

THE BROOKINGS INSTITUTION

OPPORTUNITY 2008:
INDEPENDENT IDEAS FOR OUR NEXT PRESIDENT

Wednesday, February 28, 2007

Washington, D.C.

PANEL TWO: FOREIGN POLICY SOLUTIONS

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P R O C E E D I N G S

MS. CLARKE: Okay, we can get started, folks. Thank you very much.
Take your seats. Come on in.

I am Torie Clarke, and I am thrilled to be here doing this, and I am honored to be in the presence of these panelists. I have to tell you I was out in Omaha yesterday at StratCom, and some of my friends out there were saying, well, why are you racing back to D.C.?

I said, among other things, I am moderating this panel over at Brookings. I was trying to explain Opportunity 08. Some of their heads turned quizzically, and they said, well, what is Brookings doing talking about politics? That is not what they do.

I said, you know, they ought to be doing that because we all care about substance, obviously.

We wish everybody made decisions based solely on what is the right thing to do substantively. We know that is not reality, and there are political implications in just about everything that is done with the United States Government. I have always thought there is a real need and a desire, and clearly the overflow in the room here today is a sign of that, a desire to have some entity address these incredibly important national security issues and put in the context of political reality. I am very glad to be here to be a part of it.

I know you are all familiar with the people who are up here, but what I would like to do by way of introductions, instead of reading bios and things like that, is just have each one of you very quickly and this is before you get to do your presentations, very quickly explain what you are focused on these days in the

context of how big national security issues and politics — I know that will make the skin crawl on some people — have changed the work you have done over the last 10 years. Look at the last five or ten years of what you have been focused on and talk about how those changes have impacted your work.

Jeffrey, I will start with you.

AMB. BADER: Well, it is totally impossible to do China policy or pretend to do China policy in Washington, oblivious to politics. I have never had an issue I have dealt with on China that I have been able to look at from an ivory tower. Congress, every Congressman and Senator seems to think they are the Secretary of State when it comes to China. Every election, China comes up in some odd fashion.

In my meetings when I was at the National Security Council, we would have an agenda and a good chunk of the agenda would be not what should we be doing about China but what are we doing about the Hill and what are we doing about public perceptions on China. That took up, I don't know, probably about 40 percent of the discussion. So you are right, it is totally impossible to even think about separating these foreign policy issues from politics.

MS. CLARKE: Everybody is a desk officer.

Martin?

AMB. INDYK: Torie, I left the U.S. Government after eight and a half years of trying to make peace in the Middle East unsuccessfully or not entirely successfully and came to Brookings one week before 9/11. Therefore, my last six years have been dominated by the fact that the Middle East has been Topic A for the Administration and for the American people for the last six years. And so,

although that has been a highly political discussion, it has also had to be informed by some detailed policy work to deal with the new challenges of not only the war on terror but obviously the war in Iraq and the whole issue of democratization.

This is a very different experience, the last six years, from the previous eight and a half years, not only for me moving from government to a think tank but also for the Nation moving in the Middle East from the focus on peacemaking to a focus on warmaking, regime change and democratization. I think that now, as a result of the fact that both efforts failed, both the previous effort of peacemaking and the current effort at warmaking have essentially failed, we are left now in a situation of a big question mark about what do we try next.

MS. CLARKE: Right, which we will get to.

Carlos?

AMB. PASCUAL: I spent most of the nineties involved in transition in the former Soviet Union and after that worked quite extensively on issues related to conflict and post-conflict stabilization and reconstruction. One of the things that we found out through most of that process is that we are dealing with dynamics of change which we can't control, and in the end other actors are responsible for the actions that are going to determine the success or failure of our policies. So we increasingly have had to adapt into a political world and a policy world where our ability to influence other actors and bring those actors into a mode of thinking, into policy choices and taking actions that could be constructive are not something that we can directly control or influence.

It is really underscored now if you look at our military situation. We are militarily the most powerful country in the world. Yet, we still can't directly

achieve our objectives in Iraq or Afghanistan. The global war on terror is actually spreading. And so, what we have learned is we actually have to live in a world and adapt to the politics and policy of a reality where we have to bring in other actors together. We have to do this with other with other countries if we are going to be successful in what we want to achieve domestically.

MS. CLARKE: Amy, if we were doing this panel 10 years ago, it would not be consumed with?

MS. WALTER: With discussions on foreign policy.

MS. CLARKE: Right, and discussions of politics probably wouldn't be consumed with discussions about national security.

MS. WALTER: Exactly, the assumption was always that when push comes to shove, we can talk about foreign policy in this perspective. We can have ivory tower discussion about it. We can certainly discuss it in legislation. But it is not going to be the driver of an election, that voters ultimately are less concerned about what is going on overseas, much more concerned about what it means for them. Obviously, since 2002 elections, the national security issue was we have had to talk about security moms and then we had potentially mortgage moms in this last election, but still I think security continuing to be the driver of these last four elections. It is obviously going to play a big, big part in 2008, not just in the general election but as we talked about briefly in the primaries and the role that it plays there and the roles of who is defining these issues and whether the two parties are ultimately going to be caught up in it.

I liked the discussion that Tom and Ken had about are the two parties going to fall back into the old stereotypes. Democrats ultimately, when push comes to

shove, what is happening in Congress right now is you have Murtha and MoveOn and the liberal wing of the Democratic Party continuing to push, push, push, saying the 2006 election was all about Iraq. We have an obligation to make that change, to listen to voters who got us here. The more moderate conservatives on the Democratic side saying uh oh, we are going to end up back where we were on 10 years ago, 12 years ago, 20 years ago which is we are this fringe anti-war, the Vietnamization of the Democratic Party, strong enough on security, that concern certainly dominating.

The Republican side, for the first time, and it was fascinating watching Republicans in 2006 try to navigate a world in an election in which the President was no longer popular, the war was no longer popular and many of those folks had never had to run in a year when they didn't have those things going for them. So the weight of that, even if they tried to break out, even if they tried to differentiate themselves from the President, the weight of his unpopularity, of being a Republican in this era just was too much, and they couldn't swim back upstream.

Now, you have three candidates that we talked about for the Republican nomination who aren't going to differentiate themselves necessarily on Iraq but yet for the core values for primary voters are not there yet on social issues and some of those other issues. That means that if Republican voters, more so than Democratic voters, have to decide what are they willing to swallow in terms of their nominee to win the nomination, rather than we want the perfect guy, ideologically, for the primary but may not be the perfect person for the general election. How do I square those things in my own mind?

MS. CLARKE: Political experts have got to get more on national security issues which five, ten, fifteen years ago, political reporters didn't have to do that.

MS. WALTER: That is right.

MS. CLARKE: So, yesterday, I am sure you all were paying attention to what was going on with China and the stock market. There was a furious exchange of emails. As I am darting in and out of StratCom, I am checking my emails and this furious exchange of emails of should we address it, how do we address it, well, we don't have an economist up there. As many people predicted, it has settled down a lot today.

But, obviously, Brookings could spend years and years and years doing nothing but discussing China because it is so important. Already in the newspapers, you see speculation about in 2008, China has got the Olympics which is enormous for them. What if there are demonstrations in the country? What does the Chinese Government do? It happens to be about the same time as our conventions.

Jeffrey, let's hope and pray that China does get discussed in this Presidential election because I think it should. Say the candidates are at debates and they are asked, what will you do about China if you are President of the United States, how would you frame it up for them? How would you frame up the challenge for them if they are President of the United States on how they should address, deal with, cooperate with or not cooperate with China?

AMB. BADER: Torie, let me start by picking up where you left off, on the stock market. Mike O'Hanlon, when he asked me to speak today, said, don't review your paper. Explain to people why we should care about China.

My task became much easier as I watched my net worth dive by 3.5 percent yesterday. Now, it should be obvious why we care about China.

I have had a semi-stock speech on China for the last five years, one line of which has been that we now have a China that moves markets. Yesterday, I was on television at 8:00 in the morning, an otherwise forgettable TV appearance in which I used that line. I hadn't realized that the Chinese market had dropped 9 percent overnight, and I didn't know that I was exhorting traders to dump stock. So I will be careful what I say today.

MS. CLARKE: When Jeffrey Bader speaks.

AMB. BADER: But that isn't the first time we have seen China move markets. I first became aware of this phenomenon around 2002-2003 when I saw statistics on China's imports of copper and zinc, aluminum, iron, steel, nickel, major metals. Their consumption now rivals American consumption in virtually all these products, and their imports had gone up by a factor, in some cases, of 100-fold or 1,000-fold in the previous 10 years with a corresponding impact on the price of these commodities. In 2002-2003, the cost of shipping raw materials went up four-fold, largely because of the China factor. This is not something one could have said before the year 2000, but this is now a China that moves markets as we saw yesterday, unhappily.

Whether it should move markets, whether it should be moving the stock market is another matter. I mean the Chinese market is not exactly what we call a highly liquid market. The Chinese stock market is not integral to the Chinese economy the way the American stock market is to the American economy, but markets are markets, and they react whether they should or shouldn't.

Obviously, China's economy is something that is of huge concern to the United States, and it should be of concern to our candidates in 2008, not just the negative ways we saw yesterday. I will mention one other way in which China moves markets that we are all going to be concerned about in the years to come, and that is oil. From 2000 to 2005, China only consumed about 8 percent of the world's oil, but the growth in world oil demand attributable to China is about 25 percent. Again, we saw what happened to the pump as a consequence in part of increase in Chinese demands.

China's economic impact on us, of course, is not all negative. I would argue, in fact, it is substantially positive, by far our fastest export market in the world, up over 100 percent in the last five years, \$55 billion. They have helped us finance our debt in the last five years and helped us afford our mortgages. They have helped corporations' bottom lines. The Wal-Mart effect, despite what some of the media say, imports are not evil. Lower and middle class Americans being able to buy \$20 billion worth of Chinese products at Wal-Mart, I think those Americans would say that is a pretty good thing.

But this is an economy that is running at \$240 billion trade surplus with the United States last year, \$180 billion global trade surplus, a corresponding resulting fear about the impact on jobs and U.S. competitiveness. Chinese workers earn on the average, what, 3, 4, 5 percent of what American workers earn. With 400 million new Chinese workers on the global job market in the last 25 years, this is not a trivial factor. So there are these new economic challenges, and there are also new political changes.

We are looking at an authoritarian country which is neither friend nor foe,

that has global reach. Look at Africa. Look at Latin America. A couple of months ago, the Chinese invited the African heads of state and heads of government to a summit meeting in Beijing, and 45 African heads of state showed up, 45 out of, what, 50, 51. Washington has never had that kind of a show, nor has Europe that I am aware of. I mean that shows China's attraction.

China is described by the Defense Department as the country most likely to become a "peer competitor" of the United States in the years to come. People who didn't know what that meant got a graphic demonstration of what it might mean when the Chinese launched that destroyed a Chinese weather satellite about a month or two ago. So there are new challenges that China is presenting in both the economic and the political area, but here is I guess what you would call the anomaly of what I would recommend to our candidates about that.

We have to be very, very careful and our candidates have to be very, very careful about starting from scratch. We have seen a number of candidates in the last 25 years who have tried to start from scratch on China policy. Ronald Reagan, in 1980, in response to Jimmy Carter's breaking of relations with the Republic of China, basically denounced the direction in which we were going, called for rebuilding the alliance with the Republic of China, selling advanced fighter aircraft to Taiwan. It took President Reagan a year and a half to reverse course.

In 1992, President Clinton denouncing the "butchers of Beijing" and putting in place a policy of linkage of most favored status renewal to human rights. It took him close to three years to get out from under that particular mess and to get on to the right track.

In the year 2000, George W. Bush criticized the Clinton Administration policy of “strategic partnership” with China, saying that we should see China as a strategic competitor. Well, it took President Bush about six months to forget that phrase. The phrase has never been used, by the way, since he became President. It was just a campaign phrase. We had problems in the first year in the China relationship as a result.

My first advice to candidates in the year 2008 would be we have had a pretty sound policy since President Nixon. Learn from it. Even though there are new challenges, don’t start with an assumption that everything has got to be thrown out. After all, we had two wars with China or with China proxies before normalization. We have had none since. We have helped to stabilize the Korean Peninsula, and we have kept peace in the Taiwan Strait as a result of having constructive relationship with China.

The essence of that policy in the seventies and eighties under Nixon, Ford, Carter, Reagan, first it was an anti-Soviet alliance. Then it was trying to bring China into the Community of Nations. Most recently it has been articulated by former Deputy Secretary Zoellick in his speech in New York, talking about making China responsible stakeholders. There is continuity on these policies, and I think the next President should pay heed to that.

I think my time is running out. Just one last quick comment, if I could, just generally about what the next President should do. I think Torie is absolutely right to highlight the Beijing Olympics and the timing of it. August, 2008, when people turn on their television, they are not going to be channel surfing, looking for Rudy Giuliani or John McCain or Barack Obama or Hillary Clinton.

MS. CLARKE: Or Newt Gingrich.

AMB. BADER: They are going to be watching the Chinese pole-vaulters or Chinese gymnasts. As Torie says, if something happens in Beijing and the chances of something happening in Beijing are not trivial. If you look at the history of the Olympics in the last 30 years, the Olympics are not a non-political event. They weren't in Mexico City. They weren't in Munich. They weren't in Seoul. They weren't in L.A. They weren't in Moscow. The chances of something happening are not trivial. Whether we can keep our bearings when that happens will be a real challenge to our political maturity.

MS. CLARKE: I know we need to move on, but stick with that for a second and, Amy, weigh in on the opportunities and liabilities here. Let's say something happens, and maybe it is not Tiananmen Square, but it is bad. It is a crackdown on Chinese protesters, for instance. You are the major candidates for the parties. What do you do?

MS. WALTER: Well, I think there are two things. When I saw that story in the front page today, the first thing I went to was back to a sense of what the rhetoric is going to be from candidates, both running for Congress and running for President and this idea about the rise of China, India, et cetera, and the economic issues here. For all the talk in 2006 about the role that Iraq played, that corruption played, when you look at the exit polls actually and you ask voters to rate why they voted on the issue, what issue they voted for, whether it was extremely important or not important at all. Ethics and corruption was number one at 41 percent, but at number two was the economy. Number three was terrorism and then Iraq was number four at 35 percent. So the economy was slightly ahead of

Iraq.

A lot of that focus, and we heard a lot of it on the campaign trail in 2006, this idea about economic populism that was very, very popular, especially, and this goes back to the previous panel, talking these western states, the new battleground areas, intermountain west and the west and places like Ohio and Michigan which have been seeing tremendous job loss. The economy is still a very, very big factor.

Looking at happened yesterday and listening, I instinctively know what candidates are going to pick up and run with that, saying, here we go again. We have an economy that still hasn't quite figured out who it is, what we are. I hear a lot from pollsters sitting in the media focus groups and that have regular folks come in and say, about the economy, I just don't know sort of who we are anymore. What do we make anymore? What do we do? It is not the same sort of concerns, economic concerns that were there 20 or 30 years ago in terms of looking at issues of unemployment or GDP or the stock market as indicators of economic health. For so many people in this country, it is a sense of directionlessness for this county, that we are falling behind on every level of competitiveness with places like China and India, and we are only going to get further behind.

So I think that becomes a very important issue just in talking about how the issue comes in from an economic standpoint, even more so than from a military or foreign policy standpoint and terrorist standpoint, talking about where China fits in.

Then you are right about if something happens overseas. I think we have

come to the realization in these last two years of the Bush Presidency that voters seem to have put the mute button on completely to this President on all sorts of issues, whether it is the economy, whether it is Iraq, whether it is almost any other issue. They are sort of saying, ah, I am going to put you on hold or maybe it is like TiVo, uh oh, the pause. Fast forward. Play. Nope. Fast forward. Play. You can just sort of fast forward yourself and pause yourself through these last two years, focusing almost exclusively then on what the candidates for the next President, who is going to be the next Commander-in-Chief, are talking about the issues.

The only way that changes, of course, then is if you can't change the debate — you personally as President, even with your bully pulpit and with 35 percent approval rating, that is very hard to do — then you have to hope that either, one, the Democrats help to change the debate for you by getting caught up in their own internal struggles and falling or, two, that there is an outside event that changes that, again, where the two parties fall back into the stereotypes that voters have for them.

I do think if there is one good piece of news for Republicans, it is that — even looking at where the President is and his popularity, looking at how the Country feels about Republican and Democrats and looking at how voters reacted in 2006 — the last NBC-Wall Street Journal poll, when looking at the issues, Democrats, not surprisingly, have huge advantages on domestic issues, 20 points on education, environment and social security, but on Iraq, there was just a nine-point advantage and on the issue of terrorism. Again, this was not the most recent poll. This was January. I think we might see a little bit of a change here, but still

on terrorism, Republicans as a whole had a five-point advantage still on that issue. When you look at President Bush for how much he has fallen on Iraq and even on the economy and other issues, terrorism, he has not fallen quite as much. So the issue on terrorism, I still think is one of those pivot points for Republicans that may give them a chance to redefine it.

MS. CLARKE: Right, and that does allow us to pivot to Iraq.

Carlos, I want to come to. I was also struck by the earlier panel and frustrated. They spent so much of their time on Iraq, but also the sense of change and there is this great need, this great desire, this feeling for change which is very similar to 1992. After the years of Reagan-Bush, a lot of people were tired of Republicans and wanted a change. There was not a big risk in making that change. Whatever you say, you look at Clinton-Gore, it was a significant enough change for the voters, but it didn't feel like a big risk to them at that time. Right now, big desire for change, frustration, anger, resentment, et cetera, it is a bigger risk now.

I do believe — and George Will has articulated this better than anybody I think — when we do get closer to the election, and who knows what happens on the national security front between now and then that could shape people's thinking, events, but people are going to be thinking to themselves, you know, at some point in this President's career, he is going to get a phone call in the middle of the night and have to make a very, very awesome decision under extraordinary pressure. Who do I trust to make that decision?

They will think about it in very real, very practical terms. Then that five percentage point difference now, I think, can become even starker.

Carlos, let us shift to Iraq and let us try to look forward. The temptation for so many of the candidates and the easiest thing to do is to look back and say this went wrong, that went wrong, et cetera. If you are the candidate and you are in a debate and you are forced to say, okay, here is where we are, and just for the sake of this argument, let's say it is early 2008. We have reached some sort of uneasy containment status in Iraq. What do the candidates say is the way forward?

Is it we are going to work on some regional settlement? Is it we are just going to get the heck out of here and let the chips fall where they may? How should they take that debate forward?

AMB. PASCUAL: I don't think we are going to find ourselves in some uneasy containment situation. I think it is actually going to be worse.

There are three things that I think we have to start out with. First is acknowledging that Iraq is in a civil war, in fact, something beyond a civil war, and that has substantive implications because what we have learned from history and recent history is that most civil wars require some form of political solution. Whether that has been Bosnia or Sierra Leone or Congo or Kosovo or East Timor or Mozambique or Northern Ireland or South Africa, there has been a political solution to actually get parties to step aside from gorilla tactics, to actually come to some kind of agreement.

The second is that Iraq is a failed state. It can't provide security for its people. It can't administer the rule of law. It can't administer services. So if we keep talking about Iraqis achieving benchmarks, Iraqis fixing themselves, we know what the answer is going to be. We will be disappointed. We are in a self-defined defeat in a situation like that.

The third is that there are huge regional consequences. There are already more than two million refugees. The flow of people across borders becomes cover for many other things, terrible things to flow across borders. It facilitates the movement of terrorism. It facilitates the movement of weapons. It can result in regional destabilization in the area that provides a quarter of the world's oil supply. It can become an area for nuclear competition with Iran seeking a nuclear weapon and Sunni states potentially seeking a similar capability.

My point here is that we can't just afford to ignore it. The consequences are too big.

We come back then to what the solutions might possibly be. You essentially have a box. At the four corners of that box, you can say there is victory, there is some form of stability, there is containment and there is withdrawal. Whatever options end up getting put on the table, they are going to be some formulation of that. They are going to be within this box.

Just a couple of things to put on the table that I think might be worth thinking about or discussing afterwards: On the victory side, if we look back at the lessons that we learned and said, if we were going to start a mission tomorrow in a failed state with a civil war, what would we do to actually deploy and win that? Well, you would probably have something on the order of about 250,000 to 400,000 troops. You would have an idea of a political agreement that you would want to achieve. You would have a strategy for taking over the administration of the rule of law in the courts and the penitentiary system that people could respect. You would have a plan for a massive injection of economic support afterwards. You would have a major international initiative to sustain the burden of this, and

you would realize that you have to be in there for the long term.

Let's remember Bosnia or Kosovo. Bosnia, NATO was in there for nine years and then turned over for two years to the European Union. Kosovo, we have been there for seven and a half years. Look at the transition after the former Soviet Union. A good nine years from the point in time of that transition before they were actually able to achieve economic growth. It doesn't happen overnight.

So what this tells us as a starting point is the surge strategy, at best, might give us a respite in the violence, but there isn't going to be the capacity to build up Iraqi capacity during this period of time, and when those troops leave, the civil war that was underneath this is going to come back. That is why I say that I don't think there is going to be an uneasy containment. I think that we are going to end up with something that is worse than that.

Now what are the other options? Stability, just a couple words here, I would define stability as something which was seeking to stop the fighting among the militias and to control or dismantle Al-Qaeda in Iraq and establish some form of a five-year truce among the parties. A positive thing might be the beginning of a regional discussion process, but we have to see where that goes. It is worth discussing later. In order to achieve this, I think, it would take the United Nations and the U.S. empowering the United Nations, bringing together all of the surrounding Sunni states — the United States, Iran, Syria, Saudi Arabia, Jordan, Turkey, Kuwait and the European Union as key parties. You would have to have core compromises on issues such as oil revenue, federal regional relations, minority rights and amnesty for combatants. You would have to have a strategy to deal with the reintegration of militias.

You would have to have, I would think, a freezing of politics. This is sometimes counter-intuitive, but one of the things that we have learned is that in most post-conflict environments, if you move to establishing constitutions and going to elections too early, it is actually counter-productive.

MS. CLARKE: So you wouldn't have had the elections?

AMB. PASCUAL: I would not have had them when we had them nor would I have put forward the constitution when it was put forward. I think that there was an ability to continue with the transitional laws that Bremer had actually established. That provided an initial framework.

But, in effect, the elections, when they were conducted, excluded the Sunnis for the most part and reinforced the Shiites and the Kurds in their positions in government and began to entrench this tension between Sunnis and the other sectarian groups. The constitution put into law a provision which essentially said that the regions would have oversight of the development of natural resources. So, in other words, the Shiites and the Kurds would control the oil in the country. Afterwards, the Sunnis look at this and say, well, what do we do? If we don't oppose this, then what is the future for us?

In fact, that Constitution actually accelerated the violence, accelerated the conflict. I think some of these issues have to be thought through.

I think, for example, now there is talk about provincial elections. If you move forward with those elections without getting some understanding on the core kinds of political issues that I mentioned such as oil and federal regional relations, it can actually entrench the conflict further because people are going to be voting for local representatives whose role in that society simply is not clear.

Until you actually sort out those other questions, elections can actually make the situation even a little bit more complicated.

I can talk more about containment strategy and what it would be. I can talk a little bit more about withdrawal if you want.

MS. CLARKE: Let's try to come back to it. I know we want to get to questions from the audience, so I want to keep moving.

Martin, if you could broaden this out for us, the Middle East in general, and I was struck by what you were saying. We have tried making peace. We have tried making war. If it is not those, what do we try going forward? Also, if you could just give us a couple quick thoughts on the U.S. decision to sit down with Syria and Iran.

AMB. INDYK: You mentioned, Torie, that the American people are feeling anger, frustration and so on. You didn't use the word exhaustion.

MS. CLARKE: No. It is a good word. You are right.

AMB. INDYK: I suspect that precisely because of this almost two decade intensive engagement in the Middle East with an effort to transform this region and make it over in the American image in one way or the other but that vast investment of taxpayers' dollars, American blood, Presidential prestige, et cetera, et cetera, has I think led to a fairly profound disillusionment with the whole engagement in the Middle East. When George in the earlier panel talked about the American people closing the book on Iraq, I suspect — I don't know whether, Amy, you have some evidence of this — that there is a more profound feeling of wanting to close the book on the Middle East. This is not a neoisolationism in general but a sense that we have to quarantine the Middle East or to borrow an

idea from what the Israelis did, put up a wall, in this way, virtual wall to keep the Middle East out.

Unfortunately, if that is an accurate assessment of the prevailing mood, that it is just hopeless and there is nothing we can do and we just need to get out of the Middle East, not just Iraq, then the Presidential candidates are going to face a significant problem because we don't have the luxury of disengaging from the Middle East. The sentiment for disengagement is, I think, fueling the support for alternative energy policies so that we are not dependent on Middle Eastern oil, but, as we will hear in the next panel, that is a 10 to 25 year national endeavor. In the meantime, the next President is going to have to deal with the fact that we still have real interests in that part of the world, that come down essentially to the protection of the free flow of oil at reasonable prices from the Gulf area where a majority of the world's oil reserves still exist and ensuring the survival and well being of the State of Israel and the security of our Arab allies there.

The question then becomes: Well, how do we do it? There, I think the key word is balance. What we need, in effect, is a rebalancing of America's approach to the region. It begins first with the rebalancing of the hubris-humility equation. We need to be less naïve and less arrogant about the idea that the Middle East wants to be or can be reshaped in our image.

Secondly, we need a rebalancing of American values and interests. I think we got that out of whack for understandable reasons after 9/11. The argument that we have been focused too much on promoting stability in the Middle East and stability produced 9/11 and therefore we should be more interested in shaking the place up and democratizing the place and in fact pushing for a kind of political

change which ended up being exploited by the enemies of democracy. That, too, needs to be rebalanced so that we bring American values and American interests into a better proportion as we go forward. In other words, we should not throw the democratization baby out with the bathwater, but we need to find a better way to promote political and economic development in that part of the world that is consonant with our interests, and we do have an interest in stability there.

The third balancing that needs to be done is what I would call a return to a balance of power approach to the region. This is not something I recommend with any enthusiasm because we don't do balance of power politics well as a Nation, but it is a necessity now because we no longer have the luxury that we have had for basically since 1991 of being the dominant power in the region. Our influence has been so reduced and our credibility so affected, that we cannot take an it's my way or the highway approach to this region anymore. In the process of this decline of America's influence in the region has come the emergence of a kind of tilting of the balance against our interests and against our friends in favor of an Iranian-sponsored alliance that spreads across the region to the Shi'a parties of Iraq to the Syrian regime and to Hezbollah in Lebanon and to Hamas in the Palestinian region, and that needs to be counter-balanced if we are to protect our interests and those of our friends in the region.

But that counterbalancing is going to require a much more complex and sophisticated approach to the effort to try to find a way to concert a counter-alliance involving the leaders of Arab moderate states like Egypt, Saudi Arabia and Jordan with Israel, the Palestinian moderates and the Lebanese moderates. For that to be effective, we are going to have to — and I will conclude on this

point — develop a strategy which basically has four elements. The first Carlos already spoke about, which is containing the civil war in Iraq, preventing an implosion there from exploding to the broader region.

The second is strengthening the forces of moderation in the region so that they can counter Iran's influence and blunt the impact of regional radicals. That includes an energetic relaunching of the Arab-Israeli peace process as the cement for this virtual alliance between Israel and its Arab partners against Iran and its proxies.

Third, in order to ensure the broader stabilization, we have to prevent the outbreak of the next crisis which is a nuclear arms race in the region should Iran achieve nuclear weapons, and that is going to require building a security framework that will deter their use and prevent a nuclear arms race.

Finally, as I said before, we have to find a way to pursue a longer term economic and political liberalization agenda that will help meet the aspirations of the people of the region and thereby reduce the appeal of regional radicals that are benefiting so much from our failures in Iraq. In the context of talking to Iran and Syria, we have to rebalance there as well, inevitably focusing more on diplomacy and less on the use of force, and that means indeed not being afraid to engage not only with our friends in concerting this alliance against our adversaries but as we do that, also engaging with our adversaries and in particular looking for the possibilities of splitting that adversarial block and bringing Syria into the renewed peacemaking, thereby containing and isolating a radical Iran.

MS. CLARKE: You talk about our friends in the region and Tom Friedman says repeatedly, we have to find ways to get our friends in the region to get

moderate Arabs to say and do publicly what they say and advocate privately.
How do we do that? Is there a short answer to that question?

AMB. INDYK: The short answer is it is extremely difficult. The region is changing in a fundamental way now as a result of the emergence of this Iranian threat, and that is going to require our friends in the region to think long and hard about how they are going to protect their own interests. That creates an opportunity for us, and that is where I come back to. We have to be less naïve about the games that they are going to play in this process, and they are not always going to be consistent with what we want to do. But closing the gap between what they say to us and what they say to their people is a critical element in that approach and something hopefully we have learned from the last 16 years or 14 years of experience. That is why I say it is really important that we do not go in with naïve assumptions, and one of those naïve assumptions is what they tell us is what they really intend to do.

MS. CLARKE: Last question which is for all four of you and you can take a different tack on this, Amy, before we turn to the audience. You are Chairman of the Senate Foreign Relations Committee, and you are trying to figure out what do I want to hold hearings on this year that will really have a meaningful impact for the next administration. What would you hold hearings on? What would you make the bulk of your hearings on this year?

I am going to start with Carlos and work my way down. Then you talk about instead what is really going to happen.

AMB. PASCUAL: I would, first of all, continue the process of scrutinizing Iraq. There is absolutely no choice but that.

MS. CLARKE: Can you keep it focused on looking forward, though? How would you keep your hearings focused on the way ahead rather than looking in the rear view mirror?

AMB. PASCUAL: Well, I think the first issue that one would have to look at, and this builds on what Martin was just saying, is the issue of refugees and the impact on the region. There are two million people who are already in that region. There are another million people who are going to cross borders over the next year. About 650,000 of those are in Syria. About 700,000 are in Jordan.

If there is a practical means of cooperation in the region, it is, in fact, to actually get them engaged on something that is fundamentally in their self-interest of how to deal with this two million, soon to be three million people who have come across borders, who in the next phase are going to move more into camps because right now they have actually been staying with extended families. As we have seen from other situations, those camps become the recruiting grounds for terrorism activities as well. And so, getting an understanding of how to cooperate with the region, getting the UNHCR which has the mandate to take a lead on these issues and bringing the countries together, I think is a very simple, practical step that can be taken to get engagement around these issues.

The second question is fundamentally containment. We know that regardless of what happens with the surge strategy, that there is going to be a continuing impact and overflow into the region, how to do that and what are the military strategies in order to actually achieve that.

Thirdly, the question of a diplomatic strategy, in order to achieve the kind of political truce that I was mentioning before, how would one achieve it? Who

has to be part of it? What are the steps that need to be taken to move it forward? If it doesn't move forward now, at some point when the parties get tired of killing each other, they are going to have to come back to this question. So having laid the ground work for that, I think is absolutely key.

The other issue that I think is essential to focus attention on is this issue of terrorism and what exactly it is and what are the effective strategies to address it because, in many ways, we have been defining terrorism as something which is committed principally by Islamic extremists and we have been defining military strategies to actually deal with it and attack it, and in many cases, those military strategies are pushing extremists from a camp of being in opposition or opposed to in fact coming into the terrorist camp.

We have to have a better understanding of what is in fact driving terrorism. Who are these terrorist forces and what are the strategies that in fact are going to be effective against it? Taking the fight to them is misstating the proposition. If we think that we can go after bad guys anywhere in the world and somehow capture them, contain them, we are laying out a problem which we know we are going to be defeated in.

MS. CLARKE: Right, and most people in uniform would tell you the same thing. Look, we can and will and do a very good job of whacking the terrorists every single day, but that is not the long term answer.

AMB. PASCUAL: Nor have we been able to do it in Afghanistan and across the border into Pakistan.

MS. CLARKE: Martin, Mr. Chairman?

AMB. INDYK: This may sound a bit abstract.

MS. CLARKE: That is okay. Amy is going to bring us back to reality. So, go ahead.

MS. WALTER: Yes, right.

AMB. INDYK: I would say very briefly we need to be focused on soft power and how we deploy it effectively. That is not to throw out the notion that we need to be concerned about how we back our diplomacy with force, but I think that we have no choice — if you follow my argument about the decline in American power — but to come back to using the instruments of diplomacy far more than we have in the last six years. That requires us to, in a sense, learn anew some of the ways in which American soft power really plays to our advantage. It is not a weakness but a strength.

Related to that is a question that is going to become very difficult for the next administration to deal with, and that is the fact that now, as a result of the political process that we have encouraged, we have, particularly in the Middle East, Islamist parties like Hamas or Hezbollah or the Shi'a Islamist parties in Iraq in government.

How are we going to deal with that? Our natural inclination is to boycott them, but that is not an adequate policy, given the circumstances that we face. I think we need to have an educated discussion about how we deal with the phenomenon of political Islam within the context of these broader issues that we are trying to deal with, whether it is counterterrorism or Iraq or the broader Middle East.

MS. CLARKE: Jeffrey?

AMB. BADER: I am sorry, most of the action on China is not going to be

in the Senate Foreign Relations Committee or the House International Committee. It is going to be in the trade committees. In talking to Democratic staff in the Ways and Means and Finance Committees, they have got an agenda many pages long.

MS. CLARKE: Okay, but you are Chairman of the Senate Foreign Relations Committee. What should be on their agenda?

AMB. BADER: They are going to be looking at countervailing duties and anti-dumping and the Committee on Foreign Investment in the U.S. and currency and all of those things. The Foreign Relations Committees, I think, are grappling to figure out how they get some traction, get some attention.

I think what they should be looking at is what is China's global strategy? Is China a revolutionary power? Is China a status quo power? What is China?

What is its military strategy? Are we engaged in some kind of zero sum game struggle for influence with China in the world or are our interests largely coincidental?

What is China up to in Iran? What are they up to in Korea? What are they up to in Sudan? We should be looking at these hot spots and potential areas for conflict resolution where China may be a problem or may be part of the solution.

I think that is where the Foreign Relations Committees ought to be going if they can get any attention, if the Ways and Means and Finance Committees would get out of the way.

MS. CLARKE: Bring us back to reality, Amy.

MS. WALTER: That brings me back to the reality. I guess the first question then, Torie, is are you also running for President?

MS. CLARKE: Oh, I see.

MS. WALTER: Ah, there we go.

MS. CLARKE: You can make the argument.

MS. WALTER: Let's pretend we are not running for President which that would take out 85 percent of the Senate in that case, so that is tough to do. The first is defining yourself versus defining something else.

The next is can you break through the cacophony of 2008 and how those debates are being formed? Holding hearings, trying to bring as much attention as possible, you have obviously seen Biden trying to come out with proposal after proposal. Whether it is bringing the two parties together with a resolution, whether it is readdressing the 2002 resolution in the first place, that really has stumbled as well. This idea that whether it is in your own caucus or whether it is a bipartisan caucus, coming up with some sort of even the most basic resolution on Iraq seems to be a very difficult stumbling point.

So instead, I think we will see what was sort of raised here which is continuing oversight, continuing focus but very little substance coming forward.

MS. CLARKE: Well, let us throw it out to the audience. We have got a few minutes for some questions. We will start right here, you, sir, right in the middle.

QUESTIONER: For the three ambassadors, I am hoping you can give us some thoughts on the role that Cuban policy towards Israel and policy towards East Asia may play with the three most well organized lobbying groups, ethnic-based lobbying groups — Asian Americans, Jews and Cubans — in the upcoming race. Of course, I am thinking here Hillary Clinton has traditionally has

somewhat of a problem with the Jewish lobby. John McCain has been known to make racial comments based on his negative experiences in Vietnam. I don't know if there is anything with the Cuban lobby, but there is clearly a big issue with Castro having almost passed away this last year. Could you make any comments as to whether or not you see this playing in the 2008 election for the presidency?

AMB. PASCUAL: I will take the Cuba part. I am also a Cuban American as well. Let me use this as advance billing. On April 2nd, right here on this stage, we will be having a conference, and one of the things that we are going to be doing is focusing attention on a poll which is being conducted by Florida International University on the attitudes of Cuban Americans on change within Cuba and how to deal with it.

One of the things that we are starting to see is that there has been, I think, a much more surprising shift of power from Fidel to Raoul than most people expected and actions that Raoul is starting to take on his own to some extent loosen up some of the vows of tension internally within Cuba because he knows he can't rule the way that Fidel did. He can't ask people to suffer another hardship for the revolution. He doesn't have that kind of charisma and power. So the question that it starts to raise is should we shift policy? Should we change policy?

You wouldn't have the same policy toward Brezhnev and Gorbachev, for example. Are we in a situation where we can help Raoul have his Gorbachev moment? If he is going to allow certain things to begin opening up, can that be pushed in a certain way to actually help it move forward?

What we are starting to see in the Cuban American community is a questioning of whether or not there should be, in fact, greater flexibility on remittances, on travel, on other forms of contact because those become necessary means in order to actually be able to promote change. I think that you will actually see a little bit more flexibility in the Cuban American community on approaches to our policy than you have seen in the past. Whether that has a significant impact on the politics of Florida and New Jersey is an interesting question.

MS. CLARKE: Amy, what do you think?

MS. WALTER: Okay, I will just put this in a broader context. We started off by talking about the fact that traditionally foreign policy and international issues tend to go into the background in a presidential campaign, and the bigger domestic issues dominate. I think in many ways, Iraq, for most voters, is about as much focus as they can make in terms of the bigger, broader approach on foreign policy and how that issue is going to dominate the election and take from every other issue.

I think your point is a valid one which may be more important in primaries and may be more important in terms of how the candidates are setting up because they are doing this all now as they are going out. They are raising money. They are establishing themselves within these different communities. How they go about talking about these issues to those groups which may not be ultimately a general election debate but for the fact that Fidel passes away between now and the election, it will come up. I think that is probably where we will see it debated.

MS. CLARKE: Do you want to tackle the rest of the question, Martin?

AMB. INDYK: I will be real quick. One, I can safely predict that all the candidates will have pro-Israel platforms.

MS. WALTER: Yay.

AMB. INDYK: I hope we will avoid the silliness of previous campaigns in which every candidate who came to New York, declared that they were going to move the embassy to Jerusalem, and then whoever became President never did. But, in essence, we can assume that there is not going to be much of a debate between the candidates about that basic pro-Israel approach.

Then the question is how do you posit? What does it mean to be pro-Israel? This President, President Bush, has argued that the best thing he can do for Israel was to disengage from making peace. That is, if you follow my earlier argument, no longer an option for the next President. I think what we have learned is that engaging in peacemaking is essential to American interests in the region. I believe that the bulk of the Jewish community believes that it is also in Israel's interests, but that is not the way that the leadership of the organized Jewish community conveys the message to candidates because it is turned into the question of engagement means pressure on Israel and pressure on Israel is a bad thing.

It is going to be up to the candidates, I think, to explain that engagement actually serves the interests of Israel as well as the United States and that disengagement has actually not helped Israel in terms of achieving the peace and security that is its ultimate aspiration.

MS. CLARKE: Thank you.

Any questions over here? Yes, you in the middle, sir.

QUESTIONER: Yes, I am Joel Wishengrad of World Media Reports/WMR News.

One of the aspects of what has gone on since 2001 has been a coalition, if you would, of the rogue states. It is not so much the states themselves but the extremists that have somewhat banded together. We have seen that in the western hemisphere, for instance, with Hugo Chavez. Now, how do you contain those groups, whether it be Hamas, Hezbollah, the radicals perhaps even in Indonesia? They have banded together.

What would the next President do to, if you would, restrain those particular groups and to get a dialogue going? We saw yesterday where Secretary Rice at the Congress mentioned there will be an Iraqi-style meeting to bring Syria and Iran into this particular discussion.

MS. CLARKE: I was surprised that we didn't get Hugo Chavez worked into this sooner. If you think about it, this panel, 5 or 10 years ago, Brookings would be talking about all the success in Latin America and, boy, look at how the tide has turned and how wonderful that is. Then now it looks like an area of great concern.

I will throw it open. Anybody want to tackle that one? Let us keep it to the rogue states in this area.

AMB. PASCUAL: On Hugo Chavez, I think we have to put it in the context of what has happened with globalization and countries that have benefited from it and countries that have not. Even within some countries, there are populations that have benefited and others that have not such as Brazil and Mexico. So I don't really so much think of this as a Hugo Chavez phenomenon.

He happens to be somebody who is a renegade who is willing to buck popular opinion, who has a tremendous amount of resources and appeal to those who feel like they are have-nots.

On the issue of not so much rogue states but I think what you are staying is really rogue entities, I very much am of the school that has been and others have been advocating that the thing we need to do is not actually talk about how these things have banded together but to break them apart. The more we understand the separate issues and grievances and individual environments. The better that we can actually come up with different kinds of strategies and approaches to deal with those kinds of issues, that might be relevant in a Middle East context or in an Indonesian context or a Pakistani context. The more that we talk about just one big global war on terror that implies that all of this is simply united together, the bigger that we make it seem and the harder it seems to in fact actually be able to overcome.

The President called for an increase of 90,000 in the State of the Union address. In fact, if we are really interested in dealing with this kind of problem, we would be looking at doubling the size of the Foreign Service so that we had more people on the ground across the world, able to understand these issues and to develop strategies that have some sensitivity to the local issues and cultures.

MS. CLARKE: All right, last question because Mike's head is exploding and we have to move on. You have to keep your answer to one or two words.

If you are asked back in 2016 for Brookings Opportunity 2016, what is the number one national security issue we will be facing?

Jeffrey, I am afraid I am going to start with you.

AMB. BADER: In 2016?

MS. CLARKE: 2016.

AMB. BADER: Good Lord, I hate to just straight-line. I guess that is so cheating. Look, we are in —

MS. CLARKE: One or two words, come on.

AMB. BADER: We are in a 10-year debate, 20-year debate over what China's rise means in terms of the economic competitiveness of the United States and whether China is going to be a security competitor of the United States. That is going to be the issue in 2016 even more than it is in 2008.

MS. CLARKE: Martin?

AMB. INDYK: How do we wean ourselves from addiction to Middle Eastern oil?

MS. CLARKE: That is depressing.

AMB. INDYK: Just like it is today.

AMB. PASCUAL: Changing the systems of global governance; we are going to start to realize that we are not always going to be the world's super power, and maybe we actually need to change the way the world is governed in a way that others and we participate in it more effectively and jointly together.

MS. CLARKE: Amy?

MS. WALTER: I like that one a lot because I think that addresses, for so many voters, the sense that they are feeling right now, whether it is about China or India or the Middle East. We talk about the word, exhaustion, so much, but that there has to be some way in which we fit in better with all of this rather than just being antagonist.

But if I had to go with the one, I would probably go back to it is probably the safest best that the Middle East will be topic number one.

MS. CLARKE: Thank you very much to our panelists.

I am going to throw this over to Mark McClellan.

You are allowed to stand up, stretch and quickly come back.

(Applause)

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