process, get the training in place for the security services and the reconstruction going, and bring the Sunnis in. And then, you know, create a process through stabilization of eventually bringing on elections and democratization.

Or, on the other hand, pursuing a policy that could generate a strategic collapse, in which case we have a Vietnam-type scenario and we are forced to, in effect, withdraw with our tail between our legs. That would be disastrous for the United States and for the region.

And there are middle options between those two in which we could decide that we're in fact pulling out in the next--when the U.N. mandate expires in the next 18 months, two years, or beginning that process. And work back from there and try to put in place all the things necessary to at least stabilize the situation from then. But what is most necessary at the moment is for the second Bush administration to take a realistic look at what the situation is on the ground and make a quick decision on how are we going to deal with the election process, which could seriously exacerbate that problem.

MR. STEINBERG: I think one other dimension that I think the administration will have to look at, and will be a very unsatisfactory position to be in and quite ironic, is to have to rethink the possibility of a containment strategy vis-à-vis Iraq, in which one recognizes that

the internal situation in Iraq may remain unstable for a very long time and we can't do very much about it, and try to find ways to limit the ability of that internal instability from threatening either the United States or Iraq's neighbors, by making clear that we have over the horizon capabilities to deal with if terrorists establish themselves in Iraq or if there is a reconstitution of [inaudible].

Again, a very unsatisfactory fallback, but I think one which at least as a fallback has to be looked at a lot more seriously than it probably has been up till now.

QUESTION: Sorry, Martin. The same question. Suppose that Bush continues to be disengaged from the Middle East over the next few months and Arafat departs the scene. What is likely to evolve between the Palestinians and the Israelis over the next few months? And if there is an indication of a new team, what kind of a team would give you an indication that the new Bush administration will be more involved? You know, who would have to stay, who would have to leave, [inaudible]? If you are willing to venture and speculate.

MR. INDYK: If the Bush administration continues to be disengaged--and God knows it may have to focus on Iraq; that situation could become such a problem for it that it just simply doesn't have the attention span to deal with the opportunity on the Palestinian front--then I think, left to their own devices, the Palestinians will go through a kind of sorting-out process. If the disengagement goes ahead in that context and there's no effort to coordinate with a new Palestinian leadership, then I think there's likely to be a fairly chaotic situation left in the wake of Israel's disengagement, in which the power struggle for leadership of the Palestinians could well play itself out on the ground in Gaza in a much more violent way between the different factions and war lords as they move to gain control of territory and assert their own leadership there. And that could have, you know, very negative consequences for the chances of a moderate, responsible leadership emerging on the Palestinian side.

As to what personnel changes here could make a difference, the answer to that is very simple: It's up to the president. I mean, in the sense that if the president decides that he wants peace in the Middle East as his legacy, then everybody else will fall into place and into line. And, you know, at one point he made a personal commitment to this. He's promised Tony Blair. But he's never been willing to translate the personal commitment and the nice rhetoric of speeches into actual direct engagement and making sure that his administration follows through on that. That's what it would take, a presidential decision to engage in this process.

QUESTION: I'm Warren Strobel with Knight-Ridder Newspapers. This question's for Jim and anybody else who wants to try and answer it.

Phil Gordon was very pessimistic about a repeat of the Reagan model, where you have ideology in the first term sort of give way to more pragmatism, some level of pragmatism in the second term. I wonder if you agree with that, or do you think that some the issues you've talked about--North Korea, Iran, Israeli-Arab conflict--will sort of impose themselves and make this president choose diplomacy and engagement more than he has.

MR. STEINBERG: I certainly agree vis-à-vis Europe because I am simply unpersuaded that the administration sees Europe as a necessary strategic partner for the United States, and therefore I think they're just quite pessimistic about the prospect of the value of investing a lot in trying to sort things out with the Europeans. I think that their judgment is likely to be that even if we go the extra mile in diplomacy, it might tamp down a little bit of the hostility but we're not likely to get much more out of it.

I guess I think that the experience of Iraq will have turned out to be a very sobering one for the administration. And so I think the notion of a very kind of ideological set of risk-take, shake-the-table-type moves is much less likely in the second term. I think that there's a recognition that unanticipated consequences, optimistic assumptions are very rarely borne out in

the world and there's simply a limit to what we can take in terms of risks on the downside of those kinds of operations. So I think that there will be a certain greater degree of pragmatism in the recognition that the upsides, however attractive they may seem for bold moves, are often undercut by the very grave risks.

And so in that sense, I think you will see more diplomacy, more trying to hedge against downside risks. But I do believe that the administration has a deep commitment to the notion that only by action by the United States can the big challenges be addressed and that we have to be willing to take action irrespective of how that seems in the international community, because the sentiment of the international community is never going to be rallyable around the kind of effective international action that's necessary to deal with very grave dangers.

So I don't see all of a sudden a recognition that the U.N. should play a bigger role in U.S. policy. I don't see a greater willingness to subordinate the administration's own convictions about the right course to the views of others when the administration believes that the others are simply wrong. I think that they believe that they're able to generate enough support, from friends who either agree with us or want to be on our side, that they can get an adequate level of international cooperation.

So I don't see anything which will appear as risky as the Iraq operation has as being something that they're looking to do. But I also think that the basic temper and the basic strategy that the administration has pursued is one that they do have deep convictions about. And the one element in the personnel that you know isn't going to change in the second term, in addition to the president, is the vice president. The vice president is enormously influential and has very strong views about these things. And I don't see somehow that this is going to be changed or that those perspectives on how power operates in the world and how the United States achieves its interests in the world are going to be radically transformed in a second term.

QUESTION: Philippe Duponte from IntelliBrief Corporation. My question has to do with international development.

What prospects do you think there are for U.S. leadership at this point on some issues of international development? For example, debt relief, which is a big priority of Blair, perhaps in the G-8 context--and I'm not just talking about Iraq. Secondly, seeing through full funding for the Millennium Challenge Account. It seems to be stuck at about $1 billion. It should be closer to $5 billion. And secondly, perhaps lowering subsidies and propelling the Doha Round 4.

Thank you.

MR. STEINBERG: Those are good questions. I think we haven't talked about it much and it's probably for another day when we have people like Mike O'Hanlon up here. But a lot of the discussion about the deficit has focused on domestic problems and taxes, but at some point the magnitude of the budget deficit problem is going to come home to roost on the international side as well as on the domestic side. And in the first instance, that just isn't going to be on the defense budget, not least of which because right now the costs of sustaining the Iraq operation are simply things that the administration is not about to short-shrift. And it is hard in the short term, other than those kind of operational expenses, to get great savings in the defense column. You can begin to cancel procurements, but that doesn't save you a lot of money in the short term.

But while I think the administration actually does believe in the development accounts--I mean, I think they recognize that there has to be a soft side to complement the hard side of U.S. strategy in dealing with terrorism and the like--I simply don't see, when they come to the table with OMB looking at the budget, and then certainly the Congress, that those deficits

go past the half-trillion mark, that we are likely to see an expansion or even level funding for some of these development-oriented initiatives.

So I don't think it's going to be hostility to the idea. I think they believe in the Millennium Challenge Account. I think they would like to do more on AIDS and the like. The numbers just don't add up. And I think that would put enormous pressure on that side of the funding equation.

QUESTION: Hi. I have two questions on Taiwan. One is the personnel change in Bush's policy team, especially the national security counsel or Department of Defense, how that impacts on Bush's policy toward Taiwan, particularly on arms sales.

And the second question will be, at the end of this month in Chile there will be APAC. That's an opportunity for President Bush to meet Hu Jintao. Mr. Bush, do you see any sign that President Bush will say anything, like last year, in front of Wen Jiabao to rebuke Taiwan again?

MR. BUSH: Thank you for your question, Daphne. It's really hard to say, on the first question, what the effect of personnel changes will be. Taiwan policy is one where the direction comes from the White House, so policy will follow that. And I can't predict what President Bush's talking points will be for meeting with Hu Jintao. I expect that they would be consistent with what has been said before in previous meetings.

QUESTION: Gary Mitchell from The Mitchell Report.

I think this builds on previous questions, but let me try it anyway. And that is, if it is fair to say that perestroika and glasnost grew out of realities on the ground in the Soviet Union, rather than some conversion in Gorbachev's heart, and if it is true that George Bush began his first term with lots of money in the bank and a military that wasn't fighting any wars, and we now move into a second term where the military is more than occupied and there's no

money in the bank, does he have options in his second term other than diplomacy and seeing if some reformation of international organizations can't be accomplished?

MR. STEINBERG: Well, I don't believe that there is any sentiment in the administration for reforming international organizations. I simply think that they fundamentally doubt the capacity of organizations--even NATO, for that matter, which is the most functional of the international organizations--to respond effectively. I think their view about the collective-action problem and the way that states behave in these organizations provides little marginal benefit and lots of barriers and constraints on action.

So I simply--and I don't think that they see the burden-sharing value of these organizations as being sufficiently great to justify the time, effort, and constraints that go along with trying to build them. I think they deeply believe in coalitions of the willing. I think their favorite sort of model right now is the Proliferation Security Initiative, which they think is the right way to generate cooperative action without the constraints of formalities or bureaucracy of international organizations.

So I think there will be a recognition that you do need to have partners to do things, but I think their view is the tried-and-true strategy here is really assembling coalitions and they don't believe that there's enough benefit to the investment in international decisions.

But as I said before, I think there are real constraints on the things that they can do. I think that they recognize that there's only so much you can manage at one time and we are not quickly going to be done with the problem of Iraq. And so I think the focus will remain on the Middle East; I think that there will still be a conviction that this can be made in the--the virtue of a second term is that they can stick it out in ways that things will come around and the benefits that they hoped to achieve quickly from the intervention in Iraq, which they obviously haven't been able to achieve quickly, will be able to be achieved over the course of the next four

years, and that over time this will stabilize and the collateral benefits in terms of model for others and impact on other countries in a positive way will begin to be realized.

I think there is going to be a very strong sense of a need to try to make that happen. But that also means that they're going to try not to have a lot of major crises elsewhere. That's been the policy over the last year or so and, I think, will continue.

MR. GORDON: I would just add, because I think that your question and the analogy with the Soviet Union goes to the heart of this administration's conception of foreign policy. When they came in the first time, they came in with an explicit view that the way you promote change is by sticking to your guns and not wavering. And they came in with the view that the Clinton administration in particular was far too deferential to allies and far too ready to compromise on things like negotiating with North Korea. And they, even at the time--I remember explicit references to the early '80s and Reagan. And the whole world said if you talk about evil empire and you pursue SDI, then you're going to create all these problems and the Soviets will walk away and you won't be able to move forward. And their view was, no, we stuck with it and we got them to come back to the table and we ultimately produced Gorbachev by sticking to it even in the face of hand-wringing Democrats and Europeans.

And I think that was the approach they went into the first term with as well. And we've seen it across the board. The ABM treaty, the Democrats and Europeans say the world is going to fall apart; they stick to their guns. Afghanistan--you can never invade a country halfway around the world and so on and so forth; we stick to it and it works. And I think that remains their image of the world.

Iraq has obviously been a setback. Because in Iraq it was the same idea--it doesn't matter what people are saying; by being decisive and by showing in advance that we refuse to compromise, the allies will have no choice but to come along because we are so

decisive. It's clearly been a setback to this mindset. But other than that, I don't see any evidence that has led them to fundamentally revisit that question.

I think you absolutely see it in the Middle East as well. Their view was that eight years of great efforts at engagement, dialog, and compromise led nowhere; on the contrary, it only encouraged your enemies. You know Rumsfeld's line: Weakness is provocative, not strength. That was their view. And I think it's had some setbacks, but I think it fundamentally remains their view, not least of the president and the vice president, which is why I don't see the wavering in the second term.

MS. HILL: Just one quick point on this, though. I think there will be a difference between the hierarchy of priorities at the top and those at the bottom on the willingness with which to deal with international organizations or other partners. And this kind of fits in, then, to the difficulties that Phil has described in the relationship with European allies. Because although the focus is on the creation of coalitions of the willing for dealing with the top priorities--whether that's all the way down the top 10 or certainly on the Middle East and other key issues--I think there's an increasing tendency to see compromise on issues that are just not in the press on a daily basis. They're sort of passing on the billing for the issues lower down.

There was an increasing tendency of the Bush administration in the first term, at least towards the end of it, of handing off issues, or at least trying to hand off issues that are not urgent, that are not seen as that important to U.S. interests, on to other partners. And to some degree that's been some of the issues related to Afghanistan. And increasingly Europeans are expressing a certain amount of trepidation that the U.S. is pushing them to do more with Russia, for example, pushing them to do more in places like the Southern Caucasus, Central Asia, and elsewhere. And that's not because of reassessment, but it's simply because, as Jim has pointed out, the U.S. doesn't have the money to tackle every development issue.

And I think there will be more emphasis, going back to this gentleman's question before, on encouraging people like Tony Blair and other European leaders to take the lead on issues such as debt relief, where the U.S. clearly doesn't see itself as having the wherewithal, the financial wherewithal now, to tackle some of these big issues and encouraging the European Union to do much more on the development side in other parts of the world.
the European Union to do much more on the development side in other parts of the world.

MR. BUSH: I'll just also add that there's diplomacy and there's diplomacy. What we see with North Korea is an administration from day one has been so at war with itself on how to approach this problem that it can't come up with a negotiating position that will get you from here to there. And we may continue to go through the motions of diplomacy, but frustrate ourselves and everybody else in the process.

MR. STEINBERG: Thank you all for coming, and we look forward to future sessions.

[Applause.]