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OCTOBER 28-29, 2003 - WASHINGTON, D.C.
PANEL 1, IS AMERICA SAFER?**

**LOG: SB=Samuel R. Berger; ID-Ivo Daalder; CP=Clyde Prestowitz;
SR=Susan Rice; RR=Robert Rubin**

Samuel Berger is currently the Chairman of Stonebridge International, a strategy firm that serves business and clients around the world. He's had a long and distinguished career of public service most recently as National Security Advisor to President Clinton, and he will introduce the other panels and take it from here. Sandy.

SB: Thank you very much Dick. Thanks Dick and to Bob Kuttner, to Dick Leone, and John Podesta.

Congratulations for assembling really quite an extraordinary group of individuals for the next two days. This first panel is, "Is America Safer? The Bush Doctrine and National Security." I'll say a few words about that in a minute, but let me introduce my co-panelists.

At my right is one of the many Brookings contingent here. Ivo Daalder is a senior fellow in international security at Brookings. From 1995 to 1996 he served as

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Director for European Affairs on the NSC and has just completed a book that I think is going to be important for all of us, a co-author, called "America Unbound, the Bush Revolution in Foreign Policy". Ivo is a prodigious and thoughtful writer as we all know.

To my immediate right is Clyde Prestowitz. Clyde is the founder and President of the Economic Strategy Institute which over almost two decades now has had a substantial impact on economic policy thinking in Washington. He is the author of something which could only be described as an oxymoron -- a best selling foreign policy book called "Rogue Nation". Can I hold your book like Oprah? "Rogue Nation." There it is. Available in your bookstores. "American Unilateralism and the Failure of Good Intentions".

I first met Clyde when he served as a senior official in the Commerce Department in the Reagan Administration. To my left, that's inaptly, is Susan Rice. Also a senior fellow in foreign policy at Brookings. I diverted Susan from a meteoric career in McKenzie Company in 1992 to come help us in the

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Clinton transition from which she proceeded to become Senior Director of the National Security Council, Assistant Secretary of State for Africa and serve with great distinction in all those capacities.

On my far left, Bob Rubin. Bob helps run a bank in New York. He was a simple trader in the bond market and stock market and somehow rose from that humble beginning to be co-chair of Goldman Sachs for a substantial period of time. Let's be a little imprecise about the dates here. In 1993 -

BR: I could have stayed in New York and been ridiculed.

SB: I don't get this opportunity often, Bob, in front of large crowds. From 1993 both as the first national economic advisor to the President and then later with President Clinton and Larry Summers and the team he built. It is Bob Rubin who accumulated the six trillion dollar surplus that this administration has squandered. (Applause)

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You didn't let me get to the good one. Let me say a bit about the topic, the Bush Doctrine of National Security. What is the Bush Doctrine? Its many different formulations. It may not be a many splendored thing, but it is a many layered thing. I think it is useful at the outset to disaggregate it before we try to deal with it.

It is a radical shift in the nature of American foreign policy as Ted Sorensen and General Clark have made clear. Now certainly it has been shaped by perhaps the most stunning external reality of our time and that is the attack on us on 9-11. At that moment America lost the sense of invulnerability that we had felt for most of our history. We were blessed by being a bountiful continental nation. Oceans on both sides.

Relatively friendly neighbors. Suddenly on 9-11 we knew that even Manhattan was not an island. So that is a fundamental change which would have taken place which had to be dealt with no matter who was President. It represents it seems to me the first

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layer of the Bush Doctrine and that is that from that point on the central strategic priority of American foreign policy is the war on terrorism.

I think that would have been true had there been a President Gore or some other President. The second element really derives from the first. That is I think equally justifiable. As President Bush has said, our highest priority is to keep the most deadly weapons out of the hands of the most dangerous regimes and the most dangerous people, to focus on proliferation.

The advent of a new stateless terrorism with global reach changed the classic deterrence model that had applied over 200 years in a state context. Whether or not we can deter a North Korea from using nuclear weapons on the south, it's hard to deter suicidal terrorists. I would say so far so good.

Then the President both in principle and practice extended his doctrine in several ways that I think have been both controversial and wrong-headed. First,

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he extended the war on terrorism to include an axis of evil nations— Iraq, North Korea and Iran — who could supply weapons of mass destruction to terror groups. That with respect to such countries he declared that we must be prepared to strike first even before the threat is imminent.

Based upon their ostensible capabilities -- ostensible is a more meaningful word today and propensities -- because uncertainty became a reason for action not a reason for prudence. He said that what we didn't know could hurt us. In a sense he fundamentally rejected the doctrine of deterrence which had been the cornerstone of national security for the last fifty years.

This poor Bush Doctrine says that we will seek to prevent — essentially it says — we will seek to prevent a second 9-11 not only by aggressively pursuing individual terrorists and by issuing ultimatum to state sponsors of terrorism that they give up weapons of mass destruction programs or face the possibility of U.S.-sponsored regimes.

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Now on this last point the Democlean sword of the axis of evil we are beginning to see some softening from Bush administration as they come across the realities of the world and as they belatedly, perhaps too belatedly (to make up a word), come to recognize that ultimatum with North Korea unlikely to produce anything other than confrontation.

There are also I think some corollaries I think to the core Bush Doctrine which are equally important to recognize. Coalitions I think in their view are more useful instruments with which to deal with the world than alliances. We've heard Don Rumsfeld say that the purpose drives the coalition. The coalition doesn't drive the purpose. That's fundamentally antithetical to the notion of enduring alliances which help set common threat perceptions and which require continuing tending.

A second corollary I think to the Bush Doctrine has been that international support generally is useful but basically will fall behind us if we exercise our

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power. Something we have discovered to be not true. The third corollary I believe of the Bush Doctrine is that military power is the dominant instrument of advancing our national interests in the world. And related to that that the exercise of non-military forms of power, so-called soft power, diplomacy, persuasion, leadership across the broad range of common concerns of mankind, is peripheral, not central.

Perhaps related to Presidential travel but not to fundamental national interest. Now I've stated the Bush Doctrine in what I consider its purist form. As I noted, in some cases reality has begun to crackle at the edges, and the panelists undoubtedly will amplify. But let me simply say that the mess that we are in today in Iraq in my judgment is not simply to product of bad decisions. But it is the inexorable consequence of this accumulated set of ideological principles that I just articulated.

This set of presumptions that have been proven almost completely wrong. Let's be clear, notwithstanding the

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number of schools that we have built or hospitals that we have painted, what we're involved in today in Iraq is a classic guerilla war, and in a classic guerilla war most of the country often does look fine because the guerillas choose the time and place of the conflict.

So I am not much comforted by the number of pagodas that we have built in Iraq last week. The fact of the matter is we're engaged in a classic guerilla war. One might call it the Iraq War II, Chapter Two. The sooner that we end the denial and delusion that we're operating under with respect to this reality the better.

Now the purpose of this panel and this conference is not only to critique but it is to look forward and to try to answer and address at least some of the difficult questions we face going forward. I hope our panelists will do that. Our next panel that Dick Holbrook will chair will talk more specifically about winning the peace in Iraq and Afghanistan.

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But let me lay out a few of the questions that I think the critiques of the Bush Doctrine must answer if not today than going forward. If the doctrine of preemption is not wrong, is not a unsuitable counter-proliferation strategy in and of itself what is the alternative for dealing with states that are intent upon going nuclear beyond the past policy of export controls, job owning, diplomacy, unilateral sanctions and a flawed an inadequate non-proliferation treaty. I think we have to develop our answer to that question.

If we make -- if we're serious about -- if we make a serious offer to Kim Jong Il in North Korea, question number two, and he refuses that, is he is determined to develop a nuclear factory in North Korea, what are our alternatives? Three. How important is it for America to be admired as well as respected in the world today and what will that involve.

Four. How do we lead so that others will follow-- others will follow us to advance our interests? Finally, how do we meet the increased demands on our

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resources abroad within our overall resources as a nation? What are the choices we need to make? I hope that these and other questions will be stimulated by the panel and by your questions that come thereafter. Let me turn over first to Ivo Daalder.

IV: Thank you Sandy. Thank you all for coming, for the invitation to speak to you. I'm gonna talk about the issue of preemption in the five or so minutes allotted to me and the question of how in the world we live in one can forge a framework for making the possible use, preemptive use, of military force more legitimate than the current administration has succeeded.

As Sandy said at the outset, we now live in a world in which terrorists and tyrants my join forces to develop and use technologies of mass destruction to inflict grievous harm against the United States, it's friends and its allies and interests anywhere around the globe. And more worrisome they can do so in little more than a moment's notice.

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9-11 raised the pressing question of how we should respond to this kind of threat, and the Bush Administration's answer has been the doctrine of preemption. Given the havoc that a terrorist attack with nuclear or other weapons of mass destruction would surely inflict preempting such an attack is unquestionably desirable, and the United States like many other countries has left open the possibility of using our military forces preemptively in the past.

What is different in this administration is that it has gone further by turning a useful tool of last resort into a guiding doctrine of American foreign policy. It is a radical departure of past practice. Remember that in the years past other presidents have faced the possibility and the question of whether or not to launch a war against a country that was acquiring nuclear weapons. We had the Soviet Union in the late 1940's, Cuba in 1962 or against China in 1964. At each instance presidents confronted with that choice decided not to engage in preemptive or in this case preventive war.

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In 2003 George W. Bush chose very differently, and he did so on the basis of evidence that was far more flimsy than existed in these earlier cases. The preemption doctrine that the administration has enunciated over a year ago suffers from serious flaws. Most importantly it is probably self-defeating. Once you put a country on notice that Washington will preempt their acquisition of nuclear or other weapons of mass destruction, that country will have every incentive to speed up the development and acquisition of precisely those capabilities.

That of course is surely one reason why countries like North Korea and Iran have in recent years accelerated their nuclear program. Once you make people part of an axis of evil they are likely to behave in exactly the way that we predict, but do so before we can do anything about it. More importantly, or equally importantly, if taken seriously by others the doctrine of preemption will exacerbate the security dilemma that exists among hostile states by raising among them the incentive to initiate military force before others do.

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The result is to undermine whatever stability may exist in a military standoff between adversaries. Take the very real case of India and Pakistan. Both nuclear powers with longstanding territorial and other grievances. Suppose tensions were to rise as indeed in the past they have done with some frequency. Islamabad fearing that New Delhi might try to preempt its quite vulnerable nuclear capabilities will have a powerful incentive to strike first. India, knowing this to be the case, will have an equally powerful incentive to strike before Pakistan can.

Given this dynamic the use of force, the use of deadly nuclear force, could in fact become an issue of first resort rather than last resort undermining whatever time and ability might one have—one might have to influence the course of events diplomatically.

The case of India and Pakistan point to another grave danger of publicly promulgating a doctrine of preemption which is that other states are likely to embrace it too as Russia has done with regard to

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Georgia and indeed as India did on the very day that the national security strategy promulgated the doctrine was published when it said if the United States has the right for preemption than surely so do we.

But as Henry Kissinger has argued, and I quote, "it cannot be either in the American national interest or the world's interest to develop principles that grant every nation an unfettered right of preemption against its own definition of threats to its security". Yet for all the flaws that this doctrine has there is no doubt that the need for preemptive military force has increased in recent years, not decreased.

Just consider that the last three wars this country, the United States, has engaged in were fought for reasons triggered by developments internal to states. In Kosovo it was a gross violation of human rights. In Afghanistan it was the harboring of terrorists. And in Iraq it was the development of weapons of mass destruction. Yet our international norms, the rules that have governed the use of force for well over a

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half century are all based on regulating the external behavior of states not their internal behavior.

Article 51 of the U.N. Charter enshrines the right of collective self-defense and individual self-defense while other uses of force are dealt with—are justified only when there are threats to or breaches of international peace and security. All of these are based on the concept of inter not intra state conflict.

So the challenge before us of the international community right now and for the United States as one of its leading members is to forge a new consensus on the use of force that deals with the threats and challenges stemming from behavior internal to the states. How in such instances we have to ask is the use of force to be legitimized. Relying on the U.N. Security Council for approval is quite unsatisfactory as the different cases of Kosovo and Iraq have demonstrated.

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Dick Cheney surely isn't the only one to wonder why international legitimacy for using force requires the ascent of such disparate countries as China, Russia, Britain and France. Yet at the same time a unilateral decision to launch a war against another country, even if in the name of enforcing the will of the international community, is equally unsatisfactory as the case of Iraq showed.

So a different basis of legitimacy, one that is neither unilateral nor necessarily U.N.-based will have to be developed. Finding this new basis will take intensive effort and much discussion. First with our allies in Europe and elsewhere and ultimately with major nations across the globe. An international discussion must be started with great urgency.

Kofi Annan (ph.) has appointed an international panel of experts to examine this question already. But Washington should commence and we all should commence a discussion of our own aimed at finding answers to such important questions as under what circumstances is the use of preemptive force to be justified? Who

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must be involved in determining the existence of these circumstances? Who should decide that the use of force in these instances is in fact justified? And who must participate not only in the decision but in its implementation?

An international dialog at finding appropriate answers underscores that the question of preemption is not primarily one of now or never but more of when, how and by whom.

SB: Thank you Ivo. Clyde.

CP: Sandy, thank you very much. Thank you very much. My theme in "Rogue Nation" and in the speeches I've been making around the country and around the world is essentially that the United States is not in fact a rogue nation. It's well intended. But that unilateralism is undermining the power and effect of our good intentions. In fact, actually the guy who made my argument best was candidate George W. Bush.

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You may remember in — I forget which debate it was but one of the debates — he made this very interesting statement. "If we are a humble nation they will respect us. If we are arrogant they will react against us". Absolutely right. Powerful as we are as a country in an age of globalization, in an age of interdependence driven by technologically-driven shrinkage of time and distance, we cannot achieve our own objectives, we cannot maximize our own security, and we cannot maximize our own economic growth and welfare without friends, without allies, without people who are willing to cooperate with us.

The cost of unilateralism is enormous not just in terms of international security, not just in terms of lives, but also in terms of economic growth, in terms of treasure, in terms of the soft power that has been the hallmark of American influence in the world. I was struck last week when President Bush made his tour of Asia going out to the APEC leaders meeting in Bangkok and then on to Australia. What struck me was the contrast between the President's trip and that of President of China, Hugen Tao.

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You remember that at the beginning of this administration a comment was made that China is not a strategic partner of the United States. It's a strategic competitor. Now actually one of the silver linings of 9-11 has been that that attitude seems to have changed at least for the moment. But what struck me about last week was the extent to which China has assumed the American role.

Bush went out and stopped for two hours in each of the capitals along the way, isolated from the public. Talked narrowly about security, about terrorism, pushed an American agenda focused on the war on terror. Hugen Tao went out and talked about we want to invest in you. Let's do free trade. In fact I was really struck by the fact that APEC was an American creation, the idea of which was to create a Pacific Economic Community with the United States in.

What seems to be happening is that China is negotiating free trade arrangements with the Asian countries, with others in Asia, offering investment,

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offering its market and creating essentially a Pacific Economic Community with the United States out.

Australia I thought was very telling. The President has to be distanced from hecklers in the Australian Parliament and stopped only in Canberra and then quickly got out.

Hugen Tao made the grand tour warmly received. So this juxtaposition shows the hard to quantify but very real costs of American unilateralism just from an economic point of view. If we go beyond that the irony it seems to me is that while unilateralism is based on the notion of shock and awe and that we will through our great power impose a system of democracy and freedom and open markets, the irony is that the exercise of this shock and awe actually shows the limits of this power.

Does the world think the United States is more powerful today than it thought we were a year ago or two years ago? No. It's clear now that the limits of American military power are much stricter than we thought they are. It's clearer now that the ability

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of the United States to rally the international community to pull in behind it support for its economic objectives and for its political objectives is less than was thought a year or two ago.

So the great irony is that if you ask yourself this question are we safer today than we were two years ago the answer has to be no. Thank you.

SB: Susan.

SR: Thank you Sandy. Part of the reason we're less safe, as Clyde said, is that we are leading in a poor and selfish way. We're failing to respect the legitimate interests of others. In the short time I have I'd like to touch on three points. First of all very briefly, how did we get here? Secondly, where do we go? Thirdly, to focus on a specific aspect of the need to change, which is to deal more effectively with the problem imposed by failed states.

How did we get here? Well, we all know that this administration acts as if we are the only country in

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the world with national interests. We've managed to aggravate, even alienate, large swaths of the globe by our arrogance, our unilateralism and our lack of interest in those things that concern them. We've rejected treaties. We've undermined institutions. We've broken lots of crockery on Iraq.

But I think very fundamentally we've ignored the concerns of the vast majority of people on this planet whether poverty, disease, conflict or lack of democracy and respect for human rights. We've also followed a consistent pattern of raising expectations and making promises but leaving them unfulfilled whether we're talking about immigration reform for Mexico, peace keepers for Liberia or full funding for HIV/AIDS.

So we've come across as a self-interested hegemony rather than a global leader for the common good. This obviously undermines our moral leadership and weakens our ability to gain support for our legitimate objectives. So how do we change this? Where do we go? Well, first of all a very simple but radical

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notion. That perhaps we ought to care what other people and what other nations think.

Perhaps we ought to listen and consult and even once in a while heed their advice. Perhaps we ought to try to fix rather than blow up problematic treaties or institutions and lead with enlightened self-interest recognizing that we win when others win and we lose when others lose. Our security is ultimately threatened when half the world's population lives on less than two dollars a day.

So out of self-interest if nothing else we ought to view it as our fight, not just the developing world's, to close the gaps between rich and poor. It should be our fight to educate the uneducated, help educate and train and employ jobless youth, prevent and treat infectious diseases, open our markets fully to goods and services from the developing world, end agricultural subsidies, deal seriously with conflict and help to rehabilitate failed states.

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If we don't take seriously the threats that other people face they're not going to want to join with us when our vital interests are at stake. So let me just focus on one aspect of what I mean by enlightened self-interest. We need to be serious about the challenge of rehabilitating failed states. Failed states pose a significant threat to our own security, not just to the people who live in them.

Now by failed states I mean countries where the central government doesn't exercise effective control over parts of its territory or is able to deliver vital services to parts of its territory perhaps due to conflict, poor governance or state collapse. Places like Afghanistan, Somalia, Liberia, Sudan, Pakistan and potentially Iraq.

These places can serve as safe havens, recruiting grounds, staging bases, for terrorists. They often have precious minerals like diamonds or narcotics that can finance their activities. Terrorists are able to take advantage of these countries porous borders and

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weak institutions to move men, money and weapons around.

The administration acknowledges this problem, but it does nothing about it. The first page of the administration's national security strategy says, "America is now threatened less by conquering states than we are by failing ones". But there's absolutely no administration strategy for dealing with this problem. There are no resources directed to it. There's very selected and limited engagement in conflict resolution and prevention, and there is really nothing to do when it comes to nation-building in places beyond Iraq, and we can argue about Afghanistan.

So what do we need? We need a strategy that combines preventive action and innovative responses to the problems that failed states pose. There's no one size fits all solution to this, but there are perhaps some common elements of an invigorated strategy which if we pursue them could make a difference.

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First of all, improving our intelligence collection. You wouldn't believe how little we know about what's actually going on in parts of the world where states are prone to failure. We need to focus that collection and analysis on trans-national security threats. Second, we need to be more rather than less engaged in brokering and keeping the peace in failed states and not just places where the Christian right is concerned or where there may be nukes.

But everywhere around the world, all places at this stage given the trans-national nature of the threats we face have some degree of importance to the United States. Next we have to sustain nation building not only in Iraq but elsewhere. Places like Liberia and Congo we gotta invest seriously to do that. Next also we need to target aid, some trade benefits, even debt relief which can be used selectively to help spur long-term recovery in weak and failed states.

Finally, we even need to contemplate providing in certain circumstances targeted counter-terrorism assistance to failed states that may be in very

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dangerous neighborhoods. Successfully rehabilitating such states will not only demonstrate that we care about what goes on in other people's worlds and when their security is threatened, but it will pay direct security dividends for the United States and even conceivably over the long-term economic benefits if nothing else in the form of reduced humanitarian assistance but more meaningfully over the long-term with respect to trade and investment particularly as a number of these places are oil-rich and mineral-rich states.

So let me just wrap up and say obviously the challenges we face are tough, but as Clyde and others have said to the extent we can have strong partners working with us to face these challenges and secure our interests we will be more effective. But in order for countries to want to follow us and work with us and in order for us to protect our interests we need to lead differently. That means more justly, more openly and more generously.

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Obviously we can do it if we only have the will and the wisdom to change. Thank you. (Applause)

RR: Thank you Sandy. I was asked to comment briefly on two objectives in the economic arena. One, a strong American economy and secondly building a bit on Susan's comments with respect to combating global poverty. Let me start with the U.S. economy. We have enormous advantages. But if we're going to realize the potential that we have we have got to make sound policy choices, and if we make the wrong policy choices then that can lead to real difficulty.

With the limited time that we have I'm going to focus on only one issue and that is the unsound, wrong fiscal position of the United States government which is a serious threat to our economic well being. In January 2001 the Congressional Budget Office bipartisan projected a ten year surplus of 5.6 trillion dollars. Recently Goldman Sachs and Company projected a ten year deficit of roughly 5.5 trillion dollars. That is deterioration of roughly eleven trillion dollars which if you adjust for comparability

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of methodologies is nine trillion dollars, and that's the number to keep in mind - a nine trillion dollar deterioration.

The tax cuts in 2001 and 2003, assuming as their proponents argue, that the cuts scheduled to expire will instead be made permanent and including debt service account directly to one-third of that nine trillion dollar deterioration and account directly to over 50% of the deficit projected for the next ten years.

Furthermore, indirectly, the effect was even greater because those tax cuts at least in my judgment, undermine the fragile political consensus that had developed around fiscal discipline. The first thing you learn in introductory economics is that supply and demand determine price. The government's fiscal deficit is an important part of the demand for capital and therefore in determining interest rates as agreed by virtually all mainstream economists.

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More specifically, when the federal government borrows the pool of savings available for private investment shrinks and the price of that capital interest rates will rise. The deficits that matter however are not current deficits but rather expectations about future fiscal conditions since those are the conditions that are most relevant to the buyers of five and ten year bonds that are central to our economy and also to mortgage rates.

Thus, short-term deficits can under many circumstances be used in response to a strong economy. The problem is long-term structural deficits which is what we have now created in this country. The timing of the effect of projected long-term deficits though is complicated. When private demand for capital is sluggish, interest rates will be low and markets will focus very little on long-term fiscal conditions. That's been the case in the last three years.

Once private demand for capital becomes robust that will collide with the government's demand for capital to fund deficits. Markets at some point will focus on

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future fiscal conditions which in this case are substantial long-term deficits which will get worse as each year passes because of the increasing rate of retirement of the baby-boomer generation, and interest rates will rise substantially.

Moreover, the increase in interest rates can be even more severe if the markets begin to believe that we are in true fiscal disarray and that the government is likely to rely or may possibly rely on inflation rather than the restoration of fiscal discipline to deal with the problems that it has created.

In addition to the high likelihood that with substantial deficits we will have substantially higher and deeply threatening interest rates, as evidenced in the morass in the early 1990s, unsound fiscal conditions can become a symbol in peoples' minds, in the public mind, of a more general sense that we have lost control of economic policy and that can have a serious undermining effect on consumer confidence and business confidence which is exactly what happened in the early 1990's.

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Finally, unsound fiscal conditions greatly reduce the flexibility of our economy to respond to emergencies. For example, a strong fiscal position enabled us to deal with the tragic attack of 9-11 without risking a sharp increase in interest rates or a sharp adverse impact on our economy.

Furthermore, our long-term fiscal mess will increasingly reduce the ability of the United States government to respond to and deal with the issues that the American people want government to respond to and deal with including national security. Repairing this enormous damage and avoiding the tremendous threat that it poses to our future economic well-being and our national security will take increased revenues, discipline on expense and entitlement reform and in my view all of that will only be accomplished by our political leaders coming together in some sort of bipartisan process to take joint responsibility for the very difficult political decisions, decisions that are very difficult both politically and substantively that will have to be made.

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Let me make within my allotted time only two comments on the second issue, our imperative self-interest as Susan said, in combating global poverty. Firstly, aside from being a moral issue, although I think it is a very serious moral issue, in today's tightly knitted world problems of drugs, illegal immigration, trans-national environment problems, the spread of disease and much else, can reach the industrial countries far more readily than countries where poverty prevents these issues from being dealt with effectively.

An impoverished people as Susan suggested are more likely to feel alienated and to provide havens for terrorists and also for those who are seeking to foment political instabilities in countries that are of critical importance to us. Secondly, we spend roughly twelve one-hundredths of one percent of our GDP of our economy on foreign assistance in all forms in a world where as Susan said the World Bank has estimated that roughly 50% of the global population lives on less than two dollars a day and roughly 20% lives on less than a dollar a day.

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Even if as now proposed foreign assistance is increased, that still is only something like fourteen one-hundredths of one percent of GDP which is a small fraction of what our self-interests should lead us to do. In my judgment that is a priority that needs to be changed dramatically. The reconciliation between this imperative to far more substantially fund combating global poverty and my prior fiscal discussion lies number one in having sensible priorities and number two in having adequate revenues to meet our national security needs in the context of a sound fiscal regime.

The conclusion I draw from all of this is on the critical issues that I have mentioned today and on many others—our future economic well being and our future national security are heavily dependent on a dramatic change in policy direction. Thank you.

(Applause)

SB: Now I guess the bad news is that we're headed in the wrong direction and the worst news is we can't

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afford it. Let's now open this up to the floor to questions to individual panelists to all of us. I think you shout. Are there microphones? Ah, you shout and you get a microphone. Doesn't work in my house though.

I hope it works. It does work. Hi. I'm Carroll Bogart from Human Rights Watch. I've been heartened and a little almost amused at the proclamations of support from a few speakers this morning for the international criminal court. It may be that the Bush Administration's greatest contribution to international justice has been forcing the Democratic Party to accept the international criminal court.

I guess I want to probe the robustness of that support. Sandy Berger, perhaps you'd like to take a crack at that. (Laughter)

SB: Well I'm very proud of the fact that we signed the treaty for the international criminal court. As you know it was extraordinarily controversial. The fact of the matter is in my judgment the United States

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as the dominant power in the world is going to be often held to a higher standard, and there is the potential for politization of the criminal process.

So as we negotiated the—the treaty we tried to negotiate within the treaty and within the language of the treaty a number of safeguards which would deal with the concerns that military had and quite honestly the Senate had that American troops would not be dealt with in a harsher way than others simply because of resentment of American power around the world.

At the end of the Clinton administration we made the decision to sign the treaty, and that then was followed by many others signing the treaty. I'm glad the treaty has gone into effect. Now what you're referring to is we did not submit the treaty to the Senate for ratification. It would not have been ratified in this Senate. We felt that the better way to deal with it was to continue to work with the parties as a signatory but not necessarily as a member to continue to narrow some of the gaps that were of

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concern to those in the Senate and would have to ratify the treaty in the first place.

So again, I'm very proud and worked very hard myself to get the United States to sign the treaty. I think events perhaps in -- I think the premise of your question is a fair one. I think perhaps of events for the last two and a half years where we've seen an Administration that has not only said we have reservations about the treaty but has said we want to opt out of international law completely with respect to American conduct abroad, has been so horrified, so outrageous as to perhaps make one re-think whether the balance is in fact adequately struck in the current treaty.

FS: Thank you. Judith Kip for Council on Foreign Relations. I'd like to ask Sandy Berger and Bob Rubin in particular. It seems to me since the Second World War, institutions have been designed for the Cold War -- bilateral relations and alliance relations with a clear, bipolar world. Do you think that our national institutions, our financial institutions, the NSC, the

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Defense/State Department, the way we think in government about trans-national threats in a globalized world that we at home in this town inside the beltway need to reform.

The second part of that same question is the American people because of leadership are not so aware of what globalization means to them and 9-11 smacked us in the face with globalization. How do we reach out to the American people and bring them into the dialog that globalization is here to stay? What happens on the other side of the world matters to whether they're going to be able to buy shoes for the kids at the end of the month?

SB: I'll give you two quick answers and then let Bob answer. As to the second question, Judith, the great lost opportunity of 9-11, tragedy as it was, is whether or not the President rose adequately to the job of Commander-and-Chief he did not rise to the job of educator-and-chief. If there ever was a moment which said what happens out there in the world in

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places that you can't even pronounce directly and immediately affect your lives.

Where you go to school, where you live, where you work, where you're children are. It is 9-11, and that opportunity was lost by the President in my judgment and I think unfortunately true because 9-11 obviously is the ultimate perverse expression of globalization. As to your first question, I think it's also a fair question. That is how do you organize the institutions of government across all of these lines?

We tried in the beginning of the Clinton administration I think a rather successful experiment. I guess it was an experiment because it died after we left. But - and I think Bob did a marvelous job of creating something that never had been created before - bring all the economic institutions together. When Susan was talking as her first prescriptive point about intelligence being the first line of offense in thinking about trans-national threats the Vice President gets very little - Vice President Gore, excuse me, the previous Vice President - gets very

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little credit for something that he did which was to force the or encourage the intelligence community to look at the kinds of trends in the world that relate to failed states.

For the first time and with great excitement the intelligence community was looking at deforestation and water issues and other things which correlate highly with failed states. So I do think there are institutional changes needed. Bob.

RR: Yeah. Let me take the question in the order you asked them. On the first one, the question of whether we need to be organized somewhat differently. Your organization now has - the Council on Foreign Relations - has this geo-economic center. If I understand its underlying principle - it was basically that we are going to have to think differently in government about the unity. President Clinton talked about that in campaign actually, about foreign policy and economic policy coming together and having people trained to do that had having institutions and government across these lines.

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As Sandy said, I think we actually did a reasonably good job in our administration in crossing lines within a structure that wasn't designed for that purpose. But I think that the reform of that structure to more accurately reflect that reality would be useful.

On your second point, I remember President Clinton saying to me once that one of his greatest disappointments for the time he was in office was that he wasn't able to more effectively convey to the American people the great value of trade to their well being. I think it is a great challenge for all of us. I agree with something Sandy said. I think that 9-11 did create a different opportunity for our political leaders to do that.

It seems to me we're falling far short of what we could do in terms of using that opportunity to explain to the American people all of these dynamics in terms of how what happens to the rest of the world affects us. I happen to know that there's somebody trying to

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organize and group of foundations to begin a well funded public education campaign on this very issue, but so far they've not been successful raising the money.

But I do think our political leaders have an unusual moment in time to try to do that. I think the media could do a great deal more should they—should they choose to do it. I think it's imperative that it be done.

SB: Other questions. Gentleman over here.

MS: Hi. Jim Trial from the *New York Times Magazine*. Susan Rice said we need to be serious about the challenge of rehabilitating failed states. So this is a question for her as well as well as others. It sounds like the kind of open-ended potentially immense obligation which during the 2000 election Bush accused the Democrats of incurring. So I wonder does that entail just the kind of Islamic states like Pakistan that we fear will become havens for terrorists or African states as well?

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Does it involve just small African states like Sierra Leone or Liberia, or would it involve the Democratic Republic of Congo as well? Also, in the end, what do we mean by rehabilitating? How deep an obligation is that we'd be incurring?

SR: Well, it would be nice if we could pick and choose those failed states that may come back to bite us. But the fact is a number of them have and a number of them can. But this is not something we need to do by ourselves. The United States is not the only country that is affected by the threats these states pose and spawn. So there is I think a very critical role for other developed countries to play, for countries in the regions in which these states reside to play.

So in effect, yes, we have to talk about Africa, parts of Africa, not just Pakistan. But the United States doesn't have to pay the bill alone. We don't have to bear the peace keeping burden alone. We've done that unfortunately in Iraq, needlessly in large part by the

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way we've managed the problem. So we are proposing to spend in Iraq in a little more than a year double what we spend on the entire rest of the world with respect to foreign assistance.

That's arguably a bit out of whack. If we took a portion of that and recognized that first and foremost we have some preventive challenges -- the opportunity to try to deal with conflicts before they get far out of control. Secondly, that we have a diplomatic role to play once they have broken out. Need to be much more energetic about that in partnership with the U.N. and other countries.

Thirdly, when in fact the thing has gone over the edge there is a role for the United States in partnership with others through the United Nations and through regional organizations to lend a role in peace keeping and post-conflict reconstruction. But even in places like Liberia, where arguably the United States has the greatest historical ties and the world is looking to us, we needn't do that alone and we needn't do it even in spending more than 50% of the resources.

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We're spending virtually 80% or 90% in places like Iraq. We can do it for a lot less if we do our share and if we bring others along with us.

SB: Clyde. You want to say something?

CP: Yeah. I think we need to look at that question and maybe a little bit more broadly and also in terms of doing no harm. I was in Mexico two weeks ago and just happened to have a conversation with Ongo Gurilla (ph.), the former Mexican Finance Minister, who made this very interesting comment to me. He said you know there's another weapon of mass destruction that you Americans aren't paying attention to. It's just south of your border, and it's about to explode. He was of course talking about the situation in Latin America.

You think about Mexico which is critical to our national security. The Mexican economy is not succeeding. NAFTA, for all of the good that it has done, is not really answering Mexico's problems partly because we're not fulfilling the obligations of NAFTA

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ourselves and partly because NAFTA, while a good step forward was not a complete step forward.

We didn't do with Mexico what the EU for example did with Portugal and Spain when it brought them into the European Union. Let's take a look at Bolivia. We have a drug problem in the United States. We attempt to deal with it by stamping out the coca crop in Bolivia. This deprives Bolivian peasants of the only livelihood they've had for two or three thousand years. They then throw out the democratically-elected government and become a breeding ground potentially for drug terrorists and others as Bolivia fails as a state.

It would really help if we would deal with our drug problem honestly and sincerely domestically. That doesn't require aid. It doesn't require money. It just requires willpower.

SB: Bob. You want to add one word?

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RR: Jim, you phrased your question as obligation. I think I would have framed the question differently and said our self-interest.

SB: Next question. Yes.

MS: I just want to briefly follow up on globalization. I was recently asked to speak to a bunch of AU undergrads - American University undergrads - because they knew that I had served at Treasury under you, Mr. Secretary, and I believe that our trade policies were correct and I tried to defend them, but as a humble English major I was not as good. So to follow up on that question and the educating of the American people how especially in this democratic-elected year do we help educate our populist that our trade promotions - GATT, NAFTA and globalization is good for us when everybody is looking at the unemployment rate and the manufacturing job decline?

MS: I think it is going to be a very central issue at least rhetorically in next year's campaign. I think it is complicated. Unfortunately, trade is a very

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complicated issue because the dislocations are obvious and invisible and the benefits which I think overwhelmingly met out as a plus are diffuse and seldom recognize the benefits of trade. I think somehow or other we've got to find a way to far better educate the American people about what trade does. I think political leaders can do it if they would, but I think in an election year that's probably relatively unlikely.

Therefore I think other efforts need to be made, and I think there are some people who are trying to figure out how to get the funding for such an effort. Sandy, do have any comment?

SB: Well, the only comment I would make is that towards the end of the Clinton administration the President began and certainly has in many of the speeches he's given since to articulate better the -- both the bright side and the dark side of globalization. I think that for too long we worshipped at the altar of globalization.

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We all know it's inexorable. It's happening. But we also know that the burdens and benefits are not shared equally. That there are positive benefits of globalization that we need to cultivate, and there are bad effects of globalization including increased disparity that we have to deal with. I'm not sure that the globalization argument, the equity argument, can proceed detached from the trade argument as we go forward in the first decade of the 21st century.

MS: If I could just add to that quickly. I mean I think that American consumers instinctively know the value of trade because they soak up and revel in all kinds of important products. It's not too hard to demonstrate through the vast American public of consumers that they have a higher standard of living because they're able to get Toyotas and Sonys and what have you.

The real issue here in my view is one of displacement. Surely as Bob Rubin said, the winners outnumber the losers in globalization and in trade, but there are losers. The big fallacy in the United States has been

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that we neglect the losers because we tell ourselves that trade is a real win solution and thereby we neglect the displacement. The opposition to globalization comes from people who are losing their jobs.

The answer to that is to have a serious program of addressing the costs of displacement. Remember, President Bush imposed the steel tariffs on the steel industry, on steel imports, right after he was elected. That was an attempt to deal with the problem of lost jobs in the steel industry. It would have been easier and less expensive to the U.S. economy to simply buy out the steel industry. The market capitalization of the entire U.S. steel industry decline was about two billion dollars.

You could do that for two days of Iraq. Buy it out. Pay off the workers for the rest of their lives and you won't have any opposition to steel imports. That kind of an approach on a broader basis I think is the only thing that will convince the American public that globalization is truly a win/win proposition.

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SB: And who said this conference doesn't have new ideas. (Laughter) We have time for maybe one or two more questions.

MS: I have a question. I guess it's for Susan or maybe the other. How do we - our approach to Islam. Islamic evangelism is going to grow in Malaysia. It's already spreading in Indonesia. President Bush sort of showed how naive not only of himself but the American public is in his visit to Indonesian Bali with a group of Islamic moderates when he was confronted with the fact that there is a great amount of hostility in the Islamic world towards America.

Yet we don't really know how to approach it. We talk about a war, a religious war, which only serve to inflame these passions. Yet as a country we don't know really how to deal with or reach out to moderate Islamists. So it's a question that's very difficult. It's mixed up with terrorism, terrorism financing. So I'm just asking you what are some ideas as to what we

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can do to sort of tone down, reduce the heat and reach out to the 1.2 billion Islamic people in the world?

SR: I think there are many facets to this. I think we've gotta get beyond the simply rhetorical statements that we understand Islam to be a religion of peace and our seemingly wasted investments in some other useless public diplomacy. We actually have to put some substance behind that. It's not good enough for the President to go to a mosque once a year. We actually have to show through some of the steps I was talking about real concern for the issues that affect people all over the world and in particular people in the Muslim world.

They are in poverty. Half their youth are coming to adulthood without any job prospects. They live under often repressive regimes that we are viewed as coddling. Some of our policies are viewed as not being sufficiently balanced. Some of those things we can address through our leadership and through the nature of our investments in parts of the world and people overseas. I think that's part of it. But

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simply talking a good game when our credibility is so low is obviously not sufficient.

Let me just say one last thing. I was visited yesterday by the new ambassador of Senegal. Senegal is a moderate Muslim country in francophone West Africa that has long been a friend of the United States. He wants to know how can we get on the radar screen? How can we build a stronger relationship with the United States? How can we matter?

That is precisely the kind of country that given our history, given our relationships first we could learn something from. Secondly, if we could be seen to be partnering with them in a way that is beneficial, mutually beneficial, they can help us spread the word through our actions, not just our words, that we are interested in the circumstances and the fates of people all over the world including if not especially in the Muslim world.

SB: Final question. Yes.

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FS: Wall Street is giving obscene amounts of money to the Bush re-election campaign. Given the policies, economic and the foreign policies of the Bush administration as progressives how are we supposed to deal with the fact that they're doing this? They're in control of our money and so much of the world's wealth. How should we view this? Is this just outright greed?

MS: Very little of the contribution was mine, but...

FS: Well, they used to have a lot more of mine.

MS: But our chairman of our panel will respond to that since he was kind enough at the beginning to ridicule me I will now do

SB: There are two answers. Number one I don't think we have an adequate campaign finance system, and I hope that one of the things that we will talk about over the coming months - we're not going to do anything obviously about it in this cycle - but we're engaged and embarked upon something here that is more

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than involved and looks beyond the horizon of one election cycle.

I think we have a broken continuum not withstanding the legislation we have, we've passed. A broken way of financing our elections. To me, the way to buy back our democracy is to publicly finance campaigns. The cheapest investment we could possibly make.

(Applause) I think the second thing, however, is your own engagement because the fact of the matter is that the candidate and the party with the most money does not always win. It's not to say it is not an advantage.

Clearly it's an advantage. But it is not a guarantee. I think we have to look to ourselves individually and collectively and decide how intellectually, politically, in terms of financially and otherwise we can make a genuine commitment to change. I think this conference is a pretty good start. Thank you.

(Applause)

(END OF TAPE)